



Succession Planning Policy for Nonprofit Organizations

A Guide to Establishing a Culture of Leadership Continuity to Advance Your Mission
From Third Sector Company

The purpose of this guide is to help you make informed and appropriate policy decisions that outline the transition process you will use to manage gaps in leadership within your organization. The guide offers a template that can be adapted to the particular needs of your organization.

The advice of a competent attorney should be sought any time a nonprofit is considering policy changes or activities that may affect the legal status or liability exposure of the organization, especially when human resources are involved.

Under no circumstances should the content of this template document be regarded as a substitute for legal advice or counsel prior to adopting policy for your organization.

Third Sector Company gratefully acknowledges the contributions of The Center for Nonprofit Advancement in Washington, DC for providing a significant portion of the content of this document. The Support Center for Nonprofit Management in New York City and CompassPoint Nonprofit Services in Oakland, California also provided contributions.

We encourage our clients to take a very thoughtful and careful approach to leadership succession. Policies regarding leadership continuity should be reviewed and discussed annually. We hope this document is a major step in that journey to best practices for your organization to serve our community.

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President and Chief Mission Advancement Officer

Step #1: ADOPTING A BOARD POLICY

Whether planned or unplanned, a vacancy in the chief professional position creates an awkward series of events involving staff, volunteers, contributors and the entire community. Depending on the variables that resulted in the vacancy, a significant period of time can be spent managing the people, processes and politics associated with the transition.

Third Sector Company recommends the adoption of policies by a Board of Directors that will authorize the immediate enactment of steps to help continue the organization's service to the community without interruption during times of short-term absences and following a termination of the Executive Director. We further believe that the organization is best served when there are also specific policies regarding the vacating of key positions on the board. Leadership continuity should never be considered solely an employee-based discussion in a nonprofit.

Specific to the Executive Director, there are three situations that can result in a vacancy in the chief professional officer position:

- A short-term leave of absence
- A long-term leave of absence
- A permanent vacating of the position

Based on our experiences, Third Sector Company recommends the following pages as an example of a succession planning policy statement.

EXECUTIVE SUCCESSION POLICY STATEMENT

The Board of Directors recognizes that a policy anticipating the possible disability, death or departure of the Executive Director represents sound governance practices. The Board annually reviews the job description of the Executive Director as part of an annual executive evaluation process. The current job description is attached to this policy statement.

While it is a primary function of the Board of Directors to have a clear understanding of the Executive Director's role in operations leadership, program development, program administration, supporting the Board and committees, volunteer management, financial operations, fundraising, community presence and human resources, should a situation arise that will create a vacancy in the Executive Director position, the Board has approved the following definitions and processes to be carried out:

IN THE EVENT OF A TEMPORARY, UNPLANNED ABSENCE

A Vacancy in the Executive Position of Less Than Three Months

A temporary absence is one of less than three months in which it is expected that the Executive Director will return to their position once the events precipitating the absence are resolved. An unplanned absence is one that arises unexpectedly, in contrast to a planned leave such as extended vacation or sabbatical.

In such cases, the Board of Directors hereby authorizes the Executive Committee (or Officers of the Board) to implement the terms of this emergency plan in the event of the unplanned short-term absence of the Executive Director. In that event, the Executive Director or their designee should immediately inform the Board Chair. As soon as it is feasible, the Chair should convene, either in person or electronically, a meeting of Officers of the Board to affirm the procedures prescribed in this policy statement and make modifications as deemed appropriate to the circumstances of the situation.

At the time this policy statement was approved, (Name of Person and Person's Title) was designated to be named Acting Executive Director if the need should arise. If this person is unable to serve, the first and second backup appointees would be (names and titles in descending order of seniority to the position).

If the Acting Executive Director is new to their position and fairly inexperienced with the organization (less than 12 months), the Officers of the Board (or Executive Committee) may decide to appoint one of the backup appointees to the Acting Executive Director position, or elect to seek an independent Interim Executive Director with the experience and credentials to lead the organization during the period of the absence. At no time shall a current Board member be designated as the Acting Executive Director of the organization.

The person appointed as Acting Executive Director shall have the full authority for decision-making and independent action as the Executive Director of the organization. The Acting Executive Director, at the discretion of the Officers of the Board, may be offered a temporary salary increase to the entry-level salary of the Executive Director position or offered a bonus in a mutually-negotiated amount to be paid during the Acting Executive Director period. Should the Officers of the Board choose to secure an independent Interim Executive Director, they are authorized to pay a fee for such services as they deem reasonable to assure the organization is provided quality leadership without interruption.

The Board member responsible for supervising the work of the Acting Executive Director shall be the Board Chair. Immediately upon transferring the responsibilities to the Acting Executive Director, the Board Chair or the highest-ranking Board member available will notify staff members, members of the Board of Directors and key volunteers of that delegation of authority in writing. As soon as it is feasible, the Acting Executive Director and the Board Chair or the highest-ranking Board member available will communicate the temporary leadership structure to key external supporters which include, but are not limited to, government contracts officers, foundation program officers, civic leaders and major contributors.

The decision about when the absent Executive Director may return to the position shall be determined by the Officers of the Board. They and the Executive Director will mutually agree upon a schedule and return date. A reduced schedule for a set period of time can be allowed, by approval of the Board Chair, with the intention of working back to a full-time commitment over a reasonable period of time appropriate to the circumstances.

IN THE EVENT OF A LONG-TERM, UNPLANNED ABSENCE

A Vacancy in the Executive Position of More Than Three Months

A long-term absence is one that is expected to last more than three months but no longer than one year. The procedures and conditions to be followed shall be the same as for a short-term absence with the following exceptions:

A leadership vacancy extending up to a year requires an additional qualified human resource so as not to compromise the current operation of the organization for an extended and undefined period of time. Therefore, the Acting Executive Director shall serve long enough to fill the position with a qualified, independent Interim Executive Director who will then serve for the duration of the vacancy. The Executive Committee or the Officers of the Board are authorized to extend the Interim Executive Director's contract up to an additional year beyond the first anniversary of date of hire, with payment of additional fees as they deem appropriate and reasonable. At no time shall a current Board member be designated as the Acting Executive Director of the organization.

The decision about when the absent Executive Director may return to the position shall be determined by the Acting or Interim Executive Director and the Officers of the Board. They and the Executive Director will mutually agree upon a schedule and return date. A reduced schedule for a set period of time can be allowed, by approval of the Board Chair, with the intention of working back to a full-time commitment over a reasonable period of time appropriate to the circumstances.

IN THE EVENT OF A PERMANENT CHANGE IN EXECUTIVE POSITION

A Vacancy Caused by Death, Disability, Resignation or Termination

A permanent change is one in which it has been firmly established that the Executive Director will not be returning to the position, or has been removed from the position according to Board-approved policy. The Board of Directors shall appoint an Executive Transition Committee, or authorize the Executive Committee or the Officers of the Board to act as an Executive Transition Committee, within seven days of the position having been vacated.

The Executive Transition Committee is authorized to determine the need for an Interim Executive Director and carry out a plan for the recruitment and selection of an Interim Executive Director and/or the permanent replacement for the position. The Executive Committee or the Officers of the Board are expected to regularly inform the Board of the plans, proceedings and outcomes of such work by special meeting and written reports as deemed appropriate.

The Transition Committee is also responsible for presenting to the Board of Directors, for approval by majority vote, an executive search process. The process must include a representative body of diverse community leaders in recommending a final candidate or candidates for Board approval with clear designation of how employees will have a voice in the selection process. The Transition Committee may also, in addition to recommending a volunteer Search Committee, recommend a professional executive search firm working in tandem with the Search Committee. Regardless of the search process, however, the final candidate for the permanent replacement of the Executive Director requires approval by a majority vote of the entire Board of Directors before a written offer of employment can be extended.

Approved by the Board of Directors

Date

Step #2: KEEPING YOUR POLICY ACTIVE

An Annual Review of the Policy and Current Information

A leadership continuity policy is, by its very nature, a dynamic statement that should continually reflect the current conditions and experiences of your organization. In order to keep your policy relevant as well as keep all Board members aware of your transition framework, we recommend the following steps occur each year as prescribed by the Center for Nonprofit Advancement in Washington, DC:

- ✓ **ANNUAL SUCCESSION POLICY APPROVAL.** Policy statements should be reviewed by the Executive Committee each year and forwarded to the full Board of Directors for its vote and approval.
- ✓ **SIGNATORIES.** The Board Chair, Executive Director, and appointees for the position of Acting Executive Director should sign each policy for approval.
- ✓ **ORGANIZATIONAL CHARTS.** Two organizational charts should be prepared and attached to this plan, one reflecting the current staffing positions and lines of authority throughout the organization and the other reflecting how the structure would change as prescribed by the succession policy statement.
- ✓ **JOB DESCRIPTION.** The job description of the Executive Director should be updated annually and attached to this plan.
- ✓ **COPIES OF THE POLICY.** Copies of the approved policy and the corresponding documentation should be held by the Board Chair, Executive Director, appointees to the position of Acting Executive Director, the human resources department and the organization's attorney.
- ✓ **ORGANIZATIONAL INFORMATION.** A completed Organizational Information Inventory should be completed annually and attached to this plan, along with a current list of the organization's Board of Directors.



The Third Sector Company, Inc. is dedicated to fostering a continuity of professional and voluntary leadership for the nonprofit sector through succession planning training and consultation, interim executive management, executive retention support, executive performance planning and review, search committee training and support, and next generation board and executive leadership training.

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