



Is Your Credit Union Board Prepared for the CEO to Leave?



Examination Perspective

- The Board's most important responsibility involves selecting a capable, competent, and trustworthy CEO for the credit union.
- Ensuring continuity of operations requires a management succession plan geared towards the size and complexity of the institution.
- Examiners will ensure the Board has adopted an adequate succession plan.
- It is included in the Management component of the CAMELS Rating System.



What's in the Plan?

- A detailed succession plan that provides for trained management personnel to step in at a moment's notice enhances the credit union's long-term stability.
 - ✓ Short- or long-term.
- The next CEO could be an internal or external candidate.
- The Board must maintain the option of seeking external candidates when the position becomes vacant.



Succession Plan: The First Day

- Designated interim CEO appointed.
- Management Team recommends interim CEO.
 - ✓ Part of already established emergency
- Contact all managers and volunteers.
- Contact credit union attorney.
- Communicate to all staff members.
- Media contact.



Succession Plan: The First Week

- Board meeting for action plans and timelines.
- Determine interim CEO plan and compensation.
- Determine internal morale and culture.
- Appoint Search Committee.



Succession Plan: The First Month

- Strong communications with Management and Board.
- Aim for less than six months for new CEO.
- If necessary, more frequent Board meetings.
- Refine job description.
- Consultant? Search firm? Budget?
- Define attributes and desired qualities.
- Advertising for position.
- Review candidates; select finalists for meeting.
- Interviews; background; references.
- Selection; introduction; onboarding.



Ending the CEO Succession Crisis

- Your credit union's standard of living depends upon excellence at the very top.
- Credit unions should be ready with a clear view of current and future needs and with carefully tended pools of candidates.
- A living plan and process for making decisions about candidates.
- Leading recruiters rather than recruiters leading you.



The Challenge with Outsiders

- Greater risk because directors and top managers do not know them.
- Generally chose to do a job, but can they do the job?
- Outsiders resign at higher rate than insiders.
- Bad external appointments are expensive.



The Challenge with Insiders

- Are they the best available choice?
- Do “known quantities” sail through a lax due-diligence process?
- Do social networks and psychological ties complicate the process?
- Can a functional area leader lead the entire business?



The Challenge with Boards

- 40 percent call involvement in CEO succession “less than optimal.”
- What experience do search committees have?
- Can we be seduced by reputation?
- Do we focus on what a candidate is like instead of what he or she can or cannot do?
- Can recruiter due-diligence be superficial?



The Challenge with Recruiters

- It can be a concentrated industry.
- In the absence of effective direction, we may get boilerplate.
- Do we know the financial history of the candidate's business or department?
- Are sitting CEOs really the best candidates?

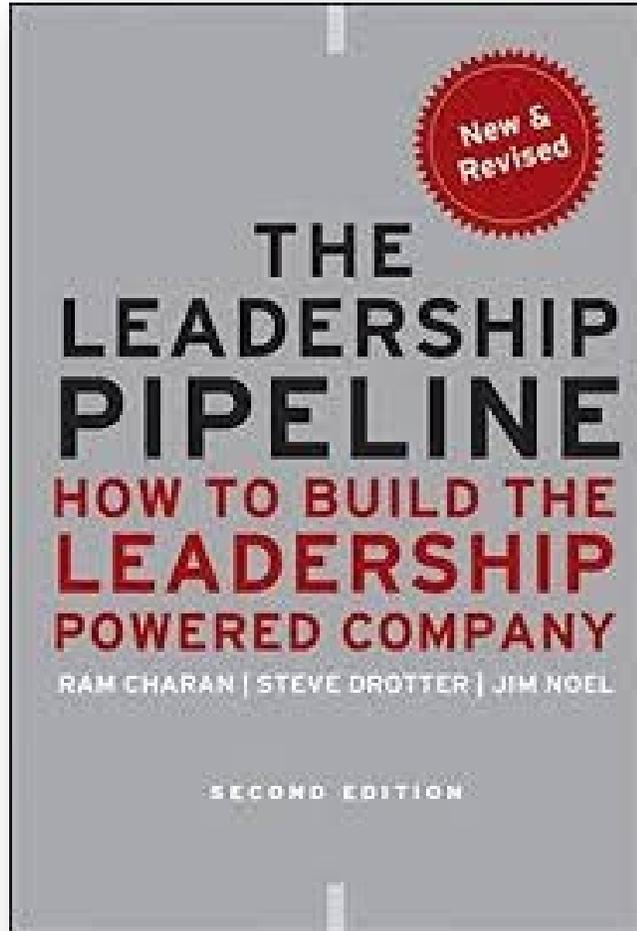


The Importance of Fit

- Identify, in precise terms, three or four aspects that are non-negotiable.
- What are dominant needs now? What are needs for future growth?
- Can they grow your business organically? Can they acquire growth?
- Can they build a strong executive team?
- Seek reliable external sources and demand candor.
- Let the outgoing CEO take a consulting-only role. The decision belongs to the Board.



Succession; Leadership Development



- Who might one day be CEO?
- Prepare with position progression with more complex P & L responsibility.
- Create projects – or small organizations – that exercise P & L muscle.
- Oversee executive development as a full Board.
- Get to know your rising stars.



Roles: Board of Directors

- Ensure current and future health of the credit union.
 - ✓ Safety; soundness; strategy.
- Minimize disruption of operations.
 - ✓ Oversee plan for transition of CEO role.
- Maintain goodwill – members; professionals; volunteers; community.
 - ✓ Oversee credit union communications plan.
- Set incoming CEO up for success.
 - ✓ Early goals; regular feedback.



Checking the Vision

- What is our vision for the credit union?
- How closely do our current operations fit the vision?
- What is our business model? What skills will our new CEO need for this model?
- What kind of CEO can implement the vision and support operational needs?
- Are we prepared to guide and support our new CEO?



Communicating a Planned CEO Transition

- Letter to key stakeholders.
 - ✓ Members; professionals; partners.
 - ✓ Usually from the Board Chair.
- Talking points for Management.
 - ✓ CEO's contributions and plans for future.
 - ✓ Major phases and timelines for transition.
 - ✓ Credit union's plans continue as planned.
- Press release for key news outlets.
 - ✓ Community; industry; website.



Announcements Through Transition

- Why the CEO is departing.
- A natural step in the evolution of the credit union.
- Key accomplishments and service of CEO.
- Announcement of new CEO.
- Relevant information about new CEO's biography, accomplishments, interests, initiatives, and observations.



Actions: Board of Directors

- As the Board:
 - ✓ Authorize a communications plan.
 - ✓ Use transition as an opportunity to revisit vision, strategy, culture, and governance.
 - ✓ Discuss the legacy value left by outgoing CEO and the Board's hope for the future.



Actions: Board of Directors

- With Outgoing CEO:
 - ✓ Communicate expectations and role of outgoing CEO.
 - ✓ Review CEO tasks and timelines for delegation.
 - ✓ Discuss value of advisory/consulting capacity through next 6-12 months.



Actions: Board of Directors

- With Incoming CEO:
 - ✓ What does CEO need from the Board?
 - ✓ What behaviors build more trust and better relationships with Board?
 - ✓ Establish short-term goals; create a mid-year review; lots of discussion and feedback.
 - ✓ Establish formal, between Board meetings communications with Chair (6-12 mos.).
 - ✓ Schedule strategic “check-ins” every 90 days for first year.
 - ✓ Ensure a leadership pipeline is in place for C-level development.



Short-Term Goals and Check-Ins

- Continued execution of strategic plan.
- “Strategic Sprints” with Executive Team.
- Listening tours around credit union.
- Local business community events and relationships.
- Industry and business partner events and relationships.
- Professional development plan.
- One-on-one meetings with Board Chair.



Consider Honoring Outgoing CEO

- Host a celebration of service event.
- Name a facility or room in his name.
- Create an endowment in her name.
- Award scholarships or paid internships in his name.
- Establish an annual award in her name.



Roles: Outgoing CEO

- Facilitate adjusting to and understanding CEO role.
- Collaborate with incoming CEO on decisions and decision-making.
- Insights on management, leadership, and constituencies.



Good Endings; New Beginnings

- What is the legacy you want to leave behind?
- Is the Board aligned and fully invested in the credit union?
- What gaps, challenges, and opportunities require attention?
- Are you ready to step back, mentor, let go, and step aside?



Actions: Outgoing CEO

- Determine CEO tasks in need of discussion and delegation. Create progress plan for handing over.
- Introduction to network and resources.
- Perspectives, opinions, insights, and values.
- Begin to shift role from decision-maker to advisor and coach.



Roles: Incoming CEO

- Strategy and culture.
- Build relationships and coalitions.
- Key connections and partnerships.
- Succession planning; deep talent pool.



Actions: Incoming CEO

- Use the first quarter to listen and learn.
- Soft skills matter – a lot.
- Ensure culture matches strategic agenda.
- Create cultural and relationship goals to support operational and financial goals.
- Communicate more frequently with Board.
- Begin search for replacement (if an internal hire).
- Work with HR and Executive Team for succession and leadership development.



Getting Oriented as CEO

- Meetings with each Board member.
- Meetings with each executive.
- Meetings with staff; get out in the branches.
- Meetings with business partners.
- Meetings with civic and business leaders.



Roles: Executive Management Team

- Communicate message of transition through all levels of credit union.
- Level 5 Leadership: Legacy value of the credit union remains steady; natural change in leadership at CEO level.
- Continue weekly EMT meetings for significant updates, advice, and decisions.



Actions: Executive Management Team

- Define drivers of strategic success for each business unit.
- Establish “Strategic Sprints:” 90-day action plans of success.
- Own your strategic responsibilities; a “CEO at Every Desk” frame of mind.



Takeaways

- Board: A little more involvement than normal; relationships and culture carry more emphasis in the first year.
- Incoming CEO: Continued execution of strategy; building cohesion with Executive Team; working “on” the business more than “in” the business.
- Executive Team: Leading and driving for results; communication of strategy through the credit union; partnership with CEO.



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