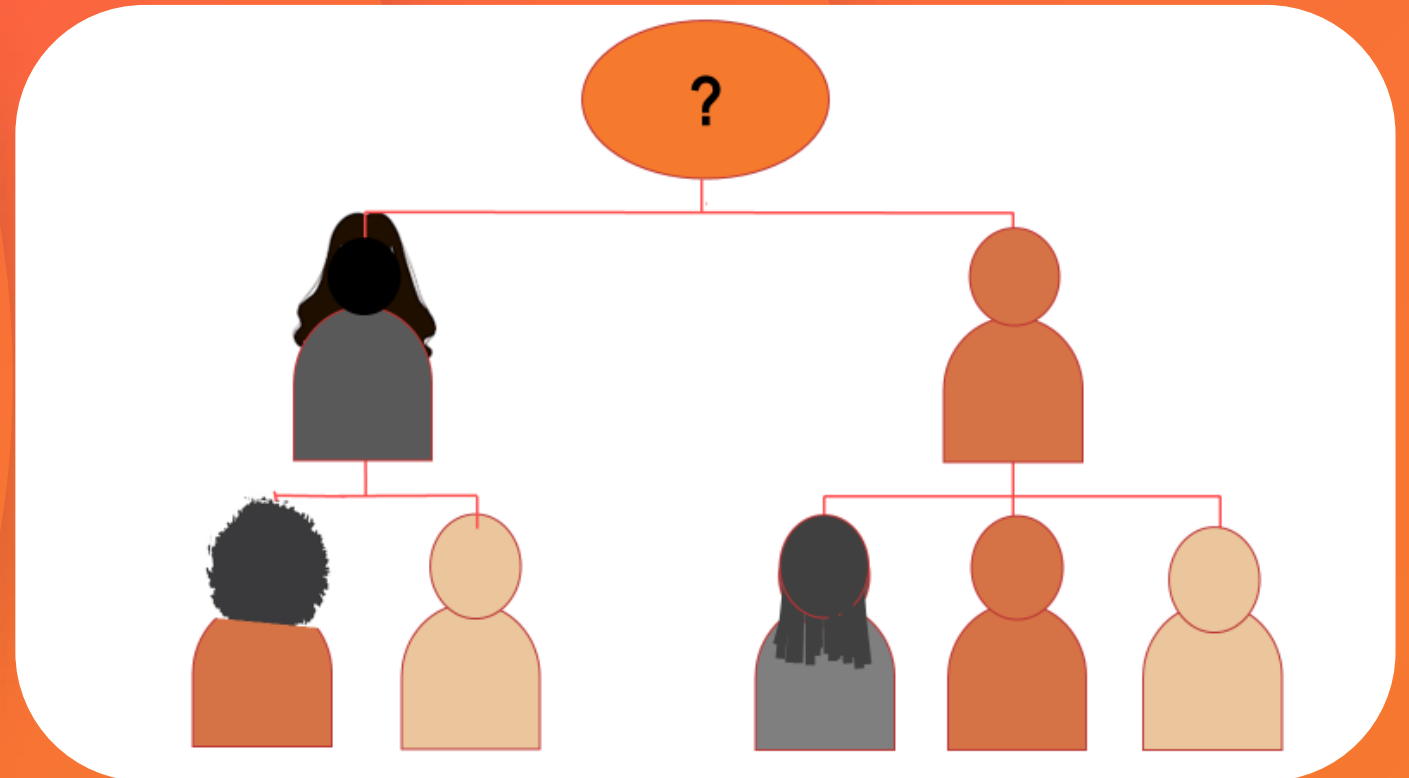




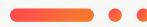
Succession Planning: “More Vital than Ever”



Wednesday, June 15, 2022



BEFORE WE BEGIN



You are muted upon entry into the webinar



Click the Q&A icon to submit your questions anytime.



Chat

Use chat for comments or to elaborate on surveys



Grantee attendance survey is linked in chat



We will send you the PPT & recording

Webinar Agenda

- 1. Introduction**
- 2. Scope/Focus: Importance of Succession Planning**
- 3. Types of Executive Transitions**
- 4. Building Bench Strength**
- 5. Emergency/Unexpected Transitions**
- 6. Scheduled-Departure Transitions**
- 7. Ongoing Role for the Former Chief Executive**
- 8. Q&A**

MEET OUR PRESENTERS



Emily Gantz McKay

President/Managing Director

EGM Consulting, LLC

Washington, DC

- 17 years as founding President/CEO of technical assistance provider Mosaica: The Center for Nonprofit Development and Pluralism
- 16 years on the senior staff of what is now UnidosUS
- Consultant to the Hispanic Federation since 1996
- Has assisted both small and large nonprofits with transition planning and hiring of new chief executives – as a consultant and as a Board member
- BA and MA in Communication from Stanford University

MEET OUR PRESENTERS



Evelyn Laureano, Ph.D., LMSW

Former President/CEO

**Neighborhood Self Help by Older Persons
Project (SHOPP), Bronx, NY**

- Long-time President/CEO of SHOPP, retiring in 2018
- Continues to assist SHOPP
- Currently teaching social work in aging courses at CUNY's Lehman College
- Developed strengths-based social work practice models with minority elders
- Established first elder abuse intervention program in the Bronx
- Divides her time between New York and Puerto Rico
- MSW from Hunter College, Ph.D. from Yeshiva University

MEET OUR PRESENTERS



Lillian Rodriguez Lopez
Consultant
Atlanta, GA

- President/CEO of Hispanic Federation from 2004-2012
- Currently a consultant to the Hispanic Federation and other corporate and nonprofit clients
- Former Vice President, Stakeholder Relations and Consumer Public Affairs for The Coca-Cola Company
- Board Chair of Latino Community Fund Georgia
- Board member of the National Puerto Rican Day Parade
- BA in Communications from Fordham University

Webinar Scope and Focus

- **Succession planning** means preparing for leadership transition within your nonprofit – to ensure leadership continuity
 - Transition can include Board, chief executive, or other senior positions
- This webinar will focus on planning for the succession of the **chief executive**
 - Expected or unexpected
 - Immediate or in a year or more



Experience with Executive Transitions

What types of executive transitions/successions have you experienced or closely observed? *Check all that apply.*

1. No experience
2. The scheduled departure of the founding chief executive
3. The scheduled departure of a chief executive who was not the founder
4. A temporary emergency transition – executive returned
5. A permanent emergency or unexpected transition
6. Termination/firing of a chief executive
7. Development of internal staff for possible promotion to chief executive

Importance of the Board's Role in Transitions

- Hiring – and keeping – the right leader is one of a nonprofit Board's most important responsibilities
- The Board should play the lead role in chief executive transitions
- A good succession plan helps the Board bring in a qualified leader who “fits” the organization and will help it move forward successfully



Executive Turnover: An Increasing Trend

In 2020, according to CompassPoint (*Daring to Lead*):

- 1 in 6 nonprofit executives planned to leave their job within 2 years [*That means 2022!*]
- Only 1 in 6 of 3,000 U.S. nonprofits surveyed had a succession plan

In 2021, according to BoardSource (*Leading with Intent*),

- Almost 3/4 of nonprofit chief executives were working without an employment contract



Nonprofit Executive Turnover, cont.



- In 2022, according to the *Chronicle of Philanthropy*:
 - “Large Numbers of Nonprofit Leaders Are Stepping Down — and the Competition to Find New Ones Is ‘Fierce’” [May 2022]
 - Nonprofit associations in NY, NJ, and CA see increased leadership turnover
 - Leaders – including founders – who delayed retirement during the pandemic are leaving now
 - More mainstream nonprofits are recruiting leaders of color
- Increased competition means nonprofits in transition may need to:
 - Increase salaries and benefits
 - Prepare for a longer recruitment period
 - Increase use of Acting or Interim executives

Why don't nonprofits have a succession planning process in place?

25%

no knowledge of how to create a succession plan

24%

never discussed as a necessary investment

19%

board does not feel it is a high priority



15%

organization cannot afford time

7%

board resistant to seriously planning

10%

other

Source: Georgia Association of Nonprofits, 2013

Executive Transitions in Your Nonprofit

How long has it been since your nonprofit has had a chief executive transition? *Check one.*

- a. About to begin or in the middle of one now
- b. Less than a year
- c. 1-3 years
- d. 4-6 years
- e. 7-10 years
- f. More than 10 years
- g. Never – our founding chief executive still runs the organization

Types of Succession Planning



**Strategic Leader
Development**



**Emergency
or Unexpected
Transition**



**Scheduled-Departure
or Planned
Succession**

Three Types of Succession Planning

Type	Explanation
Strategic Leader Development: Building Bench Strength	<ul style="list-style-type: none">• Planned• Prepares 1 or more current staff for chief executive role• Requires professional development/mentoring opportunities, internal and external
Emergency or Unexpected Succession	<ul style="list-style-type: none">• Unpredicted• May be short-term, long-term, or permanent• Requires an Acting or Interim Director• Plan needed “just in case”
Scheduled-Departure or Planned Succession	<ul style="list-style-type: none">• Policy and process can be planned and ready• Requires preparations similar to emergency successions, but with less urgency• Lead time varies; ideally 12 months or more

Transition Planning by Your Board of Directors

What succession planning has your Board of Directors done? *Check all that apply.*

1. Board has an emergency succession plan
2. Board has a succession plan for the scheduled departure of a chief executive
3. Some policies in place but not a full succession plan
4. No plan, but our Board is good at stepping up when needed
5. Preparation of 1 or more senior staff to become chief executive
6. No preparations or plans

Not Just a Plan:

What Makes a Nonprofit Succession-Ready?



1. Defined culture & clearly stated values
2. An HR system that supports professional development, recruitment and hiring, onboarding, and personnel evaluation
3. Ongoing focus on professional development, mentoring, and cross-training
4. A shared drive or cloud storage for key documents
5. Regularly updated document and information inventories, contacts list, and key links and passwords
6. Regular engagement of Board with senior managers
7. Up-to-date job description for the current chief executive
8. An identified person who could immediately take on an Acting Director role in an emergency – senior staff, Board member, or external person
9. A special fund to cover possible extra expenses if needed
10. A current, active strategic plan

Information Checklists for Succession Planning

- **Vital information inventory**
 - Nonprofit status
 - Financial information
- **Key financial information**
 - Banking Information and authorized check signers
 - Investments information and who is authorized to make transfers
 - Document security and who has the key or combination
- **Legal information**
 - Legal Counsel or advisor and any pending legal matters
- **Human Resources: HR & payroll information**
- **Facilities**
 - Lease or deed
 - Building management
 - Office security system and passcode
- **Grants and contracts: current & pending**
- **Insurance: all types, with policy numbers & contacts**
- **Fundraising**
 - Top donors and pending actions
 - Pending requests



Research: External Hiring Increases Risk



External
recruitment
vs. hiring
from within

- Most nonprofits usually hire **externally**
- Only 30% of nonprofits fill C-suite roles with internal candidates (compared to about 60% of for-profit corporations)
- Only 20% of externally hired executives are seen as “high performers” after 1 year
- Most frequent reason given for failure: “poor culture fit” – “they just don’t work well with the people on their teams” due to a mismatch in workstyle and priorities and “inability to tap into informal and formal sources of organizational power”

– *Harvard Business Review*

Building Bench Strength

- Discuss benefits of preparing current staff for leadership
 - Hiring from within has higher success than external hiring
 - An internal hire reduces transition time and “opportunity costs”
- Develop more than one potential successor
- Start soon after the last transition!
- Support development of internal talent by providing:
 - Regular performance feedback and appraisals
 - Ongoing professional development for all staff
 - Individualized plans for senior management staff
 - Mentoring opportunities
 - Cross-training
 - Deliberate opportunities for managers to **use** new skills



Sharing Experiences: Building Bench Strength and Hiring from Within

Example: Hispanic Federation: 5 chief executives in its 32 years; the last 3 have been internal hires

- **Benefits of preparing a successor from within?**
- **What is required?**
- **Challenges?**
- **Why has it worked for HF?**
- **Lessons learned?**



Photo: Association of Latino Professionals for America (ALPFA)

Emergency Succession Plan

1. Provides leadership continuity through an Acting or Interim executive
2. Identifies a transition team with clear roles for Board and staff
3. Includes both a short-term plan and a timeline for permanent succession (if needed)
4. Addresses security issues and signatories – financial, legal, HR
5. Provides a communications plan and contact list for outreach to key stakeholders, including funders, allies, clients, and community
6. Is ready for implementation within 24 hours
7. Links to a broader plan to hire, onboard & support a new executive
8. Links to ongoing efforts to build “bench strength”



Priorities for the First 48 Hours



Day 1:

- Ensure leadership continuity by naming an immediate Acting Director
- Identify any potential crises or pending tasks/deadlines
- Establish a Board Transition Team
- Communicate situation and immediate plans internally

Day 2:

- Provide duties and priorities for the Acting Director
- Agree on temporary added/changed roles for other staff
- Review and address security issues and signatories
- Communicate plans to external stakeholders, in priority order

When the Board Creates the Transition: Terminating a Chief Executive



- Understand and follow legal requirements, employment contract provisions or personnel policies -- consult a lawyer expert in HR to minimize risk and bad feelings
- Pay special attention to:
 - Choice of an Acting or Interim Director
 - Communications that provide transparency, for both internal and external stakeholders -- talk to staff, then funders, key allies, other stakeholders
 - Possible termination agreement
 - Protection of documents and passwords
- Be sure all legal questions are addressed before termination
- Take the high road in announcements & treatment of the departing executive
- Be ready to implement your Emergency Succession Plan





An Acting vs. an Interim Director

Acting Director

- Current staff member(s) assuming the chief executive role during the transition
- **Benefits**
 - Ensures that someone is in charge
 - Because person knows the nonprofit, may provide continuity and minimize disruption
 - Low-cost – can free up funds for a transition consultant
- **Disadvantages/Risks**
 - May not be an appropriate person on staff
 - Selection can create conflict
 - You will be short one staff person

Interim Director

- A temporary employee or contractor, hired from outside, often a former nonprofit chief executive
- **Benefits**
 - Reduces pressure to find a new executive very quickly
 - Provides objectivity to assess needs and challenges
 - Can help build organizational capacity
- **Disadvantages/Risks**
 - Limited knowledge of the organization and sometimes limited knowledge of its work
 - Can be expensive

Sharing Experiences: Emergency/Unexpected Transitions

Examples: Illness or death of chief executive or sudden departure for another job or a new experience

- **Situations?**
- **Temporary or permanent absence?**
- **Plan in place or not?**
- **Acting or Interim Director?**
- **Key lessons?**



Scheduled-Departure Succession Planning

- Allows time for organizational assessment
- Requires the same information, inventories, contact lists and communications plans as emergency transitions – but with more time to prepare and implement
- Process may take well over a year from old executive's announcement to full integration or the new executive – especially if there is no strong internal candidate
- Enables the Board to consider new directions
- Demands additional time and energy from both Board and staff



Planned Executive Transition: A Five-Part Process



Who should be involved?

- Board of Directors
- Search or Transition Committee
- Consultant or search firm
- Current chief executive (where feasible)
- Senior staff
- Other staff
- Clients and community
- Other stakeholders (funders, allies)



Key Board Decisions and Roles

Roles:

- Guide the transition
- Manage communications, internal and external

Key Considerations and Decisions:

- Job description and compensation for new executive
- Likelihood of hiring from within
- Whether to undertake a broad search/recruitment effort
- Need for a consultant or a search firm
- How best to involve the departing executive – and what if any ongoing relationship to arrange
- How to engage other staff, clients, and other stakeholders
- What to do if recruitment takes longer than planned and an Acting or Interim Director is needed



Outgoing Executive Can Ease a Planned Transition

Remember: Founder's Syndrome applies to long-term executives even if they aren't the founder!

- Prepare the organization to outlast you
- Build bench strength at all levels
- Maintain a strong, collaborative management team
- Help recruit Board members with transition experience
- Support but do not lead the transition process
- Pass the baton publicly and visibly – internally & externally
- Help staff commit to the new executive's success
- Insist that your successor help decide on your new role, if any
- Show respect and deference to the new executive
- Do not join the Board – at least not for several years, with cautions



Sharing Experience: Scheduled Executive Transitions

Example: SHOPP

- Timing?
- Board leadership and role?
- Use of consultant or search firm?
- Lessons learned?



The Transition Doesn't End with Hiring

- **Beware of:** *“We’re glad you’re here. Here are the keys and the passwords. See you at our next Board meeting in two months.”*
- Board needs to provide “robust onboarding,” support, and active supervision for the new chief executive
- Key staff need to support and assist
- Board and new chief executive should agree on:
 - Strategic priorities for the first year
 - Roles and mutual expectations of Board and chief executive
 - Objectives and performance measures
 - Procedures and timing for monthly, then quarterly, check-ins
 - An “emergency contact” to call any time
 - Process for annual performance evaluation

How the New Chief Executive Can Maximize Success

- Establish your own credibility – look for some quick successes
- Insist on clear performance objectives and regular reviews
- Build a good working relationship with the Board Chair
- Respect and honor your predecessor, especially if the founder or a long-time leader
- Build strong working relationships with staff, especially your management team – consider a team retreat
- Get to know funders and key allies as soon as possible
- Recruit some new board members
- Once you feel fully onboard, do strategic planning



Countering the “Clean Break” Myth



“Nonprofits benefit when they carefully plan an extended role for founders who step down”

- Far more nonprofit boards work out a continuing role for founders (45%) than pursue an amicable clean break (31%)
- The most successful transition model paired a founder in a continuing role with a successor from *inside* the organization [also true for long-time executives who were not founders]
- Transition work requires preparation and is not easy – the Board needs to help the founder define an appropriate role and shepherd the process

-- Bridgespan Group

Sharing Experience: Roles of a Former Leader

- **Dr. Laureano continues to assist SHOPP, more than 3 years after her transition**
- **Ms. Rodriguez Lopez has become a consultant to HF**
- **Questions:**
 - **What roles do you play?**
 - **How do you interact with the current CEO?**
 - **What if anything do you avoid?**
 - **Why does it work?**

Sum Up



- Many nonprofits will face transitions in the next few years
- Three key needs:
 - Strategic leadership development to provide internal options
 - A policy and detailed plan for emergency transition
 - A policy and time-phased plan for scheduled-departure transitions
- Board leads the transition process
- May need: external Interim Director, transition consultant, search firm
- New executive needs robust onboarding, clear objectives, regular review and support
- Founder's Syndrome is real, but many nonprofits benefit from continued involvement of the former chief executive
- Many useful tools and templates exist

Materials

- PowerPoint
- Bibliography
- **Tools:**
 - Model Succession Policy
 - Professional Development Format
- HF will send materials to all registered participants
- PowerPoint, materials, and video recording will be posted on the HF website



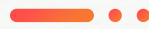


Questions?

Click the Q&A icon to type in your questions!



Thank You!



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