



Succession Planning: A Tool to Build Leadership Capital

Written by Gene Mandarino, Organizational Development Manager, HRValue Group, LLC

One of the most important jobs a CEO and Board of Directors have is to sustain the long-term success of the credit union. They accomplish this by building strong financial capital and developing strong "leadership capital". Leadership capital, like financial capital, grows by retaining and developing talent, acquiring new talent that will appreciate, and reducing talent liabilities.

Unlike financial capital, leadership capital is much more difficult to measure and manage and often does not get the attention it deserves. In a 2003 survey conducted by CUNA and Affiliates, the findings showed that while most credit unions prefer to promote from within, the reality is that most CEOs, EVPs CFOs and COOs are recruited from other organizations; only 34% of CEOs, 41% of EVPs, 30% of CFOs, and 45% of the COOs were promoted from within. These statistics are clear indicators that credit unions need to improve how they manage and build their leadership capital from within.

Succession planning is an effective tool credit unions can use to help them better manage their leadership capital. A good succession plan is supported by a competitive executive benefits plan, a process for identifying, assessing and developing talent, and a recruiting strategy that enables credit unions to acquire new talent efficiently and effectively.

Executive Benefits

An often overlooked aspect of succession planning is executive benefits. When we think about succession planning, we often ask the question, "Who would step in if we lost our CEO or a key member of the executive team?" We should also ask, "How can we make sure we retain the leadership capital we have and attract more talent for the future?" A well-designed executive benefits plan answers these questions. It serves the credit union's business needs and helps to ensure your key leadership assets are not lured away by the competition.

Identifying, Assessing and Developing Talent

Another key aspect of succession planning is the process credit unions use to identify, assess and develop talent. The assessment process can range from a simple process, such as a CEO and a Board chair discussing various managers and selecting the next CEO successor, to a combination of processes using 360° assessments and/or testing tools that predict future performance and/or peer performance interviews. A professional development plan should be a bi-product of the assessment which clearly outlines how the successors will further develop their capabilities.

Recruiting New Talent

The final aspect of succession planning is the recruitment plan. This plan outlines the steps a credit union will take if they need to fill a key management position. Having this plan in place is especially critical should a credit union face an unplanned vacancy.

A good recruitment strategy includes the credit union's strategy and philosophy, the recruitment strategies most appropriate for key position/s, the process for screening, interviewing and selecting candidates, and



a list of qualified outside search firms. Without a well-developed recruitment plan the credit union is vulnerable; having to create a recruitment plan “on the fly”, delaying the recruitment process and leaving key management positions open for too long.

Succession planning can offer clarity and objectivity to an otherwise subjective, ambiguous process of managing leadership capital. Ultimately, the difference between the credit unions that thrive versus those that just survive will be the credit unions that not only know how to build a strong financial balance sheet but also use succession planning to build a strong leadership balance sheet. How strong is your leadership balance sheet?

HRValue Group is jointly owned by a consortium of state leagues and CUNA Mutual Group. With nationally-recognized products and services-including executive search, management training, competitive compensation, succession planning, and many more-HRValue Group can help you build your team, elevate performance, and achieve success. For more information, please call HRValue Group, LLC at 888.272.4598 or visit www.hrvaluegroup.com.