



SAFEGUARDING Your Legacy:

Succession Planning

2023 Annual South Texas Credit
Union Conference
OCTOBER 6, 2023

Presentation by Debra S. Holland



OBJECTIVE: TO PROVIDE ATTENDEES WITH...



Update on Succession
Planning Proposed Rule



Advice and
Practical Tips



Tools to Help



WHAT IS SUCCESSION PLANNING?

“The process through which an organization helps identify, develop, and retain key personnel to ensure its viability and continued effective performance. It allows an organization to prepare for the unexpected, including the sudden departure of key staff.”¹

¹ NCUA Proposed Rule on Succession Planning, February 2022.



Succession
Planning
Answers
These
Questions

- Promotes business continuity and long-term success of the company.
- Minimizes risks associated with losing experienced leaders.
- Increases availability of capable individuals for key positions.
- Facilitates strategic use of both internal and external hiring.
- Helps avoid costs related to mis-management by poorly qualified or poorly trained hires.
- Leads to improved HR policies to support the process of selecting top and middle management.
- Promotes transparency in the selection and hiring process.

- Creates structure for leadership training and development.
- Promotes a continuous learning culture.
- Provides opportunities for experienced leaders to participate in the development of new leaders.
- Improves employee commitment and retention.
- Increases moral as career aspirations and expectations are met.
- Encourages a leadership culture that values growing others.
- Helps maintain fundamental values, mission, and brand of the company.
- Positively affects the bottom line by preserving competent leadership.

Benefits of Succession Planning

RECENT REGULATORY ACTIVITY

Proposed Rule Has Not Been Made Final



- NCUA Proposed Rule (Feb 2022):
 - Federal Credit Union (FCU) boards of directors to implement a succession plan and process.
 - Applies only to federally chartered CUs (FCUs) but encourages adoption by all federally insured credit unions (FISCU).
 - Boards to establish a process, develop a written plan, and ensure directors are familiar with the plan.
- NCUA 2023 Supervisory Priorities:
 - NCUA will seek insights into CUs' strategies for succession planning.
 - Intent is to gather, understand, and support rather than evaluate.
 - Examiners will not issue findings unless plan diverges from its stated policy.

WHY THE HEIGHTENED INTEREST?

A - Retiring Baby Boomers

B - Credit Union Consolidations



REQUIREMENTS

(Per NCUA Proposed Rule)

The succession plan must, at a minimum, identify:

- The credit union's key positions,
- Necessary competencies and skill sets for those positions and
- Strategies to identify alternatives to fill vacancies.

At a minimum, the list of key positions should include officers of the board, management officials, executive committee members, supervisory committee members, and members of the credit committee (if in bylaws).

The board of directors must review the succession plan in accordance with a schedule established by the board, but no less than annually.





WHAT IS A COMPETENCY?

- A set of knowledge, skills, abilities and behaviors that enable a person to do something successfully or efficiently.
- Competencies identify the observable behaviors that successful performers demonstrate on the job.

NEXT STEPS – HOW TO GET STARTED



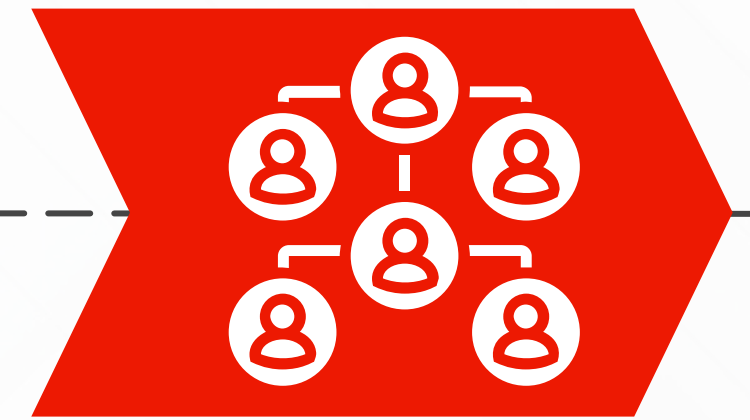
Educate
board and
management
officials



Review current
efforts



Consider
implementing
the guidelines
of 2022 NCUA
Proposed Rule.



Ensure
directors are
familiar with
the plan.



TIP 1:

DEFINE THE IDEAL

- Ask, “What skills, talents, and behaviors are needed to lead this organization going forward?”
- Define what makes a leader successful in your organization.
- Focus on competencies.
- Communicate and reward the right qualities.
- Select the right future leaders.

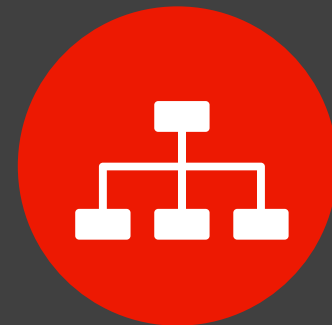
TIP 2 :

BE TRANSPARENT

- Be clear about your focus on succession planning and how people can participate.
- Make everyone aware of the criteria for advancement and feel empowered by the opportunity.
- Establish criteria for inclusion in training, developmental opportunities, and management pools.
- Make organizational charts and job descriptions available to everyone.
- Share vacancy announcements broadly and announce selections.



TIP 3: CREATE A CHAIN REACTION



Succession Planning is not just about filling top leadership positions.



When one person is promoted, it leaves a vacancy. This vacancy often gets filled by promoting someone from a level below, which in turn creates another vacancy, and so on.



This chain reaction creates multiple opportunities for advancement at various levels.



TIP 4: COMMIT!

If you want succession planning to work, it must be a priority.

It should be an ongoing and iterative process, not a one-time event.

Board officers, directors, CEOs and key management officials must take responsibility for focus and execution.

Expect a time commitment.



Before you are a leader,
success is all about
growing yourself. When
you become a leader,
success is all about
growing others.

-Jack Welch



COMPETENCY LISTS TOOL

For Credit Union Boards of Directors



A1

[Enter Name of Credit Union]

SUCCESSION PLANNING

COMPETENCY/SKILL SET LIST FOR BOARD CHAIR

OPTIONS		COMPETENCY LIST	
<input checked="" type="checkbox"/>	Finance/Accounting/Economics	1	Finance/Accounting/Economics
<input type="checkbox"/>	Regulatory/Compliance/Audit	2	Planning/Strategic Thinking/Vision
<input checked="" type="checkbox"/>	Planning/Strategic Thinking/Vision	3	Governance
<input type="checkbox"/>	Prior Board Service/Fiduciary Duty	4	Member Service/Community Involvement
<input type="checkbox"/>	Risk Management	5	External Awareness
<input checked="" type="checkbox"/>	Governance	6	
<input checked="" type="checkbox"/>	Member Service/Community Involvement	7	
<input type="checkbox"/>	Business Acumen/Operations	8	
<input type="checkbox"/>	Technology/IT/Cyber/Innovation	9	
<input type="checkbox"/>	Human Resources	10	
<input type="checkbox"/>	Communications/Public Relations	11	
<input type="checkbox"/>	Diversity/Inclusion	12	
<input type="checkbox"/>	Mergers & Acquisitions		
<input type="checkbox"/>	Marketing		
<input type="checkbox"/>	Online Interactions & Transactions		
<input type="checkbox"/>	Collaboration/Influencing/Negotiating		
<input checked="" type="checkbox"/>	External Awareness		
<input type="checkbox"/>	[Enter Any Additional Competencies]		
<input type="checkbox"/>	[Enter Any Additional Competencies]		
<input type="checkbox"/>	[Enter Any Additional Competencies]		
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MASTER LIST OF COMPETENCIES AND DEFINITIONS

For Credit Union Boards of Directors



B2 X ✓ fx SUCCESSION PLANNING FOR CREDIT UNIONS

A	B	C	D	E	F	G	H	I
1	SUCCESSION PLANNING FOR CREDIT UNIONS							
2	SUCCESSION PLANNING FOR CREDIT UNIONS							
3	COMPETENCY/SKILL SET DEFINITIONS							
4	Competency - A set of Knowledge, Skills, Abilities and Behaviors that lead to the ability to do something successfully or efficiently.							
5								
6								
7								
8								
9	Finance/Accounting/Economics	An individual with this competency demonstrates knowledge of financial management, accounting principles, and economic trends. Able to interpret and scrutinize financial statements, ensure regulatory compliance, evaluate economic impacts on the credit union's operations, assure accurate reporting, and provide strategic financial guidance.						
10	Regulatory/Compliance/Audit	Is knowledgeable about credit union regulations and anticipates regulatory changes. Ensures the credit union complies with local, state, and federal laws and regulations. Maintains compliance standards. Promotes policies that align with regulatory standards and best practices to assure positive audit results from external regulators.						
11	Planning/Strategic Thinking/Vision	Sets long-term goals, crafts strategic plans to achieve them, and articulates a clear and inspiring vision for the institution's future. Anticipates future challenges and opportunities for the credit union. Adjusts the long-term vision and strategy of the credit union in response to changing environments. Ensures the credit union navigates change proactively and continues to thrive and serve its members effectively.						
	Prior Board Service/Fiduciary Duty	Possesses broad knowledge of the responsibilities and expectations of serving on a board, particularly within a credit union context. Prioritizes the interests of the members above all, acting with utmost integrity, accountability, and due diligence. Fulfills fiduciary duties by ensuring that decisions are made prudently, transparently,						

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3Gen Insights

QUESTIONS?



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