



DOES YOUR BANK HAVE A DREAM TEAM?

Assessing Your Bank's Leadership Team is the Foundation of Successful Succession Planning

Alan J. Kaplan, Founder & CEO, Kaplan Partners

Many bank Boards of Directors and CEOs are proud of their bank's executive team. And rightly so! Yet frequently those feelings of pride dissolve into uncertainty when the bank is faced with the decision to promote a banker into a top executive position or even the CEO role.

How does this happen? Why do well laid out succession plans sometimes evaporate in the face of reality when the time to elevate someone finally arrives? One of the reasons, based on our experience working with hundreds of community bank boards and executive teams, is that directors are often missing *context* when faced with a promotion decision. The lack of relative perspective on comparative candidates for similar roles may at times impede the comfort level necessary for a board to validate a promotion decision.

Succession plans are frequently aspirational in nature for community banks: long on good intentions towards the executive and bank, yet short on taking advantage of the time available to fully develop and groom worthy successors for key roles. In order for a bank board to gain the comfort to support a CEO's recommendation for a C-Level executive promotion, or for the board to align around a promotional decision into the CEO role, a robust assessment, development and monitoring program needs to have taken place well along the way.

True clarity around the bank's strategic plan and growth objectives is also critical. Alignment among the key decision makers—usually the Board of Directors or Trustees, along with the CEO—provides a consistent viewpoint on what the bank needs in its next leader. *Strategy informs profile* on many levels, including both tangible skills and leadership competencies, and collectively these must also mesh with the company and boardroom culture to enable a successful leadership transition.

Once a bank's strategic direction is updated and affirmed, an appropriate next step is often to conduct a *management assessment* of the existing leadership team. At a minimum, this exercise should provide a developmental action plan to help elevate

performance of the senior team—even when that performance is already solid. Evaluating the leadership team (this may involve more than one “level” of executives, depending on the institution’s size and complexity) provides multiple benefits, including:

- An objective evaluation of the strengths, scalability, areas of development and desire for more responsibility, particularly when conducted by an independent party.
- Creation of a “road map of development” which can be taken to boost executive performance and enhance succession viability.
- Increased likelihood of retention of high potential bankers due to the feeling of being “valued” and “invested-in” by the organization.
- Higher morale, as employees see the investment in future leaders as a sign of a commitment to growth and continued independence.
- A lower risk of a sale of merger driven by a talent deficit, as good succession planning enhances the continuity of leadership and strategy.

A robust management assessment program should have several critical components:

- Input from the CEO and Board that aligns strategy and the desired/needed profiles of future leaders for key roles. These profiles are often different than an incumbent’s profile.
- Extensive in-person interview time with a qualified industry talent expert. This should involve both behavioral and chronological interviewing techniques.
- Use of a third-party assessment tool to help grasp an executive’s full range of behaviors and leadership attributes, and the ability to benchmark against desired profiles.
- A peer evaluation survey, to garner candid input from close colleagues. Such a 360° process can provide valuable insights to help guide developments plans.

There is no more important responsibility of an incumbent CEO and community bank board than to develop the strongest possible leadership team and potential CEO successor. An informed board with a strong range of perspectives on the bank’s executive talent is best positioned to make promotional decisions on future bank leaders and CEO succession. A robust management assessment program provides the right foundation for good governance and successful succession planning.

Alan J. Kaplan is Founder & CEO of Kaplan Partners, a retained executive search and talent advisory firm headquartered in suburban Philadelphia. Kaplan Partners is the country’s only talent advisory firm member of the ABA and ICBA. You can reach Alan at 610-642-5644 or alan@KaplanPartners.com.

