



## Three Effective Succession Planning Strategies

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

**Summary:** Succession planning is something that all financial institutions do. Yet, with the pandemic, leadership roles were truly put to the test. Here are three ways to effectively groom your successors and help promote a successful transfer of leadership — review the game plan, perform an external search, and empower would-be successors.

Most people think that retirees like traveling. Well, that seems to be true, according to an AARP survey. In fact, 99% of baby boomers said they traveled for leisure, with the average boomer taking four to five trips per year. They are definitely a force to be reckoned with. If you include people 50Ys+, the amount spent on leisure travel runs about \$125B annually.

After a year of crisis, it's a good bet that there may be more bank leaders considering the lure of travel and retirement. Since the industry has changed with higher digital adoption, there also may be different experiences or skill sets needed in leadership. One thing that the pandemic taught us was the importance of filling leadership roles during a crisis. But, what about after a crisis?

One thing is sure, succession planning is a challenge for many bankers. According to [BankDirector's 2021 Compensation Survey](#), 26% of banks in total and almost 3 in 10 banks with assets \$250MM to \$500MM named executive succession planning as one of their top three compensation challenges for 2021.

With this backdrop in mind, here are three ways community financial institution (CFI) executives can effectively groom their successors and help promote a successful transfer of leadership after a year like no other.

### Review the game plan

It is common practice to have a succession plan. But, even if you have a plan already in place, now may be a good time to re-examine it based on the events of last year. Have the roles changed at all? Are there additional skill sets needed post-pandemic, such as communication or technology expertise? Do those identified as successors have the new skill sets needed? Having rich discussions with your executive team on these questions and others will help hone your succession plan appropriately.

Reassessing your plan is important, but it is just as vital to have a backup plan. Consider, for instance, how Morgan Stanley's CEO ran the company while quarantining and recovering at home from COVID and how the CEO of JPMorgan Chase & Co. was sidelined out of the blue after emergency heart surgery. Expecting the unexpected has become even more of a reality and should be accounted for.

This backup plan should keep things running smoothly when the unexpected happens. If CFIs have people in place who can take over on an emergency basis when senior leadership is out-of-pocket, operations can continue to run smoothly. Each key position that doesn't have a clear successor needs a distinctly defined backup plan, including expected leadership and accountability. This does the double duty of protecting the CFI and testing the waters to see whether someone could be a longer-term successor.

## Perform an external search, if needed

Once you have reviewed your succession plans, it may be that for one or several positions, there are no clear-cut internal candidates to take over. That's when you may have to look outside the institution for talent. You don't know when someone will leave, so it's always good to have your eye on the competition and possible options, should the need arise. Exploratory conversations are just as they sound and CFIs shouldn't be afraid to reach out to top talent to see what's available before it becomes necessary. Enlisting executive recruiters can make this process more efficient.

## Empower would-be successors

Many CFIs have would-be leaders-in-the-wings, but they don't always adequately groom them or give them enough leadership opportunities to really test the waters ahead of an actual leadership transfer. Once you've identified potential leaders, remember to work with them, giving them ample opportunities to learn and be mentored in all aspects of bank leadership. Being a mid-level manager, and having the skills that are required to do this successfully, can be very different from what's needed to function effectively at the executive level.

Certainly, many CFIs already have succession plans in order and are prepared. Yet, after the chaos of last year, it is worthwhile taking another look to ensure that your institution stands ready for anything that any other year delivers.

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## ECONOMY & RATES

Rates As Of: 06/23/2021 05:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.04	0.03	-0.05
6M	0.06	0.03	-0.03
1Y	0.08	0.04	-0.02
2Y	0.25	0.10	0.12
5Y	0.87	0.07	0.51
10Y	1.48	-0.11	0.56
30Y	2.11	-0.17	0.47
FF Market	FF Disc	IQER (Interest on Excess Reserves)	
0.10	0.25	0.15	
SOFR	Prime	QBFR (Overnight Bank Funding Rate)	
0.05	3.25	0.08	

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