



Planning For Succession Success

by [Steve Brown](#)  [strategic planning](#) [leadership](#)

Summary: Succession planning has been a part of community financial institutions' strategic and contingency planning for some time. Yet, 67% of bank CEOs are baby boomers between 56 and 75, so retirements may be coming sooner than expected. Still, 37% of banks have reported they have no clear CEO replacement. We give you five tips to help with your succession planning.

There has been an exodus of US CEOs. In October 2021, 142 CEOs left their companies, a 38% increase MoM and the largest number since January 2020, when a record 219 CEOs resigned. The Great Resignation isn't only for employees.

If your top talent leaves suddenly, how deep is your bench to replace them so you can remain competitive? While a significant majority of financial institution CEOs are nearing retirement age, only about a third of boards have a successor in mind. Not only that, but also 37% haven't even drawn up a potential slate, according to a Bank Director survey.

A well-crafted succession plan is critical. [Regulators demand that community financial institutions \(CFIs\) have a bench of would-be successors](#), who have the experience, competence, and integrity to be leaders, as part of the institution's overall risk management plan. It's also important to stay competitive and be in a position to grow.

COVID-19 sadly reminded many CFIs to avoid being caught off guard if they suddenly lose leaders with no one who can immediately fill their shoes. A good succession plan is also part of a sound disaster recovery and business continuity plan.

Says one CEO: *"I know a bank that lost their CFO who died unexpectedly, and it was a critical time in their operations to replace him. Without their succession plan in place, it could have been devastating to the bank."*

Here are five tips for your succession planning.

1. Align your succession plan with your strategic plan. Where do you want your institution to be in 5Ys? 10Ys? Do you want to enter new lines of business, become digitally-centered? What kinds of skill sets would future leaders need to carry out your strategic plan, including managers across business lines and functions? If you need facilitators in answering some of these questions, consultants and trade groups can help.

2. Develop clear career paths. Detail how employees can progress within the organization, augmenting their current duties with stretch assignments, leadership education, and cross-functional training. To strengthen your bench, regularly recruit potential leaders and consider intern programs for recent college graduates. Make sure your pool is diverse, which also minimizes "groupthink" that can limit innovation. Offer financial incentives, like stock options or deferred compensation plans, to encourage talent to stay.

“Even the smallest community banks can find ways to motivate employees and expand and diversify their skills through cross-training, serving on committees or special projects, attending conferences, and coaching and mentoring relationships,” writes the FDIC.

3. Consider family matters. If you’re a family-owned institution with younger generations in the wings, take extra precautions to make sure family dynamics don’t interfere with business performance. Also, if the would-be successor subsequently decides not to take the job — or if they’re not truly up to the job — ensure that you have a plan in place to use someone outside the family instead.

4. Reassess regularly. Annually reevaluate your succession plan against your evolving business strategy, making sure you are keeping up-to-date with your skills and leadership training. Each quarter, monitor the progress of the revised action plan to make sure you’re on track.

5. Transition smoothly. Whenever possible, ease successors into the role by having them work alongside the current leaders. Once they are in the role fully, have retired leaders “on call” for consultation.

With 37% of financial institutions without a clear successor, make sure you have a solid succession plan. With our dynamic banking environment, you should revisit the plan regularly and adjust as necessary.

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ECONOMY & RATES

Rates As Of: 02/11/2022 05:35AM (GMT-0800)

| Treasury | Yields | MTD Chg | YTD Chg |
|-----------|---------|------------------------------------|---------|
| 3M | 0.40 | 0.18 | 0.34 |
| 6M | 0.74 | 0.25 | 0.55 |
| 1Y | 1.12 | 0.33 | 0.73 |
| 2Y | 1.55 | 0.37 | 0.82 |
| 5Y | 1.91 | 0.30 | 0.64 |
| 10Y | 2.00 | 0.22 | 0.49 |
| 30Y | 2.29 | 0.18 | 0.38 |
| FF Market | FF Disc | IOER (Interest on Excess Reserves) | |
| 0.08 | 0.25 | 0.15 | |
| SOFR | Prime | OBFR (Overnight Bank Funding Rate) | |
| 0.05 | 3.25 | 0.07 | |

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