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DETC OCCASIONAL PAPER

# 16

**How to  
Develop a  
Plan of  
Succession**



DETC OCCASIONAL PAPER  
NUMBER 16

by


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Printed by the Andrew Jackson University, Birmingham,  
Alabama

Published by the Distance Education and Training  
Council, Washington, D.C.

July 1998

DETC OCCASIONAL PAPERS (formerly *NHSC Occasional Papers*) are essays intended to stimulate and encourage candid exchanges of ideas between distance study professionals. For a complete set of *Occasional Papers*, write or call the DETC.



## **Introduction**

The process of voluntary accreditation covers all aspects of the operation and management of an institution. One area that the Accrediting Commission looks at is, “Does the institution have a formal plan for continuous and uninterrupted operation if something should happen to the CEO?”

When an institution applies for accreditation from the Accrediting Commission of the Distance Education and Training Council, or when an accredited institution is up for its five-year review, it must prepare a Self-Evaluation Report. In the Accrediting Commission’s “Guide to Self-Evaluation,” under Standard XII., Research and Self-Improvement, Section C, Self-Study Program, there is a question which asks the institution to “describe management’s plan for succession” and to include a copy of the plan with the Self-Evaluation Report. This paper was developed to illustrate how you can go about developing a practical plan for succession.

Succession plans are useful when a CEO becomes permanently ill or dies unexpectedly. These plans are also helpful to assure an orderly succession when a CEO is fired, leaves or retires. CEOs are not immortal—something has to happen when there is a change—foreseen or unforeseen.

Whether your institution is corporately owned, family owned, or private, non-profit, you will need a written succession plan. The plan may be attached to the senior executive’s “Last Will and Testament.” The plan is a blueprint for the “corporate immortality” of your institution.

You should always check with your legal counsel before you adopt a final plan.

## **Elements of a Plan of Succession**

There are several key elements your plan of succession should include. Once developed, the elements should be formally adopted as “Resolutions” and amended to the institution’s governing Bylaws.

The elements are:

- **Key Person Insurance:** The Chief Executive Officer should have a life insurance policy which designates the institution as the beneficiary. It may be decided that only a portion of the policy be set aside to assure the continued viability of the institution. The proceeds should also act as security for any on-going obligations (e.g., executive search) in the event of the death of the CEO.
- **Timing of Leadership Transfer:** Your plan should include a statement which identifies when and under what circumstances the transfer of leadership will take place.
- **Process for Succession:** The process for succession should establish the order (i.e., the step-by-step actions) in which the search for a successor will take place.
- **Interim Presidential Authority:** You should state clearly with whom the interim presidential authority should rest in the event of death or disability of the CEO. If it is with more than one person, an order should be clearly stated and responsibilities clearly identified.

- **Business Operations:** A statement discussing how the institution's ongoing operations should be handled during the transition period should be included.
- **Financial Analysis:** A statement telling how often and by whom a financial review should be conducted should be included. The financial analysis should show the financial impact of the transition of the CEO.
- **Search Team Formation:** If a search team will be used to find a qualified successor, it should be stated in your plan. If an outside recruitment firm is to be retained, the firm should be identified.
- **Identification of Potential Successors:** A brief statement should be included identifying guidelines the search team should use when looking for a replacement, including a proposed timeline of actions.
- **Candidate Qualifications:** The experience, qualifications and personal characteristics required for the position of CEO should be established.
- **Candidate Selection and Compensation:** You should include a statement describing who makes the final decision and how the final selection will be made. It should also indicate who would establish the amount of compensation for the new CEO.
- **Short Term Contingency Plan:** You may wish to set forth a general "operating plan" covering six months in the event of the unexpected demise of the CEO. This plan will need to be reviewed on a regular basis.

## **Example of a Succession Plan**

For the purposes of this example, we have created the “Bell University.” Bell University is a private, not-for-profit Corporation and is overseen by an Executive Committee.

### **Plan of Succession for the President of Bell University**

The Bell University, founded in 1969 in Crofton, Maryland, operates as a legal Corporation and abides by the laws and regulations of the state of Maryland. To assure the continuous and uninterrupted operation of the Bell University in case of the death, disability, or pending retirement of the University President, Mr. James Wood, the following elements were proposed and adopted:

1. **Key Person Insurance:** It is agreed that, inasmuch as Mr. James Wood has contributed extensively, both personally and professionally, to the development of the Bell University, that “key person insurance” shall be obtained for him and naming the University as the partial beneficiary.
2. **Plan of Succession:** This plan of succession for the University President is proposed to demonstrate the University’s commitment to broadening the overall management perspective and expertise of the Executive Committee members and key employees to the operations and delivery of services. The services should remain both profitable and at a high level of quality in the event that a need arises for a successor to the University President. The talents and expertise of the Executive Committee members should be augmented through regular attention to managerial, educational, and strategic issues, and university personnel shall be cross-trained so that operations shall remain uninterrupted in any event.

3. **Timing of Leadership Transfer:** It is proposed that, upon the death, disability, employment termination, or pending retirement of the University President, the process of succession shall begin at the will of the Board of Directors. The search for a successor will be spearheaded, when possible, by the current University President; and any final change in leadership should take place after a period of transition the term of which shall be agreed upon between the candidate and the Board of Directors.
4. **Process for Succession:** The University acknowledges the need for an orderly process for identifying and selecting an appropriate successor to the University President.
5. **Interim Presidential Authority:** In the event of the University President's death or disability, interim presidential authority shall rest with the Executive Committee chaired by the (1) Chairman of the Board of Directors or, if he is not available, (2) the senior member of the Board of Directors, or (3) the Board's designee.
6. **Business Operations:** During the transition period, all operational systems shall remain in place and the Executive Committee, Deans, faculty and administrative staff shall continue to exercise their current general responsibilities until otherwise determined by the Executive Committee.
7. **Financial Analysis:** Recognizing that continual financial analysis is the responsibility of the University President, it is proposed that, in the event of the death or disability of the University President, a quarterly financial review of the impact of transition be initiated by the (1) Chairman of the Board of Directors or, if deceased, (2) the senior member of the Board of Directors.

8. **Search Team Formation:** A team, which may consist of individuals designated by the Executive Committee, will be organized to search for a qualified successor.
  
9. **Identification of Potential Successors:** Before initiating the search for candidates to succeed the University President, the Search Team should review the mission and purpose of the University to determine the type of individual who would best lead the University toward such accomplishments.
  
10. **Candidate Qualifications:** The search team should objectively assess the merits of potential successors using the following guidelines. The candidate should possess:
  - a terminal degree from an accredited university, as well as significant experience in both higher and distance education;
  - understanding of and commitment to the mission and purpose of the University;
  - demonstrated dedication to quality, ethics and service;
  - excellent communication skills;
  - skills in managing in a technology-driven environment;
  - a track record of successful, ethical, business and administrative experience;
  - a “team player” with the ability to encourage participatory management, nurture strong faculty/staff loyalty, and create an environment where a free flow of ideas exists;
  - the capacity to recognize, analyze, and solve problems and an openness to new ideas; and

- the ability to define goals and develop and manage long-term strategic issues while coping with the changing environment. When searching for and considering candidates for a successor to the University President, the search team must consider these supervisory responsibilities: admissions, bookstore, curriculum application and development, finance, marketing, office, pre-admission and student services.

11. **Candidate Selection and Compensation:** The Board of Directors should, in a special meeting of the Board, interview the candidates recommended by the Search Team and determine the final selection of the successor of the University President. Compensation for the new University President shall be negotiated between the new President and the Board of Directors and detailed in a contract prior to the commencement of employment.

## Sample

### **Resolutions to be Adopted**

**RESOLVED**, that it be, and hereby is, directed that \$500,000 from a \$2.3 million life insurance policy be purchased from Prudential Life to be assigned as payable to Bell University to assure the continued viability of the university and act as security for any on-going obligations in the event of the death of Mr. Wood. The annual premium for such policy is to be paid by Bell University; such policy shall be in force as long as Mr. Wood holds the position of CEO and terminates upon his leaving the University.

**RESOLVED**, that it be, and hereby is, directed that, upon the death, disability, employment termination or pending retirement of the University President, the process of succession will begin at the will of the Board of Directors; and

**RESOLVED**, that the search for a successor be spearheaded, when appropriate and possible, by the current University President; and

**RESOLVED**, that any final change in leadership shall take place after a transition period the term of which shall be agreed upon between the candidate and the Board of Directors of the University; and

**RESOLVED**, that it be, and hereby is, directed that, in the event of the University President's death or disability, interim presidential authority shall rest with the Advisory Board/ Executive Committee chaired by the (1) Chairman of the Board of Directors or, if deceased, (2) the senior member of the Board of Directors, or (3) the Board's designee.

**RESOLVED**, that it be, and hereby is, directed that, during any period of transition, all operational systems shall remain in place and that the Executive Committee, Deans, faculty and administrative staff shall continue to exercise their current general responsibilities.

**RESOLVED**, that it be, and hereby is, directed that, in the event of the death or disability of the University President, a quarterly financial review of the impact of transition be initiated by the (1) Chairman of the Board of Directors or, if deceased, (2) the senior member of the Board of Directors; and

**RESOLVED**, that it be, and hereby is, directed that the aforesaid quarterly financial review be analyzed by the Board of Directors, their designee, or such advisors as they may designate to determine the financial impact upon the University of a transition in presidential leadership.

**RESOLVED**, that it be, and hereby is, directed that, upon the request of the Board of Directors, a Search Team be organized to conduct a thorough search for a qualified successor to the University President; and

**RESOLVED**, that said Team shall be comprised of the members of the Executive Committee and Mr. John Doe (of Doe, Studman & Associates, a certified public accounting firm) and shall be chaired by the University President.

**RESOLVED**, that a report detailing the qualifications of the proposed candidates be submitted by said Team of the Board of Directors within six months of the Board's request for recommendations.

**RESOLVED**, that it be, and hereby is, directed that, before initiating the search for a potential successor to the University President, the Search Team shall review the mission and purpose of the University to determine the type of individual who will best lead the University toward such accomplishments.

**RESOLVED**, that the following qualifications be, and hereby are, expected of any candidate presented for the position of University President:

- a terminal degree from an accredited university, as well as significant experience in distance and higher education;
- understanding of and commitment to the mission and purpose of the University;
- demonstrated dedication to quality, ethics and service;
- excellent communication skills;
- skills in managing in a technology-driven environment;

- a track record of successful, ethical, business and administrative experience;
- a “team player” with the ability to encourage participatory management, nurture strong faculty/staff loyalty, and create an environment where a free flow of ideas exists;
- the capacity to recognize, analyze, and solve problems and an openness to new ideas; and
- the ability to define goals and develop and manage long-term strategic issues while coping with the changing environment.

**RESOLVED**, that a search team be, and hereby is, directed to consider the following responsibilities of the University President when searching for and considering candidates for a successor to the University President. The person must possess supervisory skills to include admissions, bookstore, curriculum application and development, finance supervision, marketing, office, pre-admission and student services.

**RESOLVED**, that the Board of Directors shall, in a special meeting of the Board, interview the candidates recommended by the Search Team and determine final selection of the successor of the University President.

**RESOLVED**, that compensation for a new University President shall be negotiated between the new President and the Board of Directors and detailed in the contract prior to the commencement of employment.

## **Conclusion**

Obviously, the above language is for illustrative purposes only. Your own legal counsel can provide valuable guidance on the precise language you might want to use in crafting your institution's own plan of succession. There are many other considerations, such as the interests of family members who are owners, that you can incorporate into your plan.

Having a written plan of succession brings many benefits. It gives you and your staff peace of mind. It gives a vote of confidence in the future for those who are depending on the continued success of your institution. It brings a measure of security for students and others who are touched by the work of your institution and look to it for an uninterrupted educational opportunity.

With formal succession plans we have the opportunity to give something to our institutions that we cannot give ourselves: a blueprint for corporate immortality!

## **Checklist for a Succession Plan**

Here is a list of suggestions for your succession plan:

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | 1. Is the plan written?   |
| <input type="checkbox"/> | <input type="checkbox"/> | 2. Is the plan formally adopted-and included in written minutes of the institution's governing board?   |
| <input type="checkbox"/> | <input type="checkbox"/> | 3. Is the plan written in plain language that communicates in unambiguous wording "who does what by when?"  |
| <input type="checkbox"/> | <input type="checkbox"/> | 4. Is the plan stored in a safe and accessible place, with instructions to key staff on where to locate it?   |
| <input type="checkbox"/> | <input type="checkbox"/> | 5. Has your legal counsel reviewed the plan?  |
| <input type="checkbox"/> | <input type="checkbox"/> | 6. Is the plan scheduled for periodic review by the governing Board, e.g., at least once every five years?  |
| <input type="checkbox"/> | <input type="checkbox"/> | 7. Are key actionable provisions of the plan (e.g., annual premiums on key person insurance, etc.) implemented and monitored on a timely, scheduled basis by a responsible party? |
| <input type="checkbox"/> | <input type="checkbox"/> | 8. Are needed changes in internal staffing reflected in the plan on an ongoing basis?   |
| <input type="checkbox"/> | <input type="checkbox"/> | 9. Does the plan give the key parties a collective sense of security about the future viability of the institution?   |

## **About the Author**

Robert McKim Norris, Jr. is the President of Andrew Jackson University in Birmingham, Alabama. Mr. Norris was awarded the Juris Doctor from Cumberland School of Law in Birmingham, Alabama and holds the Master of Business Administration from Samford University. His undergraduate degree in finance was earned at Brigham Young University.

Mr. Norris has a broad background in business including participation as either principal or controlling partner in establishing a variety of major ventures. As a consultant in the private sector specializing in crisis management and dispute resolution, he is known for his service-oriented style and organizational skills. His habit of introducing new technology has warranted his reputation as an entrepreneur and risk taker, and Norris has repeatedly received recognition for his innovative and resourceful marketing abilities and techniques. Several inventions are the result of his personal creativity and prolific imagination. His international business interests have extended to Canada, Europe, and the Middle East.

Since completing his law degree, Mr. Norris has initiated an intense, ongoing program of self-directed study. As a result of the knowledge he gained through his independent learning, Mr. Norris has become an enthusiastic supporter of distance education. Assuming the position of chief financial officer and chairman of the board of directors of Andrew Jackson University, Mr. Norris spearheaded the development and growth of the university.

While undergoing a DETC accreditation review, Mr. Norris developed and implemented a plan of succession at his institution. Mr. Norris has attended and spoken at DETC Conferences and Workshops.

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