

The Importance of Succession Planning

by [Steve Brown](#)

When the US Constitution was originally written, it didn't expressly state how the office of President would be filled in case of a vacancy. This ambiguity became an issue at various points in history and in 1967, the 25th Amendment was finally adopted, clearly spelling out the line of succession when a Presidential or Vice Presidential vacancy occurs.

No one likes to think about his or her mortality, whether business or otherwise, so perhaps that is one reason why contingency planning often take a back seat at many banks. There is something to be learned from the angst caused by uncertainty however and the lesson for banks is that there is no substitute for a good succession plan. By failing to plan for the unexpected, we are also failing our employees, our shareholders and our customers.

Another reason succession planning sometimes gets short shrift perhaps is that some people just don't like to do planning of any sort. They forget to buy health insurance, car insurance, home insurance, flood protection and more. Fortunately, bankers are usually planners, so when it comes to succession planning opportunities to improve abound.

Consider that studies find the average bank CEO age is around 58 right now. That gives your bank time, but the stakes are also pretty high so planning should enter the equation at some level. If you are still dreading the planning process, consider this food for thought: a 2011 study found that companies that exclusively promoted CEOs from within their own ranks outperformed other companies across seven measurable metrics: return on assets, equity and investment, revenue and earnings growth, EPS growth and stock-price appreciation. As the study shows, having a plan and grooming successors just makes business sense.

There are many good reasons to make grooming successors a priority from the top down. The board of directors should take a role, regularly discussing the issue and making sure that a written plan is in place. At the very least banks need to have a roadmap for what would occur in case the unexpected happens. The more detailed this plan is, the better.

While it took our country a long time to get on board with a true written plan lawmakers eventually warmed to the idea. After all, nothing less than our country was at stake. We are sure William Henry Harrison didn't expect to die in office; nor did President Garfield expect to lay in a coma for months before succumbing to the effects of an assassin's bullet; nor did Woodrow Wilson expect to suffer a debilitating stroke (leaving his wife to take over much of the day-to-day running of the country) nor did Lincoln nor Kennedy. These real life examples show just how important it is to have a succession plan to ensure business continuity.

When succession planning is done right, it provides a framework for stability to the organization, but when it is done wrong, it can be disruptive and lead to reduced performance. No matter what, consideration of all aspects of the business is important in order to deliver the former and avoid the latter.

BANK NEWS

Branch Sale

Essex Bank (\$1.1B, VA) will sell 4 branches in GA with about \$192mm in deposits to Community & Southern Bank (\$2.6B, GA) at a premium of 1.33%.

Laptop Power

Despite the hype around tablets and smartphones, research by APQC finds 68% of employees surveyed say they are most productive when using their laptops vs. 38% who said smartphones and 20% who said tablets. Meanwhile, by device, 89% said they did work on their laptop every day vs. 85% who said smartphones and 31% for tablets.

Online

Javelin research finds 88.5mm people tried to open a checking or savings account online in the past 12 months (about 20% of those were through smartphones or tablets), but 25% did not successfully complete the process. Primary reasons cited for why people abandoned the process included: did not need an account after all (47%), process was too complicated (12%), couldn't satisfy minimum deposit requirements (10%) and process was too long (9%).

Hotel Lending

PKF Hospitality research finds revenue per occupied US hotel room fell about 25% to \$3.25 in 2012 vs. \$4.33 in 2007.

Targeted Savings

Deloitte research finds 58% of Americans do not have a formal retirement income and savings plan in place and only 30% say they feel very secure about retirement. Meanwhile, those who had a retirement plan were 400% more likely to feel very secure. Perhaps sitting down with customers to discuss this is a good way to spark some business.

Small Biz

An Insperity Survey of small business owners finds 72% are meeting or exceeding their 2013 performance plans and 55% expect sales to increase this year. Meanwhile, the list of top short term concerns were the economy (50%), rising health care costs (49%), government health care reform (43%) and hiring the right people (39%).

Small Biz

A National Small Business Association survey of owners finds 20% are waiting for the Affordable Care Act to fully kick in before they implement any growth strategy (due to fear of rising health care costs), 36% are not raising salaries and 26% are holding back on hiring.

Technology Projects

Analysis by the Standish Group finds 63% of IT projects are unsuccessful and 42% go over budget, aren't completed on time or don't deliver as expected.

Millennial Housing

Research by Pew finds 33% of millennials live with their parents.

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