

Succession Planning

Workshop 1:

Introduction to
Succession Planning
and Organizational
Sustainability

TESS REYNOLDS

CONSULTANT

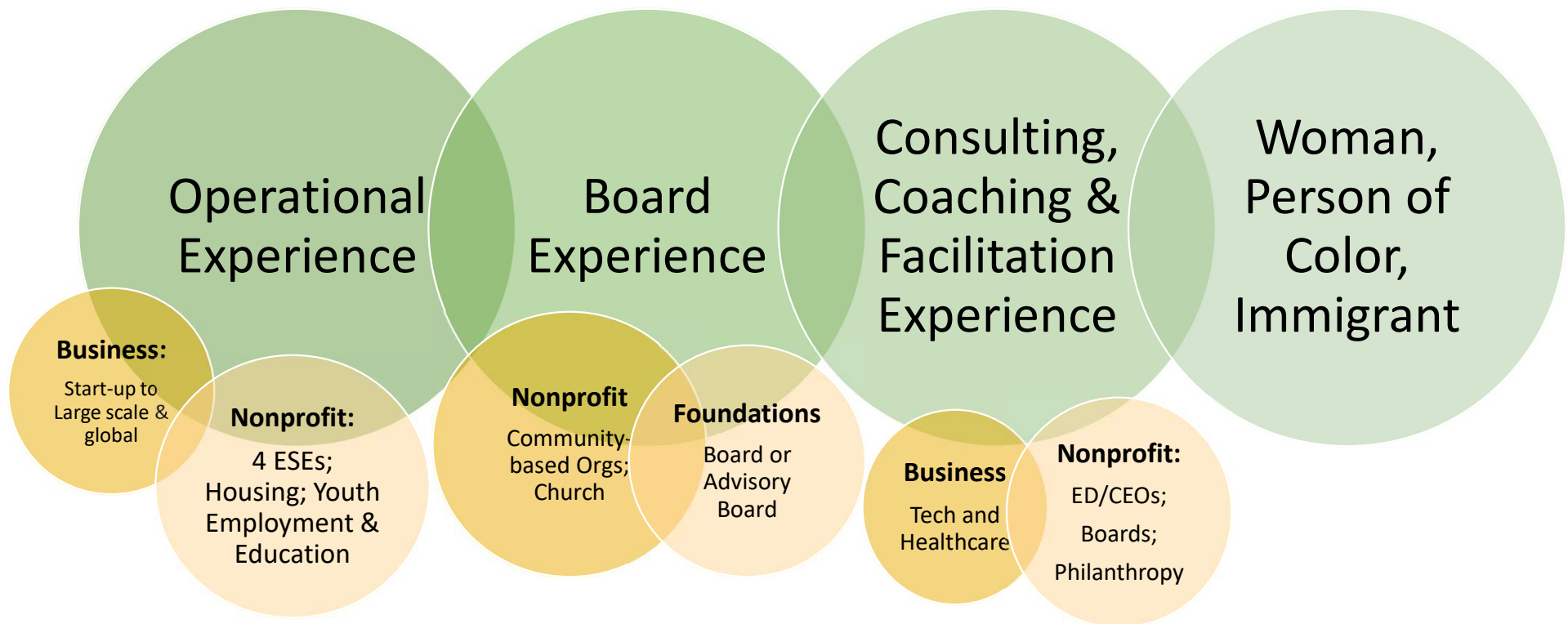
ON-HAND LEADERSHIP PARTNERS

SPONSORED BY REDF



Tess Reynolds

www.tessreynolds.com



About this Workshop

- First of four succession planning workshops sponsored by REDF
 - Created in response to your request
 - Aug. 31, Intro to Succession Planning and Organizational Sustainability
 - Oct. 26, The Emergency Succession Plan and Your Leadership Pipeline
 - Jan. 25, A “Planned” Succession Plan
 - March 29, Bringing it Home: Q&A, Shared Leadership and More
- Multiple sources used
 - BoardSource, Bridgespan, TSNE, CompassPoint and Blue Avocado, BDO FMA
 - Center for Nonprofit Advancement, Wallace Foundation, Tom Adams, and more
- This workshop is not a substitute for your own Board, lawyers, CPAs, etc.

[Go deeper:](#) [The Nonprofit Leadership and Development Guide](#) by Tom Adams

Answer in Chat

When you think of succession planning,
what comes to mind?

Poll: When is succession planning needed?

- A. When the ED/CEO is planning to retire
- B. When the ED/CEO has another job offer
- C. When the ED/CEO is unable to serve in their role
- D. When everything is going well
- E. Any of the above

Nonprofits are operating in unprecedented times

- The pandemic has changed the way many nonprofits operate.
 - In 2020, 71% of nonprofits* reported a reduction in services or operations
 - Virtual programming and remote/hybrid working have shifted staff roles, culture, and leadership needs
- The racial reckoning in the US is shifting the nonprofit landscape, and the way we define effectiveness and impact.
- These changes have precipitated turnover, staff changes, leadership transitions, and Board transitions.
- Inflation and fears of recession are creating further uncertainty about revenue.

➤ We still face turbulent times!

*Survey by Independent Sector, June 2020

Poll #2: Personal Readiness for Transition

How far away do you think you are from transitioning out of your current ED/CEO role?

- a. One year or less
- b. 2-3 years
- c. 3-5 years
- d. More than 5 years

Personal Readiness for Transition

- Personal Assessment
 - Am I ready to let go of this organization?
 - Am I ready to let go of executive leadership?
 - To do something else?
 - To retire completely?
 - Am I ready emotionally and mentally?
 - Am I ready financially?
- More in Workshop #3: A Planned Succession Plan
- Personal Reflection Worksheet will be provided
 - Long-term “homework” between workshops 1 and 3
 - Recommend you calendar a “mini-retreat” to work on this

Succession Planning Types and Terms

- Succession Plan
- Emergency Succession Plan
- Transition Plan
- Organization Sustainability

Types and Terms

Term	Definition
Succession Plan	<ul style="list-style-type: none">• “Planning for executive director transition is called succession planning: thinking in advance about how to set the stage for a strong transition.”- Jan Masaoka and Tim Wolfred, CompassPoint, 2009• Does <u>not</u> always mean the ED/CEO is choosing, then grooming, a successor.• <u>Not</u> necessarily a signal that the ED/CEO is thinking of or planning to leave.
Emergency Succession Plan	<ul style="list-style-type: none">• Planning for leadership in the event of the ED/CEO’s <i>unplanned</i> departure or inability to lead the organization for a period of time.
Transition Plan	<ul style="list-style-type: none">• Planning for a smooth transition of leadership, once a decision has been made by/for the ED/CEO to leave.

Succession Planning is...

- **... thinking in advance about how to set the stage for a strong transition of leadership.**
- Two parts
 - Preparing oneself (the current leader) – also discussed in workshop #3
 - Preparing the organization

The ultimate purpose of succession planning
is...

Organization Sustainability

Organizational sustainability means...

- Being able to “*keep the business going*” ... and “*future proofing*” organizations - Colbert and Kurucz (2007)
- “...having the leadership, endowment, global insights, and change strategies necessary to rise to the exclusive challenges facing organizations today.” - IGI Global
- “...*the reduction of organizational risk that increases the likelihood that an organization will survive and thrive in the future, coupled with the mitigation of any harm to the things and people around it.* – Marcus Coetzee
- **The ability of the organization to achieve its mission independent of an individual person or outside entity.** – Tess Reynolds

Sustainability drives Succession/Transition Plans



Pillars of Organization Sustainability

- **B**oard Effectiveness
- **E**conomic/Financial health
- **S**trategy
- **T**alent and Culture



10 Basic Responsibilities of Nonprofit Boards

3rd Edition, BoardSource

1. Mission	Determine mission & purpose and advocate for them.
2. CEO Oversight	Select the chief executive.
3. CEO Oversight	Evaluate and support the chief executive.
4. Strategy / Operations	Ensure effective planning.
5. Program	Monitor & strengthen programs and services.
6. Financial	Ensure adequate financial resources.
7. Financial	Protect assets and provide financial oversight.
8. Board	Build and sustain a competent Board.
9. Legal/ethical	Ensure legal and ethical integrity.
10. Public standing	Enhance the organization's public standing.

The Board's Role in Succession Planning

Planning	<ul style="list-style-type: none">• Ensure Mission clarity and effective Planning.• Ensure the organization has a succession plan.• Ensure the Board's own succession plan.
Risk Management	<ul style="list-style-type: none">• Emergency planning.• Solid Board leadership with a clear understanding of Board and staff roles.
Strategic Leadership Development	<ul style="list-style-type: none">• Shared leadership and effective partnership with ED/CEO, and other senior staff as appropriate.• Board competence and skills.• Strong pipeline of future Board leaders and prospective Board members.• Accountability mechanisms, e.g. annual Board survey, goal achievement, ED evaluation.
Culture	<ul style="list-style-type: none">• Ability to regularly have generative conversations.• Board Directors' readiness to lead and, when appropriate, readiness to leave.• Culture of giving and support.• Supports a culture of learning and change.
Executive Oversight	<ul style="list-style-type: none">• Conducts effective and constructive annual evaluations of the ED/CEO.• Able to step up in a leadership transition with an ability to assess the organizational condition and its future potential; lead the search process; and attract and support the next ED/CEO.

Adapted from BoardSource

B. Board Effectiveness

Some Indicators

Board Engagement	<ul style="list-style-type: none">• Board is active and engaged, maintaining a healthy balance of governance and support without micromanaging staff.• Quorum is reached at every Board meeting
Mission, Strategy & Target Population	<ul style="list-style-type: none">• Board collectively understand the needs and lived experiences of the target population, in the context of our mission and strategy.
ED/CEO Evaluation	<ul style="list-style-type: none">• Board conducts effective annual evaluations of the ED/CEO.
Board Self-Assessment	<ul style="list-style-type: none">• Board manages itself well, setting its own goals and monitoring progress vs. its own goals• Board assesses its own performance every 1-2 years
Fundraising	<ul style="list-style-type: none">• 100% of the Board gives and/or gets financial support for our nonprofit
Board Succession Planning	<ul style="list-style-type: none">• Board conduct its own succession planning, paying attention to developing future Board Officers and Board Committee Chairs• There is a healthy pipeline of prospective Board members, and an effective way of screening, recruiting and onboarding them

Go deeper with... *Board Self-Assessment for Nonprofit Organizations* by BoardSource (membership required)

E. Economic / Financial Health

Economic model	<ul style="list-style-type: none">• Viable economic model, i.e., relationship of revenue to expenses• Attractive value proposition for funders and donors
Revenue streams	<ul style="list-style-type: none">• Renewable grants; reliable earned revenue streams• Diversified, multiyear general operating grants and non-restricted gifts• There is an up-to-date Fund Development Plan that is achievable.
Cash reserves	<ul style="list-style-type: none">• Cash for ≥ 3 months of core operating expenses (salaries, benefits, rent, utilities, etc.)
Financial systems, clean audit	<ul style="list-style-type: none">• Financial systems are strong, reports are accurate, and financial audits are clean.
Financial and HR policies	<ul style="list-style-type: none">• Financial and HR policies and processes are documented and practiced on a day-to-day basis.

Go deeper with...Financial Toolkit available at Wallace Foundation Knowledge Center

<https://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/pages/default.aspx>

Five-Minute Break

When you return, you will be in break-out groups of two.

Paired Discussion Part One (Break-outs)

5 minutes per person, 10 minutes total

- Introductions (one minute per person)
- Share your thoughts about your organization's sustainability in terms of
 - a. Board Effectiveness
 - b. Economic and Financial Health
- Discuss in any order. Four (4) minutes per person for both indicators.
- Chat has a link to pdf of two slides on Board Effectiveness and Economic / Financial Health.
- Prepare to report back.

Report Back on Break-out One

1. What did you learn?
2. What indicator(s) should we add or change within
 - Board Effectiveness; and
 - Economic/Financial Health?

S. Strategy & Implementation

Mission & Values	<ul style="list-style-type: none">• Our mission and values are clearly articulated, and are used to drive decisions.
Strategic Plan	<ul style="list-style-type: none">• We have a clear, written strategic plan that's achievable, even if it's a stretch.
Operating Plan	<ul style="list-style-type: none">• We have an annual budget and operating plan, with goals or OKRs (Objectives and Key Results) for each department and each member of the leadership team.• We have a track record of achieving our goals.
Impact Measurement	<ul style="list-style-type: none">• We have a clear Theory of Change and systematically measure our impact through agreed upon metrics.• Success is understood and "owned" at all levels of the organization.
Learning & Improvement	<ul style="list-style-type: none">• Organizational shortcomings are identified, and we have a plan to address them.
External Relationships	<ul style="list-style-type: none">• Our organization has strong, positive relationships externally, and these relationships are owned/shared by other staff besides the ED/CEO.

T. Talent and Culture

Leadership Talent	<ul style="list-style-type: none">• Leaders have sufficient knowledge and experience to effectively lead the organization.• Leadership talent and recruitment are aligned with our strategies.• Senior management functions as a high performing team, and can lead the organization in the absence of the top executive.
Staff Engagement & Passion for the Mission	<ul style="list-style-type: none">• Staff are engaged in their work, have a passion for the Mission, and are committed to achieving our target impact.• Staff have clear, up-to-date job descriptions and regularly receive performance reviews (at least once a year).
DEI Advancement	<ul style="list-style-type: none">• We understand the needs of our clients and community.• We have ways of giving our constituents a voice and, as appropriate, participation.• Our organization regularly assesses and addresses structural inequities.
Staff Development	<ul style="list-style-type: none">• Staff have professional development plans. High-potential staff are developed for future leadership roles.
Decision Making	<ul style="list-style-type: none">• There is a clear process for decision-making (e.g., DARCI or RAPID).• Senior leaders have the authority to carry out decisions within their respective areas.
Ethical Behavior	<ul style="list-style-type: none">• The organization behaves ethically towards all its constituents (clients, employees, partners, community, etc.) and therefore have their trust.

[Go deeper](#): Tom Adams' book, Nonprofit Leadership Transition and Development Guide, Chapters 4 & 8

One-Minute Stretch Break

Paired Discussion Part Two (Break-outs)

4 minutes per person, 8 minutes total

- Share your thoughts about your organization's sustainability in terms of
 - a. Strategy and Implementation
 - b. Talent and Culture
- Discuss in any order.
- Chat has a link to pdf of two slides on these topics.

Report Back on Break-out Two

- What did you learn?
- What additional considerations would you apply to assessing your organizational sustainability, in the areas of
 - Strategy and Implementation; and
 - Talent and Culture?

Pillars of Organization Sustainability

Recap

- **B**oard Effectiveness – Board's ability to lead through a transition
- **E**conomic/Financial health – enduring economic model; cash reserves; revenue diversity; solid financial systems, clean audit
- **S**trategy – clear strategic context; ability to take strategy to implementation
- **T**alent and Culture – Leadership and bench strength; Staff engagement and passion for the mission; DEI advancement; Decision-making

BEST Organizational Sustainability Assessment

- Complete the BEST Organizational Sustainability Assessment as recommended “homework” between Workshops One and Two
 - 4 pillars, 8-10 indicators each, less than 40 indicators total
 - 2 reflection questions for each pillar
 - May take 20 minutes or two hours, depending on your reflections
- **The OSA is for you, not for REDF.**
- **The goal isn’t to “score high” in every aspect, but to gain insights.**
 - What are *most important* to strengthen before an ED/CEO transition?
 - What might be important *criteria or priorities for the next ED/CEO*?
- Every organization is different.
- No one is in a better position to assess your organization’s sustainability than you, the top executive.
 - And, it’s okay to involve your executive team and Board.

B.E.S.T. Organizational Sustainability Assessment Sample

Board Effectiveness

Indicators of Organizational Sustainability

Disagree

Somewhat

Agree

Our Board is actively engaged, maintaining a healthy balance of governance and support without micromanaging.

☐☐☐

Quorum is reached at every Board meeting.

☐☐☐

Our Board collectively has a good understanding of the needs of our community and service population.

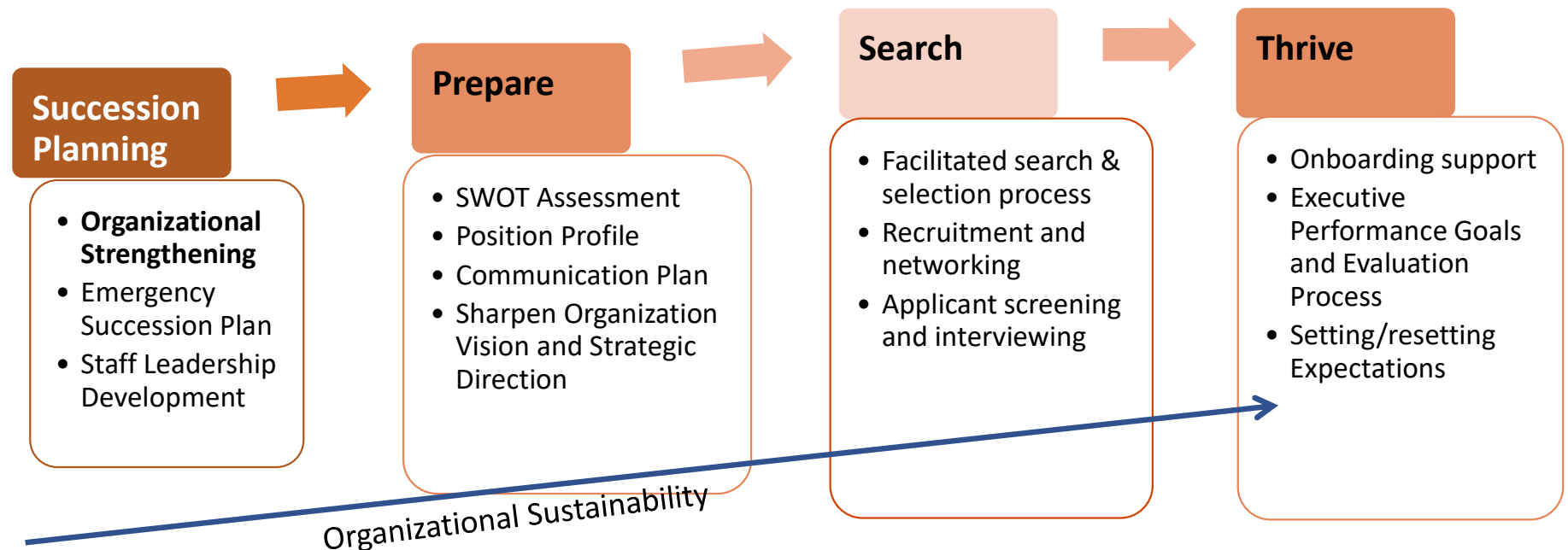
☐☐☐

Our Board conducts effective annual evaluations of the ED/CEO.

☐☐☐

The Organization's Executive Transition Process

Source: Third Sector New England



Future Workshops: A Sneak Peek

#2: Emergency Succession Plan & Your Leadership Pipeline, Oct. 26, 2022

- What constitutes a leadership emergency?
- Elements of an Emergency Succession Plan
- Developing your leadership pipeline with an equity lens

#3: A “Planned” Succession Plan, Jan. 25, 2023

- Whether or not the ED has an transition date in mind
- Pre-departure planning
- Communications plan
- Search firms, interim ED/CEOs, and more

#4: Bringing it Home: Q&A, Co-Leadership and more, Mar. 29, 2023

Tess Reynolds Consulting

www.tessreynolds.com

- DBA On-Hand Leadership Partners
- Executive Coaching
 - Many POCs in their first ED/CEO role – some are Co-EDs
 - Some ED/CEOs transitioning out of their roles
 - Some seasoned leaders facing rapid growth and change
- Board Development
 - Governance, Roles and Responsibilities
 - Board Self-Assessment Survey
 - Board Recruitment Process
 - Board Fundraising
 - Becoming a Generative Board
 - Board Retreat Facilitation
- Email me: tessreynolds@gmail.com

Q&A