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Seven Secrets of Succession Success

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One of a bank board's most vital responsibilities is overseeing the plan of succession for the CEO. Whether driven by a looming retirement or change in the incumbent's personal timeline, a well-orchestrated plan of succession and leadership continuity reassures employees, investors and communities. Unfortunately, too many bank boards still take a passive approach to CEO succession, rather than acknowledging that as directors, they are responsible for the selection and ongoing evaluation of CEO performance.

Good succession planning for any executive role starts with understanding the potential succession timeline and the bank's strategy. These seven steps will help to guide the board and incumbent CEO in developing a solid succession plan.

1. **Understand the succession timeline.** What is the intended horizon for the incumbent leader to remain at the helm? This timeline is often fluid, which can create a challenge for the board. It is natural for many healthy CEOs to struggle with stepping out of a role that has been so closely tied to their personal identity. Yet, boards must insist on some understanding of the timing in order to maximize the development of potential internal contenders and to avoid frustrating executives who are waiting in the wings.

2. **Strategy informs profile.** One of the most critical elements of planning for CEO succession is the bank's strategic plan. The direction of the bank going forward should help to clarify the skills and attributes required in the bank's next leader. Given the massive transformation of the industry over the past decade, the old maxim—what got you here may not get you there—may truly apply. Directors need to align around the bank's strategy to develop a profile for the bank's next CEO.

3. **Identify key skills.** There are countless technical and industry skills needed in a bank leader today—so many, in fact, that it is virtually impossible to find an executive with all of the ideal requisite experiences. So, prioritize the specific banking skills that the bank must have versus those the board would like to have. Key experiences such as commercial credit skills, regulatory experience, balance sheet management, board experience and risk management are often considered critical to success as a bank CEO today.

4. **Determine critical attributes.** What are the most important elements of a potential leader's personal style

and leadership philosophy that are necessary at this time for the institution? For example, most community banks see a CEO's community presence and visibility as critical for success, as well as creating and achieving a strategic vision. Strong communication skills, cultural agility and the ability to attract top talent also rank high these days.

5. **Develop a process.** Successful succession at the CEO and other executive levels involves a robust and thoughtful process, not just putting together a list of who the board knows or who the incumbent leader suggests. Boards today not only need to select a superior executive as their next leader, but are often called upon to defend their decision—and how they made it—to investors, customers and their communities. This does not mean that an external or formal search is always warranted, but it does mean that there needs to be a genuine effort to source, screen, assess and validate serious contenders, which ultimately adds credibility to the board and the selected leader.

6. **Make your bank attractive to star talent.** Despite the declining number of banks in the country today, the crop of qualified bankers available to fill the growing ranks of retiring CEOs is not deep enough. Thus, the market is competitive for top bankers, and relocating someone to a new and potentially smaller market remains a challenge. Star bankers will ask tough questions of the board and will want to understand the bank's strategy, as well as the level of support, engagement and strategic value they can expect from the bank's directors.

7. **Prepare for an emergency.** As most boards know, the bank should plan for the best and prepare for the worst. Reviewing and updating the bank's emergency succession plan on a regular basis is a must for good governance and regulatory satisfaction. There have been too many instances where this backup plan has been called into action. Having a scenario ready to keep the train on the tracks during an unexpected situation is critical to keeping the institution moving forward.

There is no greater responsibility for a bank's board of directors than ensuring that the organization has the right leader in place. While there are many important elements to successful CEO succession, the most important point is to maintain the topic of leadership succession as a regular and ongoing board-level discussion.

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