

# GOVERNANCE IN ACTION

## Board Succession Planning – Thinking Ahead Consciously

Succession planning is a strategy of identifying and developing future leaders. This should ideally be done at all levels in an organization, including its board members. However, in the nonprofit sector, the practice of board succession planning is uncommon. According to the results of the Hong Kong NGO Governance Health Survey 2018, one of the least adopted governance practices was board succession planning, with only 30% of respondents indicating that they “always” or “often” adopt this practice, while 79% of them “strongly agreed” or “agreed” that this practice is relevant to their organization. On the contrary, 63% (vs. 30%) of respondents indicated that the board “always” or “often” has succession planning for top-tier management. It is also considered more relevant than the succession of board (86% vs. 79%).<sup>1</sup> Likewise, in a similar survey done by BoardSource in the U.S. in 2015, only 49% of nonprofit CEOs agreed that their organizations had an effective process in place for board officer succession.<sup>2</sup>

NGOs in Hong Kong often express that there are challenges in finding right people who are willing to make the commitment to sit on board. The general observation is that board succession planning is “the elephant in the room”. Not many NGO boards have spent enough efforts to talk about the matter or develop strategies for it. While term limit and a maximum term number are straight forward ways to foresee when a board member would retire and the need to find a replacement, quite a number of NGOs simply do not set a limit for board service. There may be board members or founders who continuously stay on board for over 10 or even 20 years. When these long serving members leave the board, at times that may be completely unexpected, they leave behind a huge gap in finding suitable replacement who would have the same wealth and depth of experience as they did. With all these reasons, the lack of proper succession planning may result in a stale and even burnt out board. In the long run, this could hinder the organization’s development.

### Why Succession

It is important to have successors in place for both the key office bearers and other board members. Board leadership roles such as the chair, secretaries, and treasurers bear extra duties and responsibilities. Ensuring succession for these roles gives continuity to the board and the organization. Change of leaders always place an organization in vulnerable situations, thus a smooth transition of leadership can minimize the risks that the NGO would have to face.

Recruiting new members can fuel the board with fresh ideas. Identifying and engaging potential leaders outside of the organization to join the board may bring in new perspectives and enhance the existing composition of the board. Having a proper process in place for identifying talents can also prevent recruiting unengaged members and those who are not the right fit for the board.

### The Approaches

Succession requires “planning”. The board must think ahead and actively discuss on this issue to maintain healthy governance. Traditionally, NGOs adopt a “self-perpetuating approach” where current board members bring in their friends who may be from a similar background and network. This is the most convenient way of finding new board members. However, taking the easy way out to search within their own social circle tends to bring less diversity to the board.

Another approach that requires more planning would be the “committee approach” where interested outsiders are invited to participate in a short-term engagement in committee work before officially becoming a board member. This provides opportunities for existing board members to observe whether the potential candidate have the right skill set and shared vision with the agency. On the flip side, it allows the candidates to better understand the organization’s culture and whether they would be able to contribute meaningfully.<sup>3</sup>

For key office bearer roles, board members may establish a line of succession for existing members, so that the entire board would be aware of the potential successors and prepare them for stepping into the role. Board members should be vocal about their wish to continue their service near the end of the term or opt out for re-election. Board leaders can also provide development opportunities and start equipping their successors with the necessary skills to ensure a seamless transition.

<sup>1</sup> Hong Kong Council of Social Service, ExCEL 3, & GAME for Public Benefit. (2019). Hong Kong NGO Governance Health Survey 2018.

<sup>2</sup> BoardSource. (2015). Leading with Intent: 2015 National Index of Nonprofit Board Practices.

<sup>3</sup> BoardEffect. (2016). Building Your Board - Experts share ideas for finding and recruiting the right members for your board.

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The board may decide collectively the channels and networks that they would take to engage and recruit new board members, depending on the kind of people that they are looking for. There is no prescribed way of succession planning, and board members should always keep some degree of flexibility in the process given that the difference in dynamics of each board.

## The Key Determinants

As suggested by different sources<sup>4, 5, 6</sup>, defining the following key determinants of succession planning can facilitate a more effective transition for the board:

### Define the roles

A clear definition of the roles for board member and office bearers (i.e. board chair, vice-chair, secretary, treasurer, etc.) would clearly communicate to potential board successors about the expectations in joining the board. The documented responsibilities and commitment that come along with the role would avoid potential board members who merely wanted to be a “volunteer” or “just to help out”.

### Define the skills needed

With the defined roles, the board can identify the skills needed for the specific roles. The skills could also be what are currently lacking in the existing board composition. Desired personal attributes can be included for identifying potential candidates who would fit in to the organization’s culture or bring new perspectives to the board.

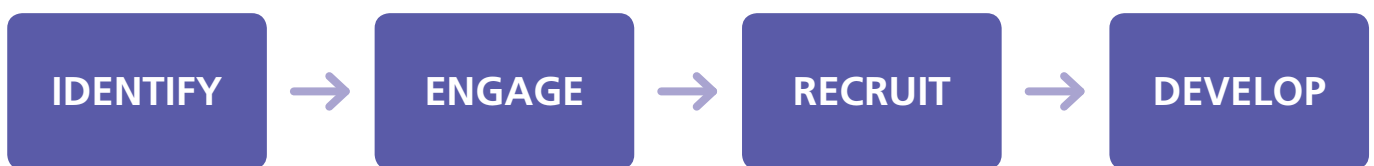
### Define the process

A board succession planning process should be well-documented and followed through. This reminds board members that there should be a conscious and deliberate effort spent on succession planning instead of just finding a replacement whenever a director steps off the board. To avoid overburdening the board’s agenda, directors may consider setting up a governance committee to focus specifically on this issue.

## The Consensus

Regardless of the approach that the board decides to take on for succession, it is of utmost importance that there is a mutual understanding among all members throughout the process. Essentially, there should be four key components in succession planning: (1) identifying successors needed, (2) engaging the potential candidates, (3) recruiting them to join the board, and (4) developing the newly recruited members to adapt to the roles.

It is crucial to get new board members up to speed with other directors. Providing appropriate induction or orientation is an important way to facilitate their understanding of the organization’s value, culture, and the working style of the board.



***Four essential steps of board succession planning***

On a final note, NGO boards are highly encouraged to set aside a reasonable amount of time and resources to develop a succession plan. An open and transparent culture in the process can promote trust between existing and new board members, keeping the NGO energized and sustainable.

<sup>4</sup> Social Venture Partners Boulder County. (2012). Succession Planning for the Non-profit Board Chair.

<sup>5</sup> Garthson, J. (2016). The Case for Nonprofit Board Succession Planning. *Canadian Society of Association Executives in Association Magazine*.

<sup>6</sup> Aly Sterling Philanthropy. (n.d.). Laying the Groundwork for Your Nonprofit Succession Plan.