



Leadership and Succession Planning for the Board

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Succession Planning

“Your business’s greatest asset is not your people.

Your business’s greatest asset is the right people.”

Peter Drucker

The continued survival of the organization depends on having the right people in the right places at the right time.

Succession Planning

2 Kinds of Succession Plans

1. Management Succession Plan

2. Board Succession Plan

- Part of plan is to find new members
- Part of plan is to develop leaders from existing members

What is Board's Role?

1. Management Succession Plan

- Direct management to develop succession plan
- To review it for relevancy

2. Board Succession Plan

- Directly responsible for CEO succession
- To create it, monitor it, follow it and update it.

Definition of Succession Planning

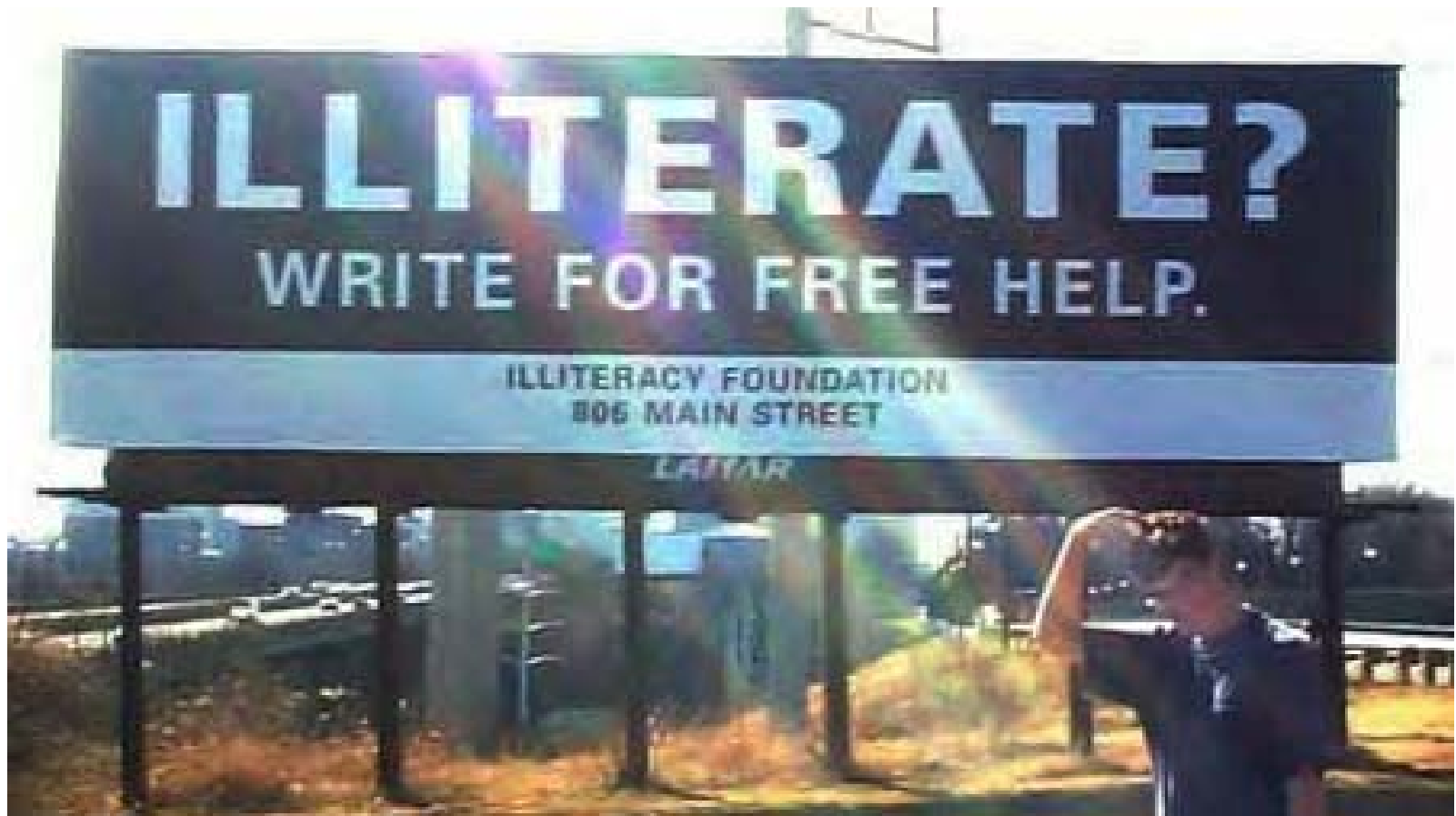
A deliberate and systematic effort by an organization to:

- **ensure leadership continuity in key positions,**
- **retain and develop intellectual and knowledge capital for the future, and**
- **encourage individual advancement.**

Reasons for Succession Planning

1. Provide increased opportunities for “high potential” workers
 - a. Increase retention
 - b. Increase job satisfaction
 - c. Improve employee morale
2. Identify “replacement needs” as means of focusing training, education, recruiting and employee development

“The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”
—*Alvin Toffler*







Reasons for Succession Planning

3. Increase the talent pool of promotable employees.
4. Contribute to implementing the organizations' strategic business plan
5. Help individuals realize their career plans within your organization
6. Tap potential intellectual capital in the organization

Succession Plan Rule #1:

Evaluate each supervisor of people on how well that supervisor prepares people to take over the supervisor's job.

Seven Steps to Succession Planning

1. Make commitment to systematic succession planning and MANAGEMENT
2. Assess present work requirements
3. Appraise individual job performance
4. Assess FUTURE work requirements

Seven Steps to Succession Planning

5. Assess individual potential
6. Close the developmental gap so as to meet succession planning needs
7. Monitor, evaluate and update succession planning process

“An effective CEO will not resolve all uncertainties...

but an ineffective one might.”

Retaining Your CEO

- When you find a good one, how do you keep him or her?
- How do you know when you find one?

Evaluation

- Organizational success
- Good Management/Board relations
- Individual objectives

Evaluating the CEO

- Absolutely critical for the Board to know if the CEO is meeting the needs of the credit union
- Use *internal*,
Measurable and Unmeasurable guides
- **Annual or semi-annual**
- Criteria must be shared with the CEO from the start

Board/Management Relationship

- **Must be one of mutual trust**
- **Both must understand their role**
- **Board must avoid micromanaging**
- **CEO must avoid keeping the Board out of the loop**

A TIGHTROPE THAT IS CONSTANTLY SWINGING

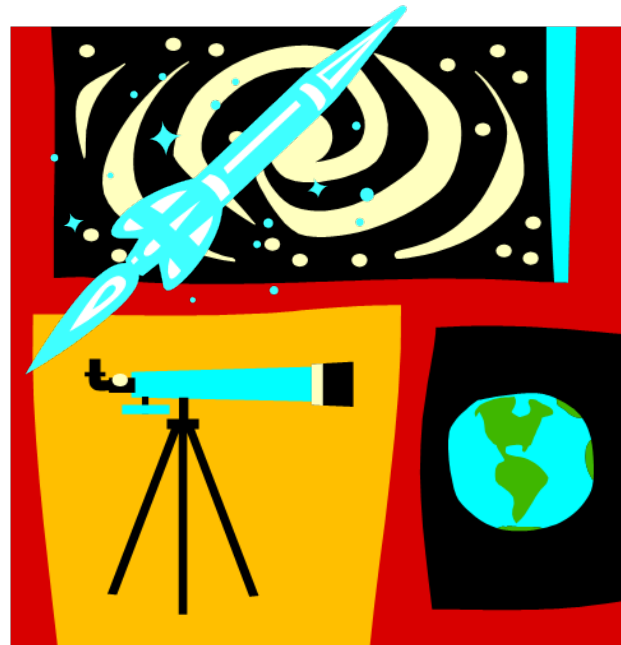
Appropriate Compensation

- **Salary:** Find a fair, consistent method
 - Establish a consistent calendar of when and by whom this will be reviewed
- Base, Benefits, Performance
- Health, Life and Disability
- Deferred Compensation/ Golden Handcuffs
- Other Perqs
 - Car
 - Tickets
 - Travel

*The Good Ones
are Worth Keeping*

*Decisiveness in
removing the ones who
aren't working is
essential*

Board must increase sophistication to match complexity



Best Boards

- **Independent and interested directors**
- **Remain on level of Planning and Policy**
- **Plan with clear and measurable goals**
- **Monitor plan status regularly**
- **Hold periodic meetings without CEO present**
- **Develop effective nominating committee**
- **Avoid Conflicts of Interest and Nepotism**
- **Evaluate CEO based on achievement of plan**
- **Compensate CEO based on achievement of plan**
- **Evaluate their own performance**

Attracting New Board Members

More difficult than ever before:

1. Lives busier
2. Lack of interest in CU philosophy and co-ops
1. Rewards hardly worth the effort or risk

Attracting New Board Members

2 methods:

- 1. Wait:** Wait until someone comes to you and asks to volunteer
- 2. Recruit:** Identify and recruit qualified candidates



Recruitment and Cultivation

- **Nominating Committee**
 - Committee members can be assigned to identify prospects
 - Ad hoc committee -Standing committee
- Require each board member to **invite one prospect to a board meeting annually**
- **Newsletter and website**, include invitations to inquire about volunteering at the C.U.
- Keep banners of **Volunteer Spirit of CUs** in Lobby

Recruitment and Cultivation

Nominating Committee, Governance Committee, Board Development Committee

- **Recruit** new members and ensure each is equipped with tools and motivation to carry out responsibilities.
- **Assess** board's current composition, identify missing qualities and characteristics
- Draft recruitment plan and continuously **cultivate** new prospects
- Develop **job descriptions** for board members
- **Orient** new members and continue educating all members on their responsibilities
- Ensure that board regularly engages in **self-assessment**

Recruitment and Cultivation

- **Establish an Advisory Board**
 - Invite key leaders in your field membership to periodically attend meetings
 - Give them a voice
 - Solicit their advice
 - Reward them with dinner or gift for service
 - **Don't have to be credit union members**
- **Establish a Board Mentor Program**
 - Target members on current committees that show promise
 - Let them attend meetings with Mentor

Recruitment and Cultivation

Direct Recruitment



- Identify key needs on the board
 - Financial, H/R, Legal, Management, Sponsor Ambassadors, Community contacts
- Actively contact them and ask them to consider being on Board or other committee
- Network (church, work, community organizations)
- Have a job description
- Highlight benefits of CU and Movement
- Specify time requirements

Recruitment and Cultivation

Direct Recruitment



Be prepared to answer these 5 questions

1. What do you want me to do?
2. What info and assistance will be provided?
3. How will I know I'm doing this right?
4. What good is the CU doing?
5. How much time it will take?

Preferred Board Member Characteristics

- **Openness to learning, unlearning and relearning**
- **Understand the basic financial well-being (or lack thereof)**
- **Willingness to ask penetrating questions
RESPECTFULLY**
- **Ability to disagree diplomatically**

A Well Comprised Board

A well comprised board will be able to:

- **Use past experience and education to contribute in meaningful ways**
- **Understand the issues**
- **Stay up to date with industry trends**
- **Ask good questions**
- **Demand right information and answers**
- **Make good decisions**

Preparing Members to Become Leaders

Reshuffle Officer's Deck every few years

- Not a guaranteed rotation
- Candidate must be suited for job
- Do this by election at reorganization meeting
- Include Chair in this reshuffling



Grooming Members

**What's the process that
Works for you?**



Supervisory Committee?

Other Committee?

Ambassador or Advisory Committee?

Grooming Members

Ensure they attend high quality directors' conferences

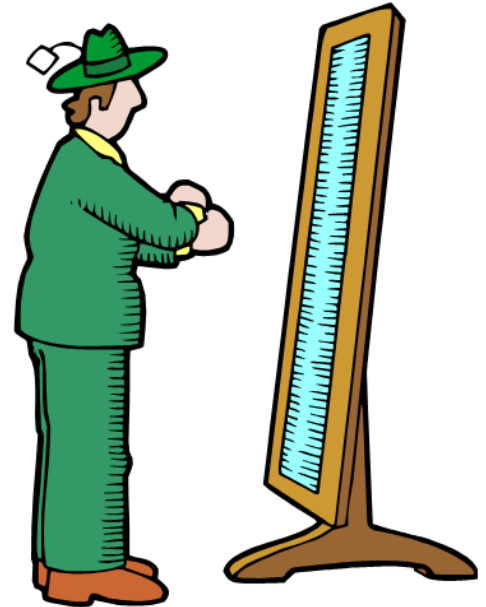
Suggest some attend Chair-Vice Chair conferences

Get them **GOVERNANCE** training

Assessing and Improving Board Competencies

Only you can change yourself as a board

Be decisive and truthful in your self-evaluation and assessment process



It requires an ability to look at yourself critically

Assessing and Improving Board Competencies

Use Board Assessment Tool

CUES and CUNA products

Other off the shelf products

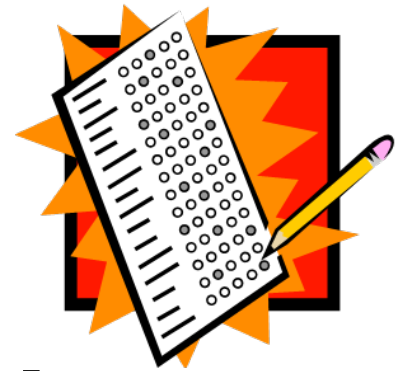
**Probably not needed annually, but helpful
periodically**

Assessing and Improving Board Competencies

Self-Evaluations (aka Structured Peer Review)

No better way to improve your board than by evaluations

- ✓ Evaluation of board as a whole
- ✓ Evaluation of board meetings
- ✓ Evaluation of individual members by peers
- ✓ Self-evaluation by board member



Assessing and Improving Board Competencies

What do you do after evaluations?

If they are all good:

- **Give yourself a high-five and celebrate**
- **Check your level of honesty**



Assessing and Improving Board Competencies

What do you do after evaluations?



If they are not so good:

- **Meet with member who is falling short**
- **Explain what areas they are weak in**
- **Help them find education in that area**
- **Monitor member's progress**

Assessing and Improving Board Competencies

*“Sadly, Boards are more likely to replace
a CEO than oust one of its troublesome
Board members.”*

Beverly Behan

Public Companies Board Consultant

Handling Conflict

*“Become the change
you would like to see.”*

Mohandas K. Gandhi

Team

“Never confuse honest dissent with disloyal subversion.”

Gen. Dwight D. Eisenhower

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