

# TALENT MATTERS.

EXECUTIVE SEARCH | BOARD ADVISORY | MANAGEMENT ASSESSMENT

# TEN BEST PRACTICES IN POST-PANDEMIC CEO & EXECUTIVE SUCCESSION MANAGEMENT

VACB/VBA Directors' Symposium  
April 27, 2021

Alan J. Kaplan / Founder + CEO

# KAPLAN PARTNERS

- **Founded May 1, 1994**
- **Retained executive search and board advisory across the banking and financial services sector:**
  - Regional and community banking institutions
  - Wealth management and mortgage banking firms
  - Corporate financial search
  - Financial technology
- **Board advisory services for:** Director succession, performance, diversity, and recruitment
- **Management assessment services for:** CEO succession and executive management development
- **Partner organization with ABA, ICBA, Bank Director, VACB, VBA plus 7 other state banking associations**
- **Bank Clients today in 21 states, and growing**

# ALAN J. KAPLAN

FOUNDER + CEO

- 34 years in banking executive search and talent assessment
- Credit-trained corporate banker
- Industry leader in bank succession and talent management
- Led 76 bank president/CEO/succession assignments to date
- Former Penn Liberty Bank advisory director
- National Association of Corporate Directors *Board Leadership Fellow*
- National speaker and author for industry associations on corporate governance, talent management, and leadership succession
- Global board of directors, Association of Executive Search & Leadership Consultants
- Penn State B.S. in Economics; Temple University MBA in Finance

# WHY TALENT & SUCCESSION MATTER

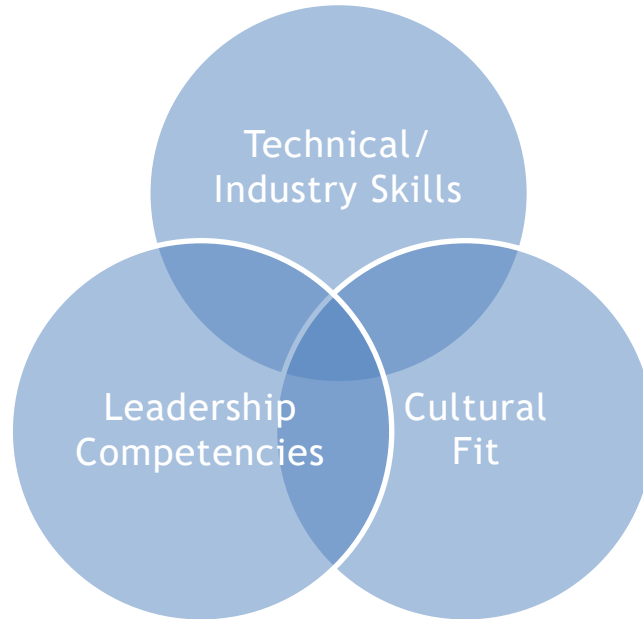
- Leadership Succession & Selection is #1 Responsibility of Bank Directors.
- Boards in turn Must Hold CEOs Accountable for Development of a Superior Team to Execute the Plan.
- Regulatory Scrutiny of Succession Plans Rising for All C-Suite Roles.
- Continuity of Leadership Promotes Continuity of Strategy
- Employees, customers, competitors, communities, shareholders all watching!
- Good Succession impacts the bank's credibility in the market - along with customer & employee retention - based on handling of leadership transitions.
- Well groomed successors are proven to perform better, and reduce the likelihood of a sale or merger.

# WHY TALENT & SUCCESSION MATTER

- Pre-pandemic run rate of losing 50 banks each quarter.
- 4,989 bank charters as of 4/23/2021; we'll likely be closer to 4,000 by late 2025
  
- National Unemployment Rate = 6.0%
- Virginia Unemployment Rate = 5.1%
- College Educated Workers Unemployment Rate = 3.7%

# THE EXECUTIVE SWEET SPOT

WHERE SUCCESS ALIGNS



# 10 POST-PANDEMIC BEST PRACTICES

1. Timeline
2. Alignment
3. Skills
4. Attributes
5. Candidates
6. Assessments
7. Development
8. Flexibility
9. Emergency!
10. Boards



# SUCCESSION TIMING

- Timeline of Succession Plan: Executive or Board Driven?
- Formation of *Succession* Committee—well in advance.
- When does a “formal” process launch?
- When is a pending retirement announced ?
- How much overlap is desired, *or needed*, for the transition?
- Is there a formal role for the departing CEO after transition?
  - Does the prior CEO remain on the Board, and if so for how long?
  - Would the prior CEO become Chairman, if not already?
  - How will the departing CEO handle this change?

# A POTENTIAL SUCCESSION TIMELINE

## Approximate Months from T-Day (Transition Date)

- 36-30: Comprehensive Review of Strategy (Alignment)
- 36-30: Formation of Succession Committee & Development of Future Leader Blueprint
- 30-24: Robust Assessment of the Executive Team
- 30-24: Implementation of Development Plans and Rotation of Assignments
- 18-12: Review Progress of Developmental Programs
- 18-12: Refine T-Day Timeline and Predecessor Role
- 12-6: Selection of Internal Successor, AND/OR Determine Whether to Search Externally
- 6-3: Begin Transition of Select Roles & Responsibilities; Finalize Compensation
- 0: T-Day! Successor Officially in Complete Charge; Key Symbols of Power Shift;
- 3-6+ Revise Emergency Succession Plan

# STRATEGIC ALIGNMENT

A critical and often unappreciated variable in the succession process is the bank's strategic direction:

- Where is the company heading, and is everyone properly aligned?
- *Strategy Informs Profile*: Is the Strategic Plan a True Roadmap?
- What lens are we looking through? *Craft a CEO Blueprint!*
- If we believe that we will need different skills & leadership competencies for future, do we know what they are?
- Have we spent our lead time wisely and done all we can to best prepare our prospective internal successors for their next role?

# KEY INDUSTRY SKILLS

- Track Record Working with Regulators
- Knowledge of B/S Management & Capital Strategy
- Appreciation for Corporate Governance Best Practices
- Innovation and Digitization Savvy
- Understands Risk Management Today
- Marketing, Branding and Social Media Knowledge
- Exposure to Growing Fee Lines of Business
- Commercial Credit Skills
- Transaction and Integration Experience
- Strategic Planning Skills

# CRITICAL LEADERSHIP ATTRIBUTES

- Vision: Inspire, Communicate & Create Followership
- Culture Keeper: Sets the Tone at the Top
- Strategic Thinker: Plans Ahead and Anticipates Change
- Talent Magnet and Team Builder: Attract, Retain, Develop
- Authenticity and Emotional Intelligence: Genuine; Low Ego
- Performance-Driven: Sets Goals, Clarity & Accountability
- Customer-Centric: Visible and Value-Oriented
- Agile & Innovative: Continuous Learner in Shifting Landscape
- Collaborative: Builds Trust, Teams and Relationships

# THE CANDIDATE EXPERIENCE

- What kind of impression does your hiring process create?
- Are all of your position profiles written in an “inclusive” fashion?
- Are you truly looking for diversity in your candidate pools by fishing in “different ponds”, or are you following the same historical pattern?
- Are your managers well trained in interviewing skills?
- Have you adapted your interview processes to accommodate virtual interviews?
- Are you able to react quickly and make decisions on high demand candidates?
- How are you onboarding new hires, particularly when some workers may remain remote for an extended period?
- Have you utilized any assessment tools as part of your hiring program?

# ASSESSMENT TOOLS

## STRENGTHS:

- Adds objective perspective to candidate evaluation
- Reveals underlying personality traits
- Enhances understanding of natural candidate behaviors
- Avoids unconscious bias

## CAUTIONS:

- Must be put into proper context
- Need clarity of role and desired cultural attributes
- Overemphasizing missing pieces—we all have them!
- Seeking perfection where none exists
- It's only one piece of the candidate puzzle

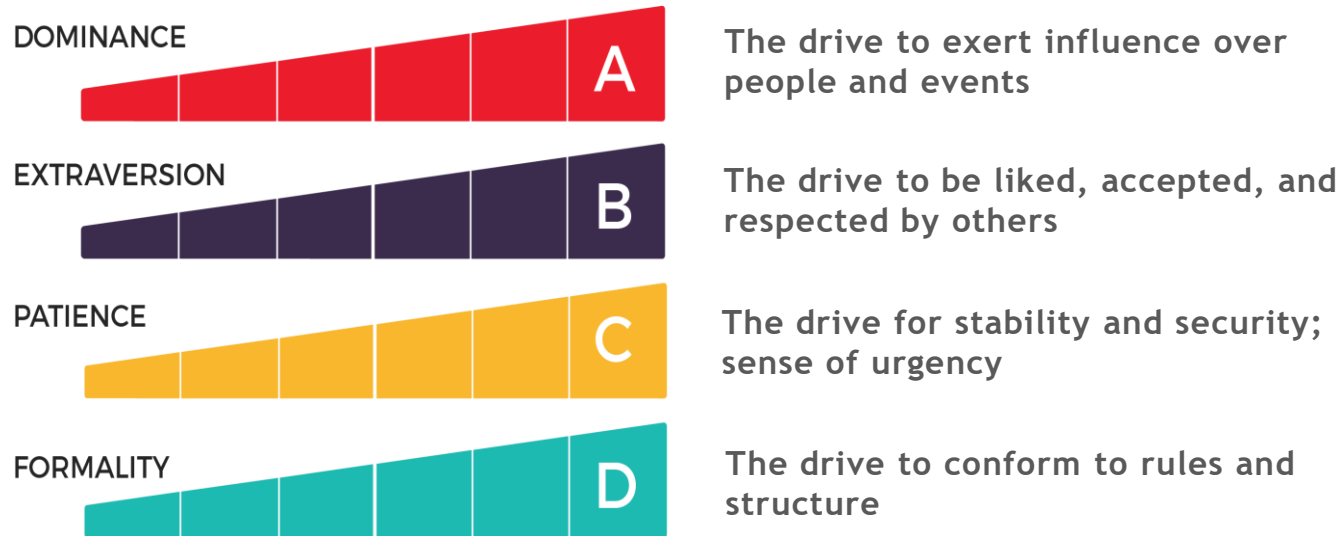
# ASSESSMENT TOOLS

## THE WHOLE CANDIDATE

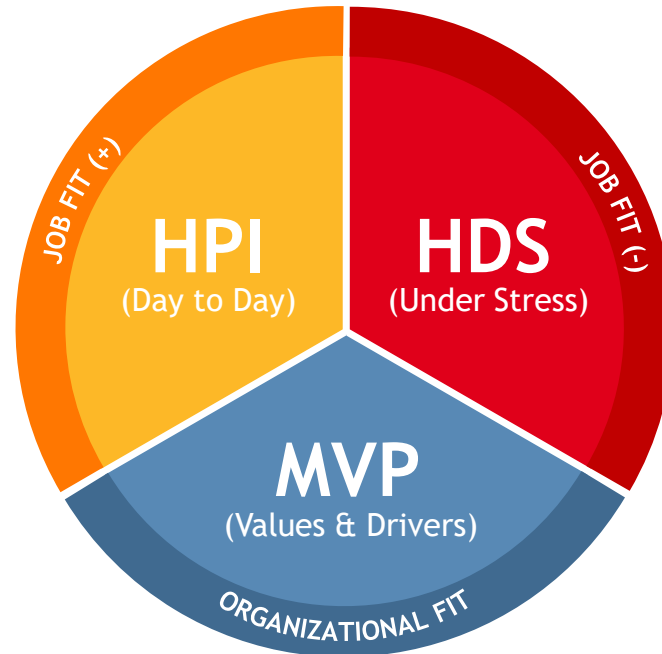




# EXAMPLE: PREDICTIVE INDEX BEHAVIORAL DRIVES



# EXAMPLE: HOGAN ASSESSMENTS



# DEVELOPING HIGH POTENTIAL BANKERS

## Key Philosophies:

- Talent development efforts nearly always aid the retention of high potentials.
- The Boss's personal involvement remains #1 retention tool.
- Developmental stretch assignments are critical to growing future leaders.
- The company is stronger whether you promote an internally developed individual or not.
- Talent development programs do not need to be expensive or fancy...*just do it!*

# DEVELOPING HIGH POTENTIAL BANKERS

## Key Strategies :

- Create Customized Individual Development Plans.
- Develop stronger & more varied technical skills, particularly via Rotational Assignments.
- More training in “soft” skills; Consider Executive Coaching for High Potentials.
- Build an In-House Mentoring Program; Consider Board Mentors
- Increase investment in ABA, ICBA, VBA & VACB training
- Enhance Visibility with key clients and prospects.
- Board Service: key community and industry groups

# FLEXIBILITY AND TALENT

- What is your bank's policy on remote work, short and long term?
- How are you assisting managers in managing and developing workers who they may infrequently see in person?
- Is your bank crafting job descriptions in an "inclusive" manner and committed to diverse candidate pools, given today's scrutiny?
- How willing are you to consider remotely hiring workers in high demand specialties such as IT and compliance who are not in your core market?
- How are you navigating performance management with remote workers?
- Are you unintentionally creating a double standard with some employees?

# EMERGENCY SUCCESSION

## Are you prepared for the next pandemic?

- Most Boards Formally Discuss CEO Succession only once/year.
- 74% of Boards Have Both Emergency & Long Term Plans.
- 21% Have Only an Emergency Plan.
  - *A Few Still Have No Succession Plans of Any Kind!*
- Revise Emergency Succession Plan Completely as part of CEO Transition Process.
- Revisit Emergency Plans Annually, and keep tabs on who knows the plan.


# BOARD SUCCESSION

- Boards are Getting Older (Average Age 63 & Rising)
- Tenure and Retirement Ages Rising
- New Director Additions Must be Skill-Driven; Conduct a “skills gap analysis”
- Bank Boards Need *More Diversity of Perspective*; how and where are you seeking your next generation of Directors?
- Enhance Review of Board Performance & Accountability;
- Self and *Peer* Evaluations Now the Norm
- Director Compensation Often Inadequate—Revisit!
- Enhance Focus on CEO and Leadership Succession
- Board Succession is a Process, *Not an Invitation*
- *Proactively Plan for Board Refreshment!*

# SUMMARY

- CEO Succession is your most important decision as a Board. A robust and thorough process adds huge comfort & credibility.
  - Alignment of Organizational Strategy is a Critical Factor in all executive hires.
  - You can't spend too much time getting to know potential future leaders, whether internal or external.
  - Banks need to take a fresh look at their approaches to hiring, developing and retaining workers, and adapt processes to be more flexible than ever before.
  - Boards need to become more accountability driven, and not fear evaluations.
- Succession Planning & Process are as important as the Outcome!





THE FUTURE OF BANKING WILL BE ALL ABOUT CAPITAL AND TALENT. BEYOND ABUNDANT CAPITAL, SUCCESSFUL INSTITUTIONS WILL NEED THE STRONGEST POSSIBLE TEAM OF HIGHLY TALENTED BANK LEADERS, DIRECTORS, AND PRODUCERS, TO SURVIVE AND THRIVE IN THE FUTURE.

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