

Be explicit in your board's commitment to move beyond a contingency/disaster plan to a strategic succession plan to benefit members, employees and your CU's community.

# No Kinks in the Pipeline

Getting a smooth flow of prepared successors requires developing future leaders from within.

By Deedee Myers

Ten years ago, Dennis Pierce, CEO of \$1.8 billion CommunityAmerica Credit Union ([www.cacu.com](http://www.cacu.com)), Lenexa, Kans., created a structured plan to develop talent from within. The plan, which applied to the CUES member's direct reports and other layers of emerging leaders, contributed to the organization meeting its 10-year goals many years early, and helped boost talent retention.

CUES member Bill Birnie, president/CEO of \$205 million Eagle Community Credit Union ([www.eaglecu.org](http://www.eaglecu.org)), Lake Forest, Calif., implemented a focused leadership development plan that resulted in a high performing executive team and a financial turnaround.

Retired CUES member John Benoit, CSE, CCE, former CEO of \$413 million NorthCountry Federal Credit Union ([www.northcountry.org](http://www.northcountry.org)), Burlington, Vt., allocated resources for group and individual executive development in parallel with an external CEO search. The effort resulted in an internal successor, CUES member Bob Morgan, CSE, CCE, taking the helm in 2012.

These are examples of succession planning done well, because the efforts put internal talent in the pipeline and supported success for internal candidates, the new CEO and the credit union. But even though exemplary credit union leaders are needed both today and tomorrow as many long-time CEOs retire and CU management grows increasingly complex, succession planning isn't always so successful.

## Succession Planning Done Poorly

Succession planning goes wrong primarily when internal talent is misunderstood and the process is mis- or under-managed. Credit unions may have a plan, but if the plan is not strategically worked and periodically updated, it does not constitute true succession planning. Here are some characteristics of poor succession planning:

- Board members fear no one internally can take the place of their CEO and haven't created development opportunities for No. 2s. The CEO doesn't challenge the board's assumption that a viable No. 2 isn't in the credit union.

## On No. 2s Moving Up

Professional growth is primarily the responsibility of the individual, and is more successful with grounded assessments and feedback from appropriate and relevant sources. No. 2s who reach out for feedback possess what our executive coaches term "exemplary leadership traits." Too often, these highly qualified professionals are just inches away from the CEO chair, and all they need is more time and attention in their feedback about how they are perceived as leaders, what the board needs to see as leadership traits, and opportunities to practice those traits.

We often hear that the No. 2 is not visible to the board and, therefore, the board is unaware of that individual's strengths and competencies. Some No. 2s are in front of the board every month, but have no idea how the board perceives or assesses their value. The CEO can be the conduit of information between the board and the No. 2, thereby presenting opportunities for the No. 2 to develop, adapt and adjust.



- The board expects the current CEO to take the lead on deciding who will be the next CEO. (In truth, the succession planning process is the board's responsibility.)
- Board members lack exposure to potential successors and therefore have limited confidence in internal candidates' competencies.
- Succession planning is a closed process wherein potential internal candidates do not know the timeframe and expectations. Thus, they are not properly groomed for the position.
- The CEO may be confident and optimistic about the CU's No. 2, yet provides that person little relevant exposure to the board.
- Boards may have an unrealistic view

### Key Definitions

Succession planning processes invariably involve leadership, the role of the CEO, and how success is measured. Defining terms is important, particularly for leadership and succession planning. First, we must make distinctions among leading, leadership, and leader. Leading is the result of using your ability to influence others to take some action or to shift a thought process. Individuals can lead even when they do not have a specific title or play the role of a leader. The role of a leader is a place within an organization's structure. Not everyone in the role of a leader actually leads. Leadership is someone's skills and abilities to influence others. In succession planning, all three distinctions of leadership are explicitly developed as part of the plan: leading, leadership, and leader.

Now, the discussion can move to defining succession planning and related terms. A succession plan is a template with boxes filled out with names, titles, and potential dates of growth and job movement. Succession planning is an iterative, ongoing process that includes numerous conversations with multiple stakeholders involving commitments, actions, and learning. Succession planning is not recruitment of a CEO. By the time a board goes to sign a contract for an external search, it means the organization's succession planning process was not productive in evolving a No. 2 into the CEO. A contingency plan in case the CEO unexpectedly departs is just a contingency plan; it is not succession planning.

of potential external candidates as being more exciting and experienced than internal candidates.

- Boards remember that their current CEO was an external candidate, and that worked out so well, they wish to replicate that process without giving internal candidates their due consideration.
- Boards have the myopic belief that an internal candidate will get the job and neglect to look outside as part of due diligence.
- Succession planning doesn't extend beyond the No. 2 and C level.

Poor succession planning transpires for a simple reason: The conversation about this key topic has gone wrong. Conversation about succession is not an overnight or drive-by event, but ongoing, iterative, generative and, at times, emotional and stormy. If boards enter these conversations with blind spots and a certain mindset, the succession planning process will be short-lived and narrow. And these negative characteristics will transfer to the vision, strategy, and execution of strategic plans. Success starts with good conversation about philosophy, approach and desired outcomes.

### Succession Planning Done Well

At the end of the day, credit unions want stakeholders to feel respected throughout the process—that they've had the opportunity to grow and develop, and the organization has a viable, engaged leadership pipeline. The following are guidelines for doing succession planning the right way:

- Start the process with a philosophical conversation at the board level, rather than having the CEO and human resources executive present their versions of a process.
- Create a forward-looking profile projecting the CEO's role in the future. Three years is a viable starting point.
- Remember the profile is organic, and update it with each strategic planning cycle and with major market shifts.

• Include leadership competencies, values, and motivating factors in the profile.

- Create development plans for internal candidates.
- Create a dashboard to use as a guide in objective evaluation of internal candidates.
- Refresh the dashboard every year after updating candidate personal plans.
- Use external online leadership assessments to produce quantitative data to augment subjective assessments. Take these assessments down one or two layers deeper in the organization to uncover potential candidates for the long term.
- Conduct a pilot stress test to simulate an unexpected change in the CEO role. This entails an assessment of internal candidates in two timeframes: immediate emergency mode and a medium- to long-term timeframe. For example, how does the internal candidate stack up against the CEO requirements today? And, if a development plan supports the internal candidates over the next three to five years, what is the possibility of a promotion to CEO?

• Have a dialog on basic questions: Who is our drop-in candidate, someone who is ready, today, to be CEO? In whom do we invest today to prepare for the future? What are anticipated and unanticipated culture shifts? How will our current governance model work with a new CEO? What support does a new CEO need? Are we willing to invest in the success of the new CEO through onboarding and transitional coaching?

- Evaluate external recruiters in readiness for an external search. Discuss your philosophy of hiring a recruiter and the type of recruiter, his/her approach and methodology, and whether these are in alignment with your needs.
- Have open communication with internal and external candidates about the others' existence during the search process. One caveat in doing this: High quality external candidates may self-select out of the search because of the impression they might

### On CEOs Moving to Larger CUs

Moving from the top slot at a \$50 million to a \$500 million credit union is tough in terms of depth and breadth of experience. The board is responsible for protecting the credit union and needs to hire the best talent. The volume and complexity difference between smaller and larger credit unions are supersized. Yes, people skills are important and there is some transference of skills but, at the end of the day, experience and expertise with complexity have the upper hand.

If you are the CEO of a smaller credit union, look for opportunities to lead a functional unit in a larger shop. After demonstrating strong performance in that unit, enter that CU's succession plan as an internal candidate. The board will notice your previous leadership experience.



be brought in just so the board says they looked externally while all along the internal candidate has the upper hand.

- Inform your internal candidates about your process; be sure they do not get updates about your succession planning and recruitment efforts first from external sources.
- Keep building trust throughout the process.

Viable, effective, and structured succession planning supports your strategic initiatives, improves employee engagement, and gives employees a sufficient sense of importance to invest in development.

So, what's next for you and your organization when it comes to succession planning? A starting point is to have a conversation both in the boardroom and the C suite about the points detailed in the "succession planning done poorly" and "succession planning done well" sections of this article. As you retool or build your own process, look to these lists as resources to double check your assumptions.

Another place to start is to talk with your No. 2, and others you are including in your overall succession plan. In many cases, internal candidates are satisfied with their current positions in the organization and may not want to be part of the succession plans. When No. 2 expresses interest, it is appropriate for the board chair to have a conversation about the succession plan with No. 2. After that conversation, it is the CEO's responsibility to develop the No. 2 and report development progress to the chair.

Finally, and most importantly, be explicit in your board's commitment to move beyond a contingency/disaster plan to a strategic succession plan to benefit members, employees and your CU's community. 🗣️

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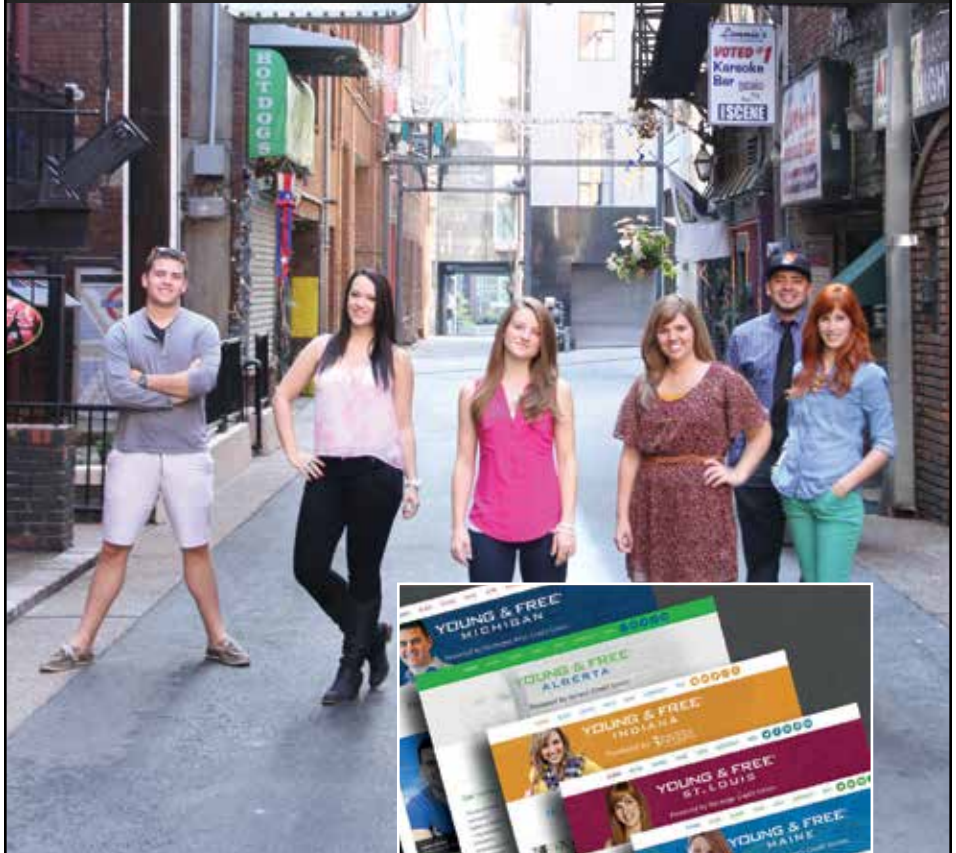
## Resources

Also read "Working with Recruiters" at [cumanagement.org/0513recruiters](http://cumanagement.org/0513recruiters).

Read more about executive compensation from our August 2012 issue at [cumanagement.org/0812steadyprogress](http://cumanagement.org/0812steadyprogress).

Learn more about what DDJ Myers can do for your credit union's strategic planning, succession planning, executive coaching, and board governance, recruitment and renewal processes at [cues.org/ddjmyers](http://cues.org/ddjmyers).

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