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Succession Planning for Not-For-Profit Organisations

Ken Atkinson

Managing Partner – Grant Thornton Vietnam

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Content

1. What is Succession Planning
2. Why NPO's need succession planning?
3. Types of Succession Plan
4. How to approach
5. Challenges
6. Do's and Don'ts
7. Q&A



1. What Is Succession Planning?

“The ongoing process of systematically identifying, assessing, and developing talent to ensure leadership continuity for all key positions.”



American Society of Association Executives

1. What Is Succession Planning? (continued)

- Key to **organisational continuity**
 - Appropriate skills identified and in place
 - A way to retain knowledge
 - Integrated leadership development
- Replacing retiring workers while evaluating organisational needs
 - **Leadership development**
 - Employee training
 - Targeted recruiting

1. 5 most common myths

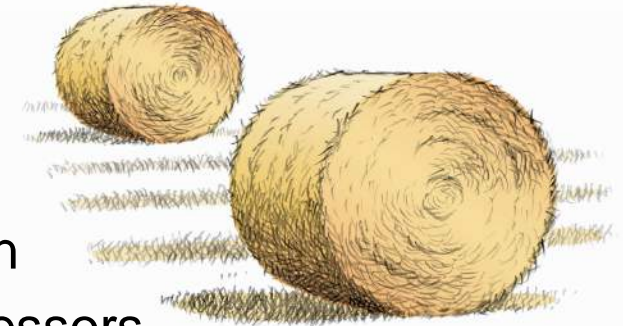
1. Only an issue for big companies
2. Only for the rich
3. One-time event
4. The succession plan can be successfully built without opinions from advisors
5. The Executive Director will agree to hand-over the business first, then the succession planning can begin

2. Why NPOs need succession planning? - *as any other organisations....*

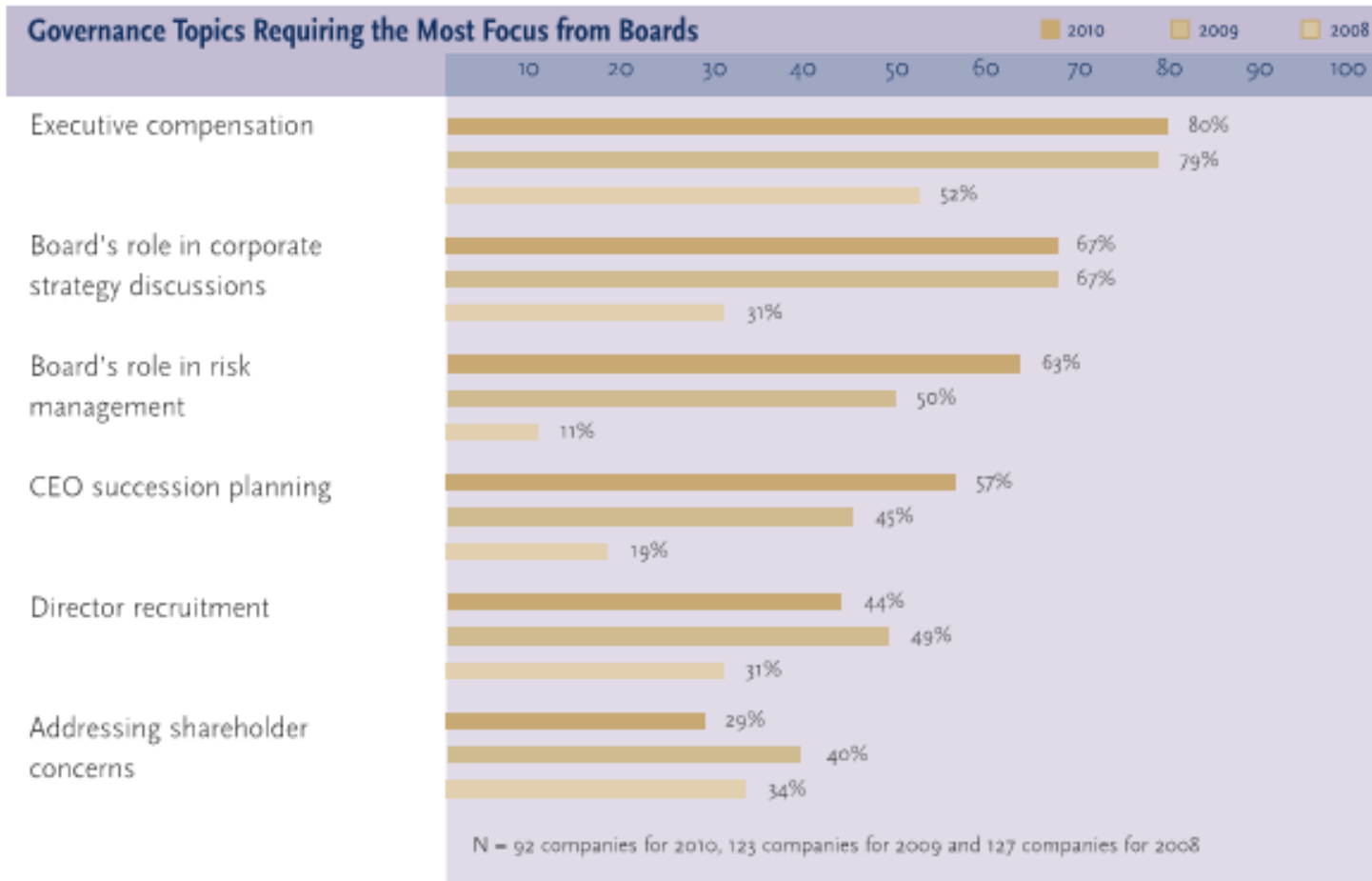
- **Risk Management**
 - No disruption to the organisation when CEO or other influential leaders eventually announce they are preparing to leave
- **Leadership development**
 - Place to move up
 - Responsibility for future leadership role
 - Boost employee retention
- **Systems and processes**
 - In case of unexpected event, the system and procedures can remain in tact for successor to take over

2. Why NPOs need succession planning? - *specifically as NPO...*

- **NPO' short tenure of leader**
 - I. e: Average term of office – 3 years
- **Core leadership skills**
 - Often held by key leaders in the organisation
 - Training process required for potential successors
- **Retain and attract Foundations**
 - NPO's operations depend on funds from membership & donations
 - Some major Foundations may require NPOs to describe its SP
 - Clear core value, goals and objectives will attract Foundations



2. Succession Planning Gaining in Importance



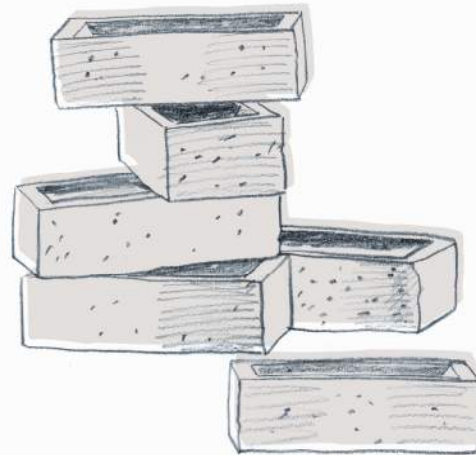
2010 Spencer Stuart Board Index Survey

2. Succession Planning Gaining in Importance (continued)

Some facts (*)

- Baby Boomers account for nearly 73% of the chief executives of NPO's
- more than 55% of them are over 50 years old
- Nearly 85% said they plan to leave their positions in the next seven years

** From Annie E. Casey Foundation leadership study*



2. Key Questions

Organisations that have not yet instituted a formal program should ask themselves some tough questions:

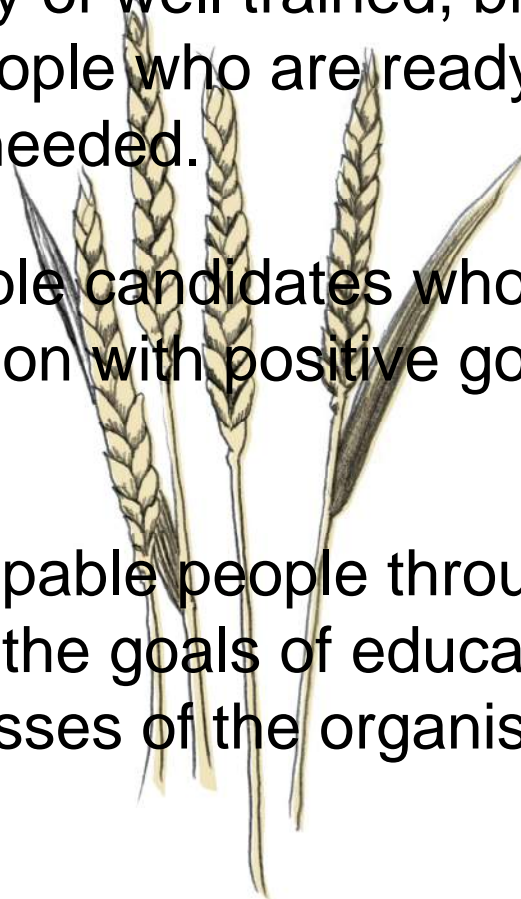
- **How** will you develop and nurture your human capital?
- **How** will you assure a continuing sequence of qualified people to move up and take over when the current generation of managers and key people retire or move on?
- **How** will you be able to plan for the future of the company without some assurance that the key posts will be filled with people able to carry on and excel?

3. Types of Succession Plan

- **Emergency Succession Plan**
 - to prepare the organisation for any unexpected circumstances
 - uninterrupted performance of essential executive functions for the temporary appointment of an acting executive director
- **Thorough Long-term Succession Plan**
 - to ensure the organisation will be sustainable beyond the tenure of the current executive

3. The Benefits of A Formal Process

- An ongoing supply of well trained, broadly experienced, well-motivated people who are ready and able to step into key positions as needed.
- A cadre of desirable candidates who are being integrated into the organisation with positive goals established for them individually.
- A flow of these capable people through various departments with the goals of educating them into the culture and processes of the organisation.

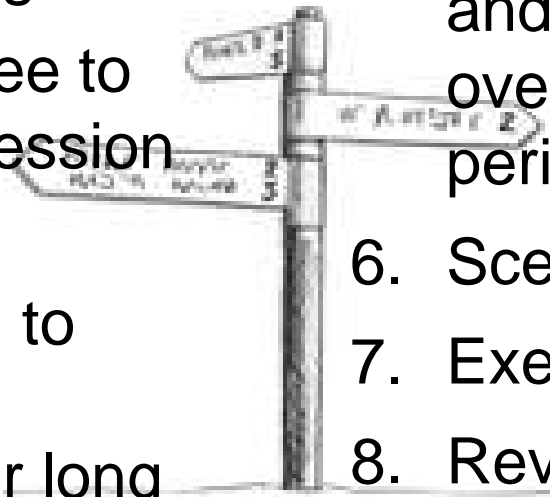


3. The Benefits of A Formal Process (continued)

- Alignment of the future needs of the organisation with the availability of appropriate resources within the organisation.
- Positive goals for key personnel, which will help keep them with the organisation and will help assure the continuing supply of capable successors for each of the important positions included in the succession plan.
- Defined career paths, which will help the organisation recruit and retain better people.

4. How to approach

1. Have a strategic plan in place that outlines the organisation's 1 year, 5 year and 10 year goals
2. Assign a committee to manage the succession process
3. Conduct a search to recruit the "next generation" leader long before necessary
4. Select and incentivise the best candidate
5. Have a plan to develop and train the future leader over a reasonable time period (one to two years)
6. Scenario planning
7. Execute the transition
8. Review and monitor



4. Succession Planning in Process

...no definitive “how to” manual

Our experience suggests:

- Start early
- Commit your time
- Identify your business value drivers
- Articulate your core values
- Rely on decision-making frameworks
- Involve your successors in your planning



4. Key Questions

During the execution process, ask yourselves:

- **How robust** is our succession planning process?
- Do we **balance** internal and external candidates
- Is our succession plan **up to date** (should be updated annually)

5. Challenges – HR policy and management

- **Unexpected resignation** of key leader ("Emergency Succession Plan"!)
- Knowing **when it's time to leave** as there are often no term limits for executive directors and it's generally up to the incumbent to decide when his/her tenure should end.
- The organisation may have no **retirement/ departure saving plan** in place for the executives leaving



5. Challenges – HR policy and management (continued)

- The success of the organisation is directly tied to having the right person in the **top role** → possible solution: an **interim executive**
 - Organisational success
 - Employee satisfaction
- Selection of **unqualified or unmotivated** people → Quality of the individuals selected is paramount to the success of the process.
- **Too long** a wait for real movement/promotion, potentially resulting in the best people leaving due to apparent inertia in the system.
- **Generational clashes** may cause unsuccessful succession plan if the organisation is not opening up enough to the younger leaders' different way of getting the job done.

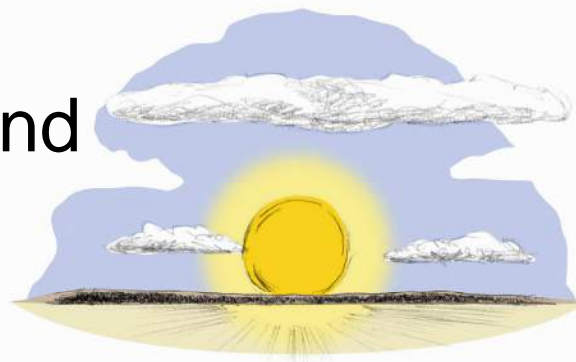
5. Challenges – Client management

- A leader who established close relationship with clients (donors, foundations, volunteers) leaves
- Successor may have less understanding about existing clients' demand.



5. Challenges – On going projects

- In a period of transition, it is always difficult for successors to take over on-going projects which need to have deep understanding about:
 - The projects' status,
 - Team members,
 - Client relationship and
 - All issues related.



5. Challenges – Resources/Tools to get started

- Leaders have **not** paid **enough attention** and spent **enough resources** to prepare succession plan
- Leaders are often too busy addressing the challenges of **today** to make time for a plan to take place in **future**
- **Difficulties** in searching for **potential candidates**, especially from outside the organisation
- **Job description** of NPO's CEO is often broad as CEOs of small to mid-size nonprofits often wear many hats
- Notion that succession planning is an **one-time event** and can be successfully done **without external advisors**

5. Challenges – Hesitate to changes

Why?

- **Time and resources** are the prominent challenges cited by organisations considering succession planning
 - Typically the day-to-day challenges of running the organisation overpower the organisation's ability to proactively engage in succession planning
- Managers feel **threatened** as they are asked to groom their successors
- **Predicting future** needs of the organisation is another challenge
- Many organisations don't have internal **career development programs** in place, or career pathways defined.
 - Being able to quickly and easily identify internal candidates with the necessary skills, experience and competencies to fill various needs is a common challenge.

6. Succession Planning – Do's & Don'ts

DO's

- Think of succession planning as a **process rather than an event**. It does take time and effort.
- **Start planning now**. The earlier planning begins the greater the number of options.
- Keep the **big picture** in mind (long-term, strategic direction) along with a positive attitude
- **Become educated** and an active participant in the planning process
- Discuss **personal and family goals** – open information is best.
- Continue to **discuss and generate ideas** throughout the process. Be creative.
- Assemble a team of **professional advisors** you can trust to work with them (lawyers, accountants, bankers, etc).
- Consider the **advice and ideas of others**

6. Succession Planning – Do & Don't

DON'Ts

- **Don't procrastinate** – start talking about succession now
- Don't be afraid to **ask questions**, and listen carefully
- **Don't assume you know how others feel** about the process or what they want to achieve through the succession planning process
- Don't be afraid to **share responsibilities** during the planning process
- **Don't define your life as the business.** Life is much broader, including family and friends, leisure, sports, hobbies etc
- Don't rely on just one professional advisor. While each individual is important, **one person cannot possibly provide all the answers to everything**

Succession Planning

Q&A

Contact



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HO CHI MINH CITY	HANOI	PHNOM PENH	Kenneth Atkinson Managing Partner T: +84 (8) 3910 9100 F: +84 (8) 3914 3748 E: Ken.Atkinson@vn.gt.com
<p>Grant Thornton (Vietnam) Limited 28th Floor Saigon Trade Center 37 Ton Duc Thang Street District 1, Ho Chi Minh City Vietnam</p> <p>T: +84 (8) 3910 9100 F: +84 (8) 3914 3748 W: www.gt.com.vn</p>	<p>Grant Thornton (Vietnam) Limited 8th Floor Vinaplast – Tai Tam Building 39A Ngo Quyen Street Hoan Kiem District, Hanoi Vietnam</p> <p>T: +84 (4) 2220 2600 F: +84 (4) 2220 6449</p>	<p>Grant Thornton (Cambodia) Limited 2nd Floor, 99 Norodom Boulevard Sangkat Beung Rang Khan Duan Penh, Phnom Penh Kingdom of Cambodia</p> <p>T: +855 23 966 520 F: +855 23 966 526 W: www.gt.com.kh</p>	