

CEO Update

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It's not just the CEO: Be prepared for key staff departures

Succession planning should extend to other C-suite executives and critical employees, such as the head of IT, as change is inevitable

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By Martin Berman-Gorvine

Few things are more certain in life than that nobody can hold onto a given position indefinitely, and yet many associations shy away from succession planning. For those that do engage in it, many never move beyond the topmost level.

“In most associations, to the extent that succession planning is done, it’s done for the CEO only,” said Gary LaBranche, author of “The Association CEO Succession Toolkit,” and president and CEO of the National Investor Relations Institute.

“But it’s critical senior staff are included in planning,” he added. “In the worst-case scenario, one or two other critical staff leave during the CEO succession.” In his book, LaBranche writes that associations should have senior staff such as the CFO and the chief lobbyist sign retention agreements to avoid this scenario of mass resignations due to a CEO leaving.



Marcum's Karen Schuler

The board of directors needs to hold discussions when a CEO is departing to avert such a situation, said Karen Schuler, managing director for search, transition and planning at Marcum. Raffa—Marcum’s Nonprofit and Social Sector Group—helps associations with interim staffing.

“They can say, the next three to five years aren’t going to be a repetition of the last three to five years, so what do we need to do?” she said. If the association handles matters well, the departure of more than one senior executive can help bring needed change, she added, and if not, “it can make things bumpy for a while.”

Schuler recommends extending such better-safe-than-sorry planning to key roles that may not be formally in the top executive rank, such as the leader on information technology. If that person departs suddenly and there’s no one else who can access passwords or the computer server, the association will be in trouble, she points out.

Different approaches to readiness

Succession planning is therefore “a little like an insurance policy,” Schuler said. But just as insurance policies vary quite a bit depending on the insured party’s needs, so do succession plans.

The Association of Equipment Manufacturers and the American Angus Association both have well-developed succession plans for the positions just below the CEO level, but their approaches are very different: the former is informal and the latter more formal. Yet both successfully weathered multiple recent changes.

AEM recently installed a new director of construction, senior director of statistics, and vice president of government and industry relations. The association’s succession plan is linked to its long-term strategic plan, said Judy Gaus, vice president, human resources and administrative affairs.

“We’ve been around for 125 years and know we need to have the right people to carry out our plans,” she said. “But there’s not a written succession plan on the shelf. Instead, we talk frequently about staff development,” such as identifying upcoming retirements and other staffing-turnover demographics. This is done formally on an annual basis, but informally much more often than that, she said.

The cattle producers group replaced its longtime CFO in 2017, with the director of finance stepping into the role, and is going through a similar process with the impending retirement of its longtime executive administrative assistant, said Clint Mefford, director of communications and public relations. He said the association’s HR department has “a very detailed organizational chart,” in which each department has a director and a second-in-command who could step up to the top role if need be. If the CEO were to suddenly leave, the COO would fill the slot on an interim basis. In other cases, the ascension of the second-in-command would be permanent, he said.

“We plan with stakeholders—the departments involved, the executive management team, entity presidents” of AAA subsidiary organizations, Mefford said. By constantly communicating about these plans, the association makes sure that “everyone is pretty much on the same page where contingency plans are concerned,” he added.

Unlike AAA, AEM does not designate certain people to fill executive roles when needed, Gaus said, but instead has its eye on various staff members who may be eligible. To that end, staff are hired in the first place with an eye to bringing in candidates with multiple skills, and they are further trained on “cross-functional teams, with opportunities for staff to grow and develop outside their immediate areas,” she said.

Best practices

While approaches to succession planning may vary, there are some best practices suggested by LaBranche and Schuler. LaBranche said that if a senior executive has made it known he or she plans to retire in a year or two, an “understudy” can train for the role. Contingency plans should be available so that if the CFO departs, for example, it’s known that the controller or vice president of administration can step in, or else an external consultant or firm can furnish someone on an interim basis.

Schuler said members of the C-suite should liaise with the board so that, for example, the chair of the board's audit committee knows what the CFO succession plan looks like. The CEO should talk to the leadership team and make sure everybody is on board with the succession plan for the top position, she added. If the chief administrative officer is designated to fill that role, he or she needs to be included in key meetings in order to know what's going on.

"Think about it when the change isn't happening right now," Schuler said. "Just as organizations build good business planning muscles, they can build succession planning muscles. That can and should be part of your annual planning."