Choosing the Right Leader for a Credit Union

Change is inevitable. At some point, every company must deal with the issue of succession, whether planned or due to unforeseen circumstances. Some plan for it in advance, while organizations that find themselves unprepared may face chaos and uncertainty when a CEO retires, becomes incapacitated due to illness, or dies. Even if your credit union has created a succession plan, it’s helpful to understand the best way to choose a new leader. Making the right decisions can ensure the smooth continuation of the organization, and can affect a credit union’s fate for many years to come.

Determine Future Demands

There may be a desire on the part of the board to replace the current CEO with someone who has similar qualities. But that could be a mistake. The current CEO may have been an excellent leader during the time he or she has served, but effective succession planning recognizes the plan is designed to serve the needs of the organization, not the talents of the current CEO.

As times change, so do the demands placed on an organization. The skill set that has served the current CEO may not be productive five or ten years from now. The board members of a credit union should look at where they want it to be in the future and identify the challenges that may lie ahead. Developing a business strategy to meet those challenges, rather than relying on the same approach that was successful in the past, will help the organization innovate and grow.

Where to Look

One question that comes up is whether to look for a successor from within the organization or from outside. While it may be tempting to hire from outside the credit union and choose a new leader with excellent credentials and a good track record, this may not have the anticipated outcome. The Center for Creative Leadership, a global leadership development organization, found that 66% of senior managers hired from outside fail within the first 18 months. The reasons include lack of familiarity with the company’s culture, not having a good understanding of the business philosophy, or having the wrong personality for the organization.

The Inside Advantage

In addition to identifying roles and strategies for transition, a succession plan should help credit unions develop leadership from within the organization. This begins with a culture that cultivates talent and is willing to invest in training.
Credit Union CEOs should be involved in the succession process by mentoring and preparing prospective leaders for advancement. The organization can benefit by fostering job rotations, encouraging professional development and exposing employees to opportunities for advancement. To keep good talent from leaving, compensation packages should be equitable within the company as well as between the credit union and competitors.

**Tips for Choosing a CEO**

Here are some important considerations to keep in mind when designing your succession plan. These tips will help ensure your credit union makes the right decision.

- Assess the credit union’s needs and challenges that may lie ahead. Align the leadership qualities with the future needs of the organization.
- Look at the performance of the credit union and determine if the new CEO should follow the same course or change direction.
- Create a list of the leadership qualities, talents, traits, and culture fit desirable for a new CEO.
- Take stock of the internal pool of talent and determine if there are any disparities between available and needed capabilities.
- Explore alternative executive compensation possibilities, to keep your organization competitive.
- Provide opportunities for training and career development.
- Create a list of possible internal and external successors to the CEO.
- Conduct thorough background checks.
- Use an executive search firm if you decide to look outside the credit union.

**Plan for Success**

Failure to have a comprehensive plan to replace your credit union’s CEO can throw the organization into disarray and lead to disastrous results. On the other hand, a solid succession plan can help create stability during the transition period, and position the credit union in good stead for many years to come.