

## ARTICLE

# CEO succession: How industry and professional associations are strengthening their leadership planning

Recent conversations with eight association CEOs and board members suggest that professional associations are beginning to adopt more thorough succession processes and are seeing greater business stability, minimized risks, and stronger leadership engagement.



CEO succession planning is a crucial topic for all corporate boards, and well-governed companies treat it as a continuous process of collaboration between the sitting CEO and the board.<sup>1</sup> However, trade and professional associations—groups that represent industries and professions—have not generally had a process as formal or rigorous as corporations do. Association CEO tenures have often been far longer than is typical at companies; succession plans have been less formal or nonexistent, and those plans that do exist often cover only emergency successors. CEOs' leadership skills and capabilities weren't assessed against current and future scenarios. These differences are all the more interesting because most association board members are also corporate executives or work in for-profit settings where this kind of process is common.

Our work, and recent conversations with eight association CEOs and board members, suggest this may now be changing. Though significant differences continue to exist, some associations are beginning to adopt more formal, thorough, and continuous succession processes, and are adding a focus on leadership development for their staff. The benefits they are seeing as a result are greater business stability and continuity over time, minimized risks, and stronger leadership engagement.

## A more formal and constant process

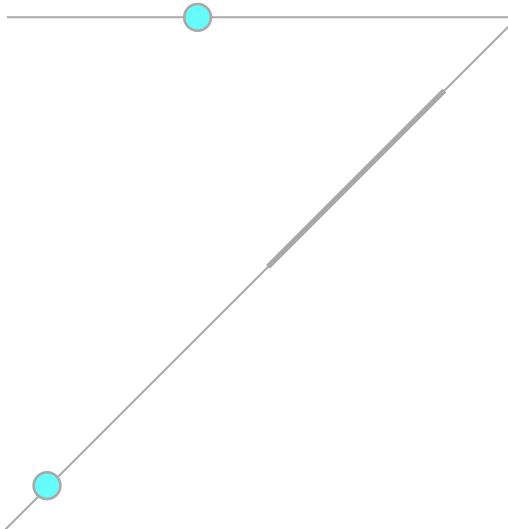


Though it is the responsibility of the board to choose the CEO, strong association CEOs proactively support those efforts and play a leading role in driving succession planning, in part because many board members have short term limits and may have no experience with succession in the association context.

Association CEOs provide a deep understanding of the unique context related to succession planning in associations as well as consistency and stability throughout the planning process. Pat Blake, CEO of the Heart Rhythm Society, an international nonprofit organization that represents medical and science professionals who specialize in cardiac rhythm disorders, explained that she drives the succession plan so that the board doesn't have to think about the details. However, she emphasized, the board "is ultimately responsible for who is chosen." Blake also noted the importance of both the process and the outcome: "Succession planning is a form of risk management, so the process behind the plan has to be deliberate."

One association CEO said he keeps a list of internal candidates who he thinks can fill the role and keeps an eye on external talent who could be recruited. At the Society of Actuaries (SOA), an organization representing actuaries around the world, CEO Greg Heidrich said that his board is the driving force of their succession plan. He supports the effort by developing a set of recommendations that he reports on to the board three or four times a year, working in plans for best- and worst-case scenarios. He said: "We originally thought about succession in terms of a crisis; now we also have a plan for an anticipated departure."

<sup>1</sup> For more on our perspective on corporate CEO succession planning, see "Route to the Top: Today's CEO," Heidrick & Struggles, [heidrick.com](http://heidrick.com).

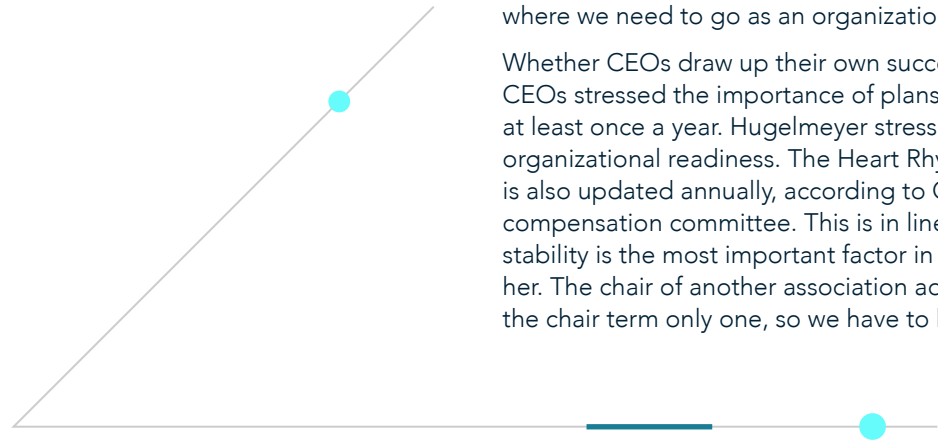


Stephen Gold, president and CEO of the Manufacturers Alliance, a nonprofit manufacturing leadership network for manufacturing companies, also said that he leads the development of his succession plan. He shares his thinking with the board as they “want to know the plan, recommendations, as well as have insights into my leadership.” The chair of another association explained that ongoing talent reviews are part of broader executive succession planning, rolling up to their CEO: “Each leader is responsible for citing who could replace them in one, five, and more years. And ongoing talent development is a mandate for any leader.”

The timing of CEO succession planning can look quite different depending on the organization—as late as when a CEO has announced a retirement or as early as the beginning of the first contract renewal. According to the CEO of one association, “It’s not something you think of right away as a new CEO, but it’s an important responsibility for any leader of any organization.” Some association CEOs worry that beginning a conversation with their board about succession planning may send the signal that they are thinking about leaving or have lost interest in the role. But it is important to understand that CEO succession planning well in advance is a standard procedure. In research we have conducted on corporate boards, we found that 27% of them restarted succession planning immediately after naming a new CEO and another 20% started more than five years out from an expected succession.<sup>2</sup>

Gold also stressed the big role that governance plays at the Manufacturers Alliance and noted that the bylaws “set the legal and policy frameworks” for CEO and board succession. Indeed, many associations have put into place specific succession policies. At another association, the CEO said that their bylaws outline that the president is appointed by the board, and in the event of an unplanned vacation, the COO is appointed as acting president. With a planned vacancy, the board institutes a formal search process for which the compensation committee serves as the search committee. He explained: “Our job is to make their job as a volunteer leader as easy as possible. You want them to be successful so having a process in place gives boards relief.” However, in too many associations, these policies and processes are not spelled out or communicated clearly.

Frank Hugelmeier, CEO of the National Marine Manufacturers Association (NMMA), noted that his organization didn’t have an annual best practice structure in place for CEO succession planning when he started in the position, but now has one that works well: a clearly written, transparent CEO succession action plan that is reviewed annually by the executive committee and includes key employee three-year development plans, a compensation review, and transition plans for all internal senior roles in succession. “Reflecting our members is my goal,” Hugelmeier said, “and adopting their best practices is always a strategic advantage.” He added that “governance is closely linked to strategy. Any board work is completely aligned to where we need to go as an organization and industry.”



Whether CEOs draw up their own succession plans or the board takes the lead, CEOs stressed the importance of plans being frequently reviewed by the board—at least once a year. Hugelmeier stressed the importance of such reviews to organizational readiness. The Heart Rhythm Society’s strategic succession plan is also updated annually, according to CEO Pat Blake, and is reviewed by the compensation committee. This is in line with her philosophy that organizational stability is the most important factor in succession, regardless of what happens to her. The chair of another association added, “Our board term is only three years and the chair term only one, so we have to have succession reviews often.”

2 Proprietary Heidrick & Struggles data from an online survey of more than 100 board members in the United States, conducted in spring 2023.

## Finding leaders with the right skills and capabilities for the future



Associations are affected as strongly as other organizations by factors such as rapid changes in society and technology as well as economic and geopolitical volatility. We are beginning to see the retirement of long-tenured association CEOs, and we expect to see shortened tenures going forward. The average tenure of a corporate CEO is 7.4 years,<sup>3</sup> and we expect to start to see similar tenures in associations. Bottom line, we believe today's association CEO needs a very different mix of leadership skills as well as very high resilience and agility to keep pace.

That said, Bill Yeargin, chair of the NMMA, doesn't feel that CEO skills and competencies have fundamentally changed over the years. He characterizes skills by three Cs: character, competency, and chemistry. "Competency: can they do the job, galvanize the team, hire the right people, and so on? Character: do they have integrity; do they treat people well? And, chemistry: do they have the ability to get along with others?"

Yeargin added that "there are two parts to our secret sauce: culture and strategic planning. Value comes through culture, so you need a leader who can identify with the values, model them, and communicate them clearly. And then, a CEO needs to be able to identify what is important to the organization; they need to have a higher purpose, a higher mission."

The NMMA conducts an annual review and evaluation of the CEO, and CEO Frank Hugelmeyer adds that he thinks every CEO needs a personal development plan: "I think about what competencies I need to develop, and I share this not only with my senior leadership team, but also the entire staff every year—transparency gives others permission to feel safe."

Greg Heidrich, who has been the SOA CEO for 17 years, said, "I think about what the association will need in the future; we anticipate as best we can. For example, our strategic plan may tell us we have a skills gap we'll need to fill in a specific timeframe." His association has a generous professional development budget that includes deep-dive development for the senior team and individual coaching to help aspiring internal candidates develop specific skills. Another CEO seconded this focus on developing leaders internally, stating that it's important to train and create opportunities to grow your star players so there is movement for others in the organization: "The role of a leader is to help your staff develop the skills that can be transferred elsewhere if there aren't any openings within your organization."

Indeed, most CEOs see great value in developing leaders internally even though doing so can have some special challenges at associations. One board chair stressed that associations often don't have the same talent mobility as corporations, which can lead to talent hoarding. Another concern for some CEOs about internal development is that many associations have relatively small staffs, which is a key reason there's relatively little mobility. There are also typically significant compensation differences between association CEOs and even the most senior staff members, which can encourage people to move when they have the chance.

<sup>3</sup> BoardEx data of S&P 500, small-cap, and mid-cap companies, accessed May 30, 2024.

## Keeping the culture strong

When we asked about the role of culture in succession planning and what's most important, many leaders highlighted trust. Associations are membership organizations, one CEO pointed out, which require trust from their members; an internal culture of trust fosters that. SOA's CEO Greg Heidrich explained that "the best way to handle it is to build a culture of transparency, good communication, and honesty within the board and the relevant body. We have a collaborative culture, though admittedly conversations around succession can be awkward." At the Heart Rhythm Society, CEO Pat Blake said, "the board finds a successor who will best perpetuate the culture. This could be an internal candidate as that person will already know the culture."

Manufacturers Alliance president and CEO Stephen Gold recommends what he believes are essential skills and competencies to his board: integrity, ability to lead, strategic vision, and resilience, among others—but explained that his board is not too insistent on potential CEOs being internal candidates or even having association management experience elsewhere, though they are definitely open to those candidates. "Internal succession is a quicker path as internal people have institutional knowledge, but they have never been CEOs. That specific leadership competency could well be needed," he said. He added, however, that an internal person could still be ideal as an interim CEO to ensure stability and have the immediate respect of staff. One board chair added that internal candidates have individual development plans, while external benchmarking of talent also takes place.

Beyond experience as an association executive, there are differences of opinion among CEOs about how important industry-specific experience is. NMMA's CEO Frank Hugelmeyer stressed that every organization can benefit from bringing in fresh eyes; the marine industry has unique capabilities but that doesn't mean it can't bring in someone from outside. SOA's CEO Greg Heidrich, however, noted that "It's helpful to know the industry." Similarly, the chair of another association thinks some domain expertise is necessary, though he stressed even more that a CEO needs to be passionate about acting as an ambassador for the organization, with the ability to engage stakeholders. "The person has to have empathy, be respectful of diverse opinions, be inclusive, be an active listener, and be willing to recognize they don't have all the answers," he said.

NMMA's chair Bill Yeargin also sounded a cautionary note: "One of the biggest mistakes I've seen with CEO successions is that boards look at the previous leader's deficiencies and work so hard to cover those that they actually overlook the things that leader was good at. So make sure you're not only looking at the former CEO's deficiencies but also at the association's needs."

## Looking ahead



As associations seek to continue to improve their CEO succession planning, the one topic almost all the leaders we talked with stressed was the importance of communication. Leaders agree that being willing to have difficult conversations is critical, for both the CEO and board. "There needs to be transparency and open communication between the board and CEO, and don't be hesitant to expedite the succession," said the Manufacturers Alliance's Stephen Gold.

The Heart Rhythm Society's CEO Pat Blake focused on communication with the C-suite and other staff. For her, it's not just about who's next in the role; fundamentally it's about ensuring the organization runs smoothly. "Try to help people understand that a succession plan is not only needed when people are leaving; it's about risk management and preparation," she advised.

NMMA's CEO Frank Hugelmeyer also underscored the importance of finding new ways to develop leaders internally, for example through greater rotation in roles and responsibilities within the senior leadership ranks. "This type of rotation is not common within the association space, but it gives leadership a full enterprise view. And have those uncomfortable conversations about succession. They're needed to ensure that there is the best possible talent within the organization, giving the board two to three strong candidates from which to choose, when necessary."<sup>4</sup>

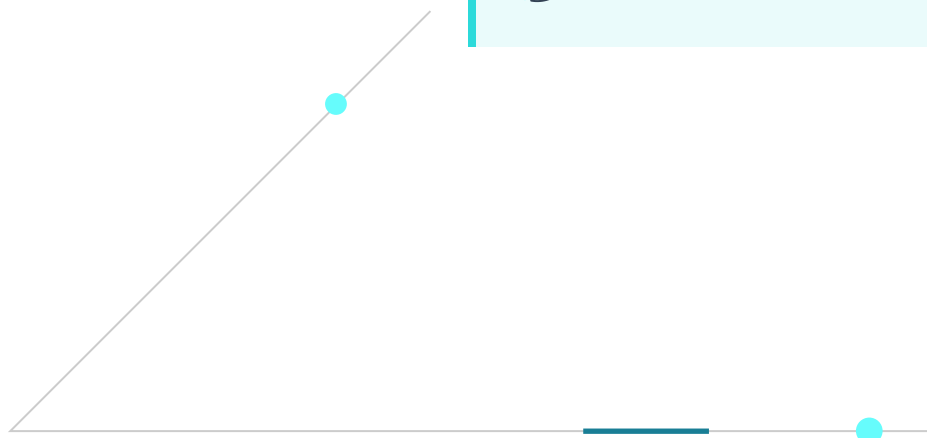
<sup>4</sup> For more on how this approach can be helpful in corporate roles, see Mark Jackson, "Financial services: Ensuring the next generation of risk leaders is ready," Heidrick & Struggles, [heidrick.com](https://heidrick.com); Stephen Krupp and Amy Miller, "Developing future-ready leaders: From assessments to strategically aligned learning," Heidrick & Struggles, [heidrick.com](https://heidrick.com).

One board member summed up that what would make the most difference is “ensuring that the succession plan is intentional and formal, structured like a public company’s, and has governance at the board level.”

While every association is different, all the association CEOs and board chairs we talked with emphasized the importance of having and improving CEO succession planning. The conversations may be tough, the considerations complex, and the decisions difficult, but getting it right is the best way to ensure continuity and maintain trust with their member organizations.

**We suggest starting by asking yourself these questions:**

- ① Do your board and CEO talk about succession regularly, collaboratively, and frankly?
- ② Does your board regularly review the skills and capabilities the CEO and senior leaders will need to meet the strategic plan?
- ③ Is your organization investing in the professional development of its leaders and teams?
- ④ Does your organization have detailed governance processes in place?



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### Bill Yeargin

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### Stephen Gold

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