Succession Planning: Just Do It

Liz Dow 25 May 2011

Early in my career, I specialized in corporate CEO succession planning as a consultant with the Hay Group. We would begin the process by determining where an organization stood in its life cycle—emerging, maintaining or harvesting—as each stage requires a different type of leader with different skills and abilities. Once we knew the current phase of the organization's life cycle, we could create a model for the right type of leader to address the challenges of that phase. We assessed members of the senior management team to identify the internal candidate best suited to address those challenges. If no one matched the profile, we looked for outside candidates who did. That's what you do when you have an organization with deep pockets.

This article, however, is aimed at nonprofit organizations, whose depth typically lies more in their commitment to their mission than in their bank accounts. In this case, succession planning is a delicate dance between the board of directors and the CEO. The board has the duty of loyalty and the duty of care and, as the stewards of the mission, their loyalty is to the organization, not the person leading it. This means that they need to ensure that there is a strategic plan in place to guide the mission and operations. Additionally, the infrastructure must support the mission. The CEO's role is to drive the achievement of the mission within the constraints of the budget. If the CEO is not performing, the board is obligated to convey that message. If, following an opportunity to improve on past deficiencies, the CEO's performance remains sub-standard, the board may be forced to terminate the CEO. The CEO should have clear goals to achieve and should be reviewed annually against these goals. Failure to meet these goals should activate corrective action and may trigger the succession plan. This situation rarely happens slowly, so the board should be watching closely enough to see it coming.

A smart CEO will take the lead in succession planning, so that the related conversations are open, optimistic and mission-related. A smart CEO will be focused on legacy and taking steps to advance the institution. The CEO should have a vision for his or her contribution to the organization, and should share that vision. The aspect of the vision that relates to succession can be shared with the entire board when there is agreement and knowledge of when the CEO will leave. Recently, the Please Touch Museum and the Pennsylvania Horticultural Society boards were very effective at handling the succession of their extraordinary CEOs, Nancy Kolb and Jane Pepper, respectively. The former chose an internal successor and the latter chose an outside candidate. Both organizations had successful CEO transitions because their staff and board leaders were strong and exhibited foresight in collaborating on appropriate succession.

When the CEO has no specific plans to leave and is performing well, the succession plan can be in the form of a documented discussion with the Board Chairman or the Executive Committee. This should contain at least 3 components:

1. **List of key accountabilities of the job as well as key elements of success:** What does this CEO actually do day-to-day? What must happen in order to achieve the mission? What are the key "fit factors" necessary for success in the position (e.g., willing to form lateral partnerships, driven by achievement rather than power, possesses the required knowledge, connections, and the most effective leadership style (meaning collaborative, directive, inspiring)?
2. **List of potential successors** (internal or external): list names and positions of people who could be considered for the job.
3. **Vision statement:** a one-page statement of the organization's values and beliefs. What phrases describe the organization's brand identity? What does the organization stand for? What kinds of clients will it serve? What difference does it make? How is it unique?

If led proactively by the CEO, this can be a powerful and productive conversation. Getting out ahead of the board gives them the opportunity to reflect on the CEO's vision and discuss the future in a rational, collaborative, and positive tone. If the CEO prefers not to initiate the succession planning discussion but is performing well, the Board Chair or Executive Committee are well-advised to ask them to think it over and then talk it through in a documented conversation.

In the case of a resistant and/or non-performing CEO, the Board and the Governance/Nominating Chairs need to drive a process that provides an institutional safety-net and interim plan in case the CEO departs quickly, either voluntarily or involuntarily, drawing on the 3 steps described above.

One of the sticky subjects in succession is the noise around the concept of GenXers wanting Boomer leaders to retire. *Philadelphia Magazine*'s March 2011 cover story, *Just Die Already*, fanned the flames of this notion that younger leaders would like Boomers to step aside and turn over the reins. That's not going to happen for several reasons: 1) Boomers in leadership positions are generally very good at what they do; 2) no one stepped aside for them; and 3) most nonprofits give no pensions, so they can't afford to retire. While their friends are buying second homes in warm climates, they're wondering whether retirement will ever be a realistic option.

With that said, nonprofits wanting to ease transition from the current generation of leaders to the next should consider ways to provide more support to enable high-performing CEOs to afford retirement. In the meantime, these CEOs can spend more time cultivating the young rising stars, who tend to bring new and growth-oriented ideas to the organization. CEOs can identify fast-track performers and give them creative high-visibility assignments and the opportunity to connect with peers in other nonprofits around town. In return, these future CEOs have much to teach their more senior colleagues about social networking and serving GenX and Millenial clients. Everyone wins if the CEO and potential successors spend more time getting to know one another in a mutual mentorship that is productive for the long term health of the organization itself.

Lastly, while advance succession planning is theoretically the right thing to do, in some cases, a short-term interim operating plan may be the best you can do. While there may be others out there like Jane Golden, of the Mural Arts Program, Meryl Levitz, of the Greater Philadelphia Tourism Marketing Corporation or Paul Levy, of the Center City District, entrepreneurial CEOs like these icons are so extraordinary and rare that it may be best to simply wait until they decide to leave and only then address their succession head on. Armed with a vision and interim operating plan, a board can huddle to determine who's up next "just in time," as they do in manufacturing. In this economy, where terrific people are available and willing to accept a nonprofit salary, and there is a treasure trove of talent coming up through the ranks, there's no shortage of CEO replacements. The GenXers will get their well-deserved turn.

In an ideal world, the CEO and board can agree on the right time to rotate, the succession plan will outline the business challenges facing the successor, and internal and external candidates will be identified and measured against a model of the kind of person best suited to achieve the next phase of the organization's mission.

The bottom line is that succession planning need not be dramatic, sinister or cumbersome. Objective, structured and documented conversations between the CEO and Board Chair or Executive Committee can create a transparent, positive transition when everyone involved remembers that this is all about achieving the mission.