The Good, The Bad & The Ugly: Succession Planning & Executive Transitions

April 12, 2023
Chat Storm #1

Name, Location, & Organization

One Word with How You Are Feeling Today
## Goals

| Create common language around nonprofit succession & executive transitions | Provide high-level best practices & examples |
| Answer key high-level questions using chat feature | Answer specific and confidential questions offline |
Agenda

Succession: A Unique 21st-century Trend

Definitions: Buzzwords Defined

Importance of Planning & Mindset: Common Opportunities & Challenges

Transition vs. Onboarding

Final Thoughts
Succession
A Unique 21st-century Trend
Why Succession Planning is a Trend?

48% of CEOs named a timeframe of 5 years or less, in a recent 2022 study.

22% named a timeframe of 7 years or less.

Only 15% of CEOs have succession plans.

Top Reason: 67% say boards have not made it a priority.

Important to Get Right THE FIRST TIME
➢ The cost of replacing an employee is equivalent to 6-9 months of their compensation.
Definition
Buzzwords Defined
Succession Planning is:

A FUTURE-FOCUSED PLANNING EFFORT to protect the organization’s capacity to perform key functions, sustain important relationships and fulfill its commitments during a leadership transition.

A TALENT MANAGEMENT effort to develop staff and volunteers (including board) for future leadership needs and opportunities.

Should be connected to strategic planning process.
Types of Succession Plans

- EMERGENCY
- STAFF DEVELOPMENT
- DEPARTURE-DEFINED

The shortcoming of Succession Planning is that it treats the departure and replacement of a leader as an event.

Recognizing the difference between an event and a transition:

- Buying new furniture is an event
- Events produce specific outcomes (Truck delivers new furniture)

- Moving to a new home is a transition
- Transitions are slower and hard to measure (Kids make new friends)
## Executive Transition

### An Executive Transition Is:

The **DEPARTURE PROCESS** of a key leader that encompasses the period before, during and after they leave the organization.

### An Executive Transition Can Be:

- A time of organizational vulnerability, doubt, anger and ambiguity.
- A time of opportunity to commit and act to expand the capacity of the organization.
## Executive Transition Is a...

<table>
<thead>
<tr>
<th>TIME OF HIGH RISK</th>
<th>TIME OF GREAT OPPORTUNITY</th>
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<tbody>
<tr>
<td>Possible interruption of services</td>
<td>Organizational re-assessment</td>
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<tr>
<td>Potential disruption of key relationships</td>
<td>Reviewing mission and strategic direction</td>
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<td>Increasing board &amp; community engagement</td>
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<td>Establishing an effective leadership team</td>
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<td>Building capable leadership over time</td>
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## Nonprofit Lifecycle

<table>
<thead>
<tr>
<th>Impact</th>
<th>Governance</th>
<th>Culture &amp; Operations</th>
<th>Revenue</th>
<th>Brand</th>
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<tbody>
<tr>
<td><strong>Idea</strong></td>
<td>- Formal – Need established, best practices integrated &amp; pilot launched</td>
<td>- Not yet developed</td>
<td>- Entrepreneurial Founder using volunteer resources for guidance / Culture is defined by Founder</td>
<td>- Most are in-kind</td>
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<tr>
<td><strong>Start-up</strong></td>
<td>- Pilot successful – Lessons integrated into design / Measurement starts</td>
<td>- Formal governance starts – Most likely homogeneous group</td>
<td>- Flat organization – Decisions are likely made by Founder / Volunteers needed for hands-on support / Culture is action-oriented</td>
<td>- Limited financial resources – Lives hand-to-mouth</td>
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<td><strong>Growth</strong></td>
<td>- Established in marketplace – Strong results, partner-of-choice &amp; consistent delivery</td>
<td>- Board expansion – More diversity with more focus on planning &amp; oversight</td>
<td>- Founder has hired or becomes Executive Director and is key decision-maker with Board guidance / Increased division of labor &amp; accountability as staff is hired / Culture is results-oriented / Volunteers are used as resources</td>
<td>- More diverse financial resources with established relationships with funders, but still unpredictable</td>
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<tr>
<td><strong>Maturity</strong></td>
<td>- Consistent results through robust evaluation / Focused on continuous improvement, scale &amp; system-building</td>
<td>- Board is more policy- &amp; strategy-focused / Delegates management to Executive Director</td>
<td>- Leadership is often second or third generation from Founder / Clear division of labor &amp; accountability among staff / Culture is well-defined and serves as a competitive advantage / Volunteers are seen as ambassadors</td>
<td>- High degree of financial diversity with established relationships with multiple funders / Endowment exists / Higher degree of financial predictability</td>
</tr>
<tr>
<td><strong>Decline</strong></td>
<td>- Need exists, but nonprofit isn’t partner-of-choice / Market duplication from other nonprofits</td>
<td>- Board members hard to recruit, retain &amp; engage / Low focus of strategic issues</td>
<td>- Increasing turnover of staff &amp; volunteers / Decreased ability to attract top talent / Decreased transparency</td>
<td></td>
</tr>
<tr>
<td><strong>Crisis</strong></td>
<td>- Demand near zero / Intense competition for resources &amp; energy</td>
<td>- Board not fulfilling fiduciary responsibilities</td>
<td>- Inability to fill key roles / High contention &amp; division among staff / Mistrust of leadership</td>
<td>- Cash reserves insufficient to cover operating expenses / Long-time donors tapped out</td>
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CEO Transitions Unplugged

Consider Lifecycle & Needs of Strategic Plan
- Maturity / High-Performing
- Start-Up to Growth
- Merger & Acquisition Opportunity

Consider CEO Longevity
- First Hire
- Founder CEO
- Legacy CEO
- Short-term CEO

Consider Internal Candidates Staff AND Board
- Associate Executive Director
- Legacy Staff – Succession & Transitions
- Current and Past Board Members
Chat Storm #2

Which transition are you dealing with?

- First Hire
- Founder CEO
- Legacy CEO
- Short-term CEO
- Other
Importance of Planning & Mindset
Common Opportunities & Challenges
Planning Makes THE Difference

- Build a stronger, more stable organization
- Reduce executive turnover - increase the “fit” of the organization and current/future leadership
- Open the door to reflection and inspiration, replacing possible hurt and confusion
- Assure all stakeholders that a well-planned, positive transition can/will take place
- Reduce risk/loss to the organization
- Reinforce the significance of the board’s role
Mindset Matters: Emotional Response

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

– Charles Darwin

Deep Dive: https://socialimpactarchitects.com/impact-mindset
Theme #1
Board Leadership Bridges The Transition
Theme #2
Early Planning Is Key to Success

Succession Planning & Preparation

Preparation & Investment in Talent

Stabilization
Recruitment & Selection

Post-Hire Transition

Capacity Building

Source: www.TransitionGuides.org
Sample Succession Timeline

- Decide on larger plans (e.g., capital campaign, campus)
- Develop leadership team (e.g., internal candidates)
- Ensure SOPs are up-to-date
- Develop 365-day Cheat Sheet Documentation

Year 0
- Complete strategic plan
  - Define right CEO
  - Implement key strategic priorities
  - Decide on optimal process, budget & needs for succession
  - Offer final contract to retiring/departing CEO
  - Consider retention contracts for key senior staff

Year 1
- Compile job descriptions & needs
- Hire or find recruiter
- Start process
- Conduct recruitment and selection with broad groups of stakeholders
- Share regular updates with staff

Year 2
- New CEO starts
- Former/New CEO have short transition period
  - Shorter-longer based on knowledge gaps
- New CEO engages in 90-day transition
- Former CEO stays on in “advisory” role

Year 3
- Start strategic planning process

Year 4
Chat Storm #3

Do you have a succession plan – of any kind?

Yes (thumbs up) / No (thumbs down)
Sample Recruitment Timeline

**Month 0-1**
- Approve transition process, staffing needs and communications plan
- Finalize salary & benefits package
- Decide on search firm (if any)
- Finalize job description & ad

**Month 2**
- Begin communications plan
  - Staff - Major Funders/Partners - Friends
  - Post CEO position with deadline & salary range
  - Advertise opening widely

**Month 3**
- Review resumes and develop top 5 list based on initial phone screening
- Schedule round-robin or panel interviews and reference checks with top candidates (e.g., board, staff)
- Offer position to top candidate

**Month 4**
- Develop detailed transition process based on top candidate’s preferences and start date

**Month 5**
- Schedule start date and conduct joint meetings with staff, major funder/partners and staff
- Develop 90-day plan
- Begin transition of roles and responsibilities
- Conduct check points

**Month 6**
- Finish transition of roles and responsibilities
- Hold Celebration Party for retiring CEO – using it as an opportunity to transition donors and key relationships
Checklist for Positive Transition

- Notice of at least 90 days
- Good relationships between departing leader, board and staff
- Up-to-date strategic plan
- Engaged board
- Capable staff leader(s) beyond the Executive Director
- Past culture of continuous improvement (e.g., Board and CEO evaluations, dashboards, Executive Sessions)
- Reserve of at least 3 months and strong financial management and reporting system
- Standard Operating Procedures well-documented
Theme # 3
It Is An Emotional Earthquake

- Take people’s fears and concerns seriously and address them head-on with openness, listening and information (as it is available).
- Pay special attention to founders and long-term (a.k.a., founder light) Executive Director transitions.
- Be very intentional about working with staff that aspire to the position but are not viable candidates. Don't lose your whole management team because you are only thinking of the Executive Director.
- Be very intentional about other staff and board members who may want to transition with this leader.
- Look for ways to build capacity and strengthen infrastructure through the transition.
Early Board Challenges

- Stepping up to the full responsibilities of role:
  - Monitoring operations & deviations from budget/plan
  - Getting/keeping informed of key organizational issues
  - Ensuring key commitments and responsibilities are met
  - Having a strategic plan and keeping it current and in use
  - Maintaining high engagement of board and committees
  - Members not creating own problems

- Supporting the outgoing leader

- Defining the transition process and committee

- Communicating the transition

- Developing an appropriate compensation package

- Retaining outside assistance, if available
Early Departing CEO Challenges

- Committing to the transition
- Ensuring organization is on solid footing
- Transferring key relationships
- Letting go

- Finding comfort in legacy
- Finding “next opportunity” (e.g., job, retirement)
- Ensuring personal financial picture is sound
- Cultivating support systems outside the organization
Importance of Transition vs. Onboarding
Common Opportunities & Challenges
Chat Storm #4

Looking back at your last role, did you have a proper transition into the organization?

Yes (thumbs up) / No (thumbs down)
Theme #4
Transition Is More than Onboarding

When leaders fail, the top themes are:
- 69% - Poor grasp of organization and impact
- 65% - Misfit with culture
- 57% - Trust issues with peers and board
- 48% - Lack of understanding/background in business model
- 28% - Disagreement over strategy

Onboarding vs. Transition

Onboarding
- Formal, short-term & agenda-driven orientation program
- Driven by HR/Talent Department & Governance Committee of Board
- Lasts 2 weeks – builds knowledge

Transition
- Longer process of interactions, both formal and informal
- Driven by everyone – the old leader, the new leader, the supervisor and existing team
- Lasts for at least 6 months – builds long-term relationships and culture

75% of executives considered themselves underprepared for a position because of inadequate onboarding.
Board’s Challenges Post-Hire

- Shifting gears without disengaging
- Maintaining energy
- Adjusting to new Executive Director’s style
- Building/supporting the new relationship
- Avoiding “savior” thinking
- Ensuring that legacy issues don’t derail the work
New Executive Director

Early Challenges

- Understanding everything about the organization and people – RIGHT NOW
- Building solid working relationships
- Setting good priorities with limited knowledge
- Building support for likely changes
- Building rapport, trust and buy-in with former Executive Director, staff and board teams
- Dealing with personal & organizational transitions
- Maintaining personal balance and well-being
Final Thoughts
Theme #5
The More You Plan, The Better It Will Go

**READINESS CHECKLIST:**

- Do you agree that succession planning is important for your organization right NOW?
- Is succession planning normalized in your organization?
- Do you have a succession plan? Emergency and planned?
- Do you have a succession planning team in place? Do you need help or an outside facilitator?
- Are you investing in professional development of your current team?
- Is a CEO leadership transition coming? Where are you in the nonprofit lifecycle? What type of CEO do you have?
- Do you have a strategic plan? Do you know what type of leader you need to take the organization to next level? Is the board and staff in agreement? Do you have the right salary for this type of leader?
- Do you know what process you want to follow for the executive transition? Will you use internal or external resources? Do you have a budget for recruitment & overlapped positions?
- How will you manage conflict and tough conversations? How do you plan to do internal and external communications?
As we close, what is your AHA for this webinar?
Q&A
Suzanne Smith, MBA
Founder & CEO, Social Impact Architects

EDUCATION
- MBA, Duke University’s Fuqua School of Business
  - Selected as CASE (Center for the Advancement of Social Entrepreneurship) Scholar
- Adjunct Professor – University of North Texas and SMU

AWARDS & HONORS
- TEDx Speaker, “Everyone Can be a Changemaker,” 2015
- Huffington Post’s Top 10 Social Sector Blog, 2014
- Next Generation Social Entrepreneurs Award, 2010

COMMUNITY LEADER
- Dallas, Texas – Dallas Commission on Homelessness, Mayor’s Task Force on Poverty, Leadership Dallas, Leadership North Texas & Junior League
- Dallas Regional Chamber, Young ATHENA Award, 2014
- Dallas Business Journal’s 40 Under 40 Award, 2012
- Cincinnati, Ohio – Founder, Flywheel: Social Enterprise Hub
For additional info

CHECK OUT:

SUCCESION PLANNING
https://socialimpactarchitects.com/succession-planning/

RE-CENTERING OUR CULTURAL NORMS
https://socialimpactarchitects.com/nonprofit-trends-2023/

TOP QUESTIONS ON STRATEGIC PLANNING
https://socialimpactarchitects.com/top-questions-on-strategic-planning

STRATEGIC AND/OR BUSINESS PLANS
https://socialimpactarchitects.com/business-strategic-plan

HIGH IMPACT + HIGH PERFORMANCE

ACTION MAPS
https://socialimpactarchitects.com/turning-strategy-into-execution-action-maps

DASHBOARDS
https://socialimpactarchitects.com/nonprofit-dashboards

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