

Blind Spots in Succession Planning

Presented by:

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2018 Leadership Study

Commissioned by:

- NAFCU
- BFB Gallagher
- DDJ Myers



Leadership Study

Executive Summary
December 2018



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Advancing Leadership Success



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Research Scope

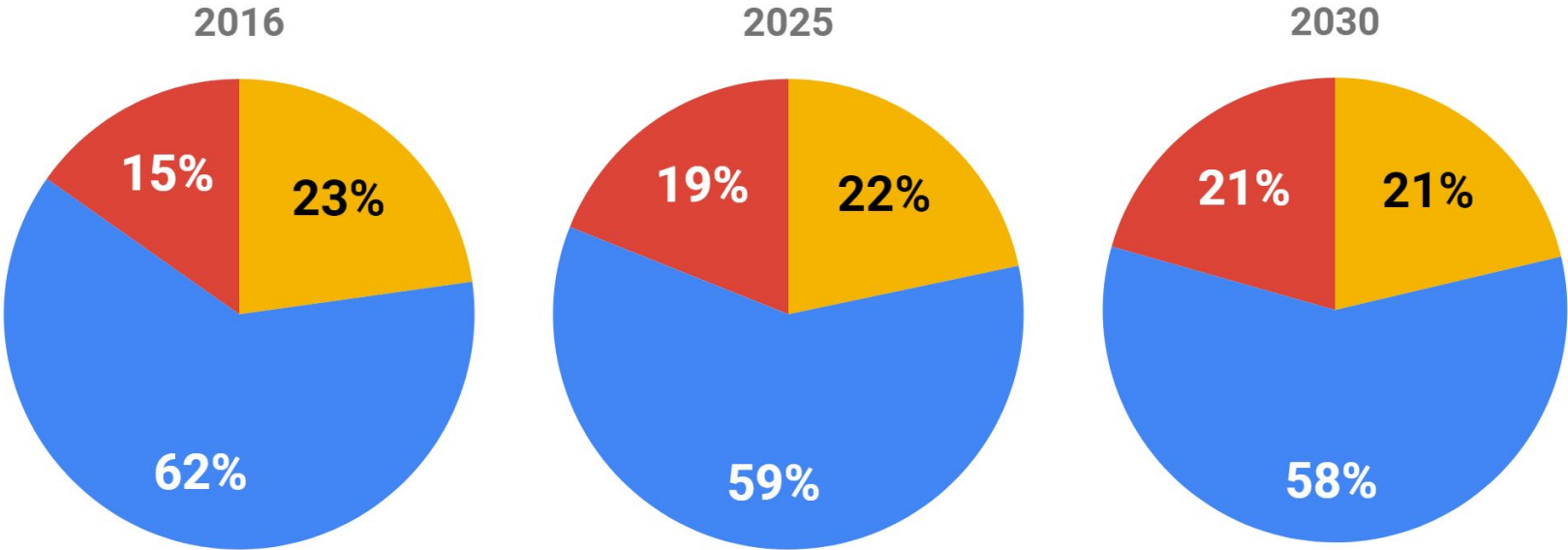
Topics covered:

- CEO succession planning
- Succession planning for Board Chairs and directors
- Sentiment regarding board compensation
- Women in CU leadership positions

Topics **not** covered:

Context: Aging Population

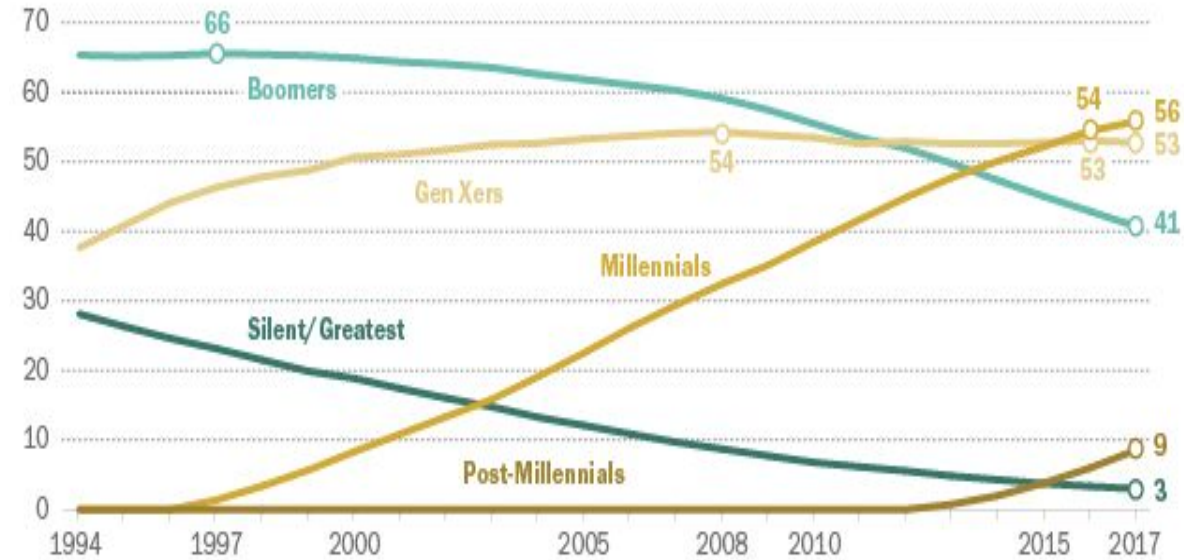
- Under 18 years
- 18 to 64 years
- 65 years and over



Context: Ages in Workforce

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions

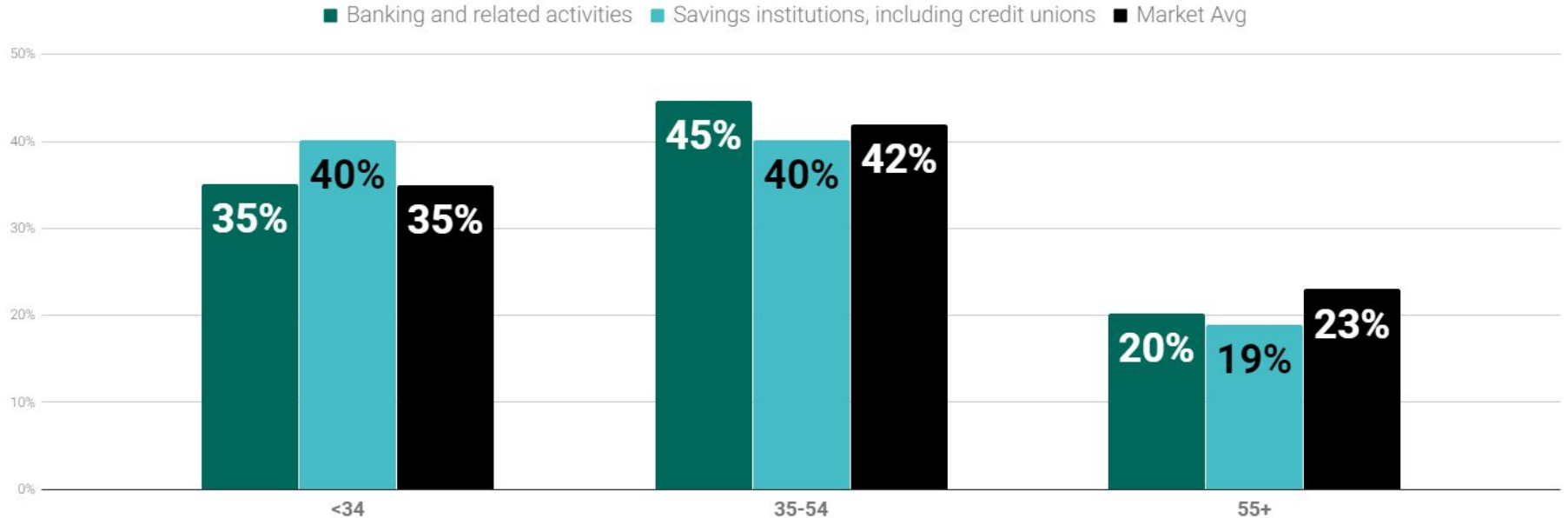


1994 1997 2000 2005 2008 2010 2015 2017

Source: Pew Research Center analysis of Bureau of Labor Statistics CPS

Context: Younger Workforce

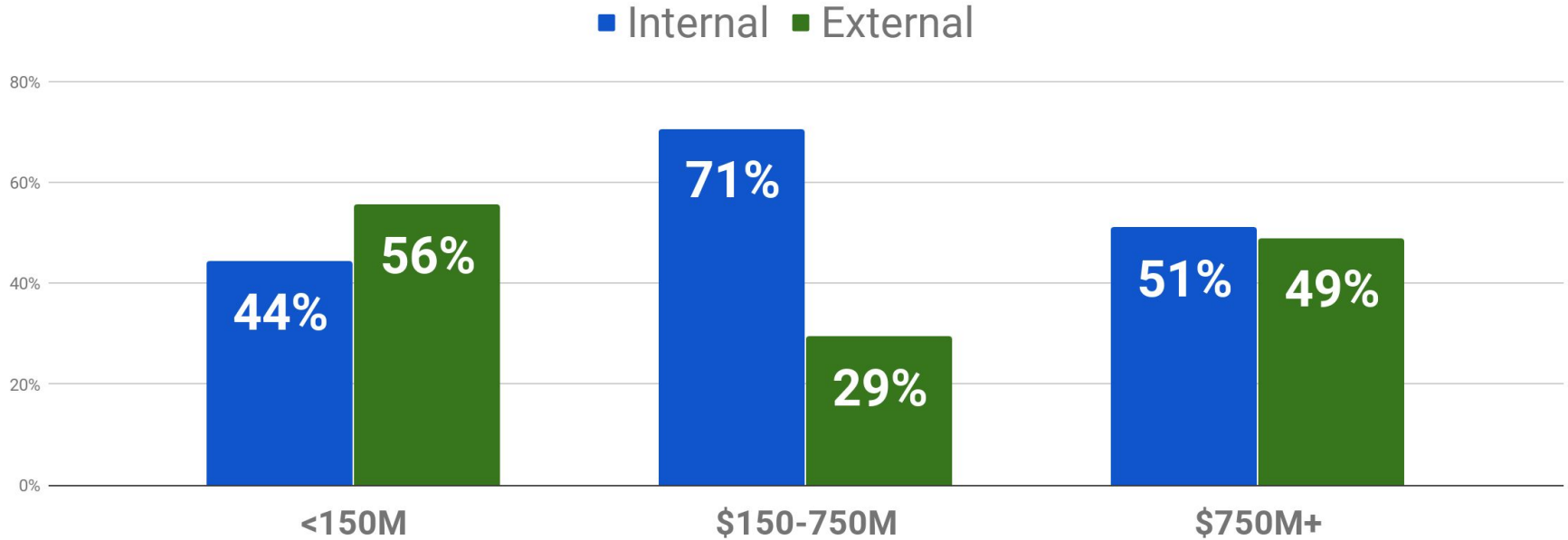
Employed persons by detailed industry and age



CEO Succession Planning

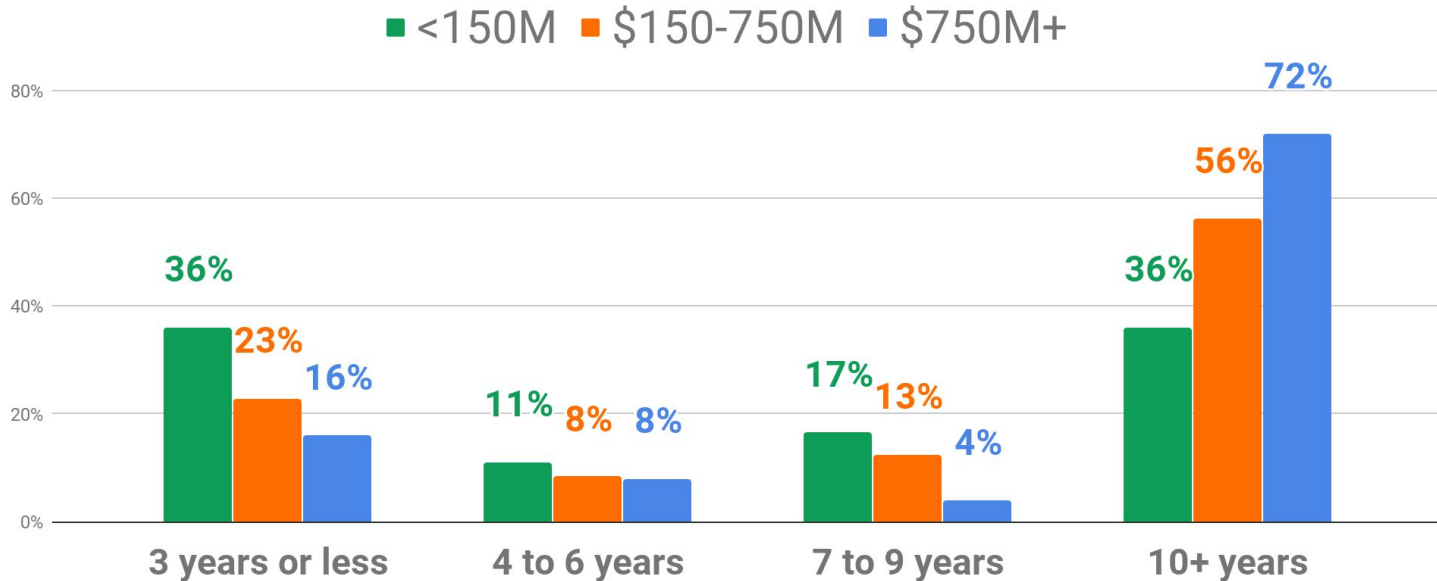
Current CEO: Internal or External

Was your current position as CEO an internal or external hire?



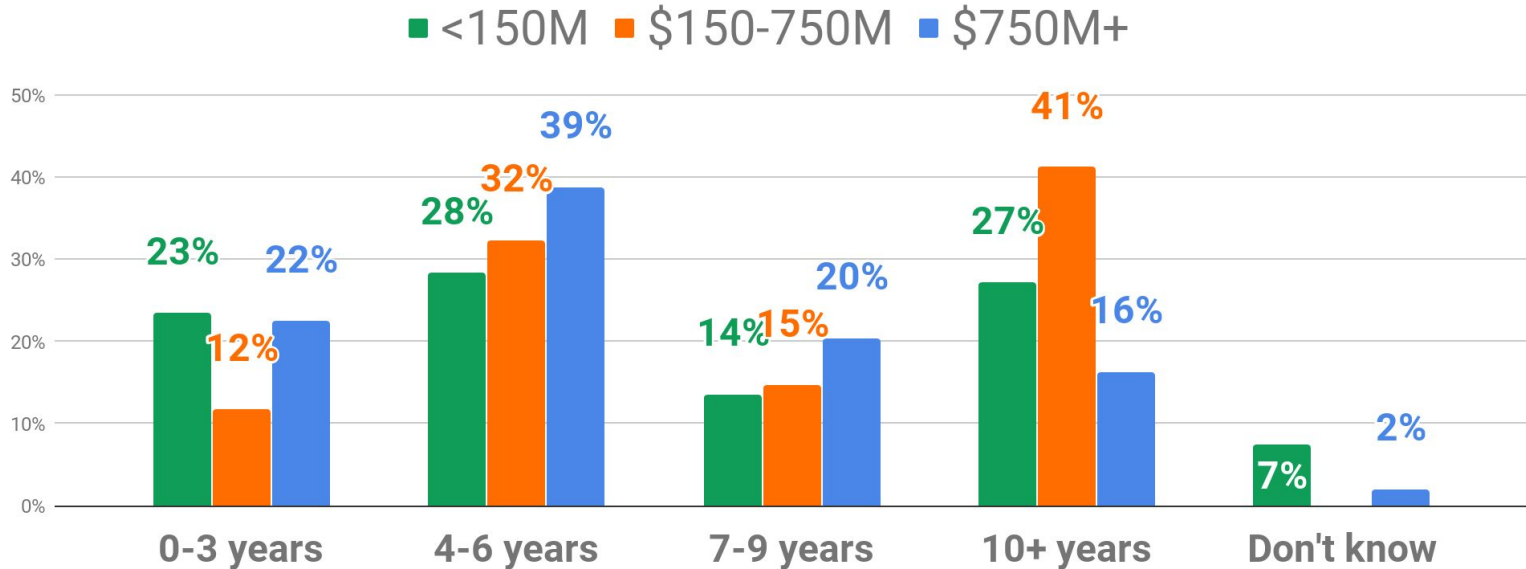
Internal Candidate Tenure

Internal Hires: How long were you with this credit union prior to taking the CEO position?



CEO Transition Timing

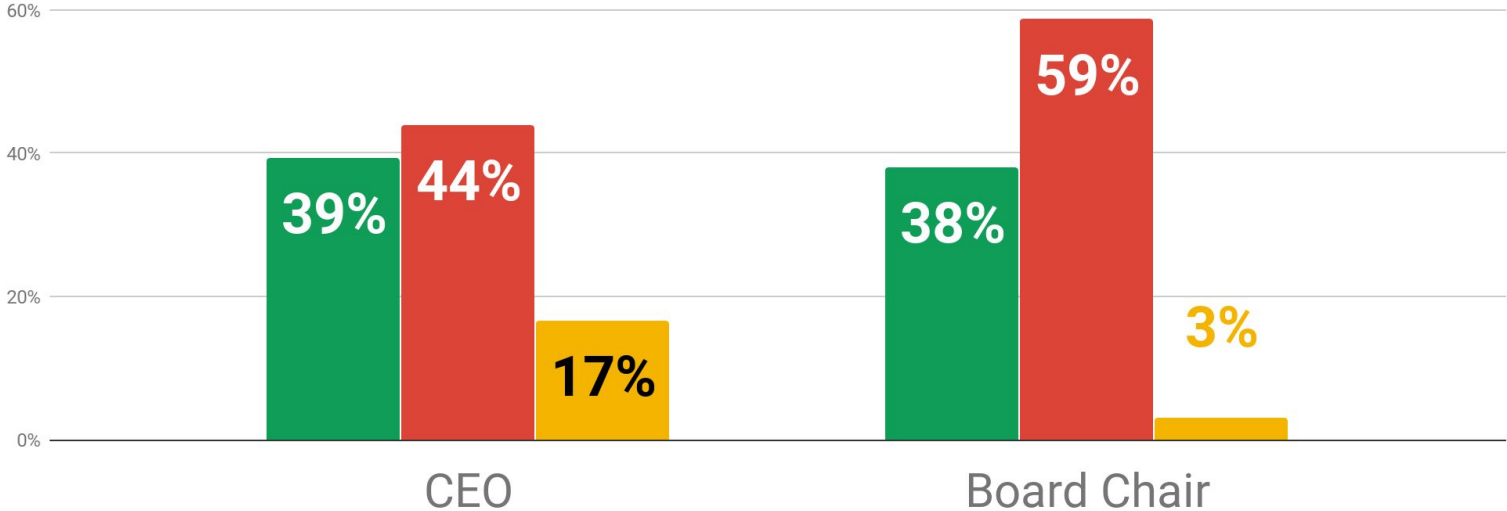
When do you anticipate (you/the CEO) will transition out of your position as CEO (retire, other opportunity, etc)?



CEO Successor Identified

Does your board have a clear successor when you/your current CEO leaves?

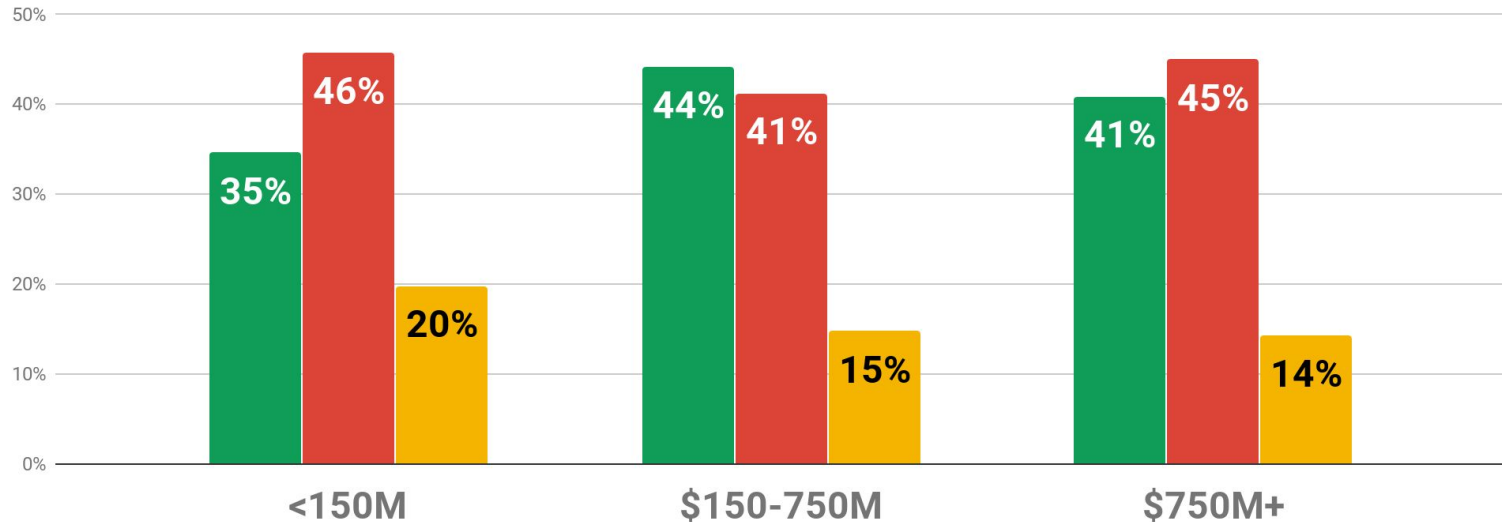
■ Yes, definitely ■ Definitely not ■ Don't know/Not sure



Clear CEO Successor

Does your board have a clear successor when you/your current CEO leaves?

■ Yes, definitely ■ Definitely not ■ Don't know/Not sure

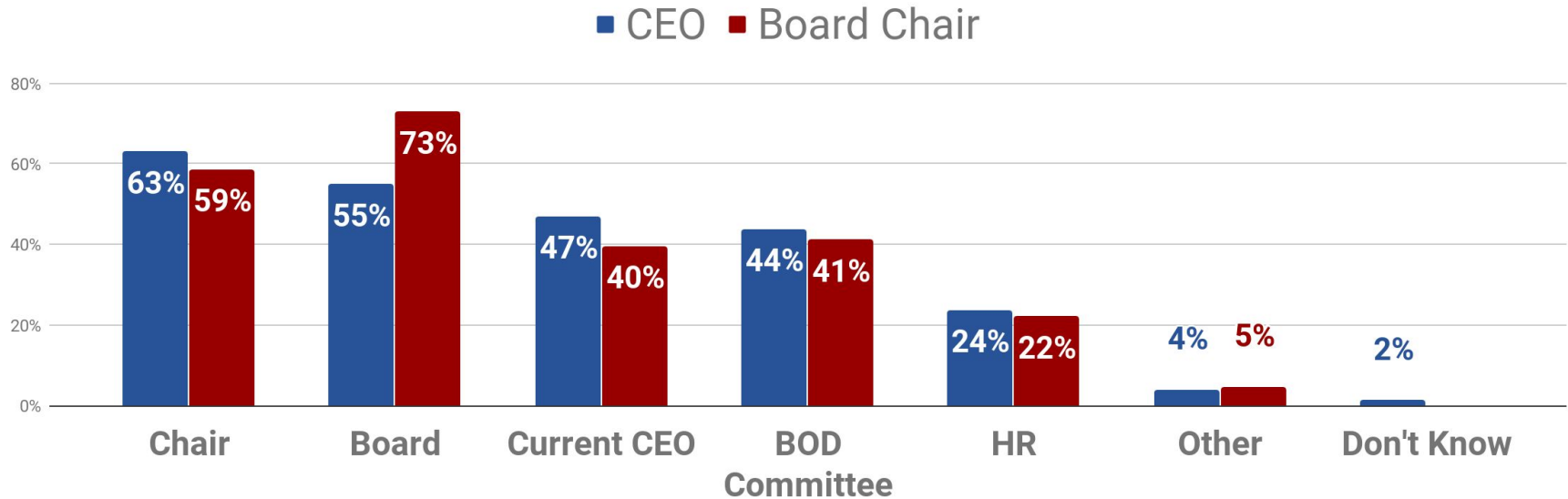


Question:
**What are the strategic implications of
this concentration of CEOs retiring in the
next ~~six~~ five years?**

(especially with such a low confidence
of successors being identified)

Actively Manage & Accountable for CEO Succession Plan

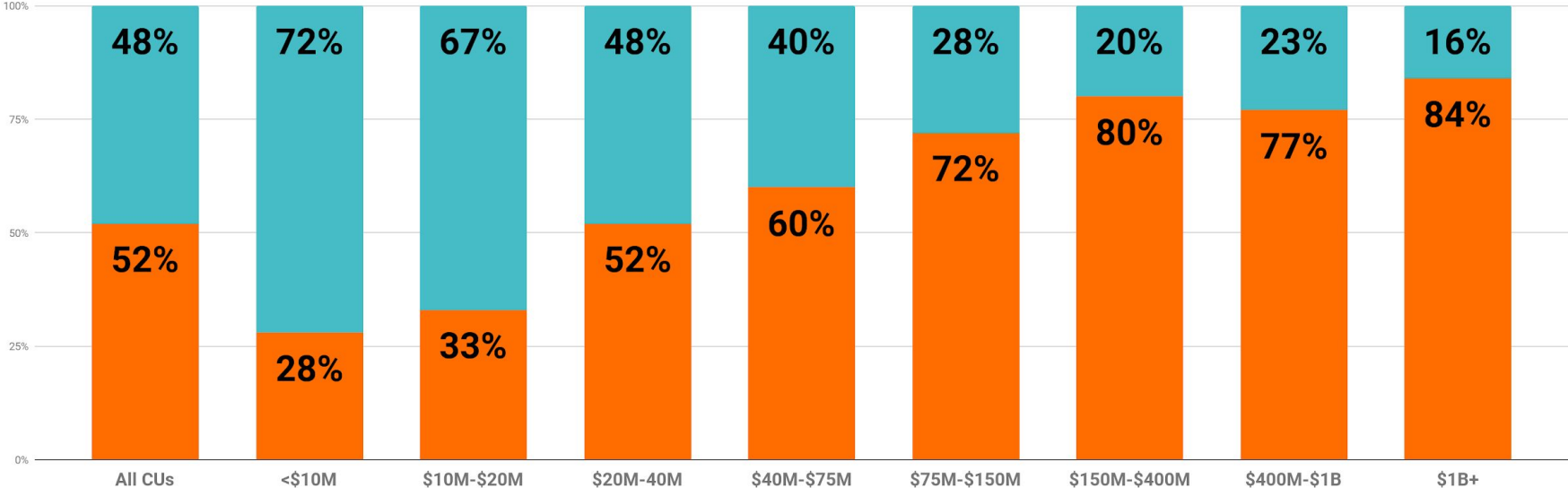
CU Has a Formal Succession Plan in Place: Who would actively manage and be accountable for the CEO Succession Process? CHECK ALL THAT APPLY



CEO Gender by Asset Size

CEO Gender by Asset Size

Female Male



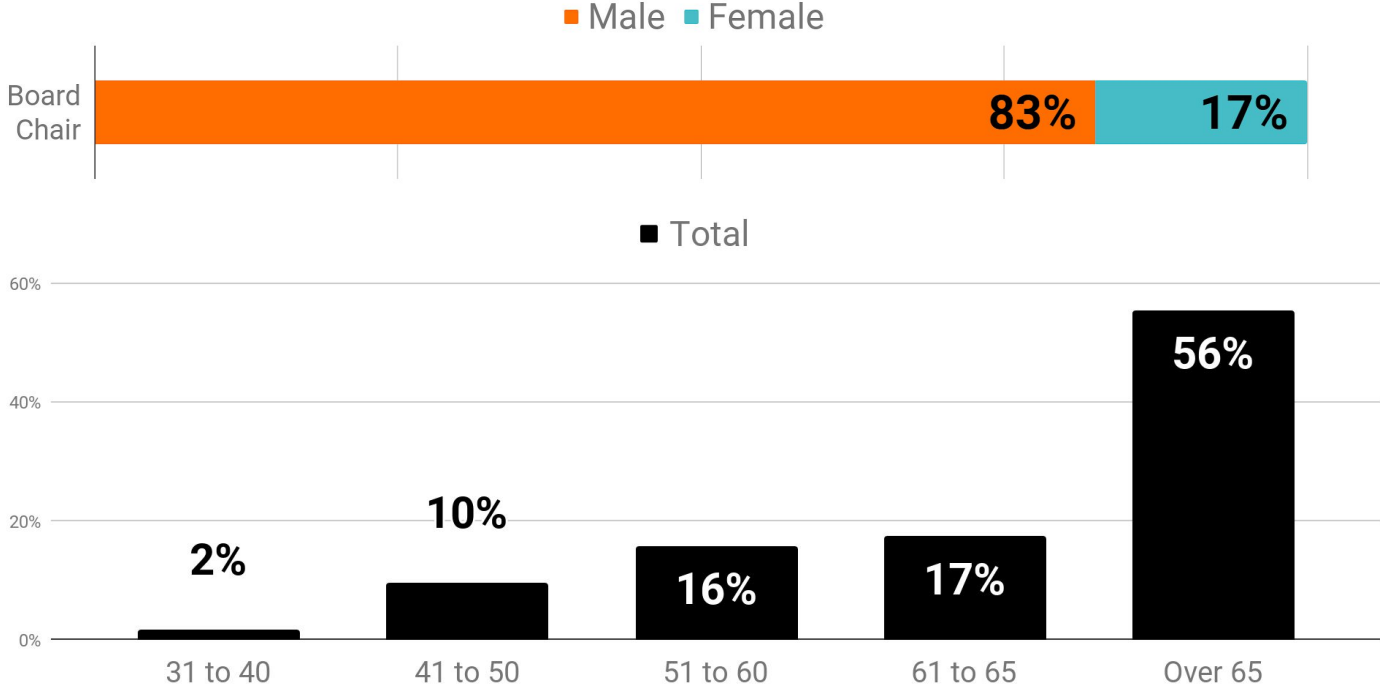
Question:

**What are the underlying and overt forces
that are contributing to gender
representation in the CEO position?**

(Should it even matter to you? Your CU? Your membership?)

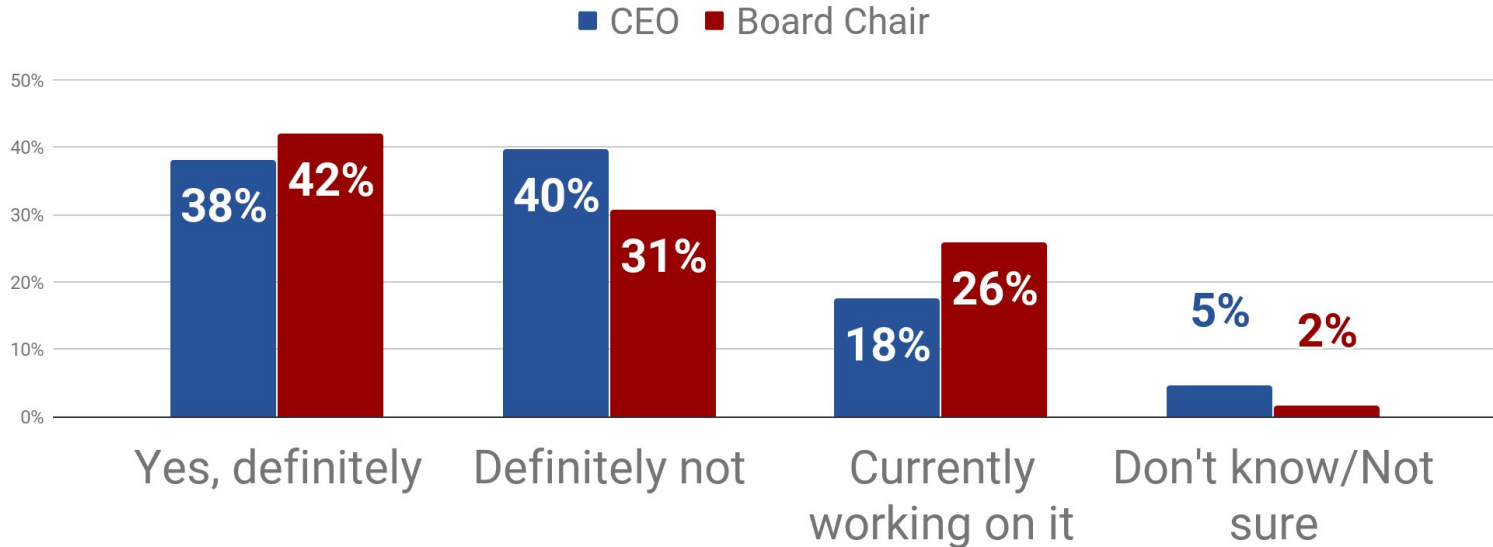
Board Chair & Board Succession

Board Chair Demographics



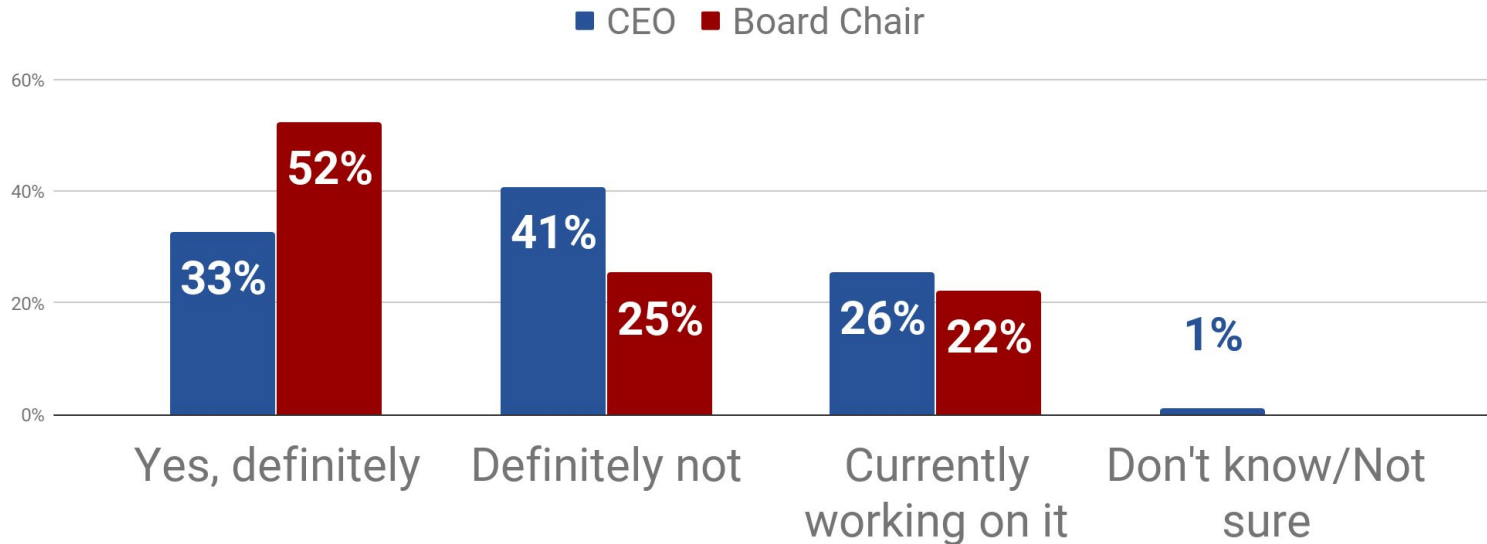
Board Chair Succession Plan in Place

Does your credit union have a formal Succession Plan currently in place for replacing the Board Chair?



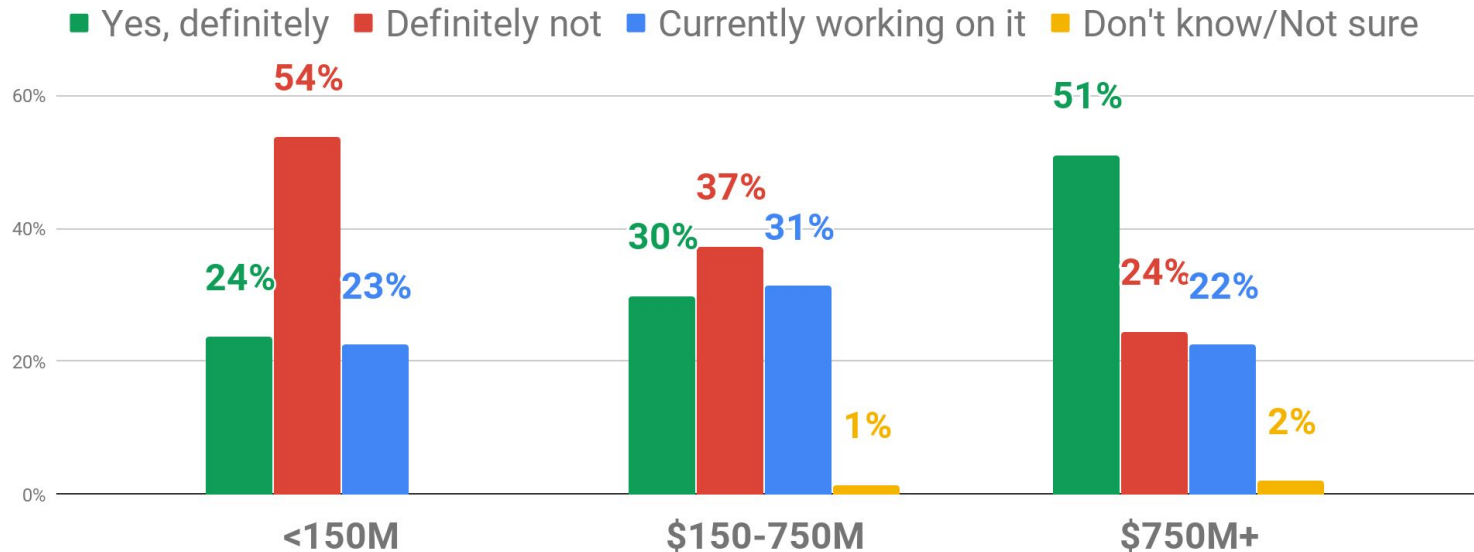
Board Members Succession Plan in Place

Does your credit union have a formal Succession Plan currently in place for replacing other Board members?

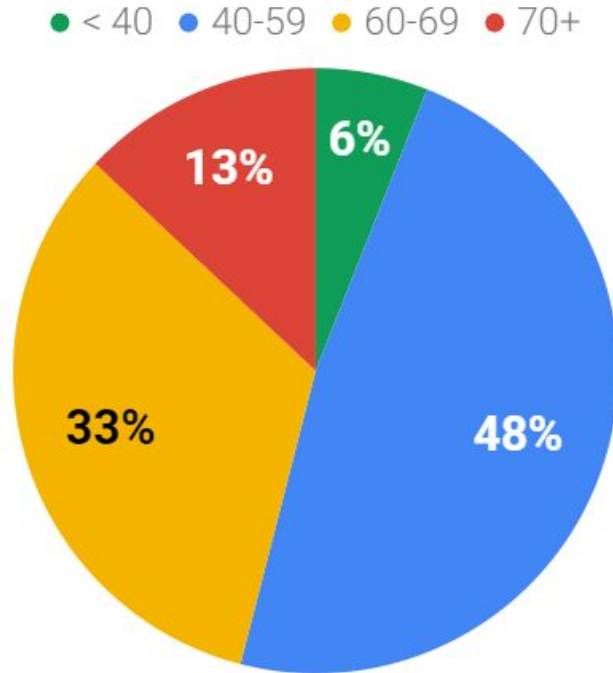


Board Members Succession Plan in Place

CEOs: Does your credit union have a formal Succession Plan currently in place for replacing other Board members?



Context: Board Demographics (Age)



On average, directors were:

- 2 = 40-49
- 3 = 50-59
- 3 = 60-69

“The average age of the sample of survey respondents was 61.”

Question:
**What is the board's responsibility to
ensure that Board succession
is more adequately addressed?
The CEO's?**

Who is accountable if nothing changes?

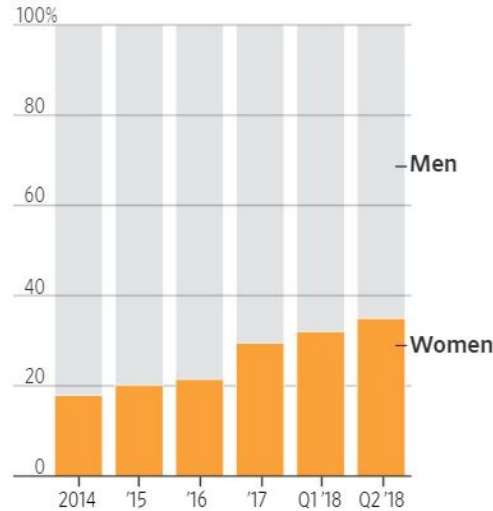
Context: Representation on Boards

California Becomes First State to Mandate Female Board Directors

- All publicly traded companies with HQ in CA must have at least one woman on board by end of 2019
- Boards of at least five directors, must have at least 2 or 3, depending on size.
- Or face financial penalties

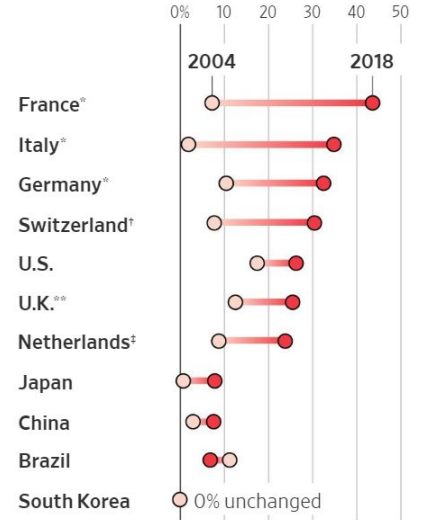
Gaining Ground

At nearly 3,000 of the biggest public U.S. companies, roughly a third of new director seats have gone to women so far in 2018.



Source: Equilar Gender Diversity Index

Women board directors in Fortune Global 200 Companies



*Quota for women-held board seats †Quota for women-held seats at state-owned firms ‡Non-binding quota for women-held board seats
 **Commission-recommended target for women-held board seats

Source: Corporate Women Directors International

Inertia/Internal Narrative

“We ran out of energy.” (board recruitment)

“The younger generation does not have time.”

“Our board is too anxious to . . . “

Action Steps

What Gets Measured Gets Done

Tracking the Relationship between Credit Union Governance and Performance

Jesse Chen
Antonio Spizzirri
Matt Fullbrook

*Clarkson Centre for Board Effectiveness
Rotman School of Management
University of Toronto*

filene
RESEARCH INSTITUTE



“Of all the measured relationships, the only governance practice that yielded a strong positive correlation with actual credit union ROA performance was whether boards felt they had an effective CEO evaluation in place.

In other words, boards that felt they had a strong CEO evaluation in place were more likely to yield stronger ROA performance.”

Are we interested in being a great board?

- Are we visibly aligned on strategy?
- What is our philosophy on board composition?
- What are best practices for onboarding for success?
- Why do we think the board needs to do the actual recruitment?
- What thought do we need to give to our term limits in the context of CEO retirement?
- Why do we continue to honor Sacred Cows?
- What does our CEO really think about our committee structure?

BOARD LEADERSHIP DOJO

Awakening Your True Potential in the Boardroom

Place of learning:

- Concepts
- Skills
- “Be High-Performing”
- Inquiry
- Curiosity
- Relationships

Requires:

- FULL Participation
- Practice
- Interpersonal Risk
- Rigorous Feedback
- Unbiased Teacher
- Students/Learners

Webinar:

WEBINAR *NAFCU WEBINAR Research Report:*

The STATE of CREDIT UNION Succession & Leadership

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Start the conversation,
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SUCCESSION PLANNING:
A COMPREHENSIVE OVERVIEW**

Deedee Myers, PhD, CEO
Peter Myers, SVP

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Thank You!

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