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Succession Planning: Do you really manage your risk?
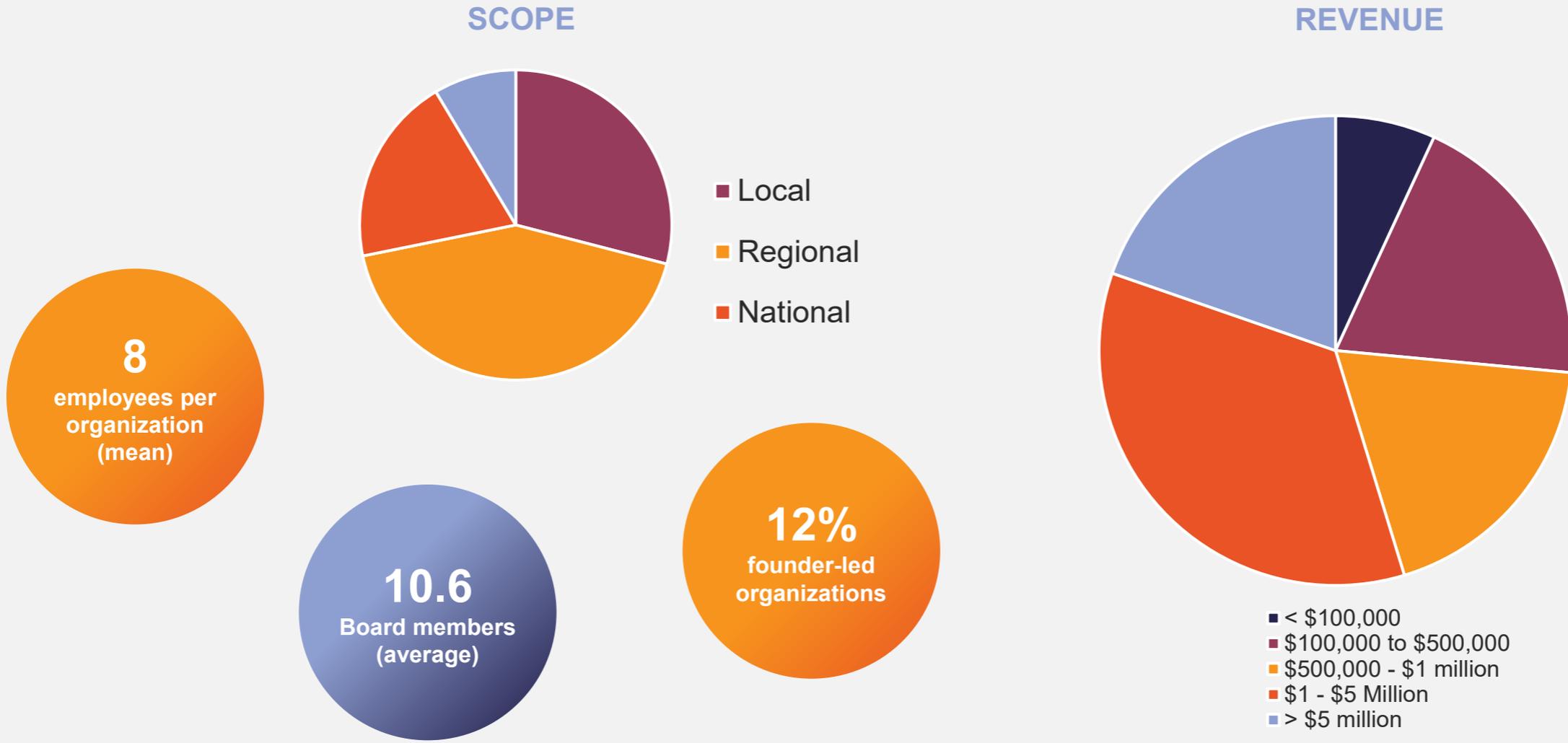
Edition 2024

BACKGROUND AND INTRODUCTION

- **Are you ready for a management change? Probably Not!!**

- Succession planning ensures continuity in not-for-profits.

- A 2024 study with more than 100 Canadian NPOs explored how succession risks are managed.

- The study collected data on current strategies and future leadership needs.

- Results will help charities understand key challenges in leadership transitions.

- Insights will highlight trends and best practices for smooth transitions.

PORTRAIT OF PARTICIPANTS

- Respondents from across Canada

- All aspects of non-profit sector
  - Advanced Education and Healthcare
  - International development to Religion
  - Advocacy to Housing

PORTRAIT OF PARTICIPANTS

SCOPE

REVENUE

8 employees per organization (mean)

- ■ Local
- ■ Regional
- ■ National

10.6 Board members (average)

12% founder-led organizations

- ■ < $100,000
- ■ $100,000 to $500,000
- ■ $500,000 - $1 million
- ■ $1 - $5 Million
- ■ > $5 million

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GENERAL HIGHLIGHTS

0%
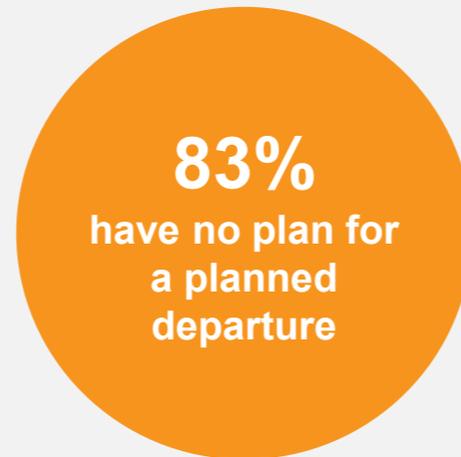Felt they were very well prepared for an unplanned departure

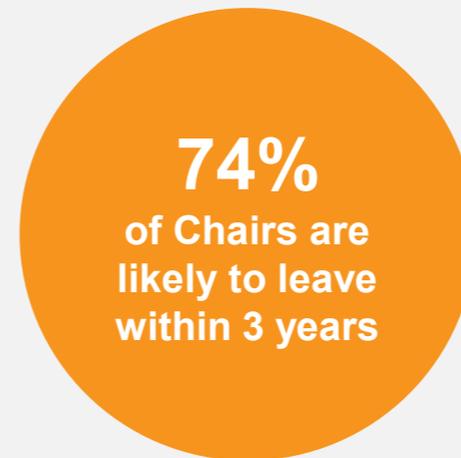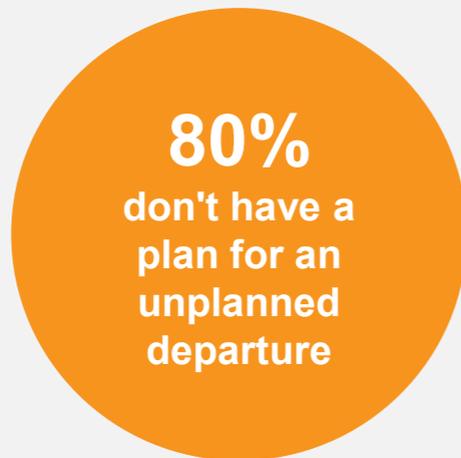**10%**
may leave within one year

76%
Don't discuss it

51%
Had no internal successors identified for staff leadership

SPECIFIC HIGHLIGHTS

CEO

65%
have no plan for an unplanned departure

83%
have no plan for a planned departure

39%
of CEOs are likely to leave within 3 years

31%
anticipate major disruption after leaving

CHAIR

80%
don't have a plan for an unplanned departure

60%
have no plans for a planned departure

74%
of Chairs are likely to leave within 3 years

20%
anticipate major disruption following departure

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SUCCESSION PLANNING

Succession planning is a process to make sure an organization has smooth leadership transitions, especially for a CEO / Executive Director or Board Chair.

It focuses on developing internal talent and preparing future leaders to keep key positions stable and meet the organization's goals. This planning covers two situations:

- **Planned succession**: This happens when a leader's departure is expected, such as a retirement or the end of a contract. It involves finding, training, and gradually bringing in a replacement to ensure a smooth transition.

- **Unplanned succession**: This deals with unexpected departures, due to health issues, resignation, or dismissal. It includes emergency steps to keep things stable until a longer-term solution is found.
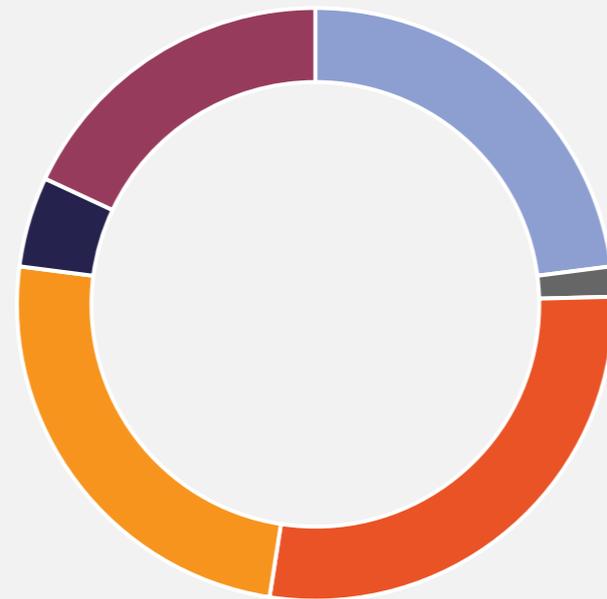
SUCCESSION PLANNING – Executive Staff

- **39%** of Executives are thinking of **leaving their organization within 3 years**. This percentage rises to **68% within 5 years**.

- In the event of departure, the Board would offer the position **on an interim basis (in-house) in 48%** of cases, and **17% of Boards don't know what they would do**.

- It should be noted, however, that **65% of organizations have no procedure in place** for a sudden departure (e.g. illness or accident), and this number rises to **83% in the case of a planned departure** (e.g. retirement).

- The lack of preparation is similar with other key staff positions.

- Only 5% of organizations feel that there will be **no impact** when the CEO leaves.

- In 66% of cases, the **organization's reputation is** at risk, and in 20% of cases, the situation is even more problematic.

SUCCESSION PLANNING – Executive Staff

- In 94% of cases, **the organization's revenues are likely to decline.**

- **Team mobilization will be disrupted** in 95% of cases. The impact will be high or very high in 39% of cases.

- **Senior management has maintained or improved board confidence in 99% of cases**. It is likely to remain at the same level in the following year.

- 77% of senior management are permanent employees, which provides stability while limiting the need for succession planning.

- 46% of senior managers have **no agreed notice clauses**. For those that do, **the average agreed notice period is 3 months.**

SUCCESSION PLANNING – Senior Management

Responsibility for succession planning for senior management **varies enormously.**

■ Executive Management   ■ Human Resources Department   ■ Board of Directors

■ Dedicated Board Comittee   ■ Chair of the Board   ■ No one

Spotlight on
SUCCESSION PLANNING CHAIR OF THE BOARD OF DIRECTORS

SUCCESSION PLANNING – Chair of the Board

- **74%** of board chairs are thinking of **leaving their organization within 3 years**. This rises to **95% within 5 years**.

- In the event of departure, the Board of Directors would offer the interim position to a **vice-president or designated vice-president in 47%** of cases.

- **49% of organizations have no procedure in place** for a sudden departure (e.g. illness or accident), and this number drops to **42% in the case of a planned departure** (e.g. maximum duration).

- 44% of boards have a **clear process for chair-designate, chair and outgoing chair**.

- 30% of organizations feel that there would be **no impact on the stability** of their organization when the president leaves. 7% consider that it **could improve their stability.**

- In 60% of cases, the **organization's reputation** would not be affected by the departure of a president. A mere 2% of organizations would be in a problematic situation.

SUCCESSION PLANNING – Chair of the Board

- The organization's **revenues** are likely to **fall** in 73% of cases when the Chair leaves.

- **Fundraising** will be affected in 74% of cases. The impact will be high or very high in 19% of cases.

- The Board's **current level of confidence** in its Chair is excellent or very good in **88%** of cases. This level is likely to be maintained or improved over the coming year.

- 81% of Boards do **not** have procedures that provide for a **minimum notice period** prior to the planned departure of a Board Chair.

- Officers are appointed **by the Board** in 72% of cases. However, in 37% of cases, members could change the Board's plans at the **AGM**, for example, by not electing the President designate.

SUCCESSION PLANNING – Chair of the Board

Responsibility **for** the succession planning process for the Chairman of the Board **varies enormously**.

- Executive Management
- Board of Directors
- Chair of the Board
- Human Resources Department
- Dedicated Board Comittee
- No one

RISK SUMMARY SHEET

Think of succession planning as a risk to manage **for** your organization.

Risk   #   -   Departure of Executive Director with no identified successor

Type of risk
- [ ] Financial
- [X] Reputational
- [X] Operational
- [ ] Compliance
- [ ] Emerging

Risk tolerance
- [ ] Low
- [X] Moderate
- [ ] High

Occurrence   **Impact**
4   5

Score (Occurrence x Impact)
20

Occurrence					
Almost certain **5**	Moderate **5**	Major **10**	Critical **15**	Critical **20**	Critical **25**
Likely **4**	Moderate **4**	Moderate **8**	Major **12**	Critical **16**	Critical **20**
Possible **3**	Minor **3**	Moderate **6**	Moderate **9**	Major **12**	Critical **15**
Unlikely **2**	Minor **2**	Minor **4**	Moderate **6**	Moderate **8**	Critical **10**
Rare **1**	Minor **1**	Minor **2**	Minor **3**	Moderate **4**	Critical **5**
	Not significant **1**	Minor **2**	Moderate **3**	Major **4**	Critical **5**

Impact

Description of risk(s)
Operational Disruption
Loss of Strategic Direction
Financial Instability
Knowledge Gap
Decreased Morale
Loss of Donor Confidence

Mitigation tactics
Develop a Succession Plan
Cross-Training Programs
Interim Leadership Strategy
Board Involvement
Document Critical Processes
Regular Reviews and Updates
Donor Communication Plan
Cultivate Multiple Relationships

1. DEFINING THE ORGANIZATION'S SUCCESSION NEEDS

Average level of preparation

- Succession planning must have a clear mandate issued by the Board of Directors, stipulating the targeted positions, expectations and resources to be deployed.

- This is the most "difficult" stage for many organizations

- Initial conversation can create discomfort, mistrust and even suspicion. *But… it's an* **extremely healthy** *part of risk management.*

- Normalize the conversation.

2. IDENTIFYING THE NEXT GENERATION

Average level of preparation

- Depending on your needs and size, you'll need to explore both internal and external candidate pools.

    - In 51% of cases, no one has been identified internally to succeed the CEO. In the case of BoDs, 83% have already identified one or more successors to the presidency.

    - Only 12% have a pool of potential **external** candidates. (33% for the Chair.)

- Internal candidates identified as potential successors need to be made aware of this!
    - Although this may seem self-evident, only **15% of identified CEO** successors and 30% of identified Chairs are made aware.

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3. EVALUATION AND DEVELOPMENT OF THE NEXT GENERATION

Low level of preparation

Only 11% of the next generation identified feel well prepared to move into executive roles.

For the next generationof Chairs, the figure changes to 23%.

Only 13% of internal CEO successors know what is expected of them (33% for Chairs)

And only 9% are regularly informed of the process, and changes to the succession (23% for Chair).

20% of organizations have included specific development plans for potential CEO succession

12% for potential chair succession.

4. MONITORING AND MEASURING PROGRESS

Low level of preparation

- In 49% of cases, there is **no discussion** of succession planning for senior management with the Board of Directors

- When it comes to the Chair, there is no discussion in 37% of cases.

- Because needs can evolve and deadlines can change, the next generation identified could become demotivated and leave.

  - Turnover is high in the non-profit sector

The Next Steps

CHECKLIST (CEO/Executive Director)

🟢 Mostly in place
🟡 Sometimes in place
🔴 Few or not in place

- Job description 🟢
- Pay scale for the position 🟡
- Up-to-date organization chart 🟡
- Job descriptions for all employees, including roles and responsibilities 🟡
- List of access codes and passwords *(computer, database, e-mail, voice mail, social media, bank accounts, payroll system, alarm code, safe code or key, etc.)* 🟡
- List of key suppliers *(database, IT support, bank, landlord, lawyer, payroll service, alarm company, insurer, etc.)* 🟡
- Job description for interim role 🔴
- Internal communication plan around transition 🔴
- External communication plan around transition) 🔴
- Nominating Committee roles and responsibilities 🔴
- Recruitment procedures 🔴
- List of professionals looking for executive roles 🔴
- List of consulting firms (coaching and interim) 🔴
- Employee development plans for succession planning 🔴
- Sample termination letter and receipt 🔴

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CHECKLIST (CHAIR)

- Description of the role of Chairman of the Board of Directors 🟢

- Director's manual (*by-laws, roles and responsibilities, latest minutes, list of board members, letters patent, insurance, strategic plan, etc.*) 🟢

- Nominating Committee 🟡

- Candidate search process (according to your by-laws) 🟡

- Internal communication plan on transition 🔴

- External communication plan on transition 🔴

- List of director recruitment resources 🔴

- List of consulting firms 🔴

TO INITIATE THE STAFF-BOARD CONVERSATION

If you feel ready to broach the subject with your Board

- Ask for this item to be discussed at the next Board meeting (with the Chairman or the Risk/HR Committee). The discussion should be held **with you and behind closed doors**.

- Alternatively, discuss the situation openly and transparently with your Chairman of the Board. Here's a simple way to introduce it:

Hello [Name of your board chair],

At a recent BNP Philanthropic Performance conference, succession planning was highlighted as one of the most underestimated and poorly managed risks in organizations, with potentially far-reaching consequences if left unaddressed.

In the spirit of proactive and responsible risk management, I believe it would be wise for us to address this topic in the near future. Please find attached [the excellent] session presentation to help us get started. Please be assured that this is in no way an indication of imminent departure on my part. Rather, it is to ensure that our organization remains stable and prepared for any eventuality, offering peace of mind to all parties involved.

Please let me know when you have time to discuss this further.

Next Steps

IN SUMMARY

- While boards of directors seem better prepared for the succession of their Chair, the impacts of the chair leaving are seen to be less disruptive.
- Which means most organizations are not prepared for a situation that could and would harm them.
- Most aren't even talking about it.

Full report December 2024 in English and French

Tools and templates to help you start thinking about succession planning as a risk to be managed.
- Section dedicated to anti-oppression mechanisms, anti-racism, harassment and psychological and sexual misconduct

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