

FOCUS e-newsletter: Consulting  
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**Succession Planning – a wise investment**  
By Victor Costa, EDS Supervisor

Planning for chief executive officer succession should be perceived as preparing for change, if and when necessary. Such planning is in the best interest of the credit union to provide for continuity of leadership for the Board of Directors and staff and, ultimately, the members.

Effective succession planning by the Board can help avoid the often emotional and adverse impact of an unexpected major change in management. The key is to make the Board and staff part of a constructive, participatory planning process. Such a process can help instill confidence in the staff through careful planning and clear communication by the Board and provide existing management an opportunity to prepare for upward mobility.

A well-thought-out succession plan should encompass four factors as described here:

*Purpose:* The purpose of the plan is to outline and establish direction for the Board, management, and staff to ensure an orderly transition in the CEO.

*Resources:* The Board typically relies on existing staff as the principal source of qualified CEO and other management candidates, but should be willing to look externally, too. External sources may include referrals from sister credit unions, credit union organizations, public advertising, or executive search firms.

*Selection Process:* The Board should appoint a Succession Selection Committee immediately upon determining that a change in CEO is needed. The committee is responsible for identifying qualified candidates, reviewing the qualifications of applicants, and recommending those most qualified to the Board. Examples of qualifications and factors the committee should consider include:

1. Experience
2. Credit union philosophy
3. Management skills
4. Communication skills
5. People skills (employees and members)
6. Technical skills
7. Having a plan for leading the credit union into the future
8. Contract and salary

*Review:* Annually, the CEO should provide the Chairman of the Board a verbal succession report. The report should provide sufficient information to determine the position of the credit



union in the event of a change. This report should be provided verbally to ensure confidentiality and provide the Board flexibility should a more qualified candidate be identified subsequently.

Your credit union members, volunteers, and employees deserve management of the best quality to assure the needed level of services. A well-prepared succession plan is one component to achieving this goal.

**OSCUI's Consultants may be able to help your Board with succession planning, email us at [oscuiConsulting@ncua.gov](mailto:oscuiConsulting@ncua.gov).**