

Succession Planning

What It Really Means for Credit Unions

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Today's Presentation

- Defining Strategic Succession Planning
 - What it is?
 - What it is not.
- External market view
- Internal Candidates
- Timing of Process
- Board Recruitment, Development and Renewal

Succession Planning

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

Public Conversations: Succession Planning in the News

As nation grays, low birth rate is a red flag

“Fertility rates across the entire world are all heading downward in ways that are somewhat mystifying.”

Jonathan Last, author

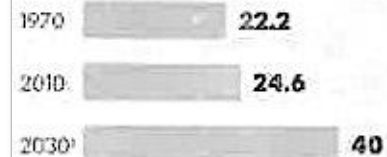
USA TODAY
WEDNESDAY, FEBRUARY 13, 2013

NATION

GROWING IMBALANCE

The number of seniors supported by working-age adults is projected to grow dramatically.

Seniors (65+) for every 100 working-age adults (25-64)



1 - projection

Source: U.S. Census Bureau

USA TODAY USA TODAY

Article in USA Today: Fewer babies are being born and fertility rates are lower – trends that cause concern as 78 million Boomers age.

How many 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 percent of externally-hired CEOs are let go vs. 19% of internally hired CEOs?

35%

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

Three Investment Levels

1

Regulator
Satisfier

2

Strategic
Succession
Planning

3

Core
Leadership
Development

Cover All The Bases

Incapacitating
illness

Sudden
demise

Surprise
departure

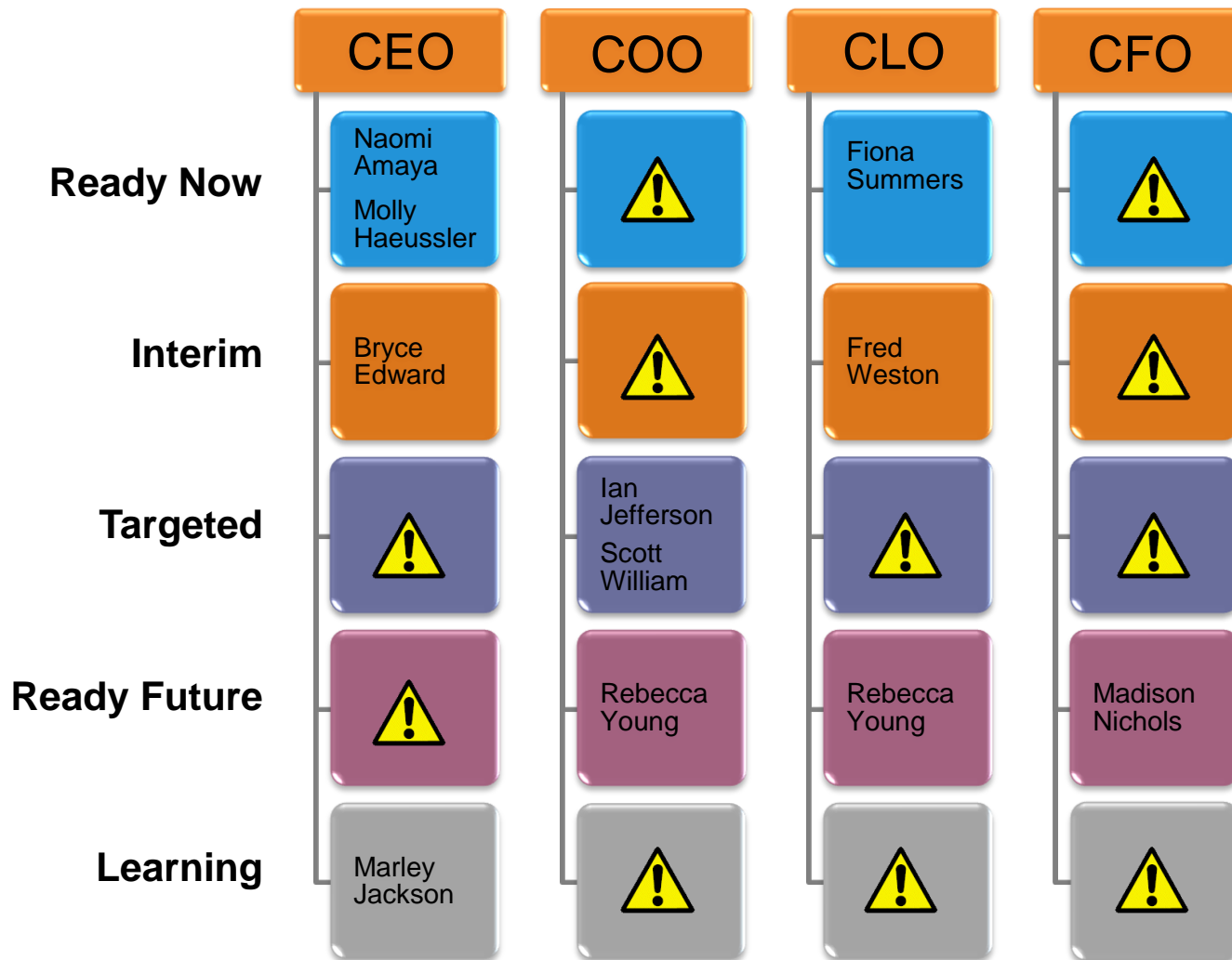
Under
performing

Organization
restructure

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 Planning Risks



Top 5 Chair Concerns in 2013

- CEO Succession, Compensation, Retention
- Diversity of Board, Member Representation
- Board Succession, Composition, Age
- Compliance, Regulations
- Improved Spread, Operating Costs

Concerns About Board Recruitment

- Diversity – represent membership
- Learn from executives
- Diverse nominating committee
- Competitive elections
- Vetting nominees
- Education

What Are We Trying to Achieve?

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

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 delegated the execution operational functions to Federal credit union personnel, *the ultimate responsibility is non-delegable.*”

Board Evaluation: Why Do It?

- Considered “best practice”
- Creates opportunities
- Moves the board toward co-commitment
- Encourages learning
- Improves focus
- Supports future board recruitment and development

Board Evaluation: Why Do It?

- Other parts of the organization are evaluated for continuous learning
- Board requires organization evaluation
- Board conducts CEO evaluation
- Employees are evaluated - so, why not the board?

Orientation and Development Policy/Plan

88% of CEOs were not confident or were uncertain about the effectiveness of board evaluation processes. Alden (2004) reported that credit union boards “go through the motions of self-assessment but don’t know what to do with the results.”

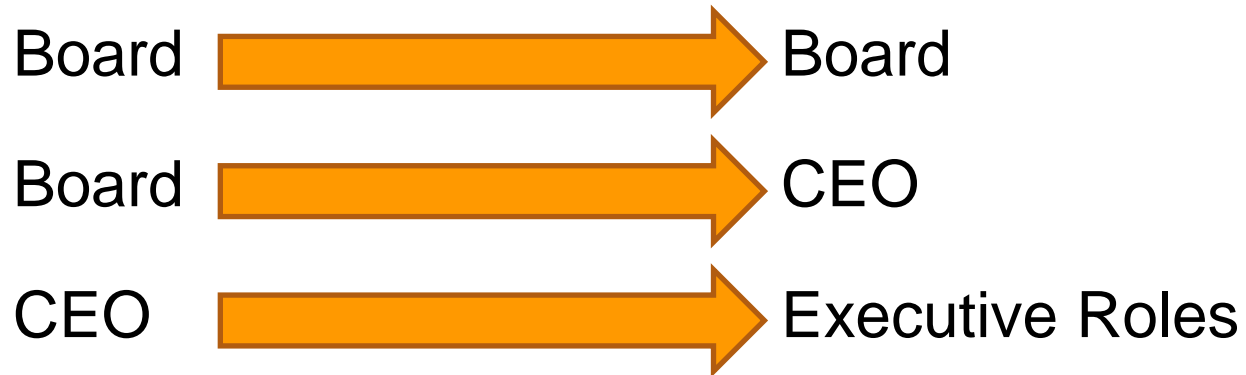
Seven Generations of Succession Planning

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

Seven Generations

- 1. Board of Directors**
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Responsibility



What are we looking for in a board member?

Asking the question: “What are we looking for in a board member?” might be one of the most significant instrumental activities organizations can undertake to improve recruitment (Brown, 2007).

Board Position Description

- Qualities, skills, and knowledge desired
- Mission, Vision, and Values of CU
- Code of Conduct
- Legal & ethical obligations
- Time requirements
- Educational requirements
- Leadership competencies
- Duties

Board Position Description

Approved and signed

Referred to during:

- Recruitment
- Education Events
- Performance assessments

Recruiting and Vetting

1. What is needed in a board member?
2. How many board members are needed to best serve the credit union?
3. What is the anticipated replacement date for a board member?
4. How will we know when we have the right person?

Recruiting and Vetting

- The board is the search committee.
- There is no HR to do this for you!
- Each member should be intimately aware of the qualities and duties required.
- Constantly searching for the next board member (incapacitating illness, sudden demise, surprise departures, underperforming...)

Nominating Process

- Create short list: Black Book
- Collect resumes, CVs, Bios, LinkedIn,
- Vet interest, interview: Ask questions
- Recommend
- Interview and reference
- Board votes
- Develop as a contributor

Needed Conversations

Initiate two conversations in the Board Room

1. What competencies are currently best leveraged?
2. What competencies do we need today to be effective and sustainable in the future? How do we know?

Orientation: Board Member Development

1. What are the expectations that must be met prior to voting?
2. How does a new person know the expectations?
3. How will a person obtain or meet these requirements?
4. How will you know when they have met the requirements?

Orientation and Development Policy/Plan

- Development practices lead to stronger board members.
- Stronger board members are a significant predictor of board performance.
- Educated board members are far more likely to exist in organizations perceived as operating effectively.

Orientation and Development Policy/Plan

Team Evaluation

- Board performance, as a team.
- Areas of improvement to work on in the coming year.
- Shared understanding of effectiveness.
- Refresh individual understanding and create a shared perspective of responsibilities.
- Assess individual satisfaction with the board's performance.
- Assess opportunities for team development.

A 10 Step Process for Successful Recruiting

1. Establish What is Important: Mission, Vision, Values
2. Determine Qualifications: Expertise and Knowledge
3. Create Volunteer Position Description
4. Identify Prospective Candidates
5. Design and Implementation Application Process
6. Interview and Vet
7. New Volunteer Orientation
8. Annual Individual Review
9. Board, as a Team, Evaluation
10. Board Learning Plan

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.

Planning for CEO Successors

- A board responsibility
- Insist on “ready now” or “drop-in” candidates
- Integrate CEO coaching in position description
- Update CEO position description as part of strategic planning
- Keep current on compensation and executive benefits

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

Succession planning is not a singular recruitment event.

CEO Responsibility for Developing Internals

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

Approaches

Rifle

Top-Down

Market-
Driven

Futuring

Career
Planning

Timing Opportunities

Fitfully

Every vacancy can become a crises.

Periodically

Usually quarterly or annually; may be coordinated with annual performance review.

Continuously

Ongoing; development and coordination become 2nd nature.

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. SP is explained to organization. Work requirements, competencies and conditions of success are openly communicated. Invitation extended.

Varying degrees of openness.

Internal Candidate Status

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.

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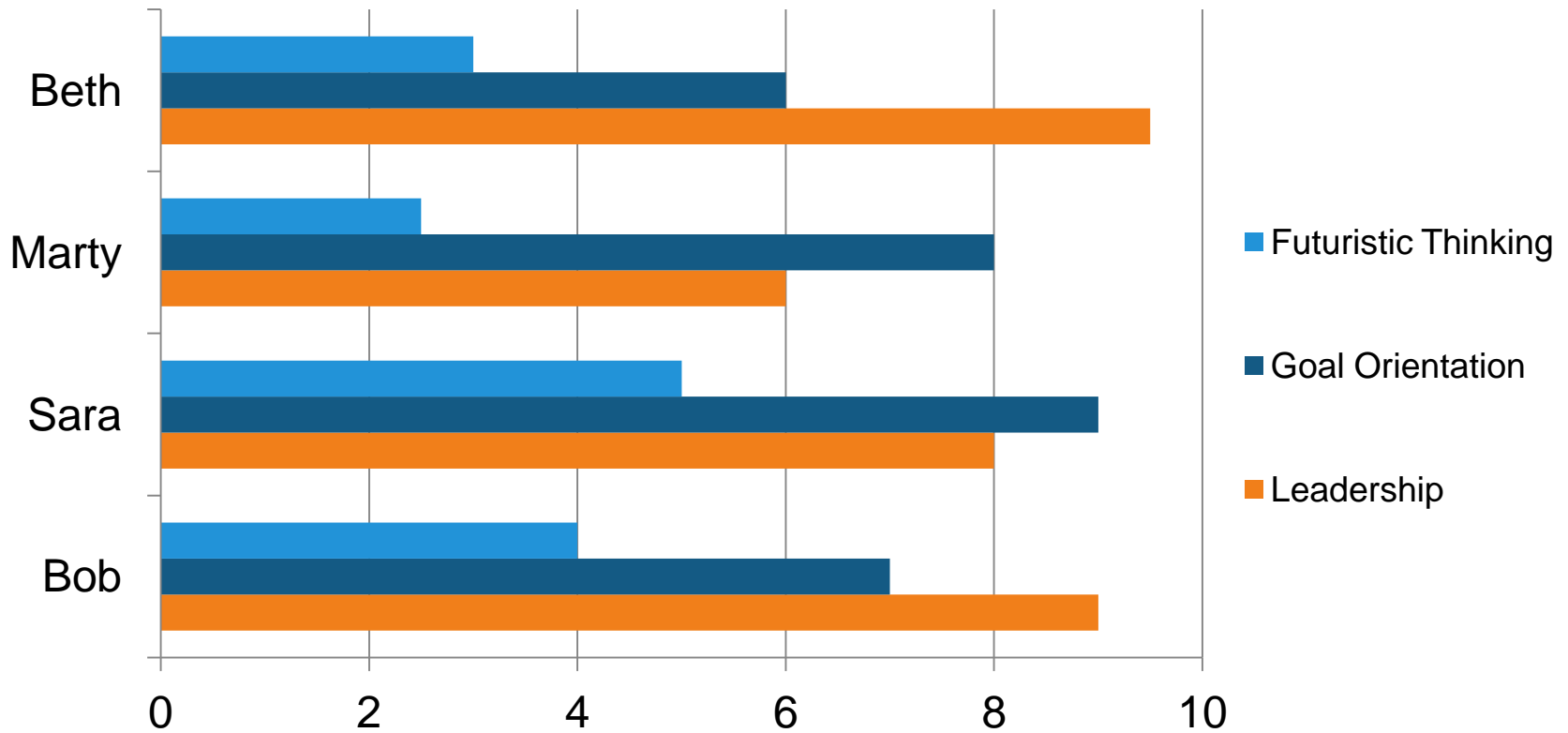
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Comparison



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.

Conversation Today

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Thank You

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