



The Standards for excellence

An Ethics & Accountability Program for the Nonprofit Sector

#6 – SUCCESSION PLANNING

Brought to you by the Pennsylvania Association of Nonprofit Organizations¹



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PREAMBLE

Pennsylvania's nonprofit sector serves the public interest and plays an essential role in our society and economy. Working constructively to strengthen communities across the Commonwealth, nonprofits enrich our lives in a variety of ways by creating a broad array of benefits to society in fields such as , religious, scientific, economic, health, cultural, civil rights, environment, and education.

Public investment and confidence drive the success of nonprofit organizations. Individuals, corporations, foundations, and federal, state, and local governments add value to the services that nonprofits provide by investing time, resources, and funds. Given their role in society many, including PANO, refer to nonprofit organizations as the Community Benefit Sector.

The Pennsylvania Association of Nonprofit Organizations (PANO) amplifies the impact of the Community Benefit Sector through advocacy, collaboration, learning and support. PANO aims to raise the level of accountability, transparency, and effectiveness of all nonprofit organizations to foster excellence and inspire trust. The Standards for Excellence code (Standards, or code) provides a framework and step-by-step guidelines to achieve a well-managed and responsibly- governed organization.

The code builds upon the legal foundations of nonprofit management, governance, and operations to embrace fundamental values such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and transparency. The code consists of six Guiding Principles covering 27 topic areas with specific performance benchmarks that characterize effective, ethical, and accountable organizations. The Institute helps the nonprofit sector operate in accordance with the Standards for Excellence code by providing educational resources, assistance, and a voluntary accreditation process.

PANO encourages all nonprofit organizations to adopt the Guiding Principles of the Standards for Excellence code. By implementing the performance benchmarks in the code, nonprofit organizations will meet the highest ethical standards for effective service in the public interest.

Primarily designed for 501 (c) 3 organizations, the code is applicable for 501 (c) 4's and 6's. These organizations depend on public support and want to be transparent. In the current code some limitations exist on lobbying and political activity for (c) 3's that do not apply to 4's and 6's.

STANDARDS FOR EXCELLENCE®

I. MISSION, STRATEGY and EVALUATION

Guiding Principle: Nonprofits are founded for the public good and operate to accomplish a stated purpose through specific program activities. A nonprofit should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission. Nonprofits have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose.

II. LEADERSHIP: BOARD, STAFF, and VOLUNTEERS

Guiding Principle: Nonprofits depend upon effective leadership to successfully enact their missions and programs. Effective leadership consists of a partnership between the board and management, each of which plays an essential role. Understanding and negotiating these shared and complex elements of leadership is essential to the organization's success. A nonprofit's employees and volunteers are fundamental to its ability to achieve its mission.

Board members are in a position of trust to ensure that resources are used to carry out the mission of the organization. An organization's board leadership should consist of volunteers who are committed to the mission

and who demonstrate an understanding of the community served. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission. For membership organizations, board members are directly responsible to the members.

Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.

III. LEGAL, COMPLIANCE, and ETHICS

Guiding Principle: Nonprofits enjoy the public's trust, and therefore must comply with a diverse array of legal and regulatory requirements.—Organizations should conduct periodic reviews to address regulatory and fiduciary concerns. One of a leadership's fundamental responsibilities is to ensure that the organization governs and operates in an ethical and legal manner. Fostering exemplary conduct is one of the most effective means of developing internal and external trust as well as preventing misconduct. Moreover, to honor the trust that the public has given them, Nonprofits have an obligation to go beyond legal requirements and embrace the highest ethical practices. Nonprofit board, staff, and volunteers must act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest. Ethics and compliance reinforce each other.

IV. FINANCE AND OPERATIONS

Guiding Principle: Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and nonfinancial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

V. RESOURCE DEVELOPMENT

Guiding Principle: The responsibility for resource development is shared by the board and staff. Nonprofit organizations depend on an array of sources of financial support. An organization's resource development program should be maintained on a foundation of truthfulness and responsible stewardship. Its resource development policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors, prospective donors, and others providing resources to the organization.

VI. PUBLIC AWARENESS, ENGAGEMENT, and ADVOCACY

Guiding Principle: Nonprofits should represent the interests of the people they serve through public education and public policy advocacy, as well as by encouraging board members, staff, volunteers, and stakeholders to participate in the public affairs of the community. When appropriate to advance the organization's mission, nonprofits should engage in promoting public participation in community affairs and elections. As such, they should communicate in an effective manner to educate, inform, and engage the public.

ABOUT PANO

PANO is the statewide membership organization serving and advancing the nonprofit sector through advocacy, collaboration, education and other services in order to improve the overall quality of life in Pennsylvania. PANO exists to support the incredible work of the nonprofit sector and highlight the critical role nonprofits serve. By coming together and recognizing our collective value, Pennsylvania communities and the power to do good will thrive.

PANO is licensed with the Standards for Excellence Institute to offer the Standards for Excellence Ethics and Accountability Program in Pennsylvania. The centerpiece of the program is the Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. Through the Institute, PANO also makes available to member organizations a comprehensive system of educational tools to enable individual nonprofit organizations to improve their governance and management practices. Standards for Excellence accreditation is available to individual organizations through a rigorous peer review process in Pennsylvania. For more information about joining PANO or to obtain additional copies of the booklet or educational resource packets visit our website at www.pano.org or contact PANO at 717-236-8584 or email Tish Mogan at tish@pano.org.

ABOUT THE STANDARDS FOR EXCELLENCE INSTITUTE

The Standards for Excellence Institute is a national initiative established to promote the highest standards of ethics and accountability in nonprofit governance, management and operations, and to facilitate adherence to those standards by all nonprofit organizations. The Institute uses as a vehicle the Standards for Excellence program, a system of nonprofit sector industry self-regulation originated by the Maryland Association of Nonprofit Organizations and currently replicated by licensed partners in Alabama, Central Virginia, Delaware, Eastern Tennessee, Ohio, Oklahoma and Pennsylvania. The program is also being offered to chapters of The Arc nationwide through The Arc of the United States, to the American Nurses Association, and to Catholic nonprofit organizations nationwide through the National Leadership Roundtable on Church Management.

Succession Planning

As the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* states:

SUCCESSION PLANNING AND LEADERSHIP DEVELOPMENT

The board, in partnership with the executive, should engage in coordinated succession planning and leadership development to ensure a thorough process for recruiting and developing new board, executive, staff, and volunteer leaders.

The numbers are staggering. Nonprofit organizations need to be prepared for leadership² transition in their ranks. A recent nation-wide study on nonprofit leadership showed that two-thirds of all executive directors expect to leave their positions within a five-year window.³ Nonprofit organizations that have been shielded, thus far, from transition in the executive director position may soon find themselves facing the issue head on.

Succession planning not only can ensure continuity and reliability during transitions of leadership at board, executive, and key staff levels, but also can strengthen an organization's current operations and structure. This educational resource packet provides an overview of types of succession planning, the importance of leadership development, key elements of succession plans and procedures, and tips on succession planning.

Staff Departure-Defined Succession Planning vs. Emergency Succession Planning⁴

Departure-defined succession planning occurs when a key leader identifies an exit date two to five years in advance of his or her departure. Departure-defined succession plans usually consists of specific, detailed steps for organizational leadership to take during a defined period leading up to the leader's departure. By contrast, emergency succession planning occurs when key organizational leadership leaves his or her post unexpectedly.

Regardless of the type of succession planning required, there are concrete steps that any nonprofit organization can take now to ensure a smooth and high-quality leadership transition.

² Nonprofit organizations use many different terms to describe their chief staff person. For the purposes of this Standards for Excellence educational resource packet, we will use the term CEO, Executive, and executive director interchangeably. Nonprofits should refer to their bylaws and position descriptions for the terms established for use in their own organization

³ *"Daring to Lead 2011: A National Study of Nonprofit Executive Leadership"* is available free at <http://www.daringtolead.org>.

⁴ While this educational resource packet focuses on the staff transitions for the position of the executive director or key staff leader in an organization, it is also important to consider succession planning for other key staff positions, such as the Chief Financial Officer, the Development Director, and the Program Director. Many of the same transition concerns and steps (documentation of work strategy for interim staffing, cross-training) should be in place for these key staff positions, but the supervision of these positions would be a staff person, rather than the board of directors.

In fact, we recommend that all nonprofits, regardless of their size, put into place a succession plan even before they hire their first executive director. The plan need not be extensive, but it should outline a general process for how the Board will address either planned or unplanned departures.

Preparing for Succession: Leadership Development

Nonprofit organizations should provide ongoing professional development and leadership training opportunities to staff. These opportunities could include leadership training, mentorships by more senior organizational leaders, providing employees with new and challenging responsibilities, etc. By growing leaders internally, nonprofit organizations can ensure that staff members are capable and prepared to manage the ongoing operations of the organization during a leadership transition. In addition, building internal leadership can strengthen the pool of internal candidates for the position that becomes available following a leadership transition. Nonprofit leaders should be cautioned to avoid making their entire succession plan dependent upon the organization's internal candidates stepping into the executive director position. Time and time again, nonprofits depend upon this strategy only to find that the pre-selected successor does not want to consider the position or ends up departing and becoming an executive director in another agency, prior to the carefully planned out succession that the board envisioned occurring so seamlessly.

The Bridgespan Group provides a useful resource for planning and implementing leadership development activities in their guide, "*Nonprofit Leadership Development: What's Your 'Plan A' for Growing Future Leaders*"

<http://www.bridgespan.org/MediaLibraries/Bridgespan/BridgespanMedia/Articles/Nonprofit%20Leadership%20Development/Nonprofit-Leadership-Development-Guide.pdf>

Developing Succession Plans and Procedures

As mentioned briefly above, the time to develop a succession plan is not upon the resignation or termination of your organization's leadership. Develop a plan now and have it firmly in place before the need arises.

Nonprofit organizations should take the following steps into consideration when developing a formal succession plan:

1) Identify Roles and Responsibilities. Nonprofits should determine who within the organization is responsible for managing the transition process, as well as the roles and responsibilities of each involved party.

For guidance on the board's role in executive leadership transition, see Maryland Nonprofits' "*The Role of the Board in Executive Transition*"

<http://www.mdnonprofit.org/sc/feature-articles/painless-budgeting-for-the-new-year/14-feature-articles/27-the-role-of-the-board-in-an-executive-transition>

2) Conduct an Organizational Assessment. Organizational leadership should review the organization's strategy, strengths and weaknesses, and projected challenges and opportunities to frame conversations around leadership current needs. Remember to keep in mind that your needs may have shifted since you hired your last executive director. Conducting an assessment will allow the search team to understand the type of leader the organization needs, as well as areas which require particular attention during a transition (for example, when the individual leaving plays a significant role in resource development, administration of a particular program, etc.).

3) Review Financial Resources and Funding Strategies. The leadership transition team should review the organization's financial position and strategies to determine whether adjustments are needed in preparation for the leadership transition (for instance, whether the organization will need to build new relationships between internal staff and funders, or explore new sources of revenue).

4) Ensure that Organizational Knowledge is Accessible. The departing leader should ensure that his or her organizational knowledge (including, relationships with partners and funders, the status of ongoing projects, etc.) is readily accessible to staff members and new leadership. Interim directors (see discussion below) should keep detailed records of changes that have occurred since the departure of the previous leader.

5) Develop a Communications Plan. The leadership transition team should determine how they will communicate to external audiences about the leadership transition, as well as whom they will inform and at which stages. For more information on this topic, please see the Standards for Excellence educational resource packet on Communications, Engaging the Public and Social Media.

For examples, see the Sample Succession Plans section of the Selected Resources provided below.

Hiring a New Executive Director

Identify an Interim Director. Interim leadership is key to effective succession, especially in cases of emergency leadership transitions. The organization should determine in advance how it will select and onboard an interim director in the event of a departure-defined or emergency succession. Do not rely on the board chair to fill this role. He or she will be consumed with details of the transition and eventual succession. The Bridgespan Group provides a useful resource on identifying interim leadership, "*Interim Leadership: Looking Beyond the Executive Director*" <http://www.bridgespan.org/getattachment/03d9fc6b-fb2c-4c90-b7ad-3a54f1725db4/Interim-Leadership-Looking-Beyond-ED.aspx>

Identify, Evaluate, and Select Candidates. Organizations need to create well-defined plans for hiring executive leadership during both departure-defined and emergency transitions. Executive leadership and the board of directors should develop a formal process for evaluating internal and external candidates before the candidate selection process begins.

The process should include clear standards for:

- position descriptions
- selection criteria
- roles of senior leadership and board members
- external resources to be used (such as, executive directors from non-competing organizations)

Western Michigan University provides a useful sample hiring checklist for internal and external candidates: <http://www.wmich.edu/hr/assets/pdf/hiringchecklist.pdf>. In addition, Montana State University Billings provides a helpful reference on the advantages and disadvantages of internal and external recruiting in “*Pros and Cons of Internal and External Recruiting*” <http://www.msubillings.edu/BusinessFaculty/larsen/MGMT321/Recruiting%20-%20internal%20v%20external%20hiring.pdf>

For more information on hiring internal and external candidates, see the Selected Resources section below.

Succession Planning for Board Leadership

Not only do nonprofit organizations need to prepare for transitions and succession planning in the executive director position, but in our world of term-limited boards, we also must be ready for succession planning for board leadership on a more frequent basis.

The board should ensure that it has a plan to fill key board leadership positions in the case of both planned and unplanned departures of officers of the board and committee leaders, to name a few. The mark of an exceptional leader is that his/her undertakings thrive and do not lose momentum or collapse in his or her absence. If you want competent people to be willing to step forward to take on leadership roles and continue efforts and initiatives, sitting board leaders need to think about succession well before they plan to leave their posts.

As your organization maintains an executive succession plan at all times, so too should your board. This holds true for committee chairs, project leaders, four-term board presidents, and also for board members who do their work behind the scenes. Organizations can get the right people to step into leadership roles if they are set up to succeed.

Executive directors and boards of directors face unique challenges when transitioning board members. To strengthen the board succession process, nonprofit organizations should make sure that:

- the work of board members is well documented – both through meeting minutes and through a written job description for board members in general and the board officers.
- they clearly identify the qualities and talents of ideal board members (such as, what skills and leadership traits are required for a position on the board finance, program or fundraising committee?) Look beyond developing the standard board matrix that qualifies potential members based on their professional abilities. Identify personal qualities that are important to your board such as integrity, curiosity, and commitment, for example.

- they continuously focus on how to attract high-quality board members (for example, conducting the board member search across diverse communities, capitalizing on the organization’s exceptional culture or reputation, etc.).
- they start looking for and cultivating leadership before it is needed.

In addition, nonprofit organizations should clarify the roles and responsibilities of board members and other senior leadership in board succession planning. Nonprofits should formalize the position(s) or board committee responsible for:

- leading succession planning;
- identifying potential board members; and
- interviewing, evaluating and selecting candidates.

The organization also should have a process for electing board members, which should be formalized in the organization’s bylaws.

The Annie E. Casey Foundation provides a guide to board engagement in succession planning for leadership transitions of both executive directors and board members:

<http://www.aecf.org/upload/PublicationFiles/staying%20engaged,%20stepping%20up.pdf>

The River Network provides a checklist and template for use in board succession planning entitled: <http://www.rivernetwork.org/sites/default/files/SuccessionPlan.pdf>

Also see other Standards for Excellence educational resource packets on board related topics for more information.

A special Board Room Quick Tip on this subject is provided as an attachment to this educational resource packet.

Selected Resources

General Succession Planning Overviews

“*A Chief Executive Succession Planning Checklist*,” BoardSource

http://www.nonprofitalliance.org/system/res/10/original/A_CHIEF_EXECUTIVE_SUCESSION_PLANNING_CHECKLIST.pdf

“*Building Leaderful Organizations*,” Annie E. Casey Foundation

<http://www.aecf.org/~media/Pubs/Other/B/BuildingLeaderfulOrganizationsSuccessionPlann/Building%20Leaderful%20Organizations.pdf>

“*Departure-Defined Succession Planning: The Seven Essential Elements for a Successful CEO Transition*,” CompassPoint Nonprofit Services

http://www.compasspoint.org/sites/default/files/docs/research/Departure-Defined%20Sccession%20planning%20-%20final_0.pdf

“*Nonprofit Executive Succession-Planning Toolkit*,” Federal Reserve Bank of Kansas City

<http://www.kansascityfed.org/publicat/community/Nonprofit-Executive-Succession-Planning-Toolkit.pdf>

“*Sustaining Great Leadership: Succession Planning for Nonprofit Organizations*,” by Tom Adams

http://firstnonprofit.org/images/uploads/pdf/Succession_Planning.pdf

“*The Board’s Role in Succession Planning*,” Theatre Communications Group, Inc.

http://www.tcg.org/pdfs/publications/centerpiece/centerpiece_0603.pdf

“*Executive Succession Planning Guide*,” Community Action Partnership

http://www.communityactionpartnership.com/index.php?option=com_content&task=view&id=107

“*Executive Succession Planning*,” Community Action Partnership

http://www.communityactionpartnership.com/index.php?option=com_content&task=view&id=31&Itemid=237#TOOLKITS

Sample Succession Plans

“*Emergency Succession Plan*,” Executive Transitions

http://www.compasspoint.org/sites/default/files/docs/520_emergencysuccessionplanmo.pdf

“*Sample Succession Plan*,” Association of Baltimore Area Grantmakers

http://www.arts.texas.gov/wp-content/uploads/2012/05/sample_succession_plan.pdf

Recruiting and Hiring Employees

“*Considering and Evaluating Internal Candidates for Senior-Level Nonprofit Positions*,” The Bridgespan Group

<http://www.bridgespan.org/Publications-and-Tools/Hiring-Nonprofit-Leaders/HiringTools/Considering-Evaluating-Internal-Candidates.aspx#.Ugj7X9IqbDs>

“*Exit Agreement for Nonprofit CEOs: A Guide for Boards and Executives*,” Tom Adams, Melanie Herman, and Tim Wolfred, Nonprofit Quarterly Fall/Winter 2013

<https://nonprofitquarterly.org/governancevoice/23315-exit-agreements-for-nonprofit-ceos-a-guide-for-boards-and-executives.html>

“*Hiring a Director for a Nonprofit Agency: A Step-by-Step Guide*,” Kurt J. Jenne and Margaret Henderson

<http://sogpubs.unc.edu/electronicversions/pg/pgsum00/article4.pdf>

“*Template Guidelines: Identify and Select High-Potential Employees*,” CPS HR Consulting

<http://www.cps.ca.gov/workforceplanning/documents/SuccessionPlanningTemplates.doc>

“The Hiring Process: Recruiting, Interviewing, and Selecting the Best Employees,” Purdue University Extension

<http://www.ppp.purdue.edu/Pubs/ppp-69.pdf>

Attachments

Attachment A: Leadership Development and Succession Plan

Source: Standards for Excellence Institute, Baltimore Maryland

Attachment B: Board Room Quick Tip, Is Your Bull Pen Full?

Source: Standards for Excellence Institute, Baltimore Maryland

Attachment A

LEADERSHIP DEVELOPMENT AND SUCCESSION PLAN

Sample

Nonprofit Organization

1. Rationale

The executive director position in a nonprofit organization is a central element in the organization's success. Therefore, ensuring that the functions of the executive director are well-understood and even shared among senior staff and volunteer leaders is important for safe guarding the organization against unplanned and unexpected change. This kind of risk management is equally helpful in facilitating a smooth leadership transition when it is predictable and planned.

This document outlines a leadership development and succession plan for the NONPROFIT ORGANIZATION. The purpose of this plan is to ensure that the organization's leadership has adequate information and a strategy to effectively manage NONPROFIT ORGANIZATION in the event the executive director is unable to fulfill his/her duties or announces his/her departure.

2. Succession Plan Implementation

The Board of Directors authorizes the Board Chair to implement the terms of this succession plan in the event of a planned or unplanned temporary or short-term executive director absence.

- It is the responsibility of the executive director to inform the Board of Directors of a planned temporary or short-term absence, and to plan accordingly.
- As soon as feasible, following notification by the Executive Director's temporary or short-term absence or departure, the Board Chair shall convene an Executive Committee meeting to affirm the procedures prescribed in this plan, or to modify them if needed.

3. Priority Functions of the executive director at NONPROFIT ORGANIZATION

The full executive director position description is attached to this plan.

Among the duties listed in the position description, the following are considered to be the key functions of the executive director and have a corresponding temporary staffing strategy.

| Key Executive Director Functions | Temporary Staffing Strategy |
|---|--|
| Leadership and Vision | Board Chair with [Staff member title] |
| Board Administration and Support | [Staff member title] |
| Program Management | [Staff member title] |
| Financial Management | Chief Financial Officer; Treasurer |
| Human Resource Management | Director, Human Resources |
| Funder Relations | [Staff member title] |
| Community and Public Relations | [Staff member title] with Board Chair and his/her designee |
| Spokesperson | Board Chair or his/her Designee |

The positions assigned in the Temporary Staffing Strategy are based on NONPROFIT ORGANIZATION's organization structure as of [Date plan adopted]. In the event this plan is implemented and assigned positions are vacant or no longer available, the Board Chair shall select other senior staff to support each of the key Executive Director functions.

4. Succession plan in the event of a temporary, planned or unplanned absence - Short-Term

a. Definitions

- A temporary or short term *absence* is one in which it is expected that the executive director will return once the events precipitating the absence are resolved.
- An *unplanned absence* is one that arises unexpectedly, in contrast to a *planned leave* such as vacation or a sabbatical.
- A *temporary absence* is 30 days or less.
- A *short-term absence* is between 30 and 90 days.

b. Temporary Staffing Strategy

- For *temporary* planned or unplanned absences of 30 days or less, the Temporary Staffing Strategy described above may become effective.
- In the event of a *short-term* planned or unplanned absence, the Executive Committee shall determine if the Temporary Staffing Strategy is sufficient for this period of time.

c. Appointing an Acting Executive Director

Based on the anticipated duration of the absence, the anticipated return date, and accessibility of the current executive director, the Executive Committee may appoint an acting executive director, as well as continue to implement the Temporary Staffing Strategy.

d. Standing Appointees to the Position of Acting Executive Director

- The first position in line to be acting executive director is [Position – Senior Staff Member, may also be Board Chair]. If the current Board Chair accepts the position he or she will take a temporary leave from the Board of Directors.
- The second position in line is [Position].
- The third position in line is [Position].
- In the event that no clear choice is available for an acting executive director, for example if the next most senior staff member is new to the position or fairly inexperienced with NONPROFIT ORGANIZATION, the Executive Committee may consider an external consultant or a current or former board member to serve as acting executive director. If a board member accepts the position, he/she will take a temporary leave from the Board of Directors.

e. Cross-Training Plan

- The executive director shall develop a training plan for each senior level position for each of the key functions of the executive director listed in Section 3.

f. Authority and Restrictions of the Acting Executive Director

- The acting executive director shall have full authority for day-to-day decision-making and independent action as the regular executive director.
- Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking public policy positions on behalf of the organization.

g. Compensation

- Director level staff appointed as acting executive director may receive a salary increase for the time period he/she serves as acting director. The amount shall be determined by the Executive Committee based on the duration of the assignment and available resources.
- A current or former board member appointed as acting executive director may enter into an independent contractor agreement, depending on the circumstances of their availability.

- The executive director on leave is eligible for disability insurance. NONPROFIT ORGANIZATION maintains a self-insured 30-day policy and a long-term disability policy that becomes effective at 90-days.

h. Board Oversight and Support to the Acting Executive Director

- The acting executive director reports to the Board as a whole.
- The Executive Committee shall be alert to the special support needs of the acting executive director in this temporary role. The Executive Committee shall convene monthly when an acting executive director is appointed.

i. Communications Plan

- Within 48-hours after an acting executive director is appointed, the Board Chair and the acting executive director shall meet to develop a communications plan including the kind of information that will be shared, when and with whom. The following chart identifies key supporters and primary contacts to facilitate communication.
- As soon as possible, the Board Chair and acting executive director shall implement the communications plan to announce the organization’s temporary leadership structure to staff, the Board of Directors and key supporters.
- Within 5 business days after an acting executive director is appointed, the Board of Directors shall distribute a press-release with general information appropriate to the situation.

| Key NONPROFIT ORGANIZATION Supporters | Communication Responsibility |
|--|--|
| Governmental Agencies Elected Officials Other Stakeholders | Acting executive director and [Staff member- title] with designated Board Members |
| Foundation Program Officers (holding Grants and Contracts with NONPROFIT ORGANIZATION) | Acting executive director with designated Board Members |
| Major Donors | Designated Board Members responsible for phone call to top 10 followed by a letter to all donors |
| Clients | [Staff member- title] |
| National Colleagues | [Staff member - title] |

| | |
|-----------------------------------|---|
| Personal Colleagues | Acting executive director with designated Board Members |
| Operating Support (based on need) | CFO, Auditor, Legal Counsel, Insurance Agent |

j. Key Documents

Relevant documents will be updated periodically by the executive director and made available to the Board of Directors, including:

- Contract of employment for executive director.
- A list of critical duties performed only by the executive director daily, weekly, monthly, or annually will be kept current by the chief executive and maintained on file by the Board Chair—e.g., the following processes cannot go uncovered due to the absence of the executive director for extended periods of time: contract renewal, emergency personnel actions, payroll processing, staffing of board meetings; and timely bill approval and payment.
- Updated contact information shall be maintained in the organization’s database with the following designations:
 - Key Contact List
 - Past Board Officers/Members List
 - Foundation CEOs
 - Members
 - Other Organization Contacts
- An updated contact list of appropriate places to advertise the executive director position and list of executive transition/search firms.

5. Succession plan in the event of a temporary, unplanned absence - Long-Term

a. Definition

- A long-term absence is 90 days or more.

b. Procedures

- Procedures and conditions to be followed shall be the same as for a short-term absence with the following addition: The Executive Committee shall give immediate consideration, in consultation with the acting executive director, to temporarily filling the management position left vacant by the acting executive director, or reassigning priority responsibilities where help is needed to other staff. This is in recognition that, for a term of 90 days or more, it may not be reasonable to expect the acting director to carry the duties of both positions.
- The Board Chair and Executive Committee are responsible for gathering input from staff and reviewing the performance of the acting executive director according to the

organization's Performance Review Policy. A review shall be completed between 30 and 45 days.

6. Succession plan in the event of a permanent departure of the executive director.

Procedures and conditions to be followed in the event of a permanent, planned or unplanned, departure shall be the same as for a temporary absence with the following additions:

a. Briefing Materials

If possible, the outgoing executive director should **prepare a briefing package and** complete performance reviews on all personnel before he/she leaves.

b. Assessment of Organizational Structure and Leadership Needs

The Board shall review of the mission, vision and strategic direction of the organization. The Board shall determine the type of leadership the organization is seeking on a permanent basis, and will seek staff input on the leadership needs of the organization, as appropriate. Other organizational options may be explored such as restructuring, strategic alliance, merger, or a management company. If the same organizational structure will be maintained, the Board (or Transition Committee) shall determine the knowledge, skills and attributes needed in the new executive director and develop an appropriate position description and announcement.

c. Transition Committee

Within 15 business days from the announcement of a planned departure, the Board Chair shall appoint an Executive Transition Committee. This committee shall be comprised of at least one member of the Executive Committee, two other members of the Board of Directors and one Director level staff. Other community volunteers may be recruited at the discretion of the Board Chair. The size of the committee shall be the discretion of the Board Chair.

Transition Committee Responsibilities

Scope of the Search Process:

- The Transition Committee shall determine its role, including responsibilities related to conducting the search process. The Transition Committee may recommend that the Board of Directors appoint a separate Search Committee, while the Transition Committee manages the overall transition process for the organization.
- The Transition Committee shall determine the need for consulting assistance (i.e., interim leadership, executive search consultant) based on the circumstances, and establish a time frame and plan for the recruitment and selection process. Circumstances that would point to the need for outside assistance include involuntary separation of the executive director, departure of a long-time leader, if the agency is in a crisis, or if the agency is considering a merger or other significant structural change.
- The Transition Committee should discuss the organization's last executive director replacement(s) process and any lessons learned, drawing on the experiences of other board members when necessary.
- The Transition Committee will determine if there is a suitable internal candidate. If so, the qualifications of that candidate will be reviewed with the entire Board of Directors for consensus and to determine if an offer should be made or, in the

alternative, to proceed with the next step and include this candidate in the selection process.

- If there are no internal candidates to be considered or if additional candidates are considered necessary, the committee may then proceed to advertise the opening throughout local media and job placements sources. The Chair may ask a current staff person to place the advertisements and receive the applications, or a board member organization may offer the services of its Human Resources department, or an executive search firm considered.
- ORGANIZATION shall seek to develop a diverse pool of candidates for the executive director and shall employ outreach practices to cultivate a diverse pool.
- A comprehensive search should take from 90 to 180 days from start of the search to hire date (not necessarily start date, depending on circumstances). The Transition Committee should develop an estimated timeline to help guide its implementation.
- Confidentiality of the applicants shall be maintained.
- The Transition Committee will assign responsibilities to committee members or an outside consultant to screen resumes, and conduct screening interviews. The full Transition Committee will meet with the candidates as appropriate and select at least the top two (2) for presentation to the entire Board of Directors. The Board will interview each candidate individually and, based on consensus or majority vote, will select the most desirable candidate.
- The Board shall set the parameters for the compensation package and charge the Transition Committee Chair to make an offer to the most desirable candidate. An agreement in the form of a formal offer or contract may be prepared by an attorney for approval by both parties. 17
- The Board shall disclose all relevant information about the organization at the time of offer, including organizational mission, vision, strategy, financial position, audit outcomes, any pending legal issues, and any other information that will be relevant to his/her decision to take the position. The Board shall disclose any “exit plan” of the departing executive director.
- Upon approval by both parties, the new executive director will commence employment at a mutually agreed date.
- Once the selection of a permanent executive director is final a press release should be issued with broad communication to members, media and major stakeholders. Individual outreach and calls to key stakeholders, such as funders, is desirable before the distribution of the press release.

Search and Transition Costs

- As part of this succession plan process the Transition Committee will determine any expense needs above and beyond the current annual budget and communicate this to the Treasurer who will advise the board about the need to solicit necessary funding or reduce other expenditures appropriately. Costs to be considered include:
 - outgoing executive director severance or outplacement,
 - interim executive leadership and/or any additional salary or bonus costs for senior managers taking on additional responsibilities
 - advertising or search firm fees,
 - relocation costs, or increased salary for new executive director.

d. Board Members as Candidates

If a board member desires to be considered for interim executive director or for permanent candidacy, he or she must first resign from the Board of Directors, and cannot be considered for re-instatement for at least 12 months if unsuccessful.

e. Interim Leadership

An interim executive director may be needed, even in the event of a planned departure of the executive director. The purpose of establishing an interim executive director is to provide neutral leadership to the organization while assessment and key decisions about the future are made by the Board of Directors. The Board of Directors shall consider the need to hire an interim executive director from outside the organization, instead of appointing an acting executive director. This decision shall be guided, in part, by internal candidates for the executive director position, the expected time frame for hiring a permanent executive, and the management needs of the organization at the time of the transition. If an interim executive director is hired, the Board Chair and Executive Committee shall negotiate an independent contractor agreement with a defined scope of work. The scope of the agreement with an interim executive director shall be determined based on an assessment of the organization's needs at the time of the leadership transition.

Responsibilities of the Interim Executive Director: An interim executive director shall have full authority for day-to-day decision-making and independent action as the regular executive director. Decisions that shall be made in consultation with the Board Chair and/or Executive Committee include staff hiring and terminations, financial issues, taking on a new project, and taking policy positions on behalf of the organization. The interim executive director may be asked to conduct an organizational assessment.

f. On-boarding and First 6 Months

Once the signed contract is received and before the new executive director begins employment, a letter from the Board should be sent welcoming them to the organization, along with verifying their starting date and salary. At this point, the board may send an announcement to staff and all major stakeholders about the new person highlighting their qualifications.

- A meeting should be scheduled with the new executive director to brief them on strategic information and the direction of the organization. All necessary materials (last year's final report, the strategic plan, this year's budget, corporate documents, the employee's policies and procedure manual if they did not get one already, and any other pertinent information) should be sent in advance to the successful candidate.
- During the first six weeks on board, it is recommended that one-on-one meetings (face-to-face or over the telephone) be regularly scheduled with the new executive director and Board Chair or designated Board member(s) to discuss her/his transition into the organization, hear any pending issues or

needs, and to establish a strong working relationship with the new executive director.

- All financial institutions will be informed and new signature cards executed for all accounts.
- The Board shall provide written expectations of the new executive director to guide the first 6 months of the executive director's tenure. The Board may ask the new executive director to provide a written entry plan.
- The Board shall provide the executive director with the evaluation process and instrument it will use after the first 12 months on the job. The Board shall have informal check-in meetings with the new executive director three months and six months after start date to review the work plan and priorities and to resolve any issues that have arisen. The Board shall conduct a formal evaluation of the executive director after 12 months of service.

7. Approvals and maintenance of record

a. Leadership Succession Plan Approval

This leadership succession plan shall be approved by the Board of Directors and maintained as part of the policy documents for the organization. Thereafter, every two years, the Executive Committee shall review the plan and recommend any amendments to the full Board as needed.

b. Financial Considerations

It shall be the responsibility of the Board of Directors to review the organization's finances during an unplanned absence of the executive director, and make adjustments, as needed, to the agency's budget to ensure adequate resources for the transition.

b. Signatories

- The Board Chair, the executive director and the appointees designated in the Leadership Succession Plan shall sign the plan.
- At all times the Board Chair and Treasurer and at least one director-level staff, in addition to the executive director, shall have signature authorization for checks and contracts for the organization.

Source: Maryland Nonprofits dba Standards for Excellence Institute

Board Room Quick Tip

A Series for Board Leadership

Attachment B

Board Member and Leadership Succession Planning

Is Your Bull Pen Full?

It doesn't matter if you are a committee chair, project leader, four-term board president, or a board member who does his or her work behind the scenes without a title, you need to be thinking about your exit strategy.

Are you helping to recruit and groom your successor? The mark of an exceptional leader is that his/her organization is thriving and does not collapse in his/her absence.

Every organization and board is unique and no one system will work for everyone. Some boards have well-established leadership development with well-defined and documented processes for orderly transition. Some organizations just put a warm body with a pulse into a position and reinvent the wheel. No matter where your organization falls, here are some things to think about.

Strategies for Successful Succession
Questions to Ask and Things to Do

- **Do you have an accurate job description?** If not, draft one. After all, who is in a better position to say what the job is than the person doing it? Next go through the proper channels to get it approved and adopted.

- **Do you keep a “how I did it” journal?** Methods of doing things that you may think are intuitive, obvious, and common sense, can be things a successor coming with different experience could view as unique, insightful and innovative.

- **Do you take the time to let someone help you?** Yes, it is often much more efficient (in the short term) and less frustrating to just do it yourself. But if the position you are in is helpful to the organization and you are not planning to stay in your position forever, you’d better take the time to let others help and develop ownership in a positive outcome. Don’t underestimate how intimidating many positions and tasks can seem from the outside. Once you let others see how things work from the inside and how you manage the task or activity, you might be surprised when those people volunteer or positions instead of having to be drafted. Apprentices are not just for electricians!

- **Does your organization already have an established system of leadership cultivation that can be replicated within your committee structure or for other key volunteer positions?** If you have a president-elect, there is really no reason you could not have a “marketing committee chair-elect.” (Note: This type of “rigid” succession planning is best suited to professional associations or social organizations with large dedicated memberships that tend to remain involved over long periods of time.)

- **If you do not have a system of leadership development, could your board encourage its members to adopt a three-year exit strategy?**

Year one is triggered by one of the following thoughts or realizations: “I know I will be invited back for another term but I think I have made my mark and would like to move on.” Or, “My term is over soon and due to term limits I will need to step down for a least one year.”

To do-list:

- Make a list of what loose ends you would like to tie up.

- Work with or help the Board Development or Executive Committee to identify who will take over for you.

- Have him or her officially elected, appointed or recognized as the next X (X = president, treasurer, committee chair, event host, etc.).

Year Two

To-do list:

- Actively engage the new person in all aspects of the position he/she will be assuming.
- Let everyone your position interacts with know that X will be in your position next year and you think he or she is great.
- Keep a journal to pass on to X.

Year three

- Turn over your journal and “gavel.”
- Sit back and watch. Be supportive and defer to the new person.

This system can be abridged to fit your time frame but keep in mind you are much more likely to get someone to agree to take on a leadership position if they know a year in advance so they can pay attention to not just what is being done but how.