



SUCCESSION PLANNING ESSENTIALS



*Helping Credit Unions
Prepare for Tomorrow*

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Karen Bankston grew up with credit unions. Her father was a director for his factory's credit union, and her mother, though she was a banker, never missed the annual spring credit union conference for directors and their spouses. Karen has been a regular contributor to *Credit Union Management* magazine since 1994 and is author/editor of several CUES publications, including *Director Tool Kit*, *Optimizing the CEO/Board Relationship* and *CareerQuest: Mapping Your Professional Success*. In addition, she has written a variety of training manuals for credit union employees on marketing, member service and technology. Karen is the proprietor of Precision Prose, Stoughton, Wis. You can reach her via e-mail at Kbankston1@charter.net.

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Succession Planning as a Strategic Imperative

By Deedee Myers

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Succession planning is having the right people in the right place at the right time. Strategic succession planning is the blueprint for building the credit union's human potential to achieve strategic initiatives.

Making goals is easy; framing them in a strategic context becomes more difficult, and ensuring that the talent exists into the future to reach those goals is where the rubber meets the road. Strategic succession planning can deliver on the promise of those goals by ensuring a smooth transition of key leadership to build a culture of continuous learning and development at all levels.

Strategic succession planning is a critical success factor for credit unions to fulfill on their long-term strategy. More than merely an academic statement, if we pay attention to what it really means, it becomes a roadmap for embodying new leadership and how to practice succession planning integrated as a part of the organizational culture. The shift for credit unions is to move toward advancing leadership from the inside out to better practice the mantra of “people helping people.”

Many credit unions today offer the same core products and price and promote them in similar ways. Banks offer the same or competitive products. Both are jockeying for position by focusing on price and promotion. Where will you find a compelling difference for your credit union in today’s crowded landscape?

A major competitive difference is consciously choosing how to be in the relationship that starts with the member walking in the door. That connection with membership is built on mutual regard

and cooperation. That relationship with the member, whose hand is on the door ready to enter your branch, starts at the CEO level.

The CEO sets the tone for every employee-member relationship in how he or she pays attention to his or her relationship with others. In organizations with an integrated leadership development process that identifies and fosters what compels high performers to want to work for you, the product positioning, pricing and promotion are still challenging, but they are met head on, managed more effectively and result in valuable utilization of core employee competencies.

Leadership development is most effective when it is supported at the board governance level. Credit unions have grown in size and complexity as a means to better serve their members. As a result, they need a more intentional approach to seek out volunteers from their widening fields of membership to serve on the board of directors. And they must be committed to developing the governance and leadership abilities of their directors. The second part of this manual explores purposeful board succession planning and leadership development.

According to a survey of credit union CEOs conducted in September 2007, 70 percent of respondents said their organization has a formal succession plan in place, but less than half of the CEOs

counted themselves as very satisfied with “the plan’s ability to provide effectively for your own succession.” Just over 47 percent selected “very satisfied,” while a near equal percentage chose the rating “moderately satisfied” and 6 percent said they were not satisfied with their credit union’s succession plan. The survey, conducted by **enetrrix**, was sent to CEOs whose credit unions participate in the annual *CUES Executive Compensation Survey*. The succession planning survey reports these additional results:

- About 15 percent of responding CEOs said their board had already identified an internal candidate to become the credit union’s next chief executive, while a near equal percentage said their position would most likely be filled by an external candidate.
- Seven in 10 respondents said the decision about an internal vs. external CEO successor had not been made, but an equal number reported that their credit unions had a least one successor who could step into the position.
- More than half (56 percent) of respondents said their credit union’s succession plan focused only on the CEO position.

These survey results support the need for a strategic approach to leadership development and executive succession planning, the subject of this manual.

Chapter one explores leadership development within the credit union. Whether or not your next CEO comes from within the organization, the best way for the credit union to achieve its strategic objectives is to build and maintain a culture of leadership. This chapter outlines 10 steps for strategic succession planning, with an emphasis on identifying and supporting the executive development of internal candidates.

Conducting an external search for CEO candidates and working with an executive recruitment firm is the focus of chapter two. We offer an overview of the two main types of search firms, criteria for selecting the right firm to assist in your search for CEO candidates, and strategies for an effective interview and selection process. Chapter three examines the role of executive compensation in strategic succession planning, both in retaining a high-performing chief executive and in recruiting a successor. A well-designed long-term compensation plan plays an especially important role in tying talented executives to your organization and ensuring their continued success.

In chapter four, we shift our emphasis from executive succession planning to board development and succession planning, beginning with an overview of recent research into existing board practices for identifying board candidates and ensuring

the best possible board composition. Chapter five explores the role of the governance and leadership committee in replacing traditional nominating committees and reinforcing the concept of intentional board development. Chapter six discusses board development at credit unions that have adopted Policy Governance® as their governance framework.

A purposeful approach to CEO succession planning and board development has a profound impact on the entire organization. Strategic succession planning is about aligning your strategic plan, business initiatives, profitability and member satisfaction to the knowledge, skills, ability, capacity and performance of the credit union's people now and in the future. Recognizing what we do well and, more importantly, can and want to do well: provide a competitive differentiation.

Building Leadership from Within

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Recent research on CEO succession in American companies identifies dramatic differences in executive turnover depending on whether the CEO was built up internally or hired from the outside.

In a May 2007 *Harvard Business Review* article, authors Kevin Coyne and Edward Coyne reported on their study of 1,000 companies from 2002 to 2004. Turnover in the ranks of senior executives at those firms varied based on whether a new CEO was promoted from within or externally recruited, in comparison with no change in the chief executive position:

No change in CEO	17.0% turnover
CEO promoted from within	22.0% turnover
CEO externally recruited	33.0% turnover

When the study looked specifically at “involuntary turnover,” the rates went like this:

No change in CEO	7.5%
New CEO promoted from within	12.5%
Outside CEO	26.0%

We need to pay attention to our people first so that they can be of service to others in a meaningful way. If we develop people in such a way that they truly believe, from their deep core, that they make a difference in the credit union, then our business and strategic initiatives will land with more innovation, creativity, clarity and care.

We have control over our own behavior, values and attitudes, and nothing else. Our behavior is an outward expression of our values. If we value providing an environment to encourage creativity and innovation, then our people development programs will be masterful. How we seek out self-mastery every day influences our leadership behavior, innovation and utilization of resources to produce effective results while being in meaningful relationships with those we work with every day. We build mastery in others by first building it in ourselves. As Ron Westad, CEO of Arizona Federal Credit Union, puts it:

- ◎ Product, price, and promotion – isn’t that where credit union leaders should place their emphasis? After all, isn’t value creation our primary purpose and isn’t this achieved through superior products priced better than the competition and made relevant to our members through savvy marketing efforts? In our credit union world of “people helping people,” what we do and how we do it tends to receive the majority of our focus. Academically and intellectually, this is the world I came from. And as I continued to work in this world, another question occurred to me: Why is it that even the most accomplished credit unions that do so much good by their mem-



bers may still have dissatisfied leaders (and employees)? And with that question, I have changed my world from a focus on “how to do” to a focus on “how to be.”

The focus is on greater self-awareness and controlling (or more effectively managing) the only thing we can control—ourselves. It’s also an inward focus on the employees of the credit union, not outward on the members. With this inside-out focus, we can create a new world of possibilities. Effective responses to breakdowns, an authentic and centered presence with others, greater competency in accepting individual differences, and a greater understanding of “how to be” results in more effective member service and greater value creation for members. It also results in influential leaders and satisfied employees. It is the process of developing leaders from within. The value creation process becomes more successful if each individual employee increases his or her own satisfaction.

Strategic succession planning, if managed with intent and purpose, is an innovative way to attract talent, develop employees, motivate the right behavior, live and work with values, and retain the highest performers. The process needs time to evolve and shape itself to meet the

desired results of your credit union. It will take time and patience fueled by a deep commitment to be a developing organization for the sake of leadership continuity.

As more credit unions shape themselves to effectively develop strategies for future needs for people talent and their passion for the work, they will attract the best people and motivate the right behavior. This requires recruiting and retaining the best performers, cross-training, and developing depth in targeted competencies and experience.

A *leadership culture* is one in which human development is supported, encouraged and rewarded. Individuals are always on the prowl for new talent and display an eagerness to build it within the organization. Building a leadership culture shifts the leadership power from the old top-down structure to an environment in which every person fulfills his or her potential and adds value both strategically and tactically. All employees participate in building a future for themselves that connects their individual powerful offer into the organization’s purpose.

In its white paper “Trends in Human Capital Management: The Emerging Talent Management Imperative,” the consulting group Knowledge Infusion offers this perspective:

- ◎ It is estimated that organizations spend anywhere from 40 to 70 percent of their total operating budget on payroll and other direct employment expenses. And yet very few organizations make decisions about their people with the same discipline and confidence as they do about money, clients and technology. Organizations that focus on maximizing their investment in people, rather than administering it, understand they will gain a significant competitive advantage.

... It is imperative that organizations integrate a highly functional talent management solution across all facets of the business. It's not a question of if an organization needs to do this, but rather when and how Traditionally, organizational growth has been enabled by hiring more people. However, today's economic environment requires that the productivity of existing workers increase before new headcount is considered. Organizational growth has transformed from "quantity of talent" to "quality of talent." As organizations seek new ways of improving workforce productivity, "talent management" has become a vital element in establishing a human capital management.

The process defined in this chapter is a straightforward, commonsense approach to building a strategic succession planning culture supported by the development of talent within your credit union. By assessing your organization's "appetite" for strategic succession planning—the potential for enhancing your current approaches to this critical process—you begin to lay the groundwork for leadership development. The 10-step process presented here connects succession planning directly with the basic processes that support successful organizations—namely, strategic planning and fostering talent development among all employees. The accompanying forms and sample documents are blueprints to shift and structure for your own needs.

An Appetite for Strategic Succession Planning

An appetite for succession planning is the measure of commitment, breadth and depth of integrating it into an organization. At one end of the scale of appetites for succession planning is an appetizer; at the other end is a full five-course meal at the center of a memorable evening with good people in rich conversation over fine

dining. There is no right or wrong place on this scale. It depends on your credit union's current practices in succession planning and executive development and what you hope to achieve with these processes. The "appetite" is a matter of what a commitment to succession planning could produce, not how difficult it will be to implement. To assess your credit union's appetite, you need to know where your starting place is and where you want to arrive.

Implementing succession planning can happen in one of two ways. The first, the Regulator Satisfier, aims to assuage state and federal regulators that the credit union has a plan in place to comply with all the rules regarding preparation for CEO succession. The second, Strategic Succession Planning, creates a grounded, foundational, holistic process that goes deep within the credit union to build an infrastructure for continuous learning and people development.

The Regulator Satisfier is sometimes the first step toward Strategic Succession Planning. It starts with the need to fulfill directives from your examiner, but it also may provide the board with a new and different way to view CEO succession and spark a speculative conversation around future employee development. At credit unions where the CEO is retiring and no internal candidate is ready to step into the role or even be considered for the

position, the first step may be to adopt the Regulator Satisfier. But this is only a starting point with solid value if the board directs the new CEO to build a process for Strategic Succession Planning. If a strategic and foundational approach to building internal talent does not become part of performance measurement, there will be an intrinsic breakdown in leadership for the credit union that will have far-reaching impact.

Strategic succession planning builds a new competency into the organization, developing talent throughout the credit union that is forward looking and seeks to create new competitive advantages. It considers the interests of employees, builds on their strengths, and invites new conversations about their future, which over time become a normal course of business.

To test the appetite for strategic succession planning, the board and executive team should be in a conversation about what the future holds for the credit union if those in leadership roles have a commitment to people development. In his book *Effective Succession Planning: Ensuring Leadership Continuity and Building Talent from Within*, author William J. Rothwell suggests that organizational leaders consider whether succession planning and management:

- Enjoys top management participation, involvement and support?
- Is geared to meeting the unique needs of the organization?
- Extends to all levels rather than being restricted to top positions only?
- Is carried out systematically?
- Is heavily influenced by a comparison of present performance and future potential?
- Is influenced by identification of high-level replacement needs?
- Has sensitized each executive to an obligation to identify and prepare successors?
- Has prompted the organization to establish and conduct specific developmental programs that are designed to accelerate the development of high-potential employees?

Using these questions as a starting point, the credit union board should engage in a group Generative Conversation (see Figure 1.1 on page 19) facilitated by a specialist, internal or external, in strategic succession planning. This work can be part of a strategic planning event or a regularly scheduled board meeting.

Integrating Strategic Leadership Values

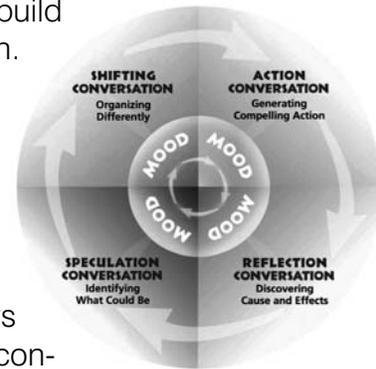
Core values are the foundation for our behavior. They are why we act in a certain way in a particular circumstance. Organizations also have core values. These values are deep within an organization and may be so ingrained that they are no longer easily recognized by the organization itself. There comes a point in the culture when the employee group moves or behaves in a certain way because that is what they know from being in the organization for so long. Their behavior reflects the values deeply embedded in organizational practices.

Many credit unions have a written values statement on their Web site, on posters in the hall or on the back of employee business cards. Those values are typically created around commitment to service, to a way of being for the employee, member and community.

Values in the strategic succession planning context are related to what the CEO of the future needs to bring forth to generate ongoing success. These values may include the core credit union values, but they may go well beyond those stated attributes. Here is an example: A credit union CEO is retiring after 18 years of service. The board's assessment is that the

FIGURE 1.1 Generative Conversations

Generative conversations are those that bring new insights, build dynamic relationships and produce effective action. Generative conversations are different than social conversations, which seek to share experiences, create relationships and entertain. The capacity to move and guide dialog toward achievement is a key leadership responsibility. Leaders reside in the pool of conversation. Their key role is to engage conversations that provide information and insight, motivate, and secure commitments in action. Leaders engage in conversation to solicit the views of others. These conversations require effective movement through this cycle:



Reflection Conversation

The reflection conversation explores the cause-effect of what is and the outcomes of our actions. Reflective conversation often begins with questions such as “Why do you suppose...?” or “How did we reach...?”

Speculation Conversation

In a speculation conversation, participants wonder what could be or what wants to be. At the core of speculation is exploring questions such as, “What if...?”

Shifting Conversation

The shifting conversation opens the possibility to a new paradigm or organization. The shifting conversation requires challenging questions, “What do we need to learn or do differently...?”

Action Conversation

The action conversation organizes and inspires people to move. They fundamentally seek commitment by answering “What new action will we take...?”

Success and Breakdown

As the board and/or management team moves through this cycle, pay attention to where you get stuck or spend an inordinate amount of effort. Are any phases passed over? What moods or mind-sets are present to initiate and sustain generative conversations?

Source: By Mark Haeussler, President, Advancing Leadership Institute, DDJ Myers, Ltd.
(www.advancingleadershipinstitute.com)

CEO has performed satisfactorily; frankly, directors would prefer that the CEO stay on for another 18 years because everything is going well. However, with economic and political changes now and in the future, the credit union will likely need to extend into new products and services to thrive. The values selected to guide the new CEO lay the foundation for how candidates will be interviewed, how potential internal successors are groomed, and how future performance reviews and assessments will be framed. In this particular scenario, the following values will help shape the role of the new CEO:

Assertiveness

Risk taking

Analytical problem solving

See possibilities

Sustainability

The success of a set of values adopted or created within an organization largely relies on explicit CEO support. A recent survey conducted by The Aspen Institute and Booz Allen Hamilton states that 85 percent of respondents rely on proactive CEO support to reinforce values, and 77 percent say this support is one of the most effective practices for reinforcing employees living the values in the workplace.

The role of values in strategic succession planning

Values are guideposts for behavior, the framework from which we move into difficult situations. A value is the basis of being in the world that defines the relative worth of a way of life and the priorities with which we organize. Identifying, honoring, living and being accountable to values is a step toward mastery.

Values are forward looking. They should define how we will move in difficult decisions, not easy ones. Values are not flagships; if they are chosen for show, they undermine integrity. Ultimately, “display values” lead to breakdowns (think Enron). Not selecting a value does not mean you compromise it in your daily life, only, perhaps, that it may not need more attention or commitment to bring a desired future forward.

In identifying the values to guide your strategic succession planning, consider the three parts to develop leadership values that will generate action, forming the acronym BAG.

BEHAVIORS

What behaviors are necessary to demonstrate the values and bring out the desired outcomes for stake-

holders? What are the agreed-to standards of conduct around the values?

ABILITIES

What abilities and talents are needed to live the values? What competencies could be developed to produce consistent assessments that the values are lived?

GOAL

What is the goal of having the particular value? How do you know when you achieve success? How will we know that each person is aligning their own goal to the larger team goal?

Board exercise: Build behaviors and competencies

The board can complete this exercise to select up to five nonnegotiable values the CEO successor needs to bring forth. (The directions assume a facilitator is managing the flow of the meeting.)

1. Provide each participant with the list of the values in Figure 1.2, starting on page 23, or develop your own values list.
2. As a group, decide if there are any values understood as being in play

already. We usually select Integrity, Honesty and Trust as being core values any one in a leadership role should embody. Draw a line through these values indicating that they are not to be selected for this exercise.

3. Each participant selects three values.
4. The facilitator writes on a white board the values selected by each participant and facilitates agreement on a final group of three to five.
5. The next step is to “behavioralize” each value. The purpose of this exercise is to generate shared understanding and language about how you will each know that the CEO is living the value. To behavioralize a value means to identify the specific behaviors that reflect “living” that value. By agreeing to the behavior, the board creates a shared standard of conduct to seek out in CEO candidates and nurture in its leadership team.
6. Once the behaviors are identified for each value, identify one or two competencies for the team to build greater depth to in order to live and demonstrate each value.
7. Create a spreadsheet for each of the values.
8. Practice on a sample value. Provide an example value and identify one behavior that would demonstrate living that value. Ask participants to

identify a couple of other behaviors for practice.

9. Identify the observable competency for each value, or what skills or expertise are needed to demonstrate this value.
10. Lead a conversation on the desired behaviors and competencies for each of the values and incorporate those values, behaviors and competencies in the credit union's strategic succession plan.

 **FIGURE 1.2**
Examples of Leadership Values

Accomplishment
Accountability
Accuracy
Acknowledgment
Adventure
Affirming
Anticipating
Assertiveness
Authentic
Awareness
Balance
Beauty
Blend
Celebration
Centered
Committed
Community
Compassion
Completeness

Comradeship	
Confident	
Connected	
Considerate	
Consistency	
Containment	
Contemplative	
Contribution	
Courage	
Courtesy	
Creativity	
Curiosity	
Detachment	
Dignity	
Direction	
Discernment	
Discipline	
Elegance	
Empathy	
Empowerment	
Energetic	



Engaging	
Entering	
Enthusiasm	
Excellence	
Extension	
Flexibility	
Focus	
Forward the Action	
Freedom to Choose	
Full Self-Expression	
Genuine	
Growth	
Harmony	
Healing	
Honesty	
Honor	
Humor	
Increasing	
Independence	
Initiating	
Innovation	

Inspiration	
Integrity	
Joy	
Lack of Pretense	
Lightness	
Long-Term Relationship	
Meaningful Work	
Nurturing	
Objectivity	
Openness	
Optimism	
Partnership	
Patience	
Peace	
Performance	
Personal Power	
Productivity	
Professionalism	
Profit	
Purposeful	
Recognition	



Respectful	
Risk Taking	
Romance	
See Possibilities	
Service	
Simplicity	
Spirituality	
Stability	
Success	
Sustainability	
Synergy	
Taking Stands	
Team Member	
Tolerance	
Tradition	
Trust	
Visioning	
Vitality	
Wisdom	

Source: Value Cards, Advancing Leadership Institute, DDJ Myers, Ltd.
 (www.advancingleadershipinstitute.com)

10 Steps for Strategic Succession Planning

Strategic succession planning does not begin when the CEO announces his or her plans to move on. It is a continuous, purposeful process that encompasses leadership and talent development among all managers and executives. The process is an integral part of strategic planning, during which the CEO succession plan should be regularly reviewed and updated based on the credit union's evolving outlook. Combining the strategic planning process with leadership development creates greater capacity for the credit union to pursue more aggressive goals. Managers and executives who are supported in the development of leadership capabilities are more competent and confident about assessing and taking the risks inherent in growing the credit union.

By identifying potential CEO candidates one and two levels down into the organization, the credit union is developing its future and demonstrating to key employees its commitment to their futures as well. There are no guarantees in succession planning, but incorporating leadership development that involves

employees in setting their own career goals and reinforcing their critical role within the organization enhances the likelihood of their continuing commitment to the credit union. In short, they're more likely to be there when you need them most.

Identifying the necessary competencies of your next CEO and fostering those competencies in your executive staff is not an easy task. It is rigorous and ongoing, as those competencies shift with the challenges facing the credit union. That is why strategic planning and leadership development must coincide.

1. Create clarity on strategic vision.

The board and its chief executive must agree upon, understand and clearly articulate the credit union's near and long-term strategic vision as well as performance expectations as they contribute to the organization's strategic focus and business plan. The executive team and board need to be clear and in agreement on their strategic vision for the future. Through conversation they visualize the shape and structure of the credit union's future. What possibilities are on the horizon for the credit union in the next three, five, 10 years and beyond?

2. Determine organizational competencies needed to fulfill the strategic vision.

The board must identify the human resource talent and leadership presence required to fulfill the credit union's strategic and business plans. What organizational expertise and people skills are needed to execute the strategic vision for the future?

3. Assess required competencies for the CEO role in the future for a minimum of five to 10 years.

Determine and define the competencies required for the CEO role. Use five categories of competencies:

- i. **Resume skills:** Achievements; accomplishments; complexity of experience; formal education in a specific domain; participation in community events; visibility on a local, regional or national level; and ongoing education.
- ii. **Soft skills:** Personal mastery skills necessary for success, which are hard to measure but show up over time in how the CEO leads the credit union. Examples include decision making, leadership, conflict management, futuristic thinking and written communication.
- iii. **Behaviors:** Specifically, the various forms and manners of behavior chief executives must exhibit to achieve success. Consider the following questions: What is the preferred behavior of the role? How would a wildly successful CEO be seen by others? It is best to answer these questions without thinking of your current or previous CEO. Separate whoever is in the role from your assessment of behavioral traits needed in the near and long term. Examples might include listening skills, the ability to communicate clearly verbally and in writing, and the ability to make and follow through on decisions.
- iv. **Values:** Beliefs and sensibilities that guide an executive personally and professionally. What three values does the CEO need to fulfill the strategic vision? Choose values that need to be more readily accessed or uncovered; for example, if integrity, honesty and trust are showing up, then assume they are already well in play. Values like futuristic thinking and moving from a survival state to a thriving state can move your organization in a meaningful way. Flexibility may be relevant if your credit union is likely to seek out and welcome change.
- v. **Emotional intelligence:** How a person functions in the workplace with his or her own emotions and those of others to achieve desired outcomes. A stellar

resume, without strong emotional intelligence, will produce a breakdown. A part of the competency conversation should include a discussion of emotional intelligence and how it serves the CEO role.

4. Identify potential internal successors.

Consciously decide to use an open or closed succession planning process. An open succession planning process communicates to executives and managers that a strategic succession planning program is in place and those who are interested in being considered as a CEO, now or in the future, should share their ambitions with the succession planning committee. With an open planning process there is opportunity to grow and develop a talent pool for two, five, 10 and 20 years in the future. The guarantee is not that everyone who signs up will become CEO, but that the culture is open and inclusive and extends to employees with high regard for their development.

A closed strategic succession planning program, where stakeholders are not openly included in the process, should be a rarity in credit unions if their way of doing business is “people helping people.” Closed processes negate the opportunity for employees to state their goals for advancement and, if there is not

space for them to be heard, they may elect voluntary separation and pursue their dreams elsewhere.

5. Assess competencies of internal successors.

Assess the competencies of potential internal successors as they correspond to the needs of the credit union in the future. If your CEO is actively planning to leave the credit union within two years, pay close attention to the competencies of other members of the executive team. Be in open conversation with each person reporting directly to the CEO to clarify their career goals and desire to be considered for this role. Do not assume that someone is not interested in the CEO role just because she or he never mentioned it; there are many reasons why a direct report to the CEO may not openly converse about an aspiration to be CEO. The board chair or head of the succession planning committee should directly ask each executive if he or she wants to be considered and do so in a way that invites an authentic response. Leading questions can be harmful; proceed in these conversations with a frame of possibility.

If your CEO plans to stay on in this role for long time—say, five or more years—you may want to look for CEO potential talent two layers deep in the organization. Create a culture of futuristic thinking in

developing your leadership talent. In five years it is possible that direct reports to the CEO may be recruited away because their time has arrived to step up into a CEO role and one is not open with their current employer. Look deep within and assess who are potential high performers. Pay attention to their career goals. If they are successful, keep in mind that it is possible, even likely, that they will be recruited away to continue their high-performance career path elsewhere if they do not perceive opportunities for advancement within your organization.

6. Develop a career development plan (CDP) or leadership development plan (LDP) for potential successors and high performers.

The intention of the CDP is to include continuous learning in multiple domains: technical expertise, credit union knowledge, management skills, leadership presence and continued education. The focus of the LDP is on leadership presence, or how we show to ourselves and others what the credit union needs for success. Richard Strozzi-Heckler, of the Strozzi Institute, speaks about leadership as needing three attributes:

1. Competency in your own field, specialization or industry;
2. Intelligence to deal with complex issues and multiple commitments; and

3. A certain presence, or “the self that you are.” High-performing executives personify integrity, flexibility, accountability, and the ability to generate positive moods and a sense of possibility. They motivate and influence others, and people want to be around them. When they enter a room, others approach them, not because of their title or position but because of “the self they are.”

At the executive level, professionals have developed their competency in specific domains and tend to rely on others to support them in areas where they have not specialized. Executives also have a certain level of intelligence that serves them in supporting multiple commitments and decisions involving complex issues. The presence they develop is the sum of their ongoing exploration of how they can evolve as humans and continue to develop self-mastery. They must first be effective leaders of themselves before others will willingly accompany them on any journey or mission.

In assessing potential successors, regularly revisit the five categories defined in step three: resume skills, soft skills, behaviors, values and emotional intelligence. Within the context of these five categories, facilitate a self-assessment by candidates on how they see themselves compared to what the organization needs in the CEO role. Interview their managers for input on the five categories with a

view of current state and the ability, competency and capacity to be a “Ready Now,” “Ready Future” or “Targeted for Development and Learning” candidate.

Once the CDP or LDP is drafted, review it with each potential successor and his or her manager for validation. The potential for success with strategic succession planning is greater with proactive support.

7. Implement and monitor development of each potential successor.

The final segment of the CDP/LDP should outline actions and observable outcomes for the potential successor. For example, if written communication is a desired competency for the CEO role, then the internal candidate seeks opportunities to write and have her or his writings be more visible to the CEO and board, with the intent of producing the assessment “she or he writes well.”

Each internal candidate needs a coach or mentor to supervise ongoing development and use of resources. Blending an internal mentor with an external coach is the ideal combination for a future CEO’s success. The internal mentor, who might be the CEO or a current board member, knows the way of the credit union. An external coach should be competent in coaching CEOs and potential CEOs with emphasis on leadership presence.

Establish a periodic review with the internal candidate. If the CEO is to retire within:

- One year, the review should be conducted monthly;
- Two years, the review should be conducted quarterly; and
- Three years, review twice a year at a minimum.

8. Develop a viable action plan to acquire the needed competencies to fill critical vulnerabilities if they are not available when needed by the credit union.

A critical mistake is to wait until the CEO retires, becomes ill or voluntarily leaves the credit union to take effective action to identify external potential candidates if there are no internal possibilities for promotion. The most important decision the board makes is deciding who will be CEO. When the CEO’s position is vacant, the credit union is at great risk.

If there are no internal possibilities for promotion, a viable internal interim candidate needs to be able to “drop in” to the role while external candidates are recruited. If a drop-in candidate does not exist, then the practices involving recruitment and development of high-quality executives need to be a serious commitment. Promotable people need to find the

credit union attractive as an integral part of a high-performing career; if no one of this caliber exists in the credit union, you should seriously consider how well the members, employees and community are being served.

9. Research external potential candidates.

We will explore this process in more depth in chapter two. For our immediate purposes, consider one avenue involving three steps for researching external potential candidates.

Step 1: Start a “hot list” of external potential candidates. List names of executives from other credit unions you meet at conferences and advisory boards and whose names you see in industry trade publications. At this point it is not necessary to ask them if they want to be on your hot list. The intent is simply to create a list of potential candidates for possible future conversation.

Step 2: Research the credit unions where your hot list candidates are employed. Look for evidence of how they are moving with the competencies you desire for your credit union. For example, if a peer credit union has demonstrated the ability to move effectively in adverse conditions, you want to know who is on that top-performing team.

Step 3: Select the top two or three candidates on your hot list and reach out to them. The intent of reaching out to these executives is to engage them in a networking conversation with the intent of getting to know who they are and assessing leadership presence.

10. Develop a CEO emergency succession plan, CEO talent pool assessment and strategic succession plan policy.

The CEO emergency succession plan should be reviewed and updated every six months or year depending on the CEO’s intentions for ongoing employment. This document provides the basic action plan for a sudden, unexpected departure of the CEO to keep the basic operations in place.

It is also critical to develop and update your CEO talent pool every six months or year.

Finally, the board and executive team should review the CEO strategic succession plan policy as part of strategic planning or at least once a year. Any shift in strategy calls the needed competencies into question and may require updating the CEO talent pool and the executive talent pool as well. (See sample documents provided in the Appendix starting on page 135.)

Career Builder Guide

The Career Builder is a tool designed to foster the executive development of potential internal CEO candidates and other managers who are looking forward to a long career with the credit union. The guide is created and updated annually by employees. The purpose of the document is for employees to inform others of their development of and experience in specialized skills, knowledge and roles as well as what other assignments, laterals and promotions are of interest in developing their career.

The accompanying sample Career Builder on page 35 can be renamed to meet your needs and culture. Progressive credit unions post these guides on the organizational intranet where they are available and accessible by a key word search or with general browsing ability. For example, if a need arises regarding an insurance question that requires actuarial background, Beth (in our example) might be available as support prior to seeking outside consultants.

Conclusion

Whether you are faced with the need to replace your CEO tomorrow or 20 years from now, strategic succession planning prepares the credit union to meet the toughest challenges head on. The seamless integration of strategic planning and leadership development builds a strong organization based on the talents and commitment of its people. Succession planning becomes so integrated into the culture that it automatically becomes part of any strategic planning conversation.

As your next CEO moves up from within or is recruited from outside the credit union, strategic succession planning helps ensure a smooth transition. The new CEO will be supported by a competent, confident executive team, and the strategic succession planning process, rather than ending, continues around this evolving leadership so that the credit union always has the right people in the right places at the right time.

 **SAMPLE Career Builder**

Name: Beth Young	Title: Senior Vice President, Finance
Supervisor: Mark Williams, CEO	Time on Title: Two years Hire Date: 10/15/2005

Position History

Job Titles	Time on Title
Financial Analyst	5 years
Senior Financial Analyst	3 years
Assistant Treasurer	2 Years
Treasurer	4 years

Specialized Skills or Knowledge

Investment Portfolio Management, Asset/Liability

Market Risk, Product/Service Pricing and Profitability, Funds Transfer Pricing

Technology Skills: Bancware, Sendero, Excel, Access

Competency Strengths

Business Driver—Strong understanding of financial process, forecasting and capital planning

Coaching—Maintains development plans on all my people, coaches and mentors three employees, regularly assigns stretch goals for team.

Development Needs

Strategic Planning—Need to look for additional revenue opportunities drive greater comittment to revenue goals through products, services and fee income to improve ROA.

Preferences

Assignments Requested	Lateral Moves	Promotion Moves
Leadership Steering Committee	VP, Branch Operations, TD	Chief Financial Officer, RN
Employee Strategic Development Programs	VP, Lending, TD	Chief Operations Officer, RF
Lending Committee		
Pricing Committee		

Readiness for Move Indicators

- Ready Now (RN)
- Targeted for Development (TD)
- Ready Future (RF)
- Learning (L)

Relocatable

- Yes
- No
- Possible: (explain) Willing to move for promotion only. I need to wait until '08 before I can leave current location.

SOURCE: Advancing Leadership Institute, DDJ Myers, Ltd. (www.advancingleadershipinstitute.com)

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APPENDIX A



S A M P L E

CEO Emergency Succession Plan

In the event that the CEO is unable to perform his or her duties due to illness, death, or sudden and unplanned departure, or for any other reason, the following actions will be taken to ensure continuity of leadership.

First business day (8 hours)

1. The board of directors will notify the interim successor, _____ (insert name and title) that he or she will assume the executive authority as granted to the CEO.
2. Credit union employees will be notified of the change in CEO status. A memo will be sent via e-mail to all employees by the chair of the board of directors drafted with the support of the human resource director. A copy will be sent to all members of the board and supervisory committee.
3. The public relations executive will draft an announcement to be sent to all organizations that need notification of change in CEO status. These organizations include: NCUA, state regulator of financial institutions, league, corporate credit union, CUNA, NAFCU, CUES, major business partners, and other associations as well as local and state credit unions.
4. Transfer all executive authority tools to the interim CEO; these will include security levels and check signing authorities. The supervisory committee will secure records as needed.
5. Contact information for required personnel is:

	Interim CEO	Human Resources Executive	Board Chair	Supervisory Committee Chair	Security Officer
Name	_____	_____	_____	_____	_____
Office phone	_____	_____	_____	_____	_____
Cell	_____	_____	_____	_____	_____
Home phone	_____	_____	_____	_____	_____
E-mail address	_____	_____	_____	_____	_____
Home address	_____	_____	_____	_____	_____
Other contact info	_____	_____	_____	_____	_____



First week (five business days)

1. The board of directors will review the strategic succession plan and move in consistency with the plan to:
 - a. Assess internal candidates for possible internal promotion.
 - b. Assess viability for using an external search firm.
 - c. Assess feasibility of conducting an external search on their own behalf.
2. The supervisory committee will implement a transition audit to ensure a clean start for the interim CEO.
3. The interim CEO will communicate with all employees that the strategic plan and business initiatives will continue; the mood conveyed should be one of confidence and being centered.
4. The board will decide who is on the CEO selection committee of up to four members.

First two weeks (10 business days)

The selection committee will decide whether to pursue internal candidates, hire an external search firm or conduct an external search on their own behalf. If the decision is made to hire an external search firm, a request for proposal (RFP) will be forwarded to three potential search firms requiring a response within three weeks. (Note: as part of the strategic succession planning process, an organization can maintain on file current proposals from external search firms that can be implemented upon need, allowing them to move more readily into purposeful action.)

If the search will include internal candidates, the chair of the selection committee will speak to members of the executive team and discuss their intentions of being considered for the CEO role. Upon indication of interest, the board will provide internal candidates with an overview of the interview and selection process, including position description, assessments and interview with the board or selection committee.

If the search will include both internal and external candidates, using an external search firm, the search committee will request that internal candidates must complete the same recruitment process as the external candidates presented by the search firm.

First three months

Interviews for the CEO role are completed and a decision is made.

The board will address an appropriate transition strategy for each possible scenario:

1. Promotion of the interim CEO to CEO
2. Another internal candidate
3. An external candidate

SOURCE: Advancing Leadership Institute, DDJ Myers, Ltd. (www.advancingleadershipinstitute.com)

APPENDIX B



SAMPLE

CEO Strategic Succession Plan Policy

Purpose

The purpose of the CEO strategic succession plan policy of (insert credit union name) is to communicate to its employees, members, community, regulators and other parties of interest the credit union's ongoing commitment to effective leadership. The (insert name of credit union) is fully committed to equal employment opportunity for all employees, regardless of race, religion, sex, national origin, sexual orientation or disability.

Policy

It is the policy of this credit union to strategically develop internal talent to achieve the full potential of these executives and to hire high-potential performers into all executive level and senior level management roles so that, if needed and desired, they can step into, on a permanent or interim basis, the CEO role.

Philosophy

It is the philosophy of this credit union that every person in a role of SVP (or VP) or higher must have the capacity and competency to serve as interim CEO for a minimum of up to (one year or insert time frame).

Procedures

Assuming the present CEO has no immediate departure plans, the board will review on an annual basis the following information:

1. The CEO emergency succession plan, updating potential successors.
2. This policy, the CEO strategic succession plan policy, ensuring that it is in line with the strategic plan.
3. The knowledge, skills and abilities of potential successors as they relate to the strategic plan and credit union operations. The board must assess the development gap of each potential successor and what he or she must learn to serve as CEO of this credit union.
4. The CEO development plan to ensure that the incumbent remains current with continuous learning as it relates to industry issues and changes.

Assuming the present CEO plans to depart within two years, the board will conduct reviews one through three, above, on a quarterly basis.



Assuming the present CEO plans to depart within 12 months, the board will conduct review three, above, each month, in addition to conducting monthly individual meetings with potential internal successors to ensure clarity on their development needs.

Plans

The succession planning process will be developed and maintained with the full support of the CEO, human resources executive and other executives as needed. Each potential successor will have a development plan that articulates his or her competencies, knowledge and ability related to the needs of the credit union and the CEO's role. Competencies will include assessments such as behavior profiles, emotional intelligence and personal mastery.

NOTE: The executive committee or succession planning committee may be substituted for the board in any or all steps in this policy.

SOURCE: Advancing Leadership Institute, DDJ Myers, Ltd. (www.advancingleadershipinstitute.com)

APPENDIX D**🔑 Candidate for CEO Role:
Leadership Development Plan**

Created by DDJ Myers, Ltd.

Executive Summary

Executive Summary of the Leadership Development Plan (LDP) summarizes competencies, strengths and places for development for the individual. The summary also describes individual's ideal environment, goals and conditions of success.

Jon has depth of fortitude and resilience that are valued in roles of leadership; he is forward looking, competitive and results oriented. His problem solving ability is good and he will creatively seek new ways to solve old problems.

As a manager, coach and mentor, Jon is dedicated to the success of his direct reports. It is important to him they are both successful and fulfilled; he urges them to step into their potential in ways that are inviting and compelling. He has capacity to listen deeply when coaching his team and demonstrates optimism and positive expectations of others. Being future-oriented and forward-looking, there are few dull moments in his life.

Jon excels in an environment that supports innovation and opportunity and freedom from controls and close supervision. He is able to build trust and credibility while influencing others and is agile in adapting to change while responding to shifts in directions and priorities. Recognizing opportunities for positive outcomes is a component of his optimism and he listens to gain perspectives from diverse sources.

Decision making is a strong attribute in that he readily can move into timely decisions and accepts the consequences of his actions. He will correct erroneous decisions and address performance issues promptly, fairly and consistently.

Jon has a depth of leadership presence that recently is starting to evolve in a bigger way. He could further his abilities to become a CEO by stepping out more in leading the organizational structure for effective resource allocation while ensuring the vision and strategic decisions are implemented. Future looking for Jon would be to see how he can extend into the community and industry, and play a bigger part in the strategic vision for the credit union.

One of Jon's conditions of success over the coming year is to coach and develop his direct reports in developing and viewing different possibilities for scenarios. Overall, he is expected to deliver on the vision for the credit union.

Individual skills Jon should focus on to further his leadership presence and build upon to step into the CEO role:

Interpersonal Skills

- Extension in developing relationships with many different kinds of people.
- Listen, observes and strives to gain understanding of others.

Diplomacy/Conflict

- Understand how to effectively move through emotional situations.
- Assist people in adversarial situations in identifying common interests.
- Adapt conduct and communication to encourage more possibilities.

Hard Skill Competencies

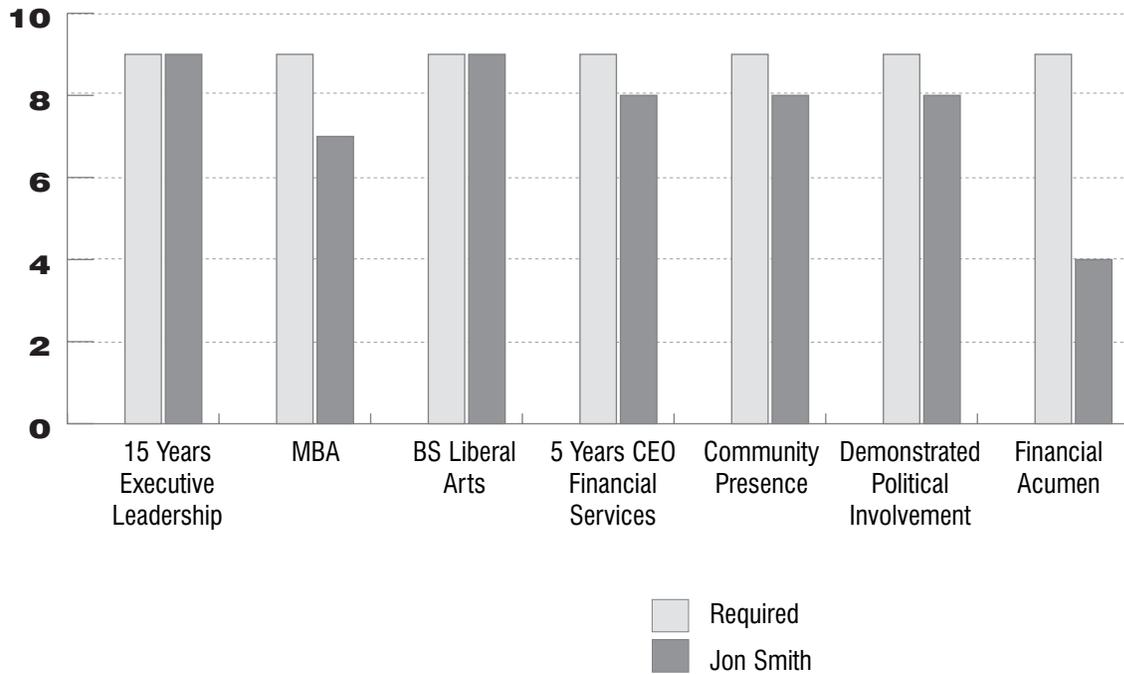
The Hard Skills section’s required values are derived from conversations with the CEO and Executive Team. This section creates expectations for the role.

The CEO position requires the following tangible and measurable areas of expertise on a rated scale of one to 10 with 10 being the highest:

Skill/Knowledge	Required Value	Jon Smith
15 Years Executive Leadership Experience	9	9
MBA–Business	9	7 (CPA)
BS Liberal Arts	9	9
5 years as CEO of a Financial Services Organization with the same or similar complexity, diverse relationship management and multiple relationships	9	8
Local Community and Charitable Presence	9	8
Demonstrated Political Involvement		
Trade Associations		
Local and State Involvements	9	8
Financial Acumen	9	4



Required Hard Skills



Behavior

Behavior statistics are taken from the individual's DISC assessment. This section of the LDP describes the behavior needed for the CEO role compared to individual's natural and adapted styles. This section notes the places to pay attention, on why an individual is adapting their behavior style.

Jon has a positive match for his behavior profile for the future CEO role. Jon's natural behavior style generally is well-aligned with the needs for the role.

(D) Inherent Need to Direct

The following describes the scope of authority, power and decisiveness as described by CEO and Board. Jon's ability and capacity to make and step into decisions shows up with authority and directness.

CEO Role Required Behavior	Jon’s Adapted and Natural Style
Calculating the use of power and authority.	Authority to carry out responsibilities.
Responding to problems and challenges.	Quick response to problems or crisis situations.
A drive to succeed.	Demanding attitude of self and others.
Clarification of authority and parameters.	Direct answers from others.
Challenging assignments.	Challenging assignments.
Independent thinking.	Creative and original thinking.
Freedom from much detail work.	Freedom from routine and details.
Flexibility.	Some independence in decision making.
Ability to solve problems and meet challenges.	Sense of urgency in getting things done.
Taking an idea and moving with it, but not beyond the scope of authority.	Appropriate title to acknowledge status and prestige.
Supporting change.	Accepting and initiating change.
Participating in decision making.	Decisive and firm in decision making.
	Self-starter who enjoys competition.
	Direct answers and statements to the point.
	Leadership and directive skills.
	Future orientation and abstract thinking ability.

(I) Inherent Need to Interact

This section describes the CEO’s level of ability to influence others to a way of thinking or doing. Jon is shifting his ability to influence so that it is closely aligned with the role requirements.



CEO Role Required Behavior	Jon's Natural Style	Jon's Adapted Style
Social interactions.	Democratic relationships.	Many social interactions.
High trust level.	Earned trust.	Very high trust level.
Optimistic outlook.	Friendly work environment.	Optimistic outlook towards all activities.
Verbal skills.	Verbal skills.	Skillful use of vocabulary to generate enthusiasm.
Getting people emotionally involved.	Being polite and diplomatic.	Highly persuasive communication.
Working with people.	Working with people.	High contact with people.
Openness to new ideas.	Acceptance of new ideas.	Enthusiastic acceptance of new ideas.
Ability to move from one activity to another quickly.	Coaching and counseling.	Ability to move from one activity to another quickly.
Participatory management.	Participatory management.	Selling the sizzle as well as the steak.
Creative approach to problem solving.		New and innovative ways of solving problems.
Democratic relationships with others.		Democratic relationships with others.
Working with people more than working with things.		Working with people more than working with things.
A team approach.		A team environment.
Initiating contact with others.		Ability to project self-confidence.
		Freedom from detail and control.

(S) Inherent Need to Deal with Activity Levels

How the CEO role and Jon deal with activity levels shows up in behaviors around persistence, consistency and listening skills. The role requires a high level of flexibility and delegation that matches well with Jon’s Natural Behavior Style whereas his Adapted Style is shifting toward increasing his steadiness and follow through.

CEO Role Required Behavior and Jon’s Natural Style	Jon’s Adapted Style
Sense of urgency.	Patience.
Shared information and open communication.	Ability to listen.
Quick response to crisis and change.	Working within the system.
Mobile work environment.	Task oriented concentration.
Ability to act without precedent.	Follows through on task.
Opportunity to explore change.	Limited change in work activities.
Support team to handle some of the detail work.	Team participation.
Self-starter.	Security for self and others.
Quick decisions.	Job description in writing.
Alertness to problems and challenges.	Consistent performance.
Awareness of deadlines.	Sincere approach to working with people.
Facts and data provided by others.	Friendly environment.
Freedom to respond.	
Variety of work activities.	

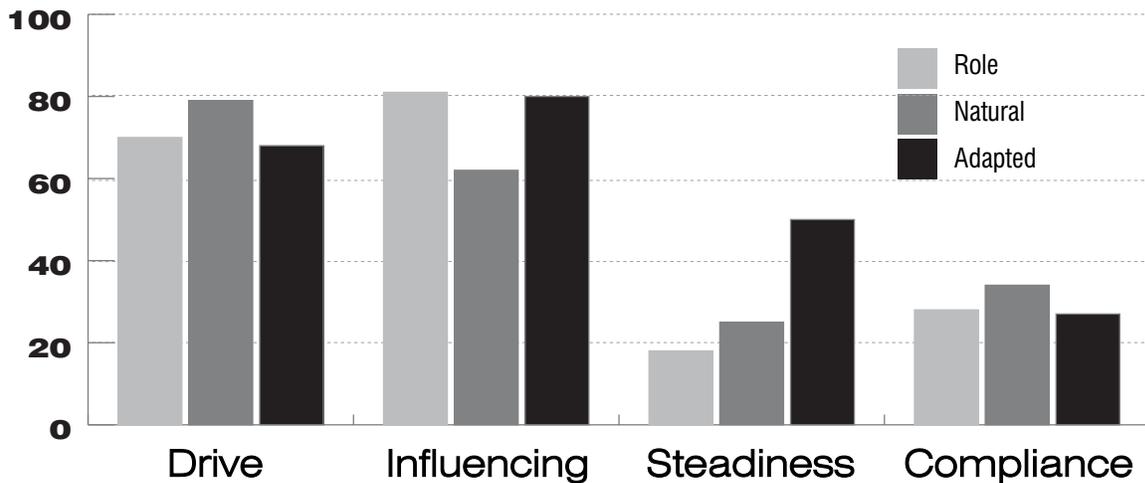


(C) Inherent Need to Respond to Rules and Regulations

How the CEO role and Jon respond to policies, moving with creativity and outside the box are in alignment.

CEO Role Required Behavior	Jon's Adapted Style
Awareness and sensitivity to rules and procedures.	Testing of rules and procedures.
Practical work.	Practical work solutions.
Persistence in getting the job completed.	Persistent approach to winning.
Freedom from direct control and supervision.	Opportunity to test new ideas.
Expression of new ideas.	Challenging work.
Limited independence to question procedures.	Responsibility equal to authority.
Testing new ideas and procedures.	Limited routine work.
Taking calculated risks.	Risk taking.
Questioning the status quo.	Independence to question procedures.
	Challenging the status quo.
	Individualism.

Jon's Natural and Adapted DISC Compared to Role Behavior



SOURCE: Target Training International (TTI)

Personal Master Competencies

Personal Master Competencies' statistics are taken from the individuals Personal Soft Skills Inventory (PSSI) assessment. This section identifies required competencies for the role, competencies already mastered by the individual and competencies to enrich their leadership development.

Jon's soft skills are well developed for someone working to move in, and verbally communicating, change in ways that can create space for others. These include flexibility as well as persuasion, diplomacy, teamwork and conflict management. Moving forward, Jon requires more depth in goal orientation and presenting, to better serve in the role of CEO.

Required Core Competencies

Leadership	Mastered
Diplomacy	Mastered
Futuristic Thinking	Some Mastery
Goal Orientation	Some Mastery
Decision Making	Mastered
Management	Mastered
Presenting	Not Yet Mastered

Jon's Additional Personal Mastery Competencies

Creativity/Innovation	Mastered
Persuasion	Mastered
Flexibility	Mastered
Customer Service	Mastered
Teamwork	Mastered
Management	Some Mastery
Self-Management	Some Mastery

SOURCE: Target Training International (TTI)



EQ-I

EQ-I section is a summary of the individual's Emotional Quotient Inventory assessment, their Emotional Intelligence. This section reviews and identifies areas of emotional and social functioning where the individual is strong and areas in need of improvement.

Jon's overall emotional and social functioning is high. His Intrapersonal score indicates someone who has a good self-understanding and who has achieved well up to this point in his life. He has a solid emotional Self-Awareness, able to recognize the source and impact of his emotions, and is able to Assert his ideas readily. Coupled with strong Self-Regard, Jon is able to convey attitudes and ideas with self-confidence. He expresses his ideas and is capable of working on his own.

His Interpersonal skills for forming relationships with others are high, able to build and maintain long-term relationships. One key area to pay attention is Empathy, the ability to demonstrate that he can view the world from another's perspective. Further development of Empathy, ability to put others' agendas ahead of his own, will improve cooperative efforts and the way others view his priorities.

Stress management scored high in both Stress Tolerance and Impulse Control; he has an enhanced ability to withstand adverse events and to put thought into decision making. His highest scores, reaching the Enhanced Level, are Happiness and Reality Testing. This indicates a strong ability to evaluate and grasp the correspondence between what he experiences and the factual and real world around him; being content with his current life situation provides opportunity to compel others to follow his leadership. He usually finds it fairly easy to learn new things and remain open-minded; he will prosper in dynamic environments.

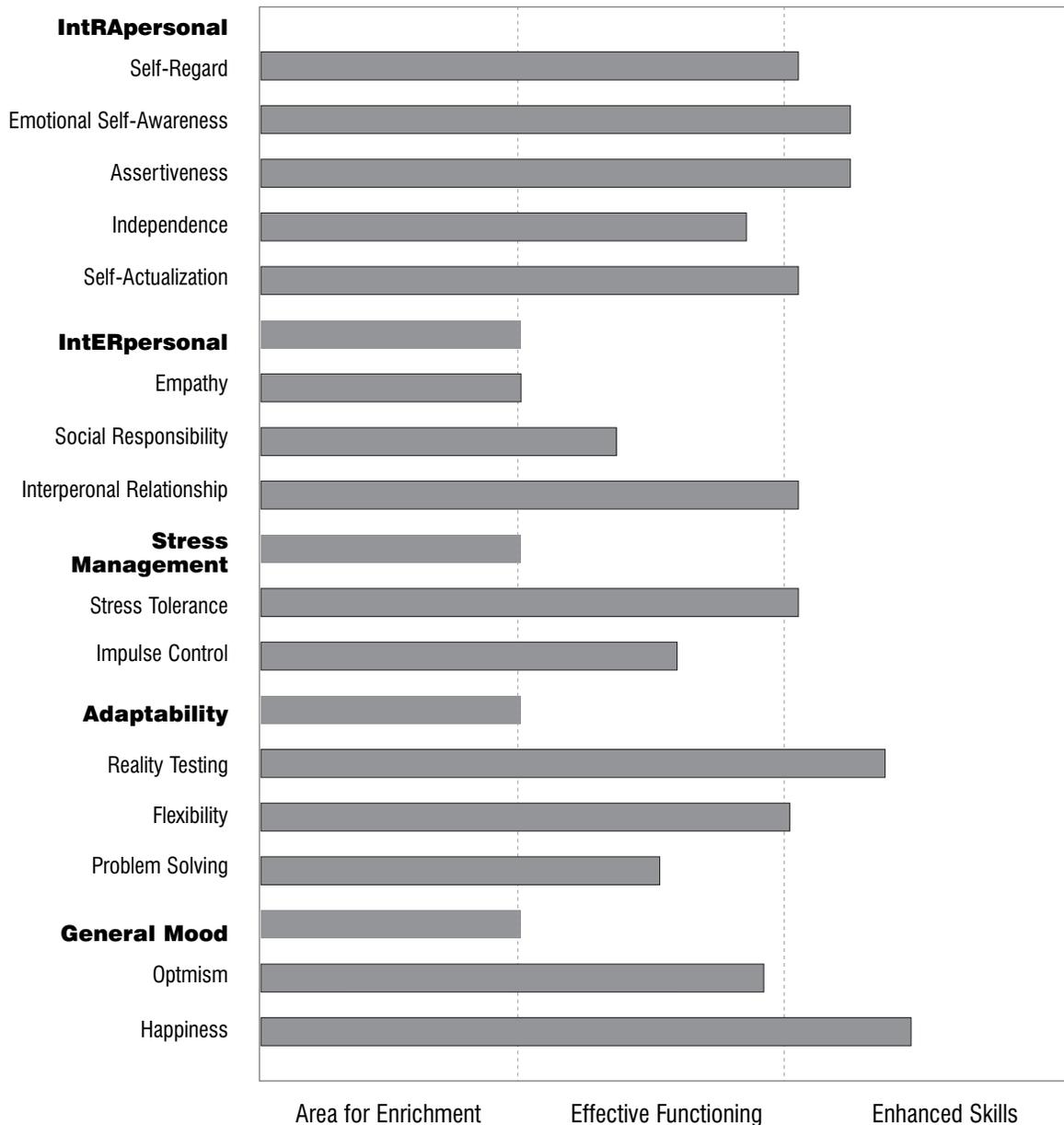
Problem solving is an area that can be improved by approaching problems more systematically as a CEO would. This can relate to Empathy as well; as he is perceived as attentive to the concerns of others, his problem solving will be built in ways that engage others emotionally.

Jon has a well-developed emotional intelligence with strong potential.

BarOn EQ-i® Resource Report for Jon Smith

Content Subscales

The following graph shows the 15 EQ-i subscales grouped according to composite area.



SOURCE: Multi-Health Systems, Inc.



Values

The Values section is derived from a conversation with the coach, individual, and what is expected of the CEO role.

Values are the belief system behind making choice. They provide the framework for decisions, particularly those that move into uncertain domains. They are considered non-negotiable.

The following values were chosen by Jon as qualities he needs to add in greater capacity in order to fulfill in the CEO role over the next three years.

Accuracy
Awareness
Connected
Consistency
Curiosity
Engaging
Extension
Growth
Integrity
Inspiration
Meaningful Work
Personal Power
Visioning

Advancing

The Advancing section describes practices and ideas to improve upon their leadership capacity.

1. Meet with the executive team to determine clear conditions of success expected as the CEO increases travel and other commitments and how to shift more daily operational responsibilities.
2. Discuss with the executive team expectations for cultivating relationships for future mergers as discussed in the Star Performer role and Strategic Plan.
3. Meet with direct reports to develop their coaching plan and the places required for growth. Work with them in developing practices for more effective leadership with emphasis on pace and energy moderation for direct reports.
4. Continue to develop a stronger presence in front of the Board.
5. Work with his managers on agreement of a metric of success that can be used as an organizing principle for increasing member satisfaction.
6. Work with a coach to create extension practices with the intent of stepping out more in the community, associations and political events. Review personal values selected and how he wants to move with and in them more deliberately. Extend out more in the community to develop strategic relationships with external partners so they serve the credit union in the best way possible for members and employees while achieving the strategic plan.
7. Be selected for leadership roles in political associations and community organizations.
8. Be a strategic partner for universities and support them by delivering needed products and services.
9. Organize and build competencies around continuous learning and mastery for himself and others. Building these commitments to Continuous Learning and Coaching can become the basis for developing other soft skills. Meet with a coach or his manager to establish priorities and timeline for above. Do this by January 15.

SOURCE: Candidate for CEO Role: Leadership Development Plan was created by DDJ Myers, Ltd. (www.advancingleadershipinstitute.com)



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