

Blind Spots in Succession Planning

Presented by:

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June 19, 2019





DDJ Myers

TCM

for Boards

The DDJ Myers Transformational Change Model
The catalyst to becoming a high performing board.

EXECUTIVE SEARCH

Power Up.

TOP TIER APPROACH

Attract the talent necessary to satisfy the strategic context of key positions.



STRATEGIC PLANNING

Going Deep.

STRATEGIC OPPORTUNISM

Discovering, empowering, and taking action on your organization's true potential.



BOARD DEVELOPMENT

Bring It.

FACILITATE TRANSFORMATIONAL CHANGE

Guide the organization strategically forward.



EXECUTIVE DEVELOPMENT

Right Now.

STRATEGIC BENCH STRENGTH

Cultivate strategic thinking, enhance coordination, elevate pragmatic communication, and eliminate silos.



The **DDJ Myers** EMERGING LEADERS PROGRAM

TRANSFORMATIONAL LEADERSHIP PROGRAM WILL:

- > Develop deep bench strength.
- > Contribute immediate strategic value to organization.
- > Realize a leadership culture.

Develop
Mid-Level Managers

LEADERS



Leadership Study

Executive Summary
December 2018



DDJMyers
Advancing Leadership Success



2018 Leadership Study

Commissioned by:

- NAFCU
- BFB Gallagher
- DDJ Myers

DDJMyers
Advancing Leadership Success

Research Scope

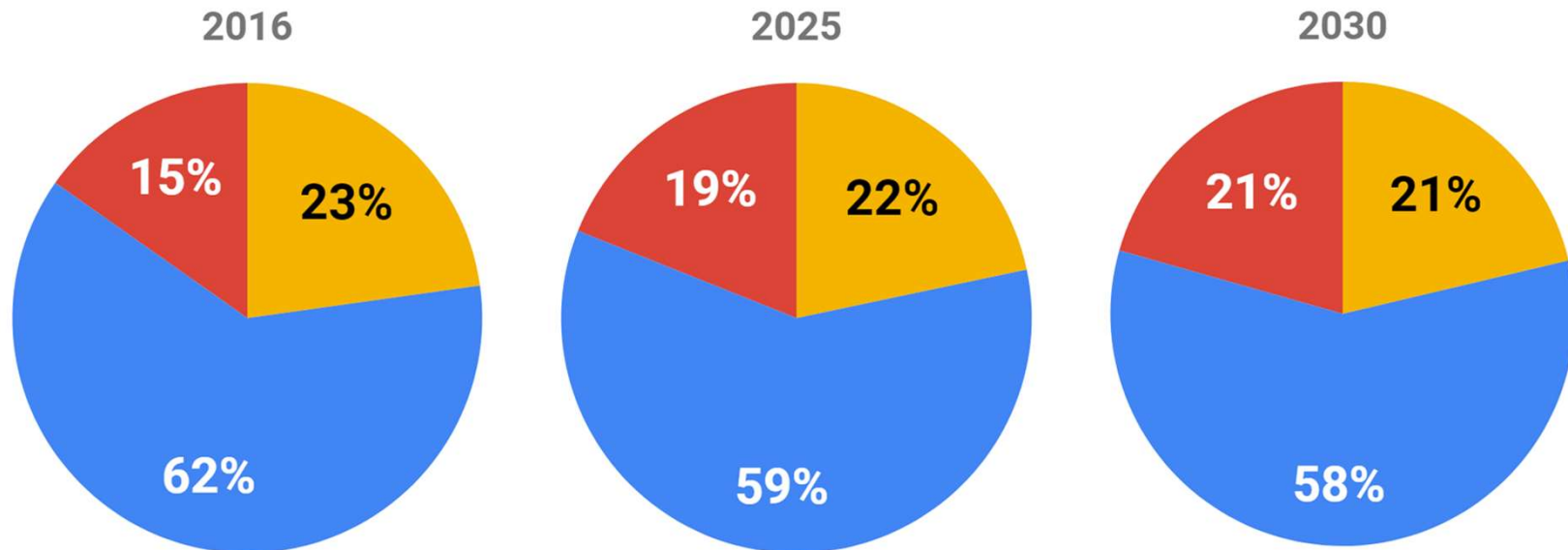
Topics covered:

- 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

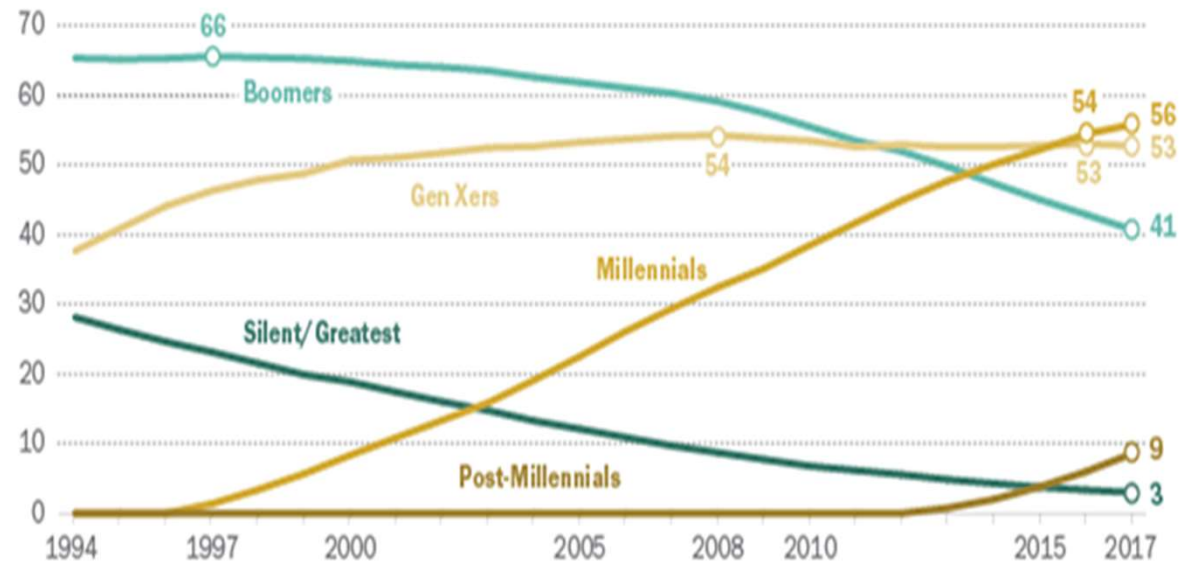
- Under 18 years
- 18 to 64 years
- 65 years and over



Context: Ages in Workforce

Millennials became the largest generation in the labor force in 2016

U.S. labor force, in millions

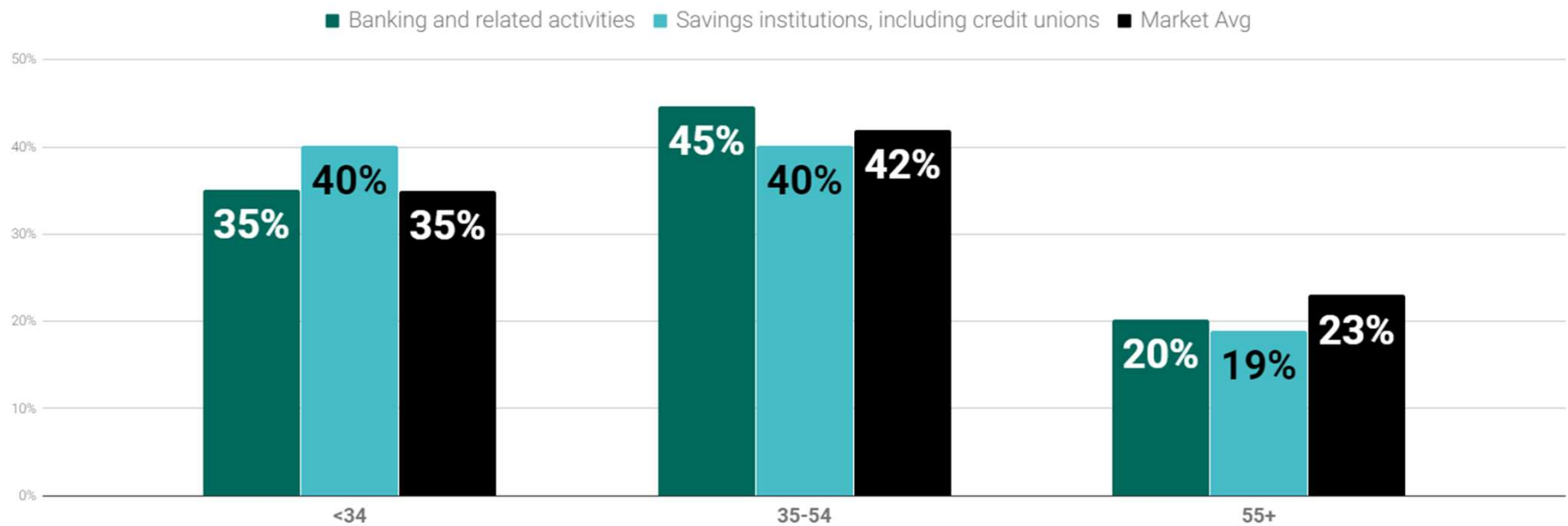


Source: Pew Research Center analysis of Bureau of Labor Statistics CPS



Context: Younger Workforce

Employed persons by detailed industry and age

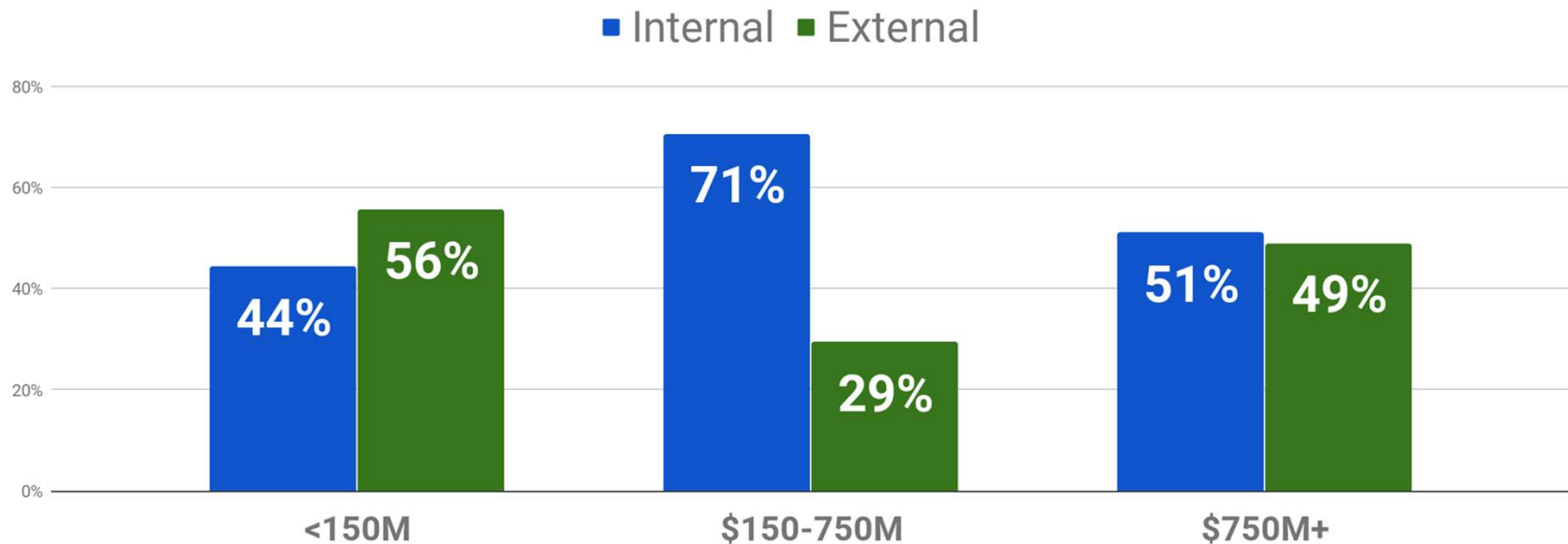


CEO Succession Planning



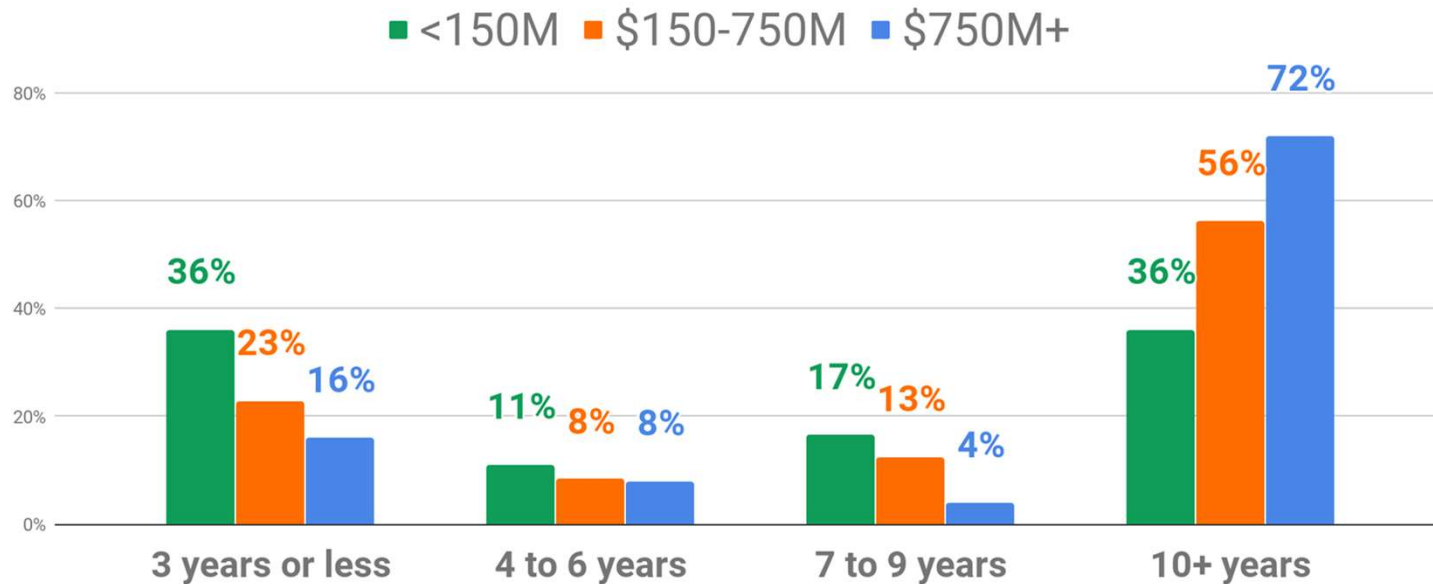
Current CEO: Internal or External

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



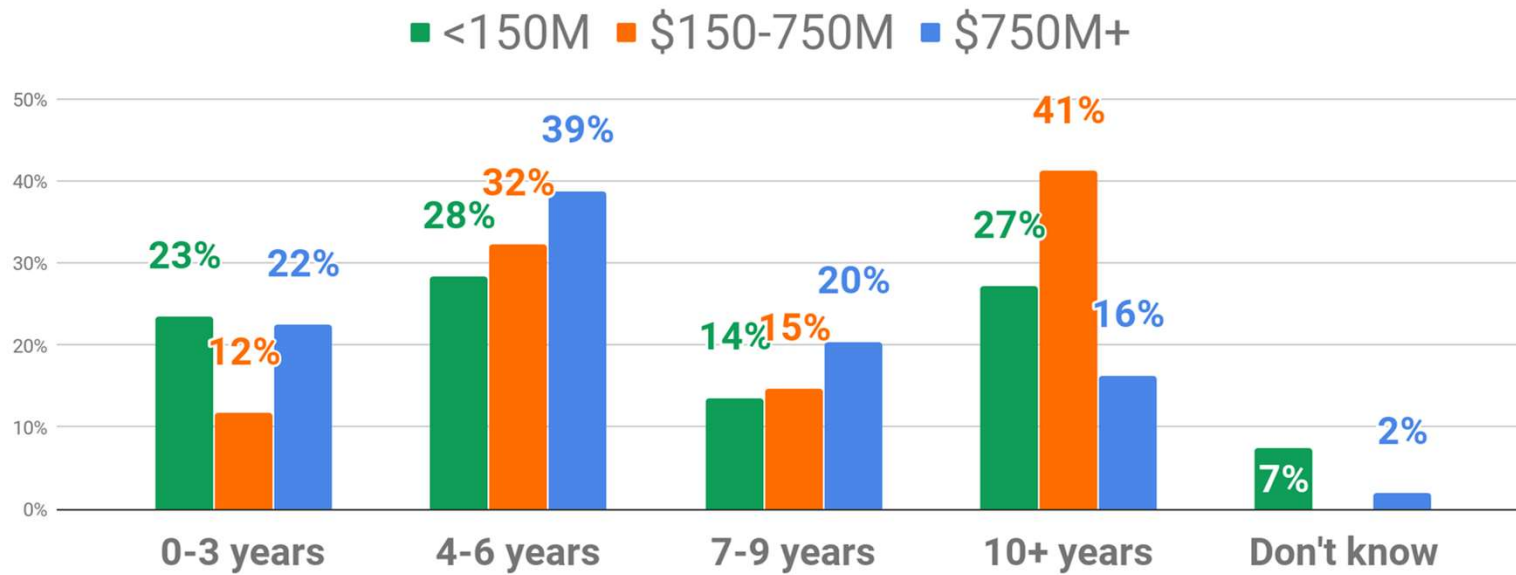
Internal Candidate Tenure

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



CEO Transition Timing

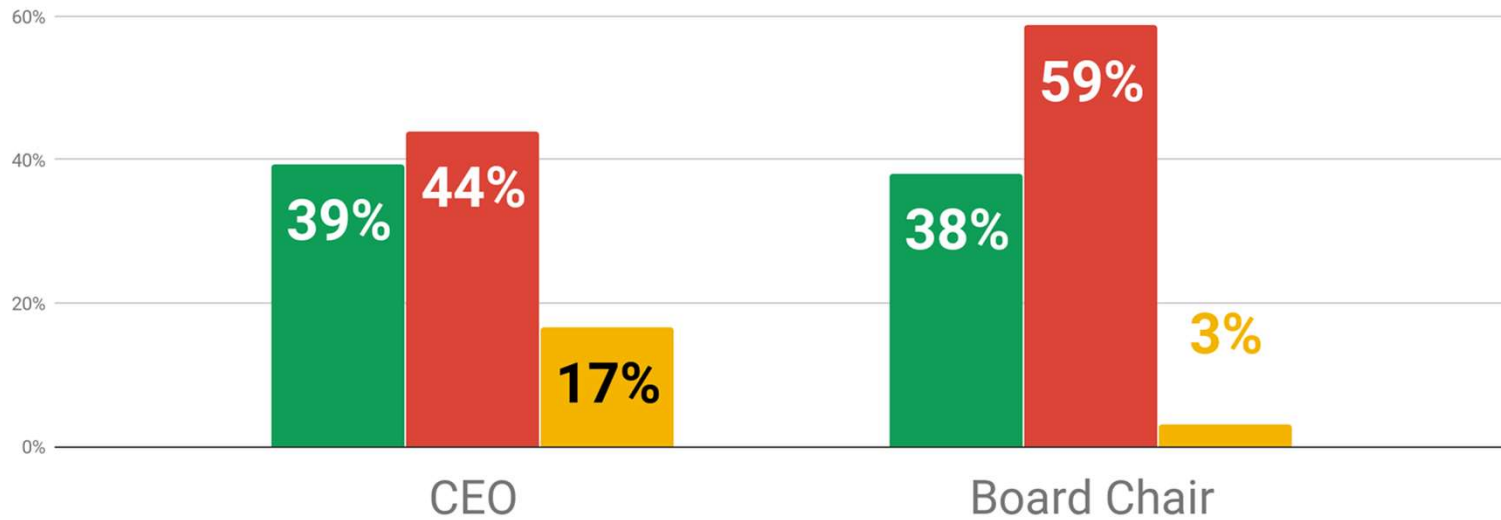
When do you anticipate (you/the CEO) will transition out of your position as CEO (retire, other opportunity, etc)?



CEO Successor Identified

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

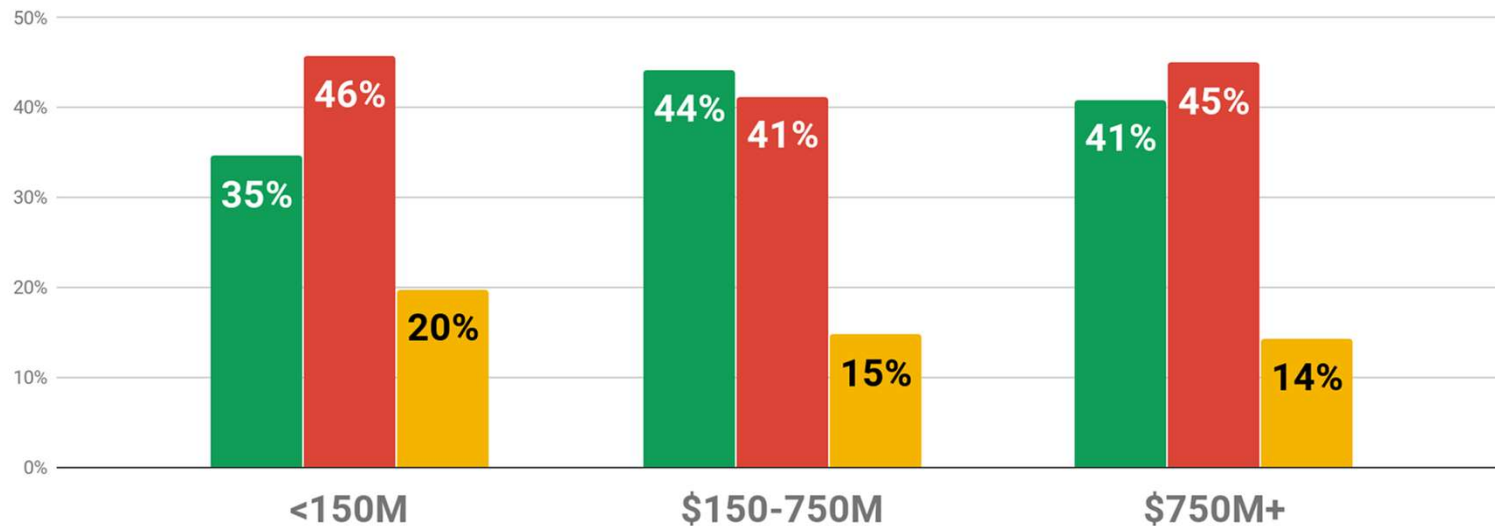
■ Yes, definitely ■ Definitely not ■ Don't know/Not sure



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

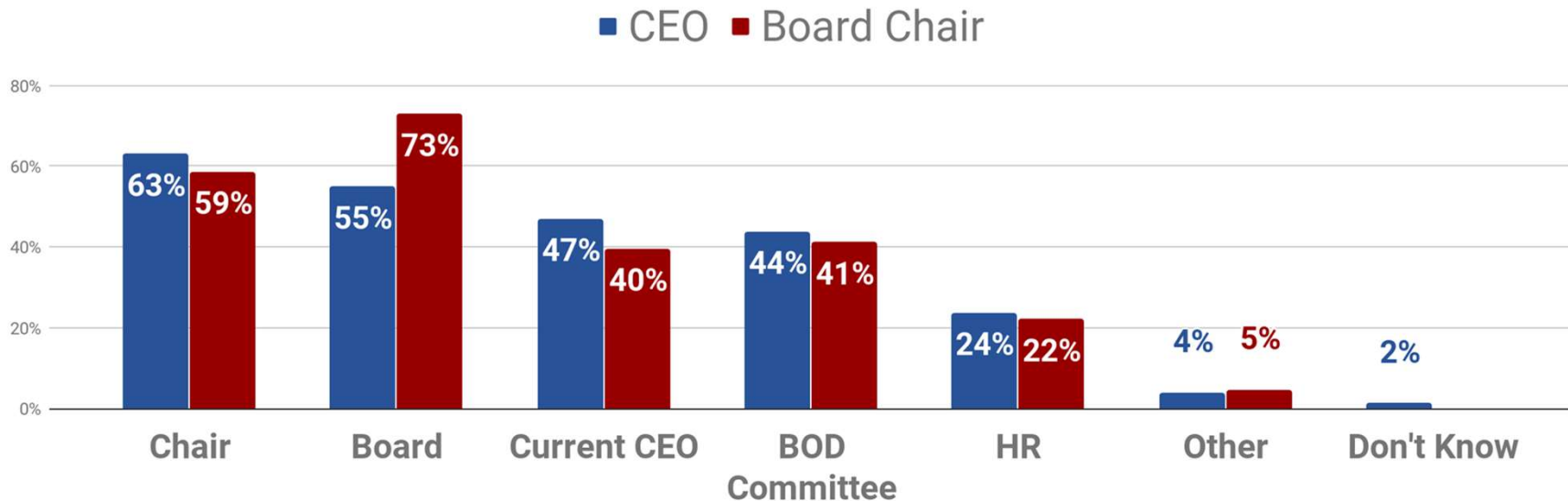


Question:
**What are the strategic implications of
this concentration of CEOs retiring in the
next ~~six~~ five years?**

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

Actively Manage & Accountable for CEO Succession Plan

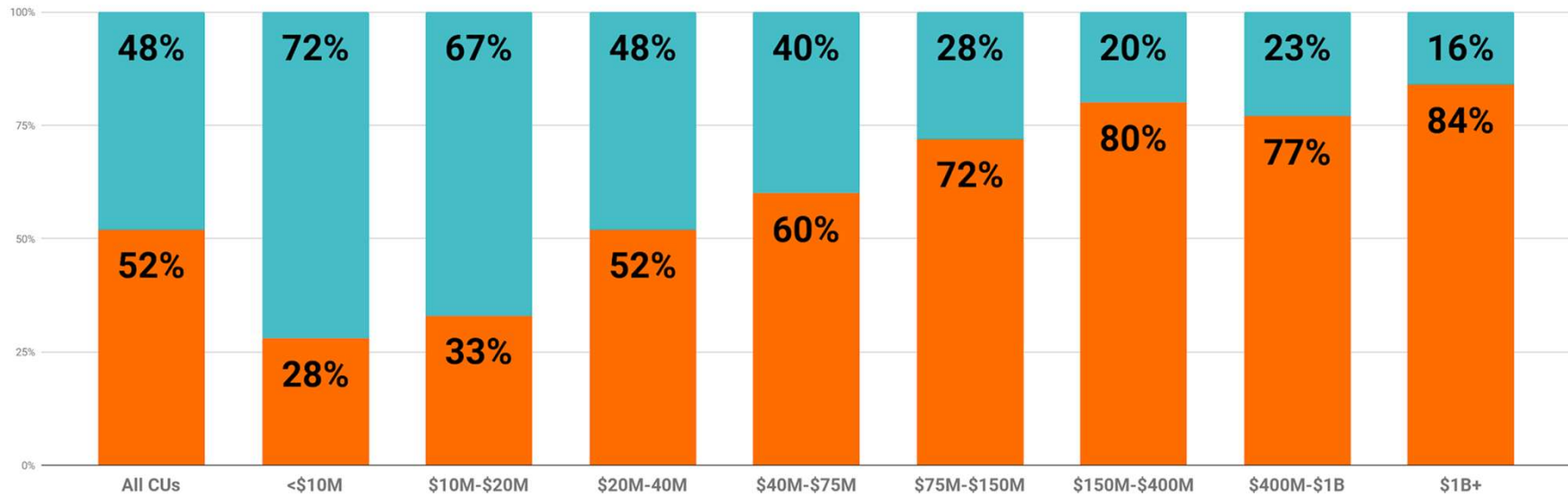
CU Has a Formal Succession Plan in Place: Who would actively manage and be accountable for the CEO Succession Process? CHECK ALL THAT APPLY



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?**

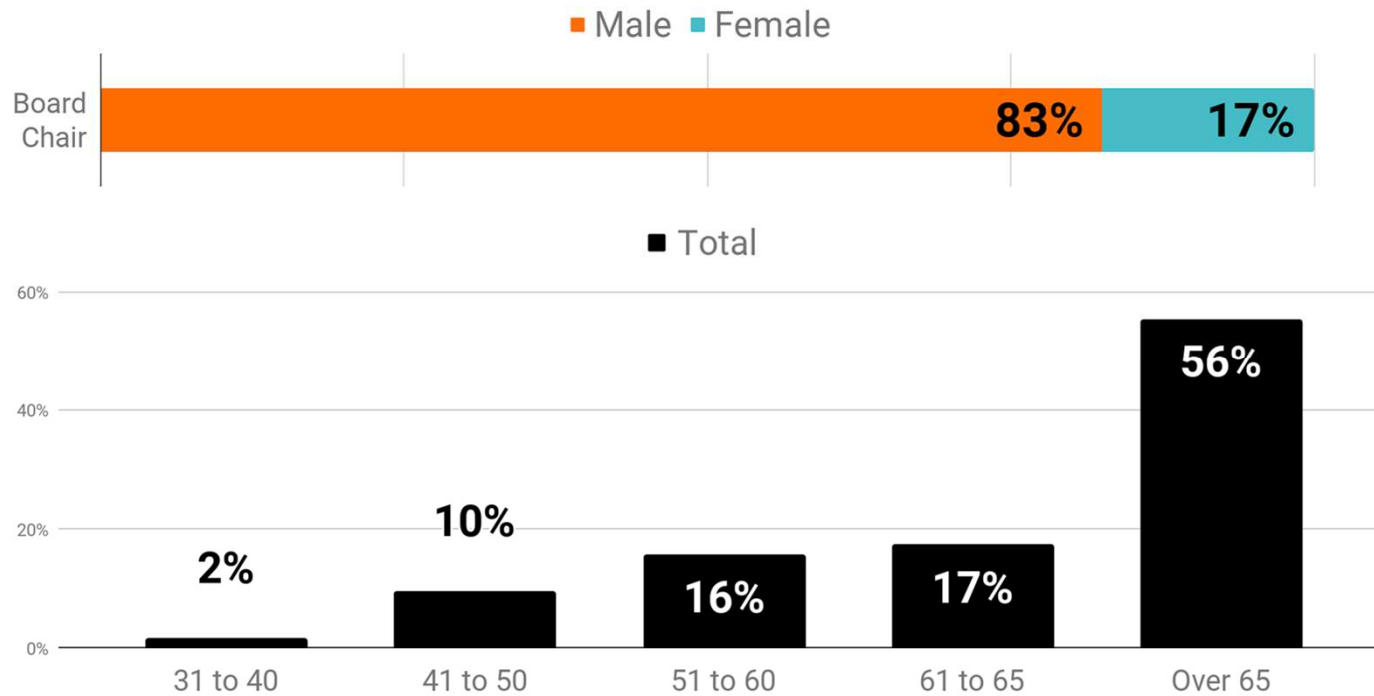
(Should it even matter to you? Your CU? Your
membership?)



Board Chair & Board Succession

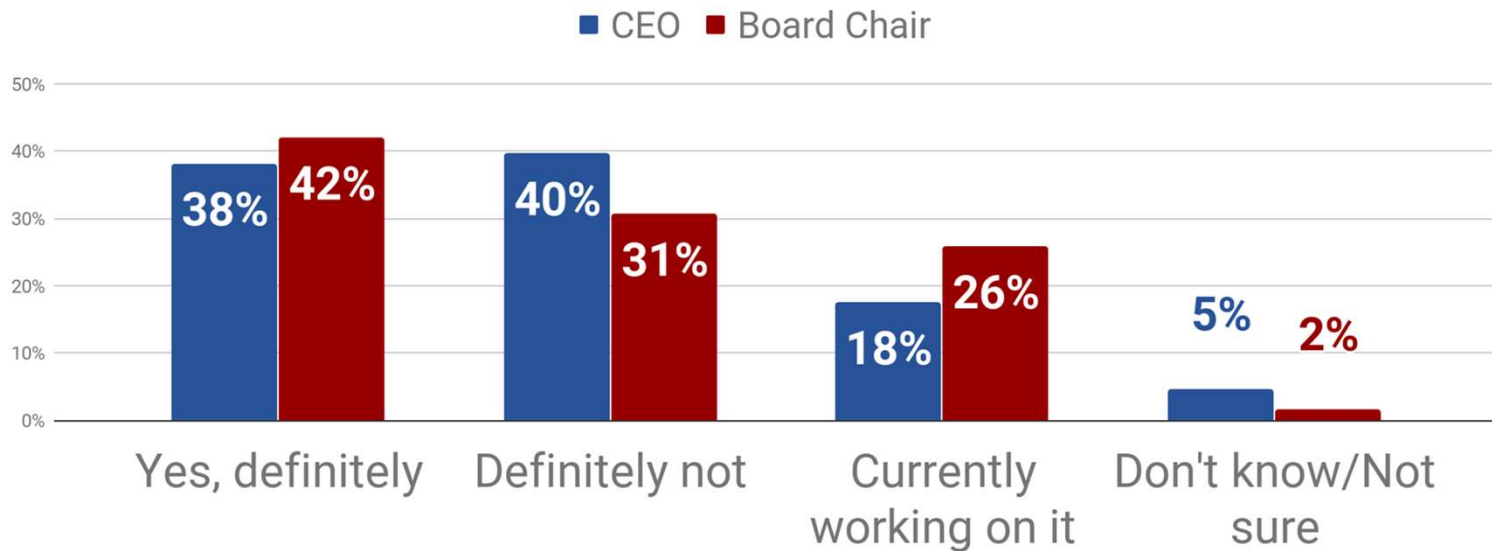


Board Chair Demographics



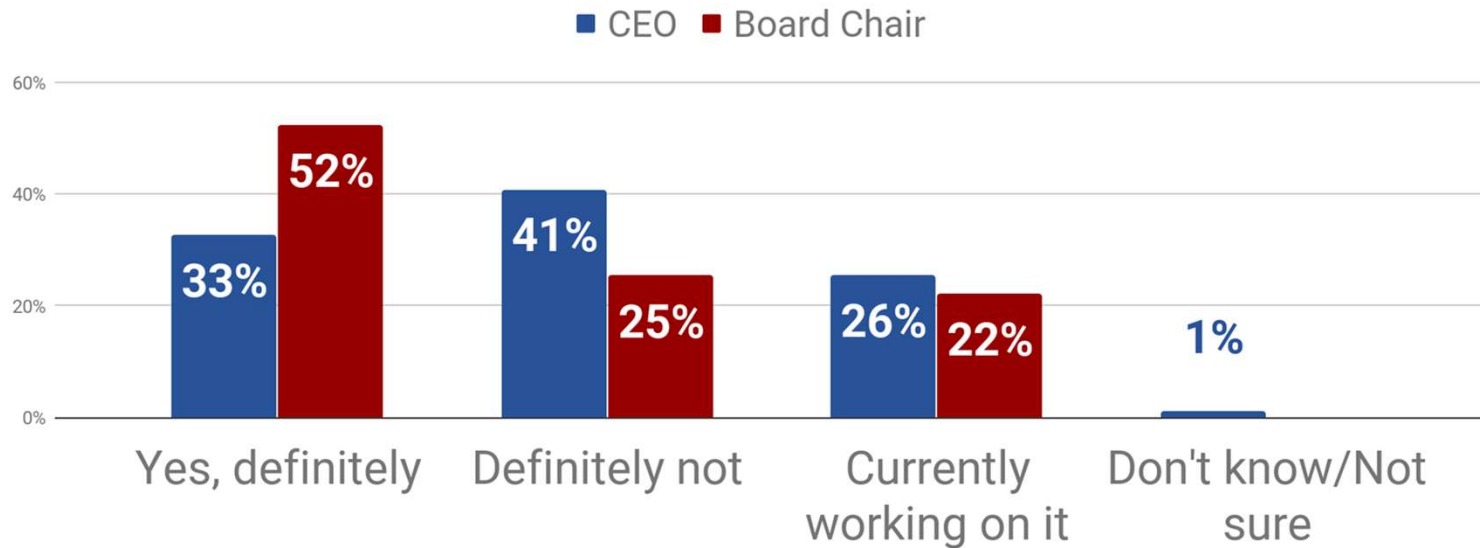
Board Chair Succession Plan in Place

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



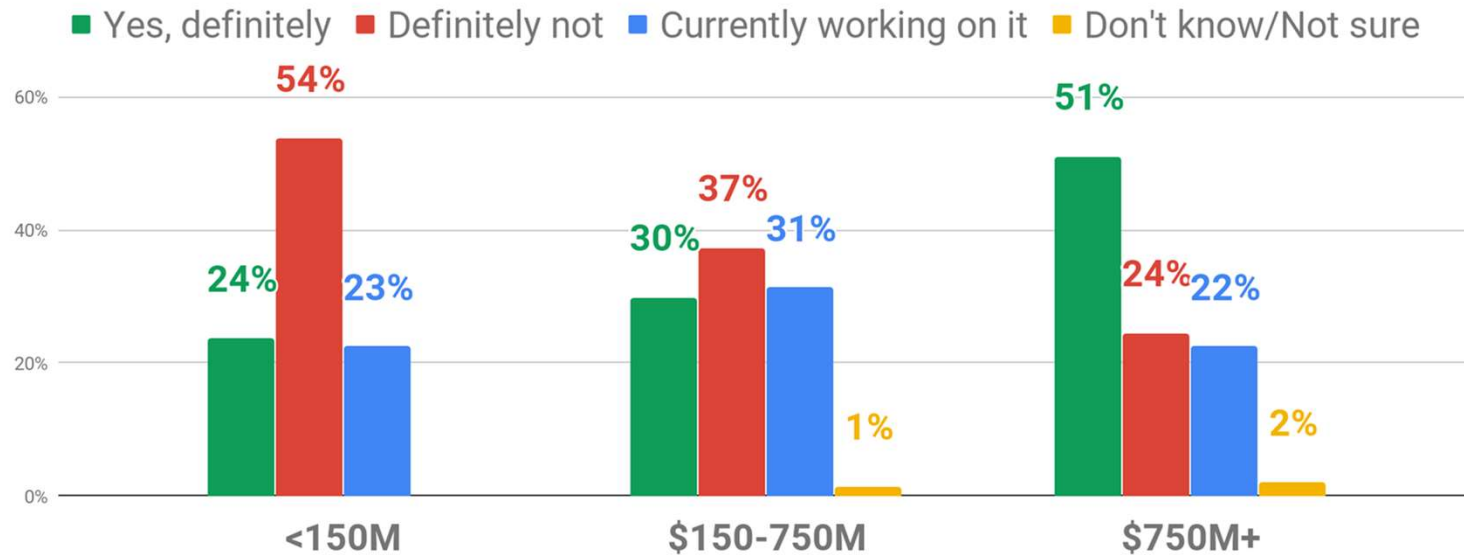
Board Members Succession Plan in Place

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



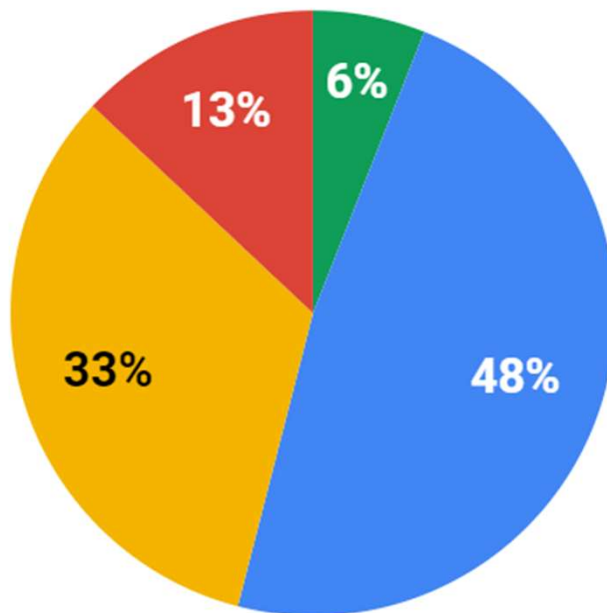
Board Members Succession Plan in Place

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



Context: Board Demographics (Age)

● < 40 ● 40-59 ● 60-69 ● 70+



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?



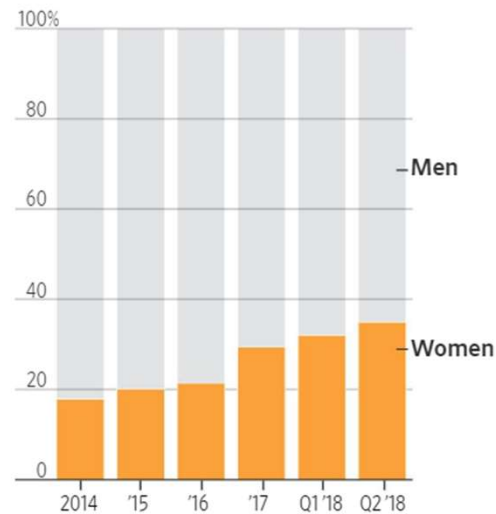
Context: Representation on Boards

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

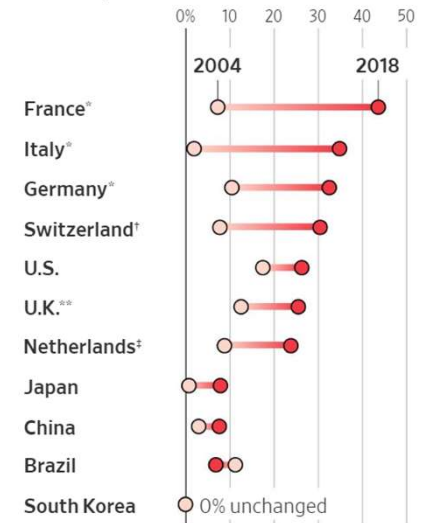
Gaining Ground

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*



“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.”

Inertia/Internal Narrative

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

“The younger generation does not have time.”

“Our board is too anxious to . . . “

CEO Performance Evaluation

Prepared For

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Name ▾

Category ▾

Jan 1, 2019 - Dec 31, 2019 ▾

Other Directors' Avg.

3.21

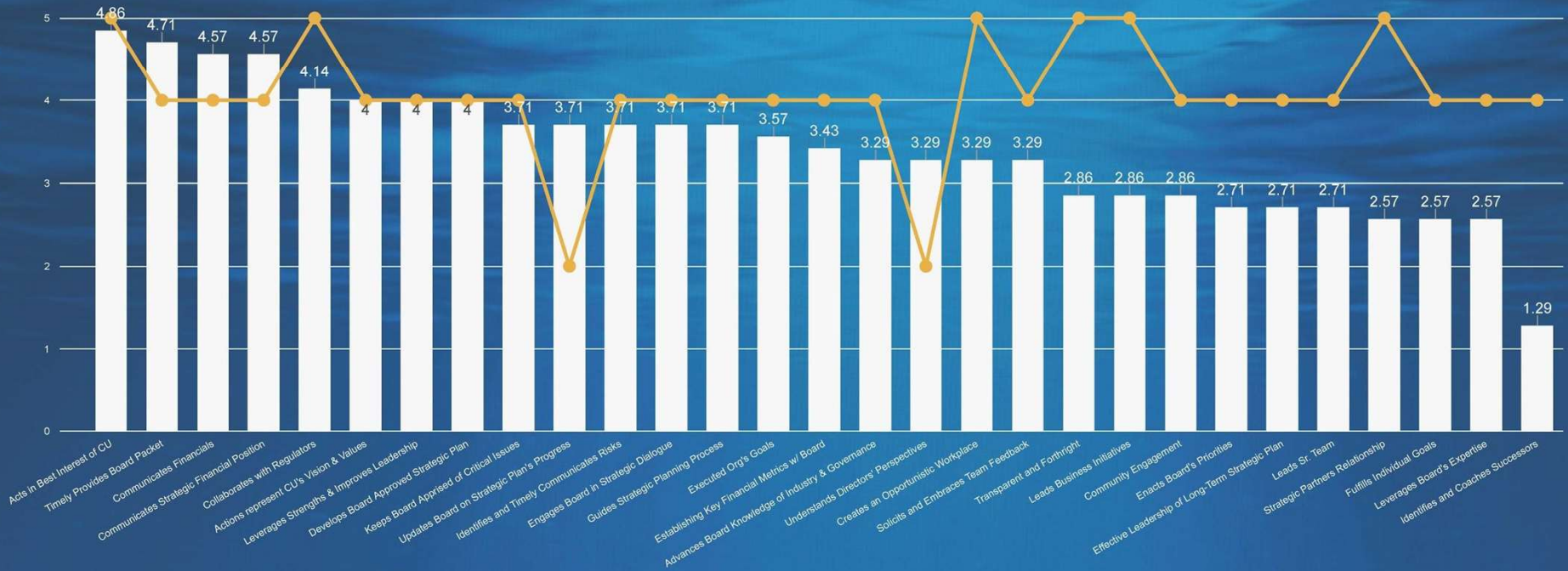
CEO's Self-Assessment

4.32

Director Avg.

3.21

Director Avg. CEO's Self-Assessment



Board Alignment Assessment

Prepared For

✓ Population	Score
✓ Board	77.7%
✓ Executive Team	70.2%

✓ Category	Score
✓ Strategy Development &	76.0%
✓ Board Interaction	66.2%
✓ Board Information	66.0%
✓ Board and CEO Partnership	65.2%
✓ Board Practices	58.4%
✓ Board Composition	50.8%
✓ Board Committees	46.0%

Aggregate Score
70.9%

Population Scores

Board **Score 77.7%**

Executive Team **Score 70.2%**



Peer-To-Peer: Performance Evaluation

Prepared For



Name: Di... (1) ▾

Category ▾

Jan 1, 2019 - Dec 31, 2019 ▾

Director

Directors' Average
3.06

Executives' Average
2.68

Self-assessment
3.32

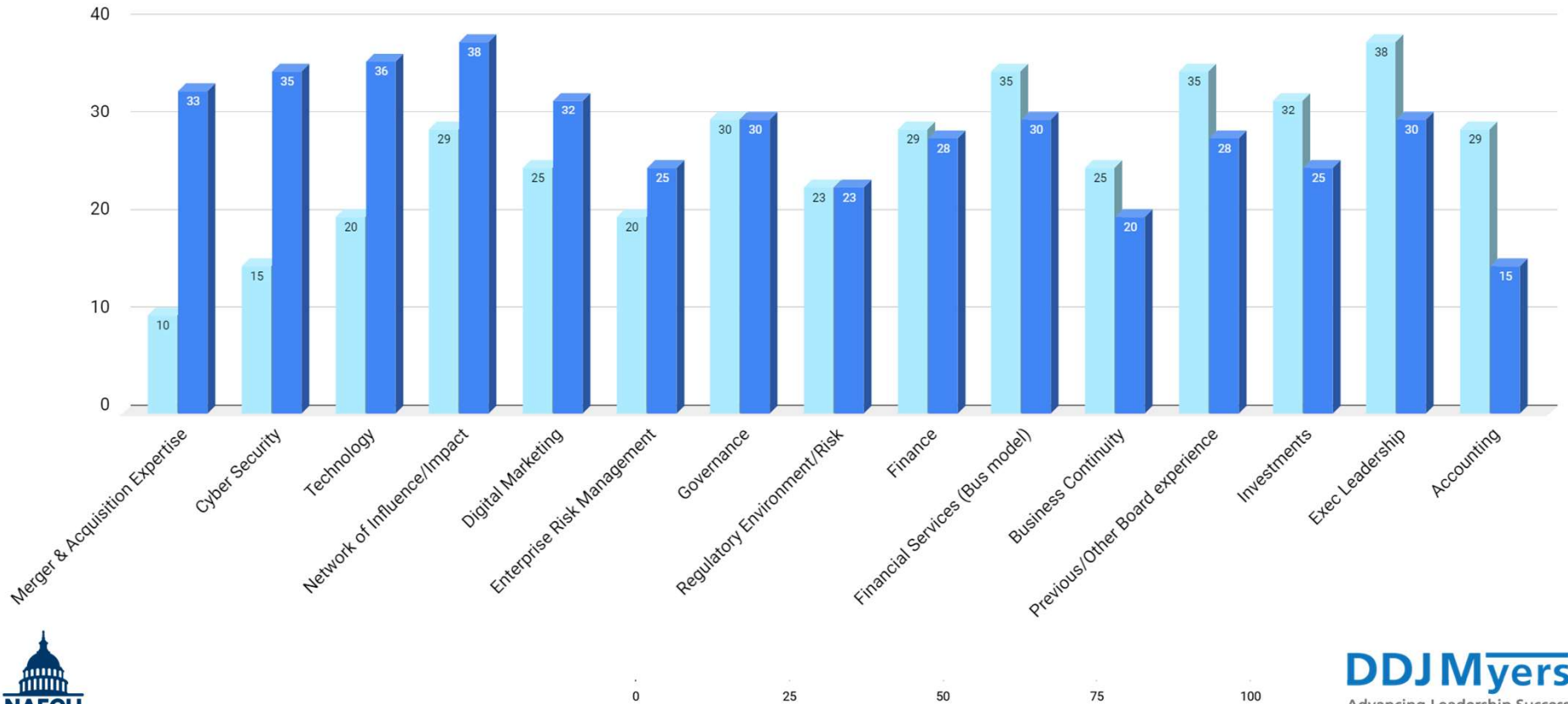
Other Directors' Avg.
3.16



■ Current Board Competencies ■ Most Needed ■ Needed

Needed & Self-Assessed - Weighted Scale

■ Self-Assessed ■ Needed



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

Delivered by Peter Myers, SVP

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WOMEN IN CREDIT UNION LEADERSHIP POSITIONS

presented by
Deedee Myers/Peter Myers



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Podcast for Credit Unions by DDJ Myers

CEO & Board Succession Planning: Readying for Change

presented by Deedee Myers/Peter Myers

Start the conversation,
prepare your organization.



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**CEO
SUCCESSION PLANNING:
A COMPREHENSIVE OVERVIEW**

Deedee Myers, PhD, CEO
Peter Myers, SVP

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Thank You!

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