

Executive Succession Planning

A research to practice summary of McKee, Gregory & Froelich, Karen (2016). [Executive Succession Planning: Barriers and Substitutes in Nonprofit Organizations](#). *Annals of Public and Cooperative Economics* vol. 87(4), 587-601.

Summary:

Shortage of executives and an increasing pressure on the nonprofit sector emphasizes the need for executive succession planning. The study investigate factors that influence the discrepancy of the often expressed importance of succession planning and the lack of actual effort towards it. The survey data is a sample of 242 organization respondents. The statistical analysis shows that the absence of planning can be explained by a number of barriers, but also by the existence of substitutes that prepare the nonprofit organizations for executive transition in different ways than traditional succession planning.

Who can benefit from this research:

The research is beneficial for nonprofits approaching an executive transition as well as chief executives planning for their successor.

What are the primary findings:

- Selecting the right chief executive is one of the most important tasks for the board of directors and it can have extensive consequences – but there is a lack of research on succession planning in the nonprofit sector. Currently, most research is based on the context of the for-profit sector.
- Nonprofits are growing in numbers, size, and economic and social significance, and a majority of them are predicted to expect turnover in the near future without being properly equipped. The majority of nonprofits don't plan for or discuss leadership transition, and boards are generally not prepared to undertake succession-related tasks. This highlights the need for executive succession planning to keep the organization running efficiently through these changes.
- Executive transitions have unique consequences in the nonprofit sector. Nonprofits are generally understaffed in operational, administrative and management-related tasks. Strategies, and short-term emergency and contingency plans may be crafted to smooth the initial transition and prepare for complications following the replacement of an executive.
- The study concludes that there are mainly two barriers to succession planning efforts. The desire to maintain continuity and existent operations poses one barrier to succession planning, and complex organizational structures arising from the number of locations to manage poses another.
- The study also finds that there are a number of substitutes, which can prepare the nonprofit for executive transition in the absence of typical planning efforts. The governance ability of the board to perform well on tasks related to succession planning, even if only a perceived ability, as well as finding an internal rather than an external candidate work as substitutes. In addition, key employee development can also function as a substitute for succession planning activities.

- Greater revenues, and development and communication of career paths within the nonprofit was found to be factors that increase the probability of succession planning.

What type of organization or mission might make the most use of this research: The research is useful for both 501(c)(3) charitable nonprofits, and for 501(c)(4) cooperatives, as the data and statistical analysis includes both. The research doesn't cover specific mission areas and can therefore be useful for any nonprofit organization.

When would this research be useful:

The research is useful as an introduction to possible ways of increasing succession planning efforts, but it suggests that more research is necessary, as there are still many grey areas of succession planning. The authors therefore suggest a need for more refined work in the study of barriers and how to overcome them, as well as research on how substitutes can prepare a nonprofit for executive transitions despite an absence of traditional succession planning.

How does this research inform practice:

The research rejects factors that are typically seen as influential on succession planning. The desire to adapt to a changing environment, wanting to improve or maintain performance, the current executive approaching retirement, and employee mentoring were all found to be insignificant factors. This points to a possible undervaluing of these factors, a concern that is consistent with other studies.

The differences between 501(c)(3) charitable nonprofits and 501(c)(4) cooperatives highlight the importance of matching the method of succession planning to the specific organization, as they may not be driven by the same factors. The study shows that cooperatives are typically more motivated by changes in financial strategy when replacing their executive. On the other hand, identifying internal candidates, developing career paths within the organization, improving board governance abilities, and growth in sales have significant effects on the succession planning efforts of charitable nonprofits.

Keywords: Succession planning; nonprofit organizations; executive transition; barriers; substitutes

