

Management Contingency - Succession Plan

Operations and/or Policy Manual Excerpt

The organization's leadership should know what needs to be executed to continue operations and protect assets in the event of the sudden, unexpected absence of the chief executive officer (CEO/executive director.) That is the purpose of a management contingency or succession plan.

The plan suggests an "acting CEO," lists critical actions needed, and answers to questions that might arise . . . if the executive director were no longer around. The plan also names several veteran association professionals who are available to counsel an interim manager or rookie replacement. Below is the transition plan, updated annually and added to the directors' leadership manual.

Management Contingency Plan

If some "unplanned event" makes the executive director unable to perform the essential duties of President-C.E.O., board officers should take steps to protect member interests, assure management continuity, and maintain the confidence of members, customers and employees.

These actions are recommended:

- a. Officers immediately inform legal counsel and CPA/financial auditor. (The retained professionals also maintain a copy of this succession plan in their files.)
- b. Officers inform the Board of Directors, Executive Committee and chairs of committees about the circumstances, and report that the Board will announce interim management appointments. (Perhaps have Executive Committee develop recommendations.)
- c. Board designates a senior staff member as "acting CEO" and adjusts salary accordingly.
- d. Instruct acting CEO to promptly report to the Board on:
 - 1) Status and outlook (potential problems, delays, etc.) for current projects;
 - 2) Plans for change or deferral of scheduled events or activities;
 - 3) Assistance or counsel that could be provided by members; |
 - 4) Need for unbudgeted temporary staff, services, etc.; and,
 - 5) Potential for deviations from budget or other unfavorable financial results.
- e. Board determines how *policy* will be developed during interim -- by Board, or by Executive Committee with Board ratification. (Unless complex or controversial, these decisions can probably be made by conference calls.)
- f. Immediately verify balances in bank accounts. Review bank transactions of previous two months. If unusual, order financial inquiry and report results to Board of Directors and to entities to which association is responsible for each fiduciary account.

- g. If CEO must be replaced, assign duty for search, screening and proposal to Board.

Depending on circumstances, the Board might authorize retaining a veteran association manager to counsel the acting CEO. Whether counsel is needed will depend on abilities and experience of the acting CEO, nature of internal problems, and situations confronting the industry. The acting CEO would select the consultant, with concurrence of the Executive Committee.

- h. Depending on circumstances, officers might consider the following actions:

- 1) Change signature authorizations for bank accounts. Banks require filing a card, signed by two officers, indicating that signature authority has been granted by resolution of the Board. (Currently, policy instructs bank to require two signatures on checks over \$1,000. Second signature also required if *payee* is authorized to sign.)
- 2) Inform insurance agents about known and potential losses; changes in management.
- 3) Inform legal counsel and financial audit firm of management changes and circumstances. Acting CEO should seek their advice as needed.

(Copies to senior staff; financial staff; legal counsel; auditor; association managers on consulting list.)

Note: This is a sample association management contingency or succession plan. It is not intended to provide legal or accounting information but may be used as a reference for an organization developing its own internal policies and procedures to safeguard the organization. Adapted with permission – 2000 – NWFPA.

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