

# Your Prized Executive Is Leaving. Now What?

*Following five key elements,  
a nonprofit organization  
makes a succession plan for  
its leadership in Zambia.*

**By John R. Ledgerwood, CMA, CFM, CPA, and Stephen N. Morgan**

Remember the enormous amount of press that Microsoft received several years ago when founder Bill Gates announced he was stepping down? Or the coverage Apple was given when it became common knowledge that Steve Jobs was terminally ill and the company would need to name his replacement?

Succession planning is a topic that receives a great deal of attention whenever there's a change of management at a *Fortune* 500 company, but it's too often forgotten about in the day-to-day operations of a business. In reality, succession planning is a requisite hurdle that any firm must address if it's to be successful in the long term. Yet current studies suggest that more than 60% of corporations have no process for CEO succession. As former IMA® Chair Sandra Richtermeyer

pointed out in the June 2011 issue of *Strategic Finance*, succession planning is especially important for the boards of nonprofit organizations because members have a tendency to feel like “indentured servants” if someone else isn’t lined up to fill an empty position. The same feeling can also arise among managers of a nonprofit.

In this article, we’ll examine the construction of a succession plan for the chief operating officer (COO) of Enright Flight Ministries, a 501(c)(3) nonprofit corporation based in Daytona Beach, Fla. The plan, which will go into effect sometime during the next 10 years, provides some general suggestions and broad principles that other nonprofit organizations—and for-profit companies as well—can apply successfully.

## Enright Flight Ministries

Reverend Ken and Lorraine Enright worked in central Africa as missionaries with the United Methodist Church from the 1950s until their retirement in 1986. Six years later, in 1992, they founded Enright Flight Ministries (EFM) as a vehicle to continue their work in both Zambia and the Democratic Republic of the Congo on their own terms. EFM operates with the mission of promoting Christian evangelism and economic development throughout central Africa, and it’s involved in building churches, training new pastors, developing crops, raising cattle and chicken, and supporting special projects such as orphanages and health clinics. Funding is provided almost exclusively through a network of private donors in the United States.

Because of the Enrights’ declining health and

advanced age, however, the couple passed management of the charity’s operations to their son, John Enright, in 2000. An accomplished minister, teacher, and pilot, John was uniquely positioned to assume leadership of EFM and direct the organization’s daily activities and five employees engaged in fieldwork from his base in Zambia. He’s now in his early 60s and is planning to retire within the next 10 years, prompting EFM’s board of directors (three unpaid administrators: two based in the U.S. and one in Zambia) to begin developing a succession plan.

As you can see in Table 1, the past several years have seen large increases in donor support and project activities that the board would like to maintain during the management transition.

## Defining the Job

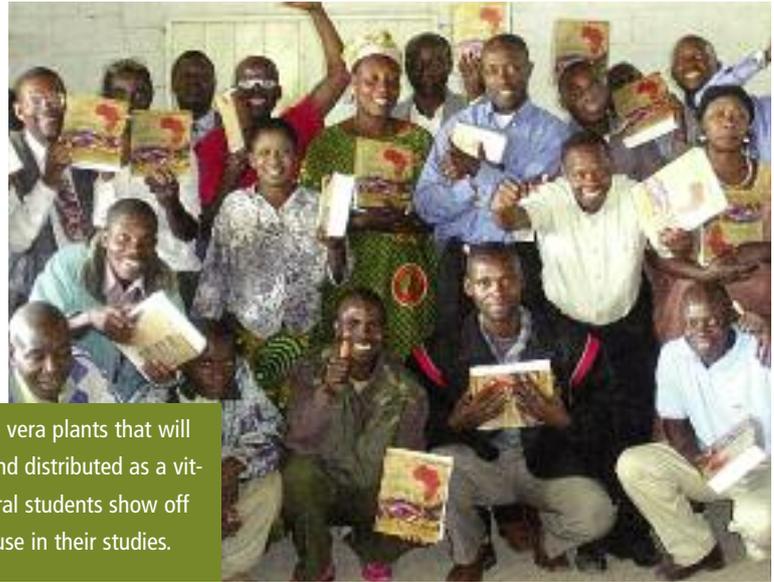
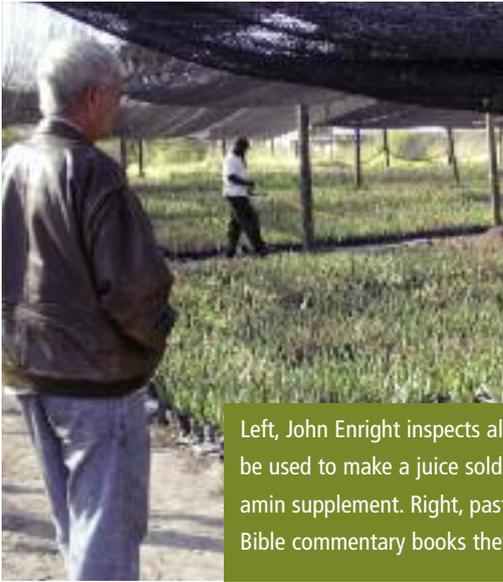
A key element in constructing a successful succession plan is to diligently define the skills and experience that a new COO (or other key executive) must have to ensure that potential candidates are a good fit for the organization’s future strategy. EFM’s board identified five required behavioral and experiential issues for a replacement officer: fundraising ability, teaching talent, vision, international experience, and managerial ability. Let’s take a closer look at each.

### 1. Fundraising Ability

One of the board’s primary concerns in the succession plan is that the new COO has the ability to successfully engage in fundraising activities. This involves maintain-

**Table 1: Enright Flight Ministries’ Revenues and Expenditures**

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	\$378,520	\$425,342	\$462,908	\$663,224	\$588,213	\$582,271
Expenses By Program Service						
Church Building	\$3,266	\$89,083	\$90,350	\$87,319	\$139,000	\$136,400
Pastor Training	\$175,861	\$91,010	\$249,161	\$336,354	\$268,528	\$328,200
Agricultural Development	\$87,240	\$45,000	\$86,622	\$245,300	\$49,611	\$58,900
Special Projects	\$29,395	\$140,140	\$7,000	\$11,671	\$24,480	\$53,085
Total Program Service Expenses	\$295,762	\$365,233	\$433,133	\$680,644	\$481,619	\$576,585
Management/General Expenses	\$13,400	\$10,015	\$6,838	\$1,874	\$3,232	\$2,669
Total Expenses	\$309,162	\$375,248	\$439,971	\$682,518	\$484,851	\$579,254
Excess (Deficit)	\$69,358	\$50,094	\$22,937	(\$19,294)	\$103,362	\$3,017



Left, John Enright inspects aloe vera plants that will be used to make a juice sold and distributed as a vitamin supplement. Right, pastoral students show off Bible commentary books they use in their studies.

ing relationships with present donors in the U.S. as well as attracting new sources of funding through both private donors and development grants.

## 2. Teaching Ability

Education and training activities represent the largest percentage of EFM's project budget. As such, the board believes that an effective successor needs a significant level of teaching experience to engage effectively with the population that the organization is serving—indigenous tribes in sub-Saharan Africa. Because of the intensive nature of the training programs, the board would ideally prefer an individual who has a degree in either religion or ministry and is capable of overseeing issues such as curriculum development and classroom staffing.

## 3. Corporate Vision

An imperative within the EFM succession plan is to find someone who understands the duality of the corporate mission. Because evangelism and economic development are generally thought to be divergent fields, the board must evaluate each candidate carefully to ensure that the individual's "vision" or career goals converge with the vision of EFM. Unfortunately, a well-qualified individual in one area—a minister, say—may not be qualified to handle or interested in addressing the development challenges associated with the agricultural programs.

## 4. International Experience

For an international nonprofit organization such as EFM, one of the major difficulties is finding candidates who meet the intellectual and managerial requirements of the

COO position and are willing and able to work full-time in sub-Saharan Africa. A candidate would have to possess or be willing to acquire skills in areas of language, cultural competency, and the local political processes that influence EFM's daily operations.

## 5. Managerial Experience

While EFM directly employs only a few people, the COO needs to effectively manage a large number of independent contractors, partners, and aid recipients across a diverse project portfolio. This is no small task.

## Creating Value

Once a firm has defined the necessary characteristics that a new manager must possess, the next step is to consider these characteristics in line with the company's value-creation process. For EFM, the board defines value in two primary areas:

- ◆ Fostering regional networks through church building, pastor training, and evangelism that can then be used to promote sustainable and ethical economic development, and
- ◆ Leveraging donor funds from the U.S. to develop new enterprises that foster entrepreneurship and innovation in sub-Saharan Africa. A recent project that the ministry is especially proud of involved establishing a vast network of banana-growing plantations to feed the hungry.

The board's intent is to preserve these core value-creation processes by looking to talent pools for a new manager capable of understanding and maintaining these strengths.

## Identifying Potential Candidates

Based on the desired attributes of a replacement COO and an understanding of the value-creation process involved in corporate activities, EFM's directors have identified three types of individuals for consideration in the succession plan.

**Family Member.** Because management of EFM has largely been a family affair, the board will strongly consider selecting another member of the Enright family as the new COO. Taking this route would capitalize on the excellent reputation and goodwill that the Enrights have fostered among donors and local populations over the past 60 years. It also will be easier to maintain the existing funding base while seeking additional opportunities. A family member also would be more familiar with the vision of the corporation and the culture of the organization.

A potential problem that could arise with the selection of a family member is some degree of "donor fatigue." Donors who have supported EFM projects for many years may want to see some new blood, such as a pastor or individual who has benefited from and worked closely with the organization. A second problem is simply the issue of management talent: A family member may not have the managerial skills or abilities best suited to a successful takeover of EFM's operations.

**African Pastor.** Another viable pool of COO candidates includes those who have "come up through the system," to borrow a sports analogy. This selection would best represent the success and value of the nonprofit's

### Further Reading

Sandra B. Richtermeyer, "Successful Succession Planning," *Strategic Finance*, June 2011, pp. 6, 19.

Jeffrey M. Cohn and Rakesh Khurana, "Strategy Maps for CEO Succession Planning," *Balanced Scorecard Report*, July-August 2003, pp. 1-3.

Joseph L. Bower, "Solve the Succession Crisis by Growing Inside-Outside Leaders," *Harvard Business Review*, November 2007, pp. 90-96, 153.

Jeffrey M. Cohn, Rakesh Khurana, and Laura Reeves, "Growing Talent as if Your Business Depended on It," *Harvard Business Review*, October 2005, pp. 1-8.

Table 2: Building a Succession Plan

1. Determine a Time Horizon
2. Define Key Management Characteristics
3. Identify Core Value-Creation Activities
4. Assess a Variety of Talent Pools
5. Construct an Interview/Benchmarking Process

projects to potential donors. Choosing an African graduate of the EFM pastor school would meet the board's ministerial and teaching criteria and also would provide an excellent fit with the business culture, customs, and language in the regions where EFM operates.

The drawback of this option is in the area of donor relations. Because EFM funding depends so heavily on regular visits to the U.S., personal communication with donors, and the hosting of American visitors, the selection of an EFM graduate as COO could cost some support. That's mainly because African candidates don't have a lot of contacts in the U.S. Many also don't speak English very well, and there's likely to be some concern about whether they can legally travel to the U.S. on fundraising missions.

**External Missionary.** Recruiting a new COO from an outside organization can be an excellent way to bring in fresh talent and ideas. In EFM's case, there are myriad mission organizations, charities, and development groups that attract professionals to engage in fieldwork. Therefore, to give the ministry the management and international experience it's looking for, EFM's board of directors could approach individuals who have worked

on successful projects throughout central Africa. While an external selection may struggle to build relationships with existing donors, there's a great possibility that this person would enable EFM to tap into a new network of funding opportunities.

The board must carefully evaluate outside candidates, however, to ensure that their career goals and understanding of the EFM mission converge with the corporation's future plans. The best candidate will be someone who intends to stay with the organization for a long time and who understands the demands of engaging in both evangelism and economic development.

## Lessons for All Organizations

EFM is in the process of building a nonprofit succession plan based on the five elements listed in Table 2. These factors can be applied to just about any organization, as can some other broad principles for succession planning. Here's what is worth considering:

- ◆ Add succession planning as a recurring agenda item to be discussed at the annual general meeting. This keeps the succession issue in the picture so it isn't forgotten.
- ◆ Review the succession plan at the annual meeting. Look at the current management and discuss their future personal goals, objectives, and plans. Are they staying or leaving? When do they expect to retire? What contingencies are in place for emergencies in the event a key executive becomes incapacitated?
- ◆ Keep a list of prospective candidates. Discuss and update it regularly, including what these people are doing currently and any information about their compatibility and potential future interest in working for you.
- ◆ Update the existing succession plan as needed, based on information currently available and anticipated needs and developments. The key is to plan ahead.

## Smoothing the Transition

To assure a successful transition of leadership, nonprofits and for-profits alike must draft, finalize, and maintain an adequate succession plan, which can be divided into the five key elements summarized in Table 2. The succession plan should become a routine item for discussion for the board of directors, which will address and update each of the five aspects of the plan as needed.

EFM has implemented aspects of its succession plan already and is moving forward. For many organizations that ignore the need for succession planning, a major problem often arises: where to find the money to inter-

view candidates. The board of EFM intends to manage these costs by first tapping and interviewing management talent in the U.S. and then inviting a small pool of candidates to visit the field operations in Africa for a final interview process.

One option that EFM's board of directors is considering in its search for John Enright's successor is hiring potential candidates in project management capacities before making a final selection. Observing candidates over the course of a year would allow the board to evaluate them thoroughly and determine their stamina for working in an international environment. Additionally, this exercise would give the board a chance to ensure that any new manager fully appreciates the corporate vision before ascending to the COO position. While the short-run costs of hiring additional employees may be high, this process potentially can save EFM from making a poor decision and having to enact another expensive succession search without the luxury of a 10-year time horizon.

The major strengths of the EFM board in this process are its ability to begin planning far in advance, its willingness to define a short list of required managerial characteristics, and its intimate understanding of the organization's value-creation processes. Careful consideration of available talent pools is a must for any organization to choose the best possible fit for its operation's continued success—especially for a board that's considering a shift away from a long tradition of family-controlled management. The final stage is managing the interview process in a manner that allows for a thoughtful vetting of candidates while minimizing the time and resources devoted to it. This is a delicate balance to be sure, but, as all great organizations have found, it's truly worth the effort. **SF**

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