DCU BULLETIN

Division of Credit Unions
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Succession Planning

Succession Planning is Critical

The Division of Credit Unions (DCU) observes that a large portion of our credit unions have management approaching retirement age in the near future. Therefore, boards of directors, with the assistance of current management, need to be prepared to deal effectively with the areas of recruitment, succession planning, and compensation. DCU expects that succession planning will be part of the credit union's strategic and disaster recovery plans.

Board Responsibility

The primary responsibility of boards of directors is to hire and retain professional management.

CUNA's 2003 Environmental Scan indicates almost half of credit union CEOs will retire by 2013, yet only half of these credit unions have a formal succession plan or a senior management employee qualified to take over. In addition, disasters happen and smaller credit unions are especially vulnerable due to a natural lack of management depth. Professional recruiters estimate that it can take six months or more to recruit for a CEO or other key management position. A prudent disaster recovery plan will have, at a minimum; persons identified and trained to act as interim management to ensure the immediate continuity of the credit union.

Board Plan on Succession or Recruitment

Consistent with the credit union's size and complexity, the board of directors should establish a strategic plan that documents management's course in assuring that the credit union prospers in the next two to three years. Succession planning needs to be integrated into the strategic plan both to ensure its implementation and to obtain or maintain the knowledge, skills, and abilities needed by the manager to serve the future needs of the credit union.

Directors need to have candid discussions with their key management and determine retirement plans. If retirement is planned in the near future (two years or less), DCU expects the board and senior management to adopt an action plan and be actively engaged in succession planning and recruitment. Directors should discuss the progress of accomplishing the succession/recruitment plan as a routine agenda item at board meetings.

If retirement is anticipated in less than five years but more than two, DCU would expect to see succession planning in broader terms and discussed routinely at board meetings. Activities might include:

- Review salary surveys to determine what compensation credit unions of similar size and services pay their key persons,
- Prepare an inventory of needed CEO knowledge, skills, and abilities (KSA) to accomplish their credit union's mission and strategic plan,
- Determine if the credit union has a senior manager(s) qualified to move up the career ladder to CEO and what training (if any) is needed over the next few years,
- Determine if working with an outside search firm for recruitment is the best approach for the credit union, and
- If an outside search firm is used, determine desired and appropriate level of the board's involvement in the process.

Training on Succession Planning

Expect that examiners will comment if they do not find adequate succession plans as part of the strategic and disaster plans of the credit union.

The Division will be offering training in the near future to help volunteers and management prepare for successful succession planning.