

SUCCESSION PLANNING

WHAT IS SUCCESSION PLANNING?

Succession planning is a deliberate, proactive, and systematic process that forecasts an organization's leadership needs at all levels, ensures continuity, and develops the organization's leadership talent. Succession planning is an opportunity to strategically look at the future of the organization.

Succession planning is not only about finding leadership replacements. It is also about identifying and developing your internal staff members who can potentially lead a department, division, or the organization in the future.

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WHY DO YOU NEED A SUCCESSION PLAN?

Simply put, organizations with formal succession plans in place outperform those who don't have a succession plan.

Succession planning allows your organization to:

- ▶ Increase the likelihood of managing a leadership transition efficiently and successfully
- ▶ Foster positive organizational culture
- ▶ Mitigate risks
- ▶ Transfer key organizational knowledge
- ▶ Ensure organizational stability and resilience

Succession planning helps clarify roles between the board and the Chief Executive Officer (CEO) or Executive Director (ED). It also helps your organization focus on capacity building and highlights the value and needs of the board and the CEO or ED.

Succession planning can be a launchpad for the board to think about who the ideal leader for your organization would be for the next 10 to 12 years. It can help your board and staff think creatively about what leadership is and should be for your organization.

Board succession planning, more specifically, facilitates seamless transitions. It also helps you get top talent for your board, increase your board's diversity, maintain power balance on the board, and strengthen external stakeholder trust.

ARE YOU READY FOR A SUCCESSION?

Is your organization ready for a change in the board chair, CEO or ED in the next 2 to 5 years? What about if the change needs to occur in the next 6 months? Or immediately?

This checklist outlines key organizational processes to ensure your organization is ready for a change in leadership:

- ✔ Your organization has a strategic plan that includes leadership talent development objectives.
- ✔ Your board evaluates itself annually for how well it performs its strategic planning, policy development, financial oversight, and executive oversight and support activities.
- ✔ Your board evaluates the CEO or ED annually on performance and goal achievement.
- ✔ The CEO or ED positively evaluates the staff reporting to them every year for the skills and competencies needed for their given positions.

- ✔ Your top management team shares leadership of the organization, has a solid and supportive team culture, can lead the organization if the CEO or ED is absent, and can make decisions within their respective portfolios.
- ✔ One or more board members or staff share important stakeholder relationships maintained by the CEO or ED. These include relationships with sponsors or partners, provincial and territorial sport organizations, government, and continental and international federations.
- ✔ Your key staff members have formalized their main activities and identified another person in the organization who can take over their responsibilities in case of an emergency.
- ✔ Your key administrative systems have readily accessible and updated operating manuals, including passwords and how-to documents.
- ✔ Your organization has a financial reserve of 3 months' operating capital.
- ✔ Your financial systems meet the industry standards and those of the Canada Not-for-profit Corporations Act.
- ✔ Your financial reports are up-to-date and are presented in such a way that the board and top management team can do their work and ensure the financial sustainability and strength of the organization.

SUCCESSION PLANNING CHALLENGES

Multiple challenges exist around succession planning:

▶ **RELUCTANCE TO START A SUCCESSION PLANNING PROCESS**

Succession planning processes, if not well managed, can cause internal conflict or power plays. Succession planning can also create the perception of unsatisfactory performance by the board chair, CEO or ED.

▶ **DIFFICULTY LETTING GO**

The person currently holding the position of board chair, CEO or ED may believe a succession planning process is needed due to their own (potentially unsatisfactory) performance, future retirement (they may not want to leave), potential illness or death. These are not easy topics to deal with on a personal level. In turn, succession planning can become personal for the individual and contribute to difficulties “letting go” of their leadership role.

▶ **UNCERTAINTY OVER HOW TO “DO” SUCCESSION PLANNING**

Many organizations have never undertaken a succession planning process, and may not understand how to go about it, what needs to be done, and who is responsible for each part of the process.

▶ **FACING A LEADERSHIP DEFICIT**

With Baby Boomers retiring or planning to do so in the near future, there are fewer individuals ready and available to replace them as organizational leaders.

▶ **BEING TORN BETWEEN PROMOTING INTERNAL CANDIDATES OR LOOKING FOR OUTSIDERS**

Despite a trend in sport to bring in non-sport leaders as key executives, research is mixed as to whether internal or external successors are better for the organization's success. Many practitioners feel that successful organizations should develop their own leaders because external CEOs or EDs tend to underperform (often due to poor knowledge transfer, a lack of relationships in the new organization, or resistance from stakeholders). However, there might be a need to look for new leadership outside of the organization if there are internal problems, a lack of potential internal leaders, or the organization wishes to go in a new direction.

SUCCESSION PLANNING PROCESS

The succession planning process starts with identifying the need for a new CEO, ED or board member and ends with onboarding the chosen candidate. In general, the search for a new leader involves identifying the individual or group responsible for the search and selection process (for example, an agency or the board governance or nominating committee), analyzing the needs for the position, designing the search and selection process, searching for candidates, interviewing a short list of candidates, and selecting the best candidate for the position. A generic succession planning process is outlined in Figure 1.



Figure 1. Generic succession planning process for Boards and CEOs or EDs.

TYPES OF SUCCESSION PLANNING

For non-profit (sport) organizations, there are 3 types of succession planning processes. Organizations should consider all 3 in their succession planning efforts.

► 1. STRATEGIC LEADER DEVELOPMENT (LONG-TERM, 5+ YEARS)

The ongoing process of:

- Defining your strategic vision and plan
- Identifying the necessary leadership and managerial skills, competencies and knowledge needed to fulfil this vision and plan
- Recruiting and retaining members who can develop these skills, competencies and knowledge

This is your organization's opportunity to develop diverse and inclusive talent for future leadership. The CEO or ED and HR department are responsible for this aspect of succession planning.

TIPS FOR STRATEGIC LEADER DEVELOPMENT:

- ✓ Establish an ongoing dialogue between the board, CEO or ED, and the human resources (HR) department
- ✓ Use the strategic planning process to assess future leadership needs
- ✓ Invest in ongoing board and staff development

► 2. DEPARTURE-DEFINED SUCCESSION PLANNING (MEDIUM-TERM, 2-4 YEARS)

The future-oriented succession planning that helps an organization prepare for an eventual leader departure. This type of succession planning helps the organization identify future strategic goals and the type of successor and skillset needed to achieve these goals, then build capacity where needed. The board, along with a nominating or governance committee, leads this planning process. The board will also lead communications with staff and stakeholders regarding the eventual departure.

In some cases, a recruitment agency or search firm may be hired to support this process. Regardless, the outgoing leader should be involved in succession planning discussions. It is also important for the organization to celebrate the transition and outgoing leader.

TIPS FOR DEPARTURE-DEFINED SUCCESSION PLANNING:

- ✓ Create a process that celebrates the outgoing person and the successor
- ✓ Engage the board, nominating or governance committee, and recruitment agency (if needed)
- ✓ Establish a transition team
- ✓ Communicate the transition to staff and stakeholders
- ✓ Conduct an organizational SWOT assessment (strengths, weaknesses, opportunities, threats)
- ✓ Review and use the strategic plan to determine future leadership needs
- ✓ Use the SWOT assessment and strategic plan to inform a leadership succession plan
- ✓ Conduct the executive search
- ✓ Announce and celebrate the transition

▶ 3. EMERGENCY SUCCESSION PLANNING (IMMEDIATE OR SHORT-TERM)

This type of strategic planning allows for the uninterrupted functioning of key leadership and administrative functions in the case of an unplanned temporary or permanent absence of a leader or administrator. The departure may occur immediately, within a few days, or within a few weeks' notice. The board and CEO or ED are responsible for developing an emergency succession plan. A communication plan, financial oversight, and interim management must be in place while the organization searches for a replacement.

“The best succession planning approaches blend objectivity with empathy and discipline. Give potential successors the proper education, exposure, and experience.”

– Rutch et al. (2018)

TIPS FOR EMERGENCY SUCCESSION PLANNING:

- ✓ Establish an emergency leadership transition team
- ✓ Clarify the board's responsibilities
- ✓ Update the organization's contact information
- ✓ Review and update the job description for the position
- ✓ Develop a communication plan
- ✓ Communicate the impact of the departure with staff and stakeholders
- ✓ Assign the person's responsibilities to others or name an interim person (or both)
 - If an interim CEO or ED is named, it should only be for a short term
 - An external interim CEO or ED can be named if there are major changes coming
 - Indicate to the interim CEO or ED if they are eligible to apply for the permanent position
- ✓ Cross-train individuals where needed
- ✓ Develop a policy statement (for future emergency leadership departures)

BEST PRACTICES AND RECOMMENDATIONS FOR SUCCESSION PLANNING

Ideally, long-term succession planning should begin 2 to 4 years before an expected board or CEO or ED turnover. In reality, you need at least 18 months for a proper succession planning process to occur. In an emergency situation, you may need to appoint a person in the interim while a full process is ongoing, which can take 6 months or more. This is why it is important to develop your internal staff's leadership capabilities. This is also why a formalized plan is important so you can hit the ground running. Here are some best practices and recommendations to optimize your succession planning process:

1 LEAD THE PROCESS AND TRAIN INDIVIDUALS

- ▶ Identify who is responsible for leading the process:
 - The **board** should lead the CEO or ED succession planning (with a recruitment agency or search firm, if needed).
 - The **nominating or governance committee** should lead board succession.
 - The **human resources department** should lead department head succession and leadership development (known as a succession management program).
- ▶ **Cross-train** staff so they can take over another member's responsibilities in case of an emergency. This includes ensuring the top management team can take over the CEO or ED's responsibilities if needed.
- ▶ **Mentor** identified "up-and-comers" and continue their mentoring throughout their career for leadership development.

2 PLAN FOR SUCCESSION AND FORMALIZE YOUR EFFORTS

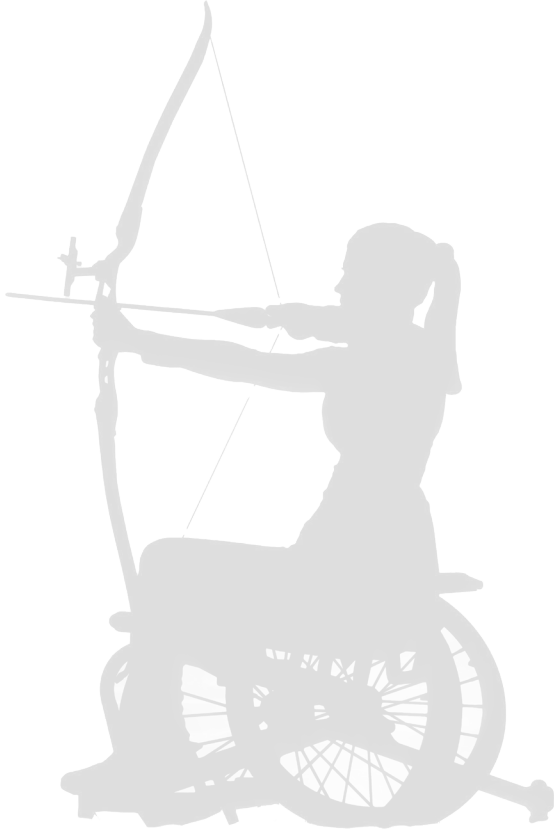
- ▶ **Align succession planning** with the organization's other human resource management practices, including in regard to diversity, equity and inclusion, to ensure buy-in from all levels.
- ▶ **Formalize your organization's succession plan**, which should consider strategic leader development, departure-defined succession planning, and emergency succession planning situations. However, the succession plan should be flexible and fluid.
- ▶ **Undertake formal assessment processes** yearly for your board (see SIRC's [Board Composition](#) and [Board Onboarding](#) trend reports) and CEO or ED.
- ▶ **Align the new CEO or ED's selection criteria** and characteristics with the organization's strategic plan and desired future direction.
- ▶ **Ensure the new CEO's or ED's corporate background fits** with your organization's characteristics, regardless of whether it is an internal or external candidate.
- ▶ **Onboard the successor** (see SIRC's [Board Onboarding](#) trend report). This includes introducing the successor to the outgoing person's contacts and relationships needed to perform their new role effectively. A supportive organizational culture based on transparency is important so all stakeholders get to know the new person before they take on full responsibility.

3 COMMUNICATE OPENLY AND HONESTLY

- ▶ Have open and ongoing dialogue between the board and CEO or ED regarding succession planning. This should include an annual discussion regarding leadership development and strategic succession planning. During this time, the emergency succession plan should also be reviewed. This can be done in conjunction with the strategic planning review given the discussions about the organization's future direction.
- ▶ Use an online portal (such as Google Drive, Dropbox, or OneDrive) to streamline processes and facilitate access to information for the transition team, replacements, and successors.
- ▶ Be transparent and communicate with key stakeholders before, during, and after a board or CEO or ED transition to ensure stakeholder buy-in and support of the chosen candidate.

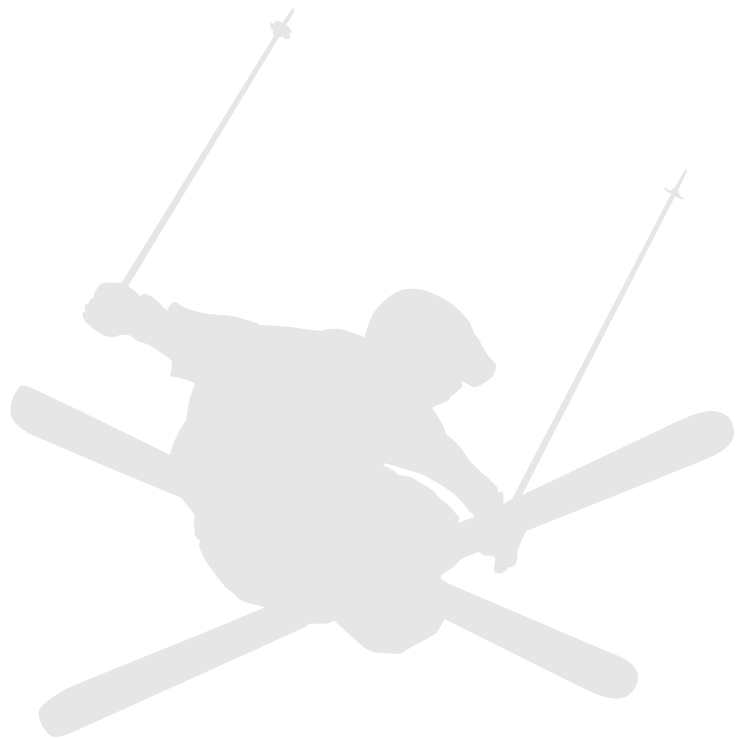
CONCLUSION

Ultimately, a proper succession plan is part of an organization's risk management and strategic planning. It can also serve as an internal leadership development plan (a good human resource management practice) for lower-level staff. Finally, it strengthens the relationship between the board and CEO or ED by developing shared understandings of needs, value, and desired rewards.



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Key resources for further reading on succession planning

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