

# CEO Succession Planning

Presented by

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# Today's Presentation

- Statistics on Succession Planning
- Succession Planning
  - Defining what it is
  - Warning what it is not
- Types of Succession Planning
- Process to get started
- Outcomes

# How many U.S. credit union CEOs will retire in the next five years?

1,500

Source: CUNA CEO Total Compensation Survey, 2012-2013,  
(21% expected retirement applied to estimated 7,500 U.S CUs)

# What % of externally-hired CEOs are let go vs. % of internally hired CEOs?

**35%** vs. **19%**

# What percent of organizations say their leaders are being actively recruited?

63%

Source: *Top Talent in High Demand – Poaching by Competitors is Rife*, Ron Sims, Right Management, ManpowerGroup, May 15, 2013

# Succession Planning

The right people  
are ready at the right time  
to do the right work.

# Cover All The Bases

Incapacitating  
illness

Sudden  
demise

Surprise  
departure

Under  
performing

Organization  
restructure

# Seven Generations of Succession Planning

1. Board of Directors
2. CEO Disaster Replacement
3. CEO Strategic Succession
4. Executive Roles
5. Middle Managers
6. Internal Talent Pools
7. Identify External Talent



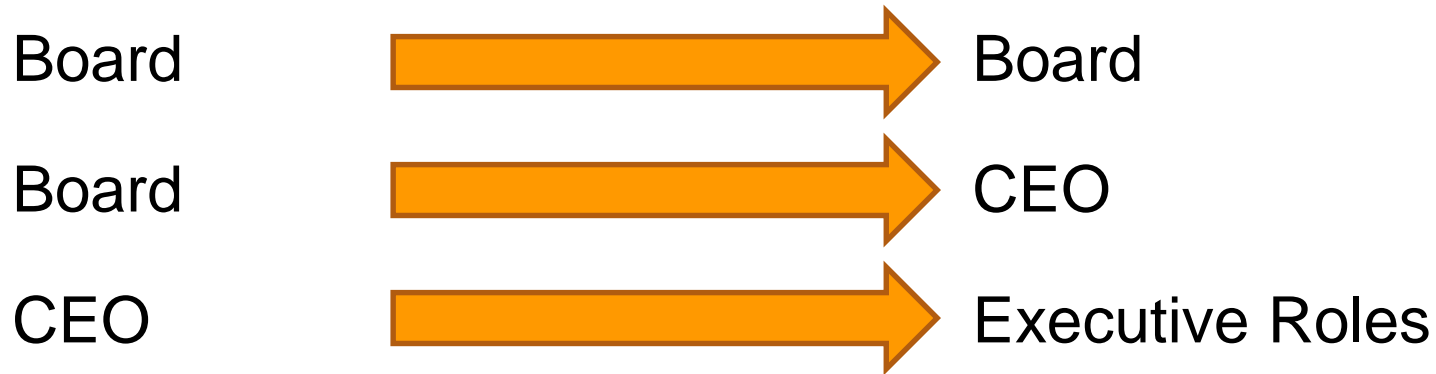
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# Responsibility



# Strategic Context

701.4 (a) “.... The management of the Federal credit union is vested in its board of directors. While a Federal credit union board of directors delegate the execution operational functions to Federal credit union personnel, ***the ultimate responsibility is non-delegable.***”

# Three Investment Levels

1

Regulator  
Satisfier

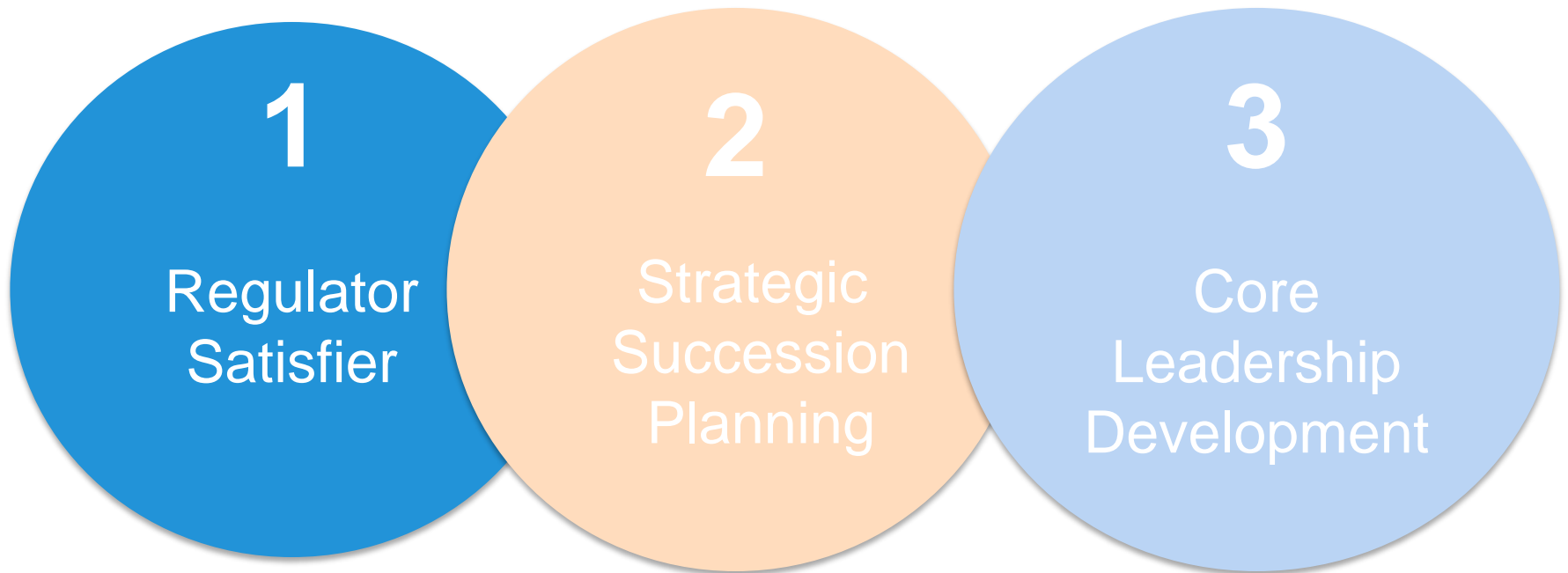
2

Strategic  
Succession  
Planning

3

Core  
Leadership  
Development

# Three Investment Levels



# Regulator Satisfier



An Emergency Plan

# Components of an Emergency Plan

- Defines emergency
- Outlines next action steps
  - Inform Chair/Board, regulator, key strategic partners
- Identifies interim appointee(s)
- Frames decision making authority
- Specifies compensation philosophy



# Three Investment Levels



# Succession Policy

The Succession Policy of this credit union is to **intentionally** seek and develop people to meet the needs of the board and CEO now and in the future.

# Succession Policy

**EXTERNAL**

**&**

**INTERNAL**

The Succession Policy of this credit union is to intentionally seek and develop people to meet the needs of the board and CEO now and in the future.

# Talent Readiness

**Ready Now:** Able to step into role immediately or within 6 months. Two successors ideal.

- Can step in with minimal lead time.
- Has demonstrated success that will add immediate value to the role.

**Interim:** Able to fulfill on basic tactical requirements of the position for a period of 3 to 6 months.

- Possesses core competencies to support current strategic initiatives.
- May or may not be a potential permanent successor.

**Targeted:** Ready in 6 to 36 months. One to two successors ideal.

- Is in specific development for this role.
- Seen as worthy of time investment to move to next level of leadership.

**Ready Future:** Ready in 36 to 60 months. Two or more here depending on depth above.

- High potential with specific and significant learning gaps.
- Needs more success in current role or other roles, or basic knowledge.

**Learning:** Identified as potential high performer.

- Early in career or leadership cycle and lacks knowledge or experience breadth or depth.
- Leadership competencies show promise but are not yet matured.

# Ready Now

- Able to step into role immediately or within 6 months. Two successors ideal.
  - Can step in with minimal lead time.
  - Has demonstrated success that will add immediate value to the role.
  - Brought in to “CEO” decisions.

# Interim

- Able to fulfill on basic tactical requirements of the position for a period of 3 to 6 months.
  - Possesses core competencies to support current strategic initiatives.
  - May or may not be a potential permanent successor.

# Targeted

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# Ready Future

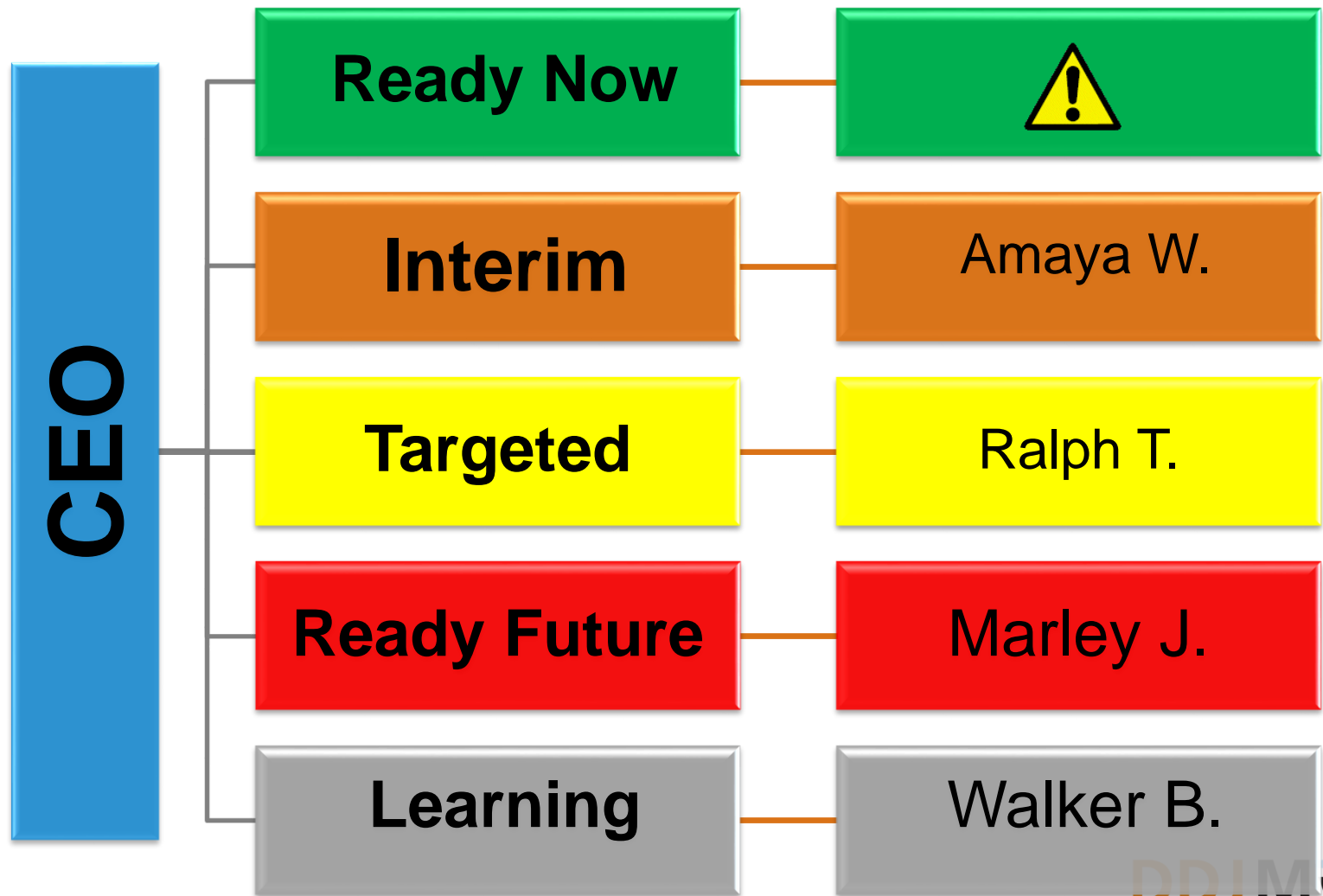
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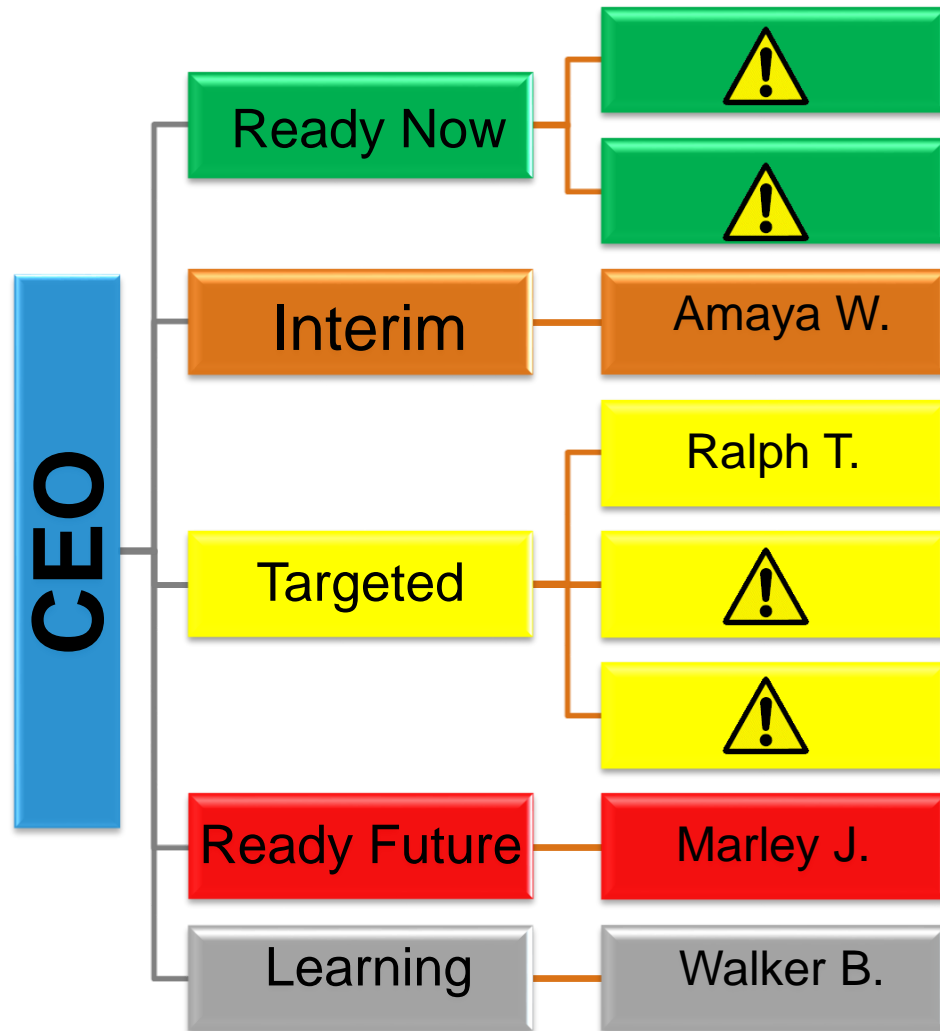
# Learning

- Identified as potential high performer.
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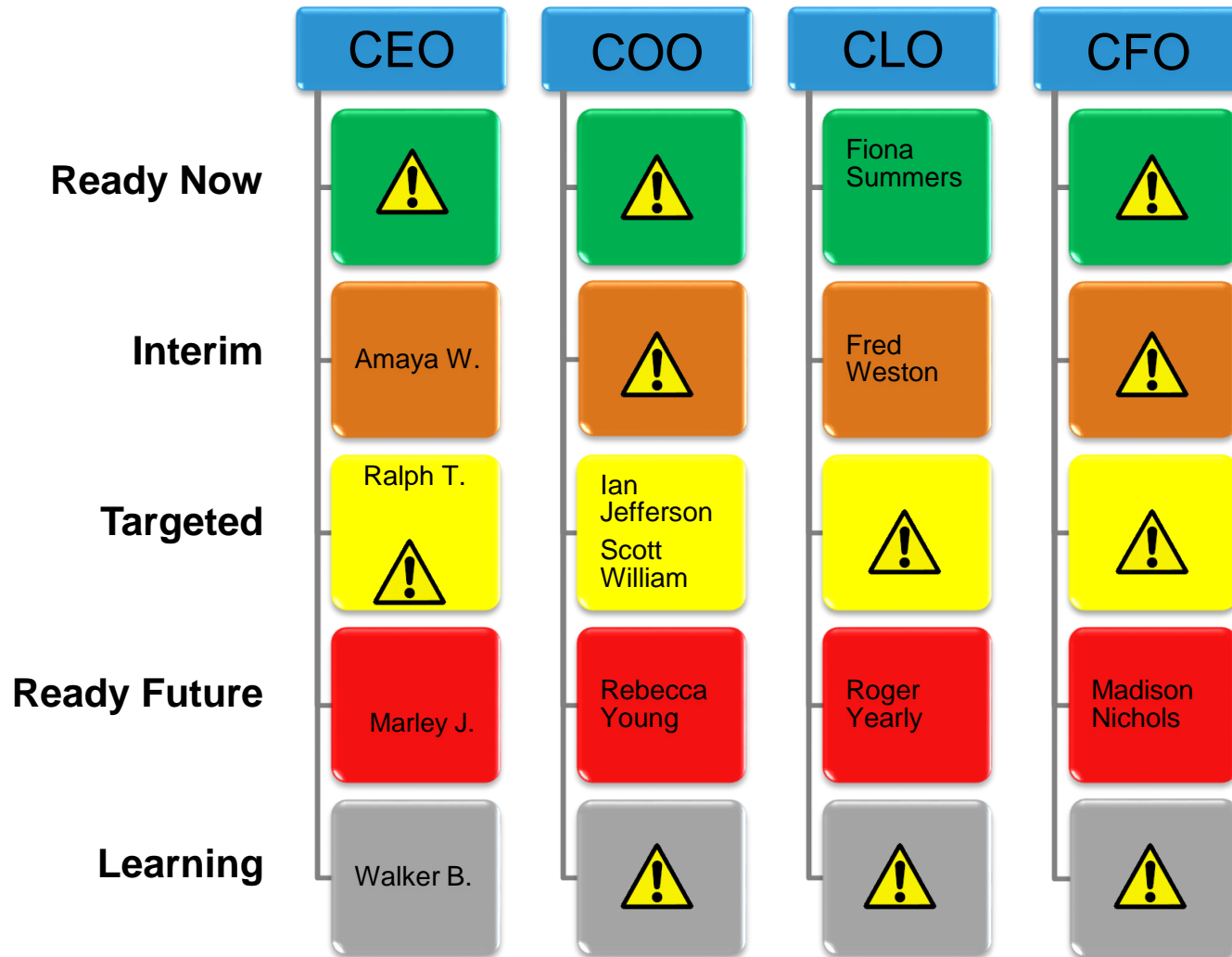
# Succession Planning Risks



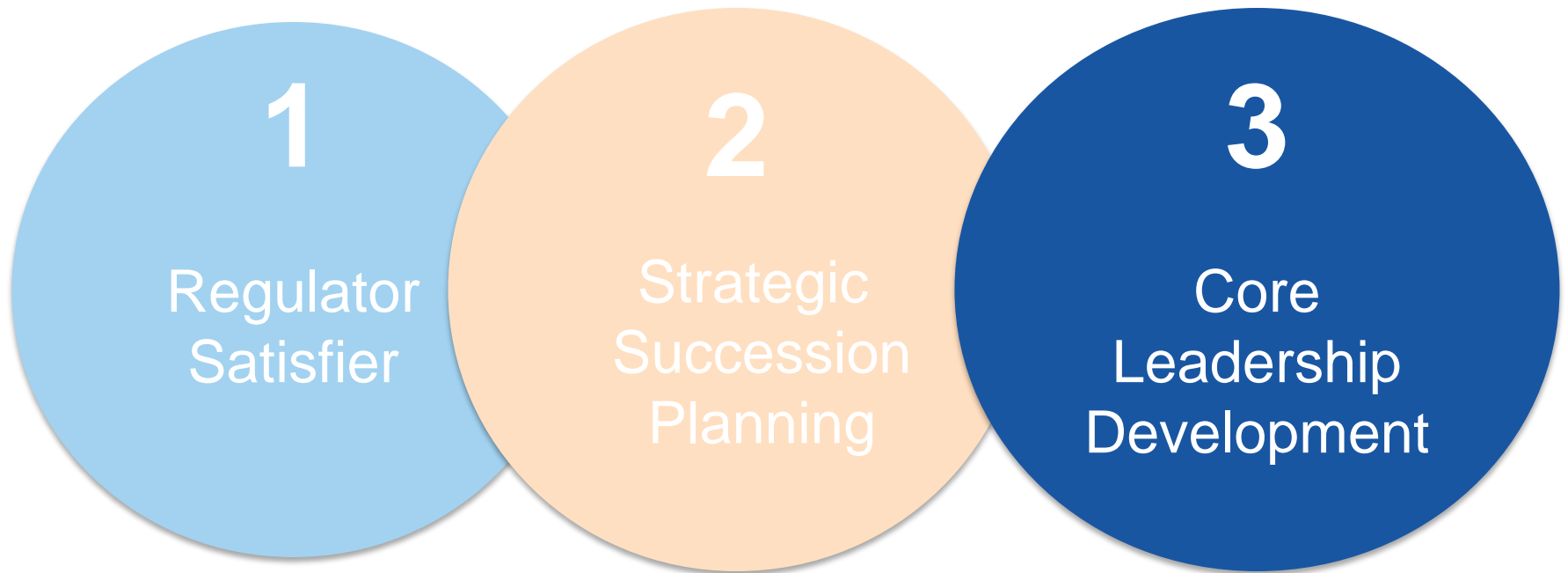
# Succession Planning Risks



# Succession Planning Risks



# Three Investment Levels



# CEO Responsible for Developing Internals

- Mentoring and coaching internal candidates
- Provide access to a Leadership Development Plan
- Presenting an annual evaluation of candidates

# Core Leadership Development

- Directly informed by strategic plan that outlines:
  - Timeframe
  - Asset size
  - Complexity of balance sheet
  - Political climate
  - Value proposition
  - Business model (branchless, member service)

# Core Leadership Development: The Process

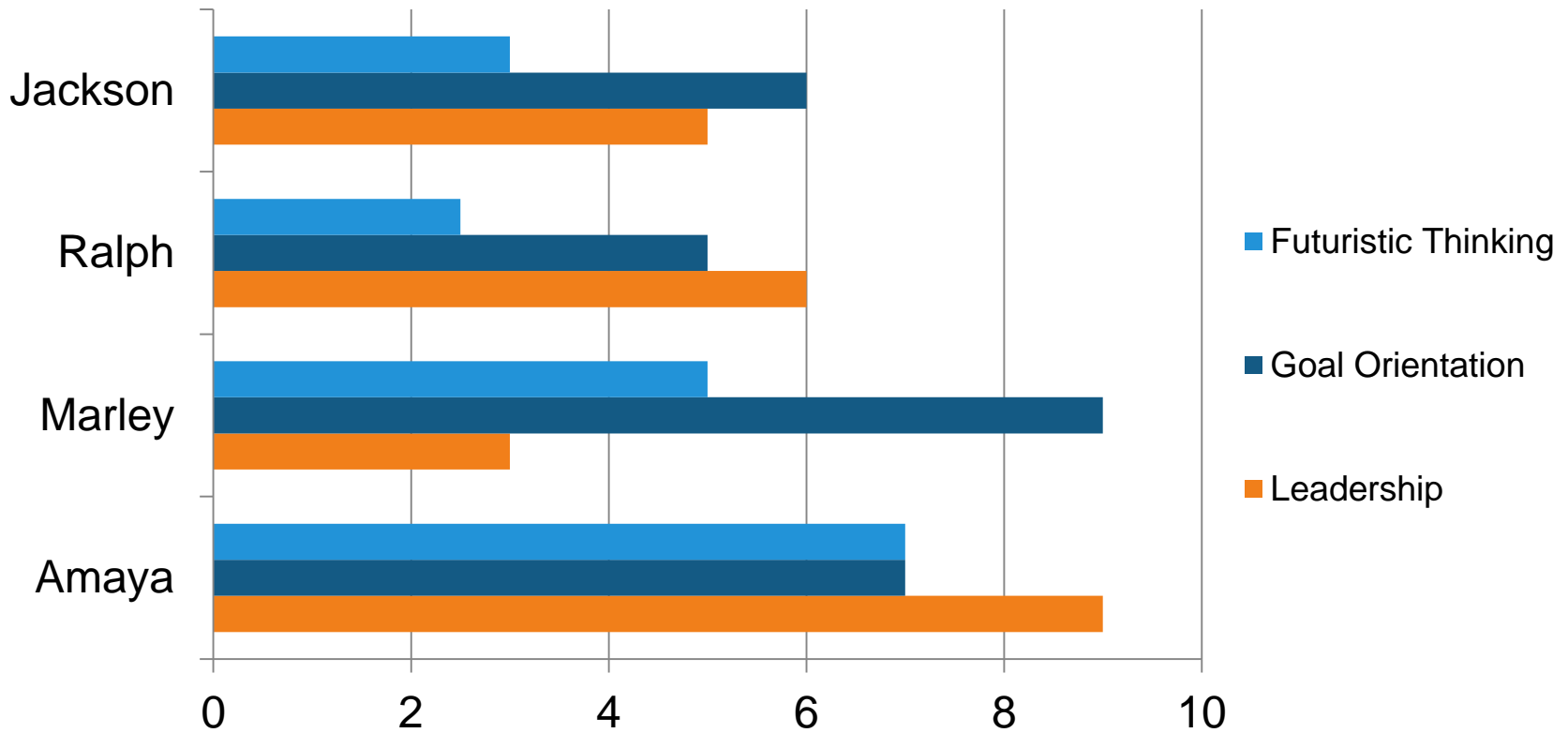
- Strategic Context of role today and tomorrow.
- Decisions Made/Influenced:
  - Accountable (inform vs. no inform to Board)
  - Consults with Board
  - Influences
- How will time be spent in future vs today.



# Core Leadership Development: The Process (cont.)

- Customers & key expectations
- Hard skills
- Experience
- Soft skills
- Behavior profile
- Emotional intelligence
- Values

# Comparison



# Core Leadership Development: The Process (cont.)

## Advancing your leadership

In order to increase your consideration for the succession of the CEO position (**Talent Readiness**), the following next action steps have been outlined:

1. Attend CUES CEO Institute by 2016: Because...
2. Build a network of lending professionals: Because...
3. Build partnerships inside the organization: Because...
4. Lead an initiative outside your area of operation: ...

# What Are We Trying to Achieve?

- A more strategic process for Succession Planning beyond an emergency plan.
- Increased strategic thinking about leadership continuity within the board room and C-Suite.

Succession planning is not a  
“drive-by” event that leaves  
leadership to chance.

Succession planning is not a singular recruitment event.

# Dissemination: Open or Closed

## Closed

Treated as top secret, under the table. Managers assess employees without input from those impacted by the process.

## Open

Treated with candor. Succession Planning is explained to organization. Work requirements, competencies and conditions of success are openly communicated. Invitation extended.

Varying degrees of openness.

# Communicate the Succession Planning Process/Timeline

- Lack of communication produces collateral damage.
- Greatest risk is last 18 months of CEO tenure.
- Good people start to look outside when there is lack of communication.



# Outcomes of a Succession Plan

- Increase capacity for knowledge generation and sharing.
- Provide increased opportunities for HiPos.
- Tap potential for intellectual capital.
- Encourage advancement of diverse groups.

# Outcomes of a Succession Plan (cont'd)

- Improve employee morale. Improve employees ability to respond to changing environmental demands.
- Be more relevant in the market.
- Legacy leadership and open learning environment.
- Walk your talk.

# Conversation Today

- Board Succession Planning
- Strategic Succession Planning
- CEO Strategic Succession Planning
- Right people, right place, right time.

# Thank You

For more information:

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