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Pepperdine University

Graduate School of Education and Psychology

IDENTIFYING IMPEDIMENTS OF SUCCESSION PLANNING IN CREDIT UNIONS

A dissertation submitted in partial satisfaction

of the requirements for the degree of

Doctor of Education in Organizational Leadership

by

Stephanie Zuleger

November, 2016

Kay Davis, Ed.D - Dissertation Chairperson

This dissertation, written by

Stephanie Ann Zuleger

under the guidance of a Faculty Committee and approved by its members, has been submitted to and accepted by the Graduate Faculty in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

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DEDICATION

This project is dedicated to my grandmother, Elizabeth Arndt. Although you were taken from me way to early, each and every day I think about you and miss you. Thank you for inspiring me to be a better person, to have a kind heart, and to never ever stop fighting. I have learned so many lessons from you that I will never forget. I hope you are looking down on me smiling and that you are using your amazing voice and grace to touch other's hearts like you touched mine. I love you more than you could ever imagine.

ACKNOWLEDGMENTS

From the bottom of my heart I would like to thank my chair, Dr. Kay Davis. I knew from the moment that I met you that I needed your mentorship and guidance to be successful on this journey. You have taught me more than you know in the past four years, and I am grateful for you. I would also like to sincerely thank my Dr. Jack McManus and Dr. Kent Rhodes, my committee members. You both made me better and made this project and our discussions enjoyable. I will never forget the hope, motivation, and kindness you gave me both as committee members as well as professors.

Thank you to my father Bruce Zuleger and my mother and stepfather, Brenda and Harland Hoveland. All three of you taught me the value of hard work. I am so grateful for your support, love, and encouragement. I hope to continue to make you proud. To my grandfather, Lawrence Arndt, you are one of the strongest, sweetest, and kindest men I know. I would not be where I am today if I did not learn the important lessons you taught me, even those that date all the way back to burglarizing your cupboards. I love you all.

VITA

Stephanie Ann Zuleger

ACADEMIC HISTORY

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EMPLOYMENT HISTORY

Y-12 Federal Credit Union Vice President/Chief Lending Officer	01/2015-Present
Kishwaukee College Adjunct Instructor	01/2014-Present
Motorola Employees Credit Union Lending Sales Manager	2013-2015
Target Group Operations Leader	2011-2013
Summit Credit Union Branch Manager	2007-2011
Buffets, Inc Service Manager	2007-2008
San Diego County Credit Union Member Service Supervisor	2003-2007

ABSTRACT

Credit unions, the cooperatives started by the people to serve the people, have experienced tremendous growth, success, and challenge since their inception in the mid-19th century. While the overall number of members and assets are growing, the physical number of credit unions is decreasing due to mergers or insolvency, keeping market share stagnant for the past 20 years. As with all organizations, succession planning is essential to ensure a future. Considering a conceptual foundation including stakeholder theory and succession planning, the purpose of this qualitative study was to better understand how succession planning is utilized by CEOs of credit unions today, what impedes credit unions from succession planning and leadership development, as well as what tools or resources are needed within the industry to either build or enhance the succession planning efforts.

Based on in-depth interviews with eight current CEO's, findings revealed that succession planning is happening more frequently in large credit unions than previous research noted. CEOs are committed to their stakeholders and to the industry and are driving this process in their credit unions, they believe developing leaders is their main role, and they see succession planning as a competitive advantage because of the results it generates. To make the process successful, the CEOs are utilizing consultants, incorporating a variety of activities, focusing on innovation and technology, and challenging the talent management status quo. The CEOs did not believe suggested impediments from previous research were accurate. Rather, they believed that intrinsic factors got in the way including excuses, basic human nature and egos. To truly revolutionize the industry and gain market share, the CEOs shared that many strategies including hiring practices must change.

It is recommended that credit union leaders and directors become knowledgeable on succession planning and its benefits, connect strategic planning with talent management, and remove intrinsic obstacles to most effectively give back to their stakeholders. Additional research on smaller credit unions and their succession planning efforts, recruiting and hiring tactics for credit union CEOs, and the prioritization of succession planning, strategic planning, and financial results is needed.

Chapter 1: Introduction

Hope is not a strategy. Luck is not a factor. Fear is not an option.

-Cameron, *Failure is Not an Option*

Occasionally organizations stumble upon a leader who is the epitome of leadership. This leader engages and inspires, communicates an attractive vision, innovates, drives change, executes flawlessly, develops others, manages diversity, builds effective teams, values people, has high emotional intelligence, and gets amazing results. Their energy fills up the room. People want to be on their team and achieve the common goal. While every organization would love to have a management team full of these individuals, the reality is quite the opposite. Despite the fact that organizations spend over $50 million a year on leadership development efforts, most organizations feel they do not have a sufficient amount of effective leaders (Burke, 2006; Fulmer & Conger, 2004). At the turn of the century, research found that between 50 and 75% of all leaders were not performing adequately (Hogan, 1999; Hogan & Hogan, 2001). Fifteen years later, the leadership gap is only getting wider (Bersin, 2013).

“Executives are struggling with leadership gaps at all levels—from first-line supervision through top leadership (more than 60% of all companies cite ‘leadership gaps’ as their top business challenge)” (Bersin, 2013, p. 5). Organizations are facing gaps due to the aging workforce. Many senior executives are reaching retirement age and the large baby boomer generation is placing immense pressure on companies to have a plan for the future to ensure the knowledge and skills do not exit the organization with the retirees (Rothwell, 2010). Executive turnover was estimated to be at 70% during 2012 and 2013 with little desire from those second in command to take over (Carman, Leland, & Wilson, 2010). Lastly, as companies have been forced to downsize and cut costs and expenses over the last several years, many organizations faced a reduction in their staffing levels.

Not only are organizations losing leaders due to the current environment, but leaders also fail for many reasons. When leaders fail, organizations are set back or worse, they fail (McIntyre, Hess, & Weigley, 2013). In the first decade of the century, examples of failures as a result of poor leadership include Dell, Blackberry, Blockbuster, Martha Stewart Living Omnimedia, Enron, and Countrywide Financial. McIntyre et al. (2013) noted that these companies' failures are not unique. The founders of these companies showed great promise but destroyed their organizations by making poor decisions, focusing on themselves, and lacking vision and innovation (McIntyre et al., 2013). Sull (1999) shared that leaders engage in active inertia, which occurs when a leader repeats previously established behavior because of past success despite taking into account the changing environment and markets around them. The leader essentially ends up spinning their wheels versus addressing the problem (Sull, 1999). Sims and Quatro (2005) noted that leadership is how organizations will succeed and specifically shared that leadership now is much different than in the past. Leaders must be more dynamic, flexible, strategic in handling complex markets and situations, visionary, and they must embrace leadership factors like empowerment, life-long learning, quality, change, and excellence (Sims & Quatro, 2005).

When the right leaders are not present within the organization, the organization is forced to look outside. Hiring strong leaders from outside can be especially difficult. It is easy to latch on to specific traits and not identify potential derailers. Derailers are behavioral issues that derail careers (Dotlitch & Cairo, 2003). Zenger and Folkman (2009) found 10 fatal flaws that derail leaders including lack of energy and enthusiasm, lack of a clear vision, resistance to new ideas, and lack of interpersonal skills. In addition, they fail to develop others and instead focus on only themselves, which causes disengagement from teams and teammates (Zenger & Folkman, 2009). Derailers tend to shine through in moments of stress and include arrogance, volatility, excessive caution and indecisiveness, habitual distrust, passive resistance, eagerness to please, resistance to change, over leading and under managing or the opposite - micromanaging, and ultimately not getting results (Dotlich & Cairo, 2003; Fulmer & Conger, 2004; McCall & Lombardo, 1983).

Derailers can and must be avoided to protect the stakeholders of the organization. The employees, customers, stockholders, community, and the organization itself can suffer when a leader or organization fails as layoffs and pay cuts can occur, service can be impacted, and stock can decrease if the organization is not performing. Leadership impacts organizational performance (Joyce, Nohria, & Roberson, 2003; Wang, Tsui, & Xin, 2011). Wang et al. (2011) found that task-focused CEO leadership qualities directly affect organizational performance, and relationship-focused qualities improve employee satisfaction which in turn improves organizational performance. Joyce et al. (2003) found that CEO personality accounts for 14% of the company's performance. It is not just the CEO's leadership that affects the organization but all leaders. In a 2012 study of property liability insurance companies (similar regulatory scrutiny, risk levels, and distress levels as financial institutions), Leverty and Grace found that superior leaders removed their organizations from regulatory scrutiny faster than low performing leaders, and they found that strong leaders reduce the likelihood of insolvency, a key issue facing credit unions today. Their study specifically found that organizations that fail have less skilled leaders and their inadequate leadership is economically significant.

Lastly, overall employee satisfaction is mostly determined by how employees view their leader. It is no surprise then that employees leave organizations when leadership is lacking

(Branham, 2005). Branham (2005) noted seven reasons employees leave including: loss of trust and confidence in senior leaders, feeling devalued and under recognized, too little coaching and feedback opportunities, too few growth opportunities, job or workplace was not what was expected, and mismatch between job and person. All of these items are either directly or indirectly related to leadership behaviors and competencies and are contributing to dissatisfaction, which as noted above in turn leads to decreased organizational performance and reduced employee retention.

Fortunately, succession planning, if implemented well, provides a solution for identifying and developing leaders and creating a pipeline of strong leaders focused on improving organizational performance. Succession planning is not a new concept. It was first discussed in the literature in the 1960s when Trow focused his efforts on explaining executive succession in small businesses, specifically manufacturing companies. Trow (1961) specifically looked at factors that influence how well prepared an organization was for succession in top executive positions. Monroe (1963) was also an early researcher on the topic noting over 50 years ago that "Among the many critical problems facing chief executives today, none is more serious or urgent than planning the best use and allocation of executive resources…The short of executive talent is real indeed. There is a marked disparity between the supply of executives and the demand for them" (p. 35).

Succession planning is the process of identifying key leadership positions across an organization and ensuring through leadership development, mentoring, assignments, and coaching there is a competent pool of successors within an organization to ensure continuity of critical positions (Carman et al., 2010; Reid, 2005; Rothwell, 2005). As the employee goes through the leadership development phases and grows as a leader, they are assessed for the necessary competencies of future positions as well as potential derailers that may lead to failure for the leader and/or the organization. The depth of succession planning programs vary; however, possible activities involved in management planning programs include leadership development, 360 feedback initiatives, action learning programs, mentoring, coaching, and daily reflection (Conger & Fulmer, 2003; Greer & Virick, 2008; Groves, 2007).

Succession planning is not industry specific; it is about fulfilling the demand for leaders and hiring and retaining top talent (Charan, Drotter, & Noel, 2011). Charan et al. (2011) noted that organizations are trying to cope with the “war on talent,” and a strategy has been attempting to hire the best talent money can buy (p. 1). Unfortunately the supply of full-performing leaders is limited (Charan et al., 2011). No matter the organization, the challenges are the same. Small industries as well as large ones can benefit in planning for their future leaders. All organizations must do what is best for their stakeholders, which means maximizing organizational performance. As discussed, the leaders of the organization directly and indirectly affect overall performance, and a pipeline of competent and strong leaders will ultimately ensure continuity within the organization as well as competent leaders available to run the organization even when the unexpected occurs.

Statement of the Problem

The specific industry of interest for this research is the credit union industry. Credit unions, like many other nonprofits, have unique challenges in the daily operation of their business, yet they do great things for their stakeholders like give back to their members and their communities in a variety of ways (Chen, 2012). Credit unions were created to serve a specific Field of Membership (FOM) like a select employer group (SEG), a religious group, a particular trade, or a geographical location (National Credit Union Administration, 2008). Some credit unions are still restricted to serving their original FOMs today. Without the members, their initial investments (purchase of a share in the credit union), and their current shares, the credit union would not thrive. For this reason, the members (owners) are the core of the credit union's existence, and they are the key stakeholders. The employees of the credit union are a close second in regard to key stakeholders. If a credit union grows and thrives, so do their employees and members. If a credit union becomes insolvent on the other hand, the members must find another institution to do business with, which may mean a large bank that does not benefit them in the same ways. The employees may lose their jobs.

Credit unions do not have the resources of their large Fortune 500 competitors, yet they are forced to compete with the never ending regulatory changes, new technology on a limited budget, and like all organizations, they have to do more with less (still on their small budget and perhaps with 20 people instead of 30, which does not compare with the hundreds of thousands of employees their competitors may have). The bottom line though is that credit unions disappear almost daily, a trend that does not look to be slowing down in the next 10 to 15 years (Financial Brand, 2012). Stakeholders of credit unions including employees, members, and vendors are relying on leadership to keep them around. Great leadership in credit unions is more important now than ever.

The Credit Union National Association (CUNA; 2011) reported that credit union market share was at 6% in 2011, a number which has not changed in nearly 20 years. While the overall market share remains the same, the number of credit unions in the United States has decreased by more than 50% in the past 40 years (Credit Union National Association, 2011). "Assuming the industry maintains its current pace — an annual decline of about 3% annually — there will be 3,269 fewer credit unions by 2032. That means one out of every two credit unions alive today will disappear" (Financial Brand, 2012, para.18). The credit unions that disappear have multiple stakeholders including employees, members, Credit Union Service Organizations (CUSOs), communities, and vendor partners who are relying on them to remain strong and solvent.

To stay solvent and flourish, credit unions across the United States are diligently working on growth strategies as well as strategic initiatives to increase market share and maintain a competitive advantage (Higgins, 2011). In order to thrive, credit unions need to perform, obtain results, generate revenue, remain productive and competitive, challenge the status quo, innovate, take risks, think outside the box, and manage talent inside of the organization to ensure the right people are on board and growing with the company. While credit union executives gather together and create and update their strategic plans, often times they skip one critical component: succession planning. Succession planning includes proactively planning for leadership changes, identifying successors for key leadership positions, and developing internal employees with the skills and competencies necessary to assume leadership positions that arise expectedly or unexpectedly in the organization.

When succession planning is not performed consistently and across layers of leadership, the credit union is forced to go outside to fill these critical leadership roles. Filling positions externally may be required regardless of whether a succession plan is in place; however, often times hiring externally is not ideal. External hires have a greater chance of failure, do not know the credit union's culture, can disrupt continuity as the interview and hiring processes are extensive, and can cost the credit union more money on salary, relocation, and benefit expenses. Previous research on succession planning in credit unions and non-profits explained that the desire to succession plan and hire internally is there, but when the key leadership position opens, in many cases the credit union does not have someone ready to assume the role. A recent CUNA study found that when credit unions seek to replace their CEO position, 46% of the time they are posting the position internally and externally, while an additional 6% note they prefer to hire external applicants only (Dahl, 2010). The same article notes that for overall credit unions, less than 60% have a formal succession plan for just their CEO. This does not even take into account succession planning for any other key senior leadership or middle management roles. “The time to develop a CEO succession plan is before you need one” (Dahl, 2010, p. 45).

For credit unions, the leaders of the organization will either lead it to success or failure. Additional research is necessary to understand exactly what is impeding credit unions from succession planning and leadership development as well as what tools credit unions need in order to be more successful in implementing succession planning programs into the organization. By not understanding the impediments and necessary tools, the lack of succession planning will continue to require credit unions to scramble when needing a key leader, will cost them large amounts of unnecessary money, will hurt retention overall as good leaders are going to go to an organization that recognizes their skills and works to develop those skills, or worse, the credit union will become insolvent.

Purpose of Research

The purpose of this phenomenological study is to understand the lived experiences of credit union CEOs in regard to the topic of succession planning. This study seeks to identify what impedes credit unions from having a formal succession plan that includes all layers of management as well as what tools credit union leaders need to make succession planning a routine and strategic part of the culture whereby all senior leaders support the process. At this stage in the research, succession planning is defined as the strategic planning process where key leadership positions within the organization are identified and a plan is then created to find, assess, develop, retain, and motivate future leaders to succeed current leaders should there be an expected or unexpected vacancy.

Research Questions

This phenomenological study focuses on the central guiding research question:

What are the lived experiences of current Credit Union CEOs regarding succession planning within their organizations?

Sub questions:

What internal factors influence the use or non-use of this strategic process?

What external factors influence the use or non-use of this strategic process?

What is difficult or easy about building leaders within their organization?

What tools or resources would assist in overcoming the internal and/or external factors?

Assumptions and Limitations

This study assumes that the credit unions targeted are consistent with the research about limited or absent use of succession planning. Second, it is assumed that the organizations understand the credit union industry and current challenges and shifts within the industry. Lastly, this study assumes that the credit union CEOs have a basic understanding of succession planning. Regardless, they will be given a working definition as a preface for the interview process.

This study is limited to credit unions with assets greater than $500 million. The reason behind this is because larger credit unions have additional staffing resources as well as financial resources they can use to deploy succession planning programs. The larger credit unions are likely to have CEOs or leaders who were part of smaller credit unions, they also tend to merge with small credit unions which would give them insight into their struggles, and they groom leaders for smaller credit unions. Another limitation of this study is that credit unions around the United States face very different challenges so a sample of 8 CEOs may not fully represent the diversity of issues that credit unions face. Credit unions have very different fields of membership, varying boards of directors, and they come from very different markets across the United States (Bankrate, 2011).

In an effort to mitigate the effect of the limitations of this study, the author will look to engage credit union CEOs who have been in the credit union industry for a minimum of 10 years. These leaders are more likely to have a solid foundation of experience in which they can base their answers. By prefacing the study with a history of overall credit union growth in the last 20 years with the possibility of insolvency, the participants will ideally focus on impediments that are not only relevant to their specific credit union but branch off and share ideas they have seen in their past or that they know their peers are facing.

Conceptual Framework

There are two main frameworks for this study: the management practice of succession planning and stakeholder theory. Succession planning is a broad topic geared around identifying and methodically assessing talent and potential, developing necessary leadership competencies, and building a pool of leaders and candidates within an organization to ensure continuity in critical positions (Carman et al., 2010; Reid, 2005; Rothwell, 2005). Succession planning is a systematic approach to building a pipeline of high-performing leaders that ensures an abundance of talent that the organization can draw from for important future roles and needs and ensure continued effective performance for the organization (Charan et al., 2011; Rothwell, 2010; Sobol, Harkins, & Conley, 2007). Some organizations focus on CEO transition, while others take a more holistic approach and look at all management positions.

The other framework, stakeholder theory, originated from Freeman (2008), who believed that executives are responsible first and foremost for creating as much value as possible for the organization’s stakeholders because in turn that creates the most value for the shareholders. Management’s role is to ensure that the organization thrives in the long-term by acting in the best interest of all stakeholders of the organization (Friedman & Miles, 2006). Stakeholders for the purpose of the theory include employees, suppliers, customers, shareholders, vendors, competitors, political groups, as well as many others (Freeman, 1984).

Definitions and Key Terms

Theoretical definitions.

Leadership competency: Leadership skills and behaviors that contribute to superior performance (Society for Human Resource Management, 2008).

Stakeholder theory: A theory by Freeman that focuses on the notion of creating as much value as possible for all stakeholders to ensure vital success of the firm. Stakeholders include vendor partners, employees, customers, not just shareholders.

Succession planning: The strategic process of identifying and methodically assessing talent and potential, developing necessary leadership competencies, and building a pool of leaders and candidates within an organization to ensure continuity in critical positions (Carman et al., 2010; Reid, 2005; Rothwell, 2005).

Operational definitions.

Asset size: A credit union’s asset size is comprised of cash assets including member shares on deposit, investments, loans and leases, and other assets which include land, foreclosed or repossessed property, interest on loans, etc...Asset size is often used to understand the size of the credit union.

Credit union: A credit union is a not-for-profit cooperative originally created to serve the underserved. Credit unions differ from banks in several ways including taxation rates, non-profit status, ownership (member owners), volunteer boards, membership requirements, fields of membership, financial education for members, and a commitment to social purpose.

Credit Union National Association (CUNA): A not-for-profit trade association that serves America's credit unions by partnering with state credit union leagues. CUNA provides services including information, resources, representation, governmental affairs, public relations, and professional education to credit unions (Credit Union National Association, 2013).

Field of Membership (FOM): The criteria designated by the National Credit Union Administration (NCUA) of who a credit union can serve. Fields of membership may include geographical areas, employer groups, counties of residence, members of a particular trade, family of current members, or others and are noted in a credit union's charter.

Insolvency: When a credit union can no longer adequately serve the communities in its FOM, the credit union is deemed insolvent. A credit union is in danger of insolvency when it falls into one or more of the following three categories: (a) credit union's net worth is declining at a rate that will render it insolvent in the next 24 months, (b) credit union's net worth is declining at a rate that will take it under two percent in the next 12 months, (c) credit union reports that its net worth is significantly undercapitalized and the NCUA determines it cannot get appropriately capitalized within 36 months (National Credit Union Administration, 2010).

Members: A member is an account holder in a credit union. In order to become a credit union "member" or shareholder, a share of the credit union must be purchased. All shares of the credit union are owned by members. Credit unions do not have additional shareholders or stockholders which differentiates them from banks. A member is entitled to one vote in the credit union for voting purposes.

National Credit Union Administration (NCUA): The NCUA is the independent federal agency that regulates, charters, and supervises federal credit unions. The NCUA also operates and manages the National Credit Union Share Insurance Fund (NCUSIF), which insures the majority of federal and state-chartered credit unions (National Credit Union Administration, 2013b).

Not-For-Profit Cooperatives: Credit unions are not-for-profit financial cooperatives. They exist to serve their fields of membership and instead of issuing stock or paying dividends to outside stockholders, credit unions pay their members in the form of lower fees, higher interest rates on deposits, lower loan rates, and occasionally dividend payouts.

Background on Credit Unions in the United States

Growing, gaining market share, and avoiding insolvency are all challenges faced daily in the credit union world. To do this, leaders must focus on building effective teams and that only happens if the right leaders are in place. Strong and effective teams provide stellar service, improve productivity and sales, develop new business, create efficiencies and cost savings, and create new mediums to enhance financial relationships with their members. Credit unions in the United States have been serving their members for over 100 years according to the National Credit Union Administration (2013a). In comparison to their bank competitors, credit unions have many differentiating factors. Credit unions are non-profit organizations connected through fields of membership, for example an employer group, residential area, or association, and they are organized with the purpose of meeting the needs of their members. According to Andvik (2009), “Credit unions are for all people, especially those who traditionally have been underserved. The Federal Credit Union Act of 1934 stated that credit unions were established, 'to make [credit] more available to people of small means...'" (para. 11). Credit unions typically charge fewer and lower fees than other financial institutions yet offer better interest rates on loans and deposits (Andvik, 2009). Credit unions are owned by their members and governed by a board of directors. Generally the membership elects the directors who are often unpaid volunteer officers and directors who provide oversight and governance including hiring/firing the CEO, compensating the CEO, and approving credit union strategy (Fullbrook, 2015). Each member of the credit union has one vote, meaning every member has an equal voice regardless of other circumstances like money on deposit or use of services (Credit Union National Association, 2014). Lastly, credit union's pride themselves on valuing people versus profits and demonstrate this value through member service in the forms of interactions and products and services. According to the American Customer Satisfaction Index (ACSI), who on a quarterly basis interviews a representative number of customer interviews and provides industry service benchmarks, credit unions are leading banks with a service benchmark of 81 versus banks who have a benchmark of 76 (American Customer Satisfaction Index, 2015).

Credit unions have focused on the same important ideas and goals since their origination in the mid 1800s in Germany when Herman Schulze-Delitzsh and Friedrich Raiffeisen assisted farmers in achieving credit through a cooperative society (National Credit Union Administration, 2013a). At the start of the 20th century, credit unions made the jump across the Atlantic when Alphonse Desjardins organized La Caisse Populaire de Levis, the first credit union in North America, to assist working class families in avoiding loan sharks and high interest rates. It was almost a decade later, in 1909, when Desjardins and a group of Franco-American Catholics opened St. Mary's Cooperative Credit Association in Manchester, New Hampshire.

In the years following the opening of the first credit union, the credit union movement exploded across the United States. “By 1930, 32 states had adopted credit union laws with a total of 1,100 credit unions” (National Credit Union Administration, 2013a, para. 10). President Franklin Delano Roosevelt, showed great support for the movement and signed the Federal Credit Union Act into law in 1934, which created a national system to both charter and supervise credit unions. With continued and steady growth, the credit union industry reached 10,000 federal credit unions and assisted more than six million individuals by 1960. In the 1970s, credit unions hit their peak from a growth perspective when the number of members doubled and assets tripled to more than $65 billion.

Although at much slower rates than the 1970s, expansion and growth continued into the start of the 21st century and few credit unions failed according to the National Credit Union Administration (2013a). In 2008 and 2009, however, everything changed for credit unions. They faced unprecedented threats to their stability due to the steep drop in global financial markets, which “triggered the most severe economic downturn since the Great Depression” according to the Credit Union National Association (2013a). Additional longer term challenges continued to put pressure on the industry including those from regulatory burden, competitive pressures, caps on fee income, rising operating expenses, macro-economic threats like inflation and the Euro meltdown, and renewed spread compression (Lass, 2012). The trends shown no signs of slowing down. At the end of 2011, there were 7,236 credit unions in the United States, and at the end of 2014, there were 6,398 credit unions remaining (Credit Union National Association, 2015). On the other hand, in 2014 credit unions hit a milestone when the number of credit union members hit 100 million members for the first time in history (Credit Union National Association, 2015). Total assets and loan balances of credit unions continue to rise as well, demonstrating the need for continued credit union success. Credit unions need to have competent leaders to tackle these goals.

In order for credit unions to achieve the outcomes of increased market share and solvency, the right leaders must be in place and be ready for the next available leadership roles. Succession planning is missing in credit unions, and that must change. Credit unions and nonprofits in general want to be succession planning. They want to hire leaders from within, but when the time comes, they do not have the right leader in place (Froelich, McKee, & Rathge, 2011). This is costly to the organization from a monetary standpoint as well as from a productivity standpoint as the organization sits and waits for a vacancy to be filled in a key position. In the next year alone, 250 credit unions will likely disappear and that is not fair to the employees who may lose their jobs, vendors who are losing their partners, and most importantly credit union members who believe in what their credit union does, who are loyal to the movement, and who want their financial institution to be safe and sound and offer them the best possible products and service they can get anywhere in the market.

Significance of the Study

In North America, credit unions face fierce competition from banks. Asset size alone puts credit unions at a substantial disadvantage. The Credit Union National Association (2014) reported that total credit union assets are slightly over $1.0 trillion versus total bank assets of $13.6 trillion. In 2007, Citigroup had more assets than all US credit unions combined with a total of $2.2 trillion (BECU, 2013). With an average asset size of $161 million versus a bank’s average asset size of $2.32 billion, credit unions do not have nearly the financial resources that banks do (Credit Union National Association, 2014). Less assets equals less resources to be competitive in the market. This makes it very difficult for smaller credit unions and financial institutions to thrive. In 2014, 18 credit unions were declared insolvent, were liquidated, placed into conservatorship or forced to merge (National Credit Union Administration, 2015). In 2015, 21 credit unions were declared insolvent and liquidated, conserved, voluntarily liquidated or forced to merge with National Credit Union Administration assistance (National Credit Union Administration, 2016a). As of April 5th, 2016, 15 credit unions were already declared insolvent and liquidated, conserved, or forced to merge (National Credit Union Administration, 2016b). Despite the statistics, credit unions are still required to find additional ways to grow, remain competitive, and gain market share. In order to do this, leaders must be effective and competent in their roles, and they must have bench strength as down time or the wrong leader can be extremely costly and prohibit long-term financial success and solvency.

In addition to bank competition, credit unions face the same talent competition that other industries and organizations are facing. In past decades, there was less prequalification required, more talent available to move into top positions, and seniority and tenure nearly guaranteed advancement (Rothwell, 2010). The times and expectations are quite different now. Organizations cannot afford to lose their top talent anymore. They do not have the luxuries of being overstaffed, and they are facing great pressure from low-cost labor opportunities abroad as well as economic restructuring (Rothwell, 2010). Products, internal and external job requirements, markets, and management activities are more complex than ever, and leadership competencies are how candidates compete for minimal advancement opportunities (Rothwell, 2010). At the same time, talent is more willing to go where it is most beneficial to them including where pay, benefits, and tax rates are in their favor, even if these means global relocation (Rothwell, 2010).

If credit unions are not prepared and ready for staffing vacancies or changes, they may be forced to look outside the organization, which can be very risky. Internal promotes entering into CEO positions have also been found to have greater long-term success, and nearly 65% of externally recruited senior managers fail within their first two years (Berchelman, 2005; Greer & Virick, 2008). In addition to possible leadership failure, there are many other repercussions of hiring an outside CEO. Perhaps the greatest concern is that outside successors are found to bring lower organizational performance in comparison with inside transitions, and additionally, existing senior managers generally turnover due to the disruption of an external hire (Shen & Cannella, 2002). Although external CEOs can bring ideas well equipped to change unsuccessful strategies within the organization, research does not prove this to be the most successful avenue in many cases. In a study of manufacturing companies, Zhang and Rajagopalan (2010) found in the first three years, external and internal CEOs did relatively the same from a return on assets (ROA) perspective. They did find after the three years, however, the changes made by external CEOs are more disruptive and more detrimental to performance in comparison with an inside CEO.

In addition to the bleak statistics of external-hire success, outside CEOs can be very expensive to the organization. Generally the organization would be required to pay larger compensation packages as well as severance packages to outside CEOs to offset their risk in coming to the new organization (Zhang & Rajagopalan, 2010). Harris and Helfat (1997) found external CEOs can cost over 30% (up to 42%) more than internal CEOs, with even greater sums required (35%) for outside CEOs without industry experience in comparison to internal CEOs with industry experience (26%).

Despite the facts about internal CEO success and cost, a recent study by Froelich et al. (2011) on credit unions and nonprofits found only 36% of credit unions rated succession planning as very important relative to other strategic planning areas. 60% of credit unions surveyed discussed succession planning at a board meeting and only 16% had a formal plan for CEO transition despite 48% of credit unions preferring to hire an internal candidate and 16% preferring to hire externally (Froelich et al., 2011).

Stakeholders of all organizations including credit unions want continuity and growth. Succession planning can provide credit unions with a solution. Succession planning, along with strategic planning, stabilizes the organization and creates plans towards the organization's goals and objectives. Reid (2005) noted many benefits of succession planning including creating a pool of high potential talent, increasing momentum and retention, improving morale, and allowing for internal promotion and development. Delaney and Huselid (1996) found specifically that increased internal promotion opportunities are positively correlated to overall organizational performance and helps organizations avoid failure.

Adams (2005), Balser and Carmin (2009), Block and Rosenberg (2002), and Froelich et al. (2011) all suggested the need to better understand the impediments to succession planning in cooperatives, which is where this study will add to the literature. This study will also add to the overall academic research on succession planning in credit unions and nonprofits, which is currently lacking. The study will expand on previous studies and include a focus on why credit unions and nonprofits are not succession planning despite a clearly identified desire to as noted in previous studies. Lastly, this study has the potential to identify tools and resources that credit leaders need to better develop leaders and implement succession planning programs within their organization. If this study is successful in providing insight into the impediments and tools that are needed by credit union leaders who are facing intense competition and ultimately insolvency, it could provide credit union senior management and boards with direction in overcoming impediments as well as examples of what other credit unions do, business strategies for starting or improving their leadership development and succession planning programs, and a greater focus and understanding on why and how to build credit union leaders.

Chapter Summary

Credit unions need succession planning now more than ever before to ensure the appropriate leaders are at the helm and a strong bench is ready to takeover when needed to ensure continuity and avoid insolvency. In order to help more credit unions strategically focus on succession planning for their CEOs and key positions, the impediments must be understood and addressed. It is also important to understand what credit union leaders need as far as resources and tools to be more successful in this area. The review of literature in the next chapter presents existing knowledge and research about succession planning including the best practices, reasons for failure, as well as known impediments. Additional research on credit union and nonprofit succession planning is also reviewed to better understand the current state of both the research on credit unions and the credit union industry, and the desired state in regard to where credit unions would like to be when it comes to succession planning.

Chapter 2: Literature Review

In the book *A Leader's Legacy*, Kouzes and Posner (2006) note:

> You can leave a lasting legacy only if you can imagine a brighter future, and the capacity to imagine exciting future possibilities is the defining competence of leaders. Today's leaders have to be concerned about tomorrow's world and those who will inherit it. They are the custodians of the future, and it's their job to make sure that they leave their organizations in better shape than they found them. (p. 98)

Kouzes and Posner's three sentences above bring the two conceptual frameworks of this study together. The stakeholders of organizations rely on its current leaders to lead the organization to success, and succession planning is a solution to building a continuous stream of competent, visionary leaders who will continue to move the organization forward. Kouzes and Posner (2006) explain that a leader's most significant contributions are not those that are related to the bottom line but those that focus on the development of people and organizations to ensure they prosper and grow. Credit unions, the focus of this study, were created by their members and for the purpose of serving their members. Their members are the owners, and they are directly impacted by the choices and decisions of credit union leaders. If the leaders do not maintain a safe and financially sound institution, the member-owners can lose their financial institution to insolvency or merger, something nearly 250 credit unions are facing every year. This review of the literature explains stakeholder theory, reviews studies that apply stakeholder theory, and examines succession planning in great depth including succession management models and strategies.

Stakeholder Theory

Freeman (2008), known as the father of stakeholder theory, believed that "The primary responsibility of an executive is to create as much value as possible for stakeholders because that's how you create as much value as possible for shareholders" (p. 166). Bakan (2004) explained that the single responsibility of corporations is to promote both the corporation's interest and the interest of its owners. Mansell (2013) noted that stakeholder theory does not focus solely on building wealth for shareholders but for the entire society the organization operates in. Wijnberg (2000) elaborated by saying stakeholder theory rejects the belief that organizations should strive to maximize only shareholder benefits.

According to Friedman and Miles (2006), management must abide by the stakeholder fiduciary principle, which meant that management must be an agent for all stakeholders as well as protect the interests of the firm to ensure long-term survival. Freeman (2004) noted two important principles to stakeholder theory: (a) the stakeholder-enabling principle, and (b) the principle director responsibility. The stakeholder-enabling principle meant that firms must be managed in the interest of the stakeholders. The principle of director responsibility then noted that directors of the firm have a responsibility to run the organization and address issues in accordance with the stakeholder-enabling principle (Freeman, 2004). If the directors do not perform appropriately, the stakeholders may bring action against the directors including lawsuits and damaging regulation as well as loss of markets to competitors who can satisfy the stakeholder's needs (Freeman, 2004).

The definition of stakeholder then includes any groups that the organization needs for support in order to exist or for continued survival (Mansell, 2013). Donaldson and Preston (1995) added that stakeholders include "all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits" and not one person's interests or group's interests take priority over another (p. 68). Mansell (2013) shared that when looking at the etymology of the words stakeholder and stake, he found that the terms include placing something at risk or vesting an interest in the success of an organization due to an investment in it. It is not just those who can affect the organization but also those who can be affected by the organization (Freeman, 2008). Stakeholders then include employees, suppliers or vendors, the local community, shareholders, customers, competitors, trade associations, employee unions, customer advocate groups, political groups, government activist groups, and society at large (Freeman, 1984).

Freeman (2008) expanded by saying that organizations must have desirable products and services, and they must be true to their missions and visions. Suppliers must stand behind their products and be partners who want to see the organization flourish (Freeman, 2008). Employees must want to work for the organization, assist the organization in growing and be productive, and communities must see the organization as a good citizen that they want to support (Freeman, 2008). Lastly Freeman (2008) noted that the organization must make money for those who are supporting the organization financially. The groups noted must always be considered in business decisions as they are vital to the success of the firm (Freeman, 2008; Mansell, 2013). “Firms must pay primary attention to stakeholders with power, legitimacy, urgent demands, or some combination of these. Interaction with stakeholders should involve mutually satisfying, reciprocal relationships among shareholders and the organization” (Miles, 2012, p. 307). In order to determine which stakeholders are higher priority, the organization must look at the situation at hand and ethically decide what is appropriate to the organization’s purpose (Boutilier, 2012).

The Clarkson Centre for Business Ethics (1999) shared seven principles of stakeholder management that may be useful in understanding stakeholder theory and appropriate prioritization. These principles are shown in Figure 1 and explain how managers should acknowledge and monitor the concerns of stakeholders, listen and communicate effectively with them, adopt processes that address stakeholder concerns, recognize that stakeholder and organizational needs are interdependent, minimize risks, avoid activities that put the organization or stakeholders at risk, and acknowledge potential conflicts and act appropriately.

> Principle 1: Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision-making and operations.
>
> Principle 2: Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.
>
> Principle 3: Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.
>
> Principle 4: Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.
>
> Principle 5: Manages should work cooperatively with other entities, both public and private, to insure that risks and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.
>
> Principle 6: Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.
>
> Principle 7: Managers should acknowledge the potential conflicts between (a) their own role as corporate stakeholders, and (b) their legal and moral responsibilities for the interests of stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems, and, where necessary, third party review.

Figure 1. The seven principles of stakeholder management. This figure illustrates the seven principles for organizations when managing stakeholders. From “Principles of Stakeholder Management,” by Clarkson Centre for Business Ethics, 1999, *Business Ethics Quarterly*, *12*(1), p. 4. Copyright 1999 by Clarkson Centre for Business Ethics. Reprinted with permission.

While the specific stakeholders to be included are debatable when discussing stakeholder theory, the critical piece is that stakeholders are not just shareholders, which is a fundamental step in helping organizations to keep an ethically responsible mindset in their business doings (Mansell, 2013). Firms need to focus on both financial performance and social performance, and they need to involve stakeholders in corporate decisions from both an ethical and strategic perspective (Miles, 2012). Businesses who strive to maximize shareholder value only cannot be ethical (Bakan, 2004; Corporate Watch, 2006). Phillips (2003) noted "the debacles of Enron and Worldcom" in addition to Al Dunlap, who "grossly mismanaged at least two companies to his own significant, if temporary, financial gain," are great examples of managerial opportunism that occurred when shareholder wealth was the primary mission (p. 20).

Criticisms of stakeholder theory. Friedman and Miles (2006) noted that stakeholder theory has "achieved widespread popularity among academics, policymakers, the media, and corporate managers" (p. 28). The acceptance of stakeholder theory by organizations is also more apparent as organizations continue to expand their corporate social responsibility programs and reports (Friedman & Miles, 2006). Not all research is in agreement on stakeholder theory however. Friedman and Miles (2006) found that because there are different and overlapping approaches, critics of stakeholder theory consider the concepts to be vague, slippery, or shallow. Friedman argued that shareholders are voluntarily trusting management with private property with the expectation that management will do what is necessary to maximize the value of the property (as cited in Mansell, 2013). Sternberg (1996), another critic of stakeholder theory, believed that stakeholder theory undermines private property as owners of the property do not get to decide how their property is used. Sternberg (1996) also believed that stakeholder theory ignores the duties that management owes to its shareholders.

Stakeholder theory also receives criticism for several other reasons. Critics of the theory have issue with the inability to identify all stakeholders as the theory often times does not distinguish between who is a stakeholder and who is not (Freeman, 2004). Second, management cannot possibly attend to all stakeholder needs in every decision, so often times management is left making a choice about which stakeholders are the most legitimate and/or hold the most power (Miles, 2012). Lastly, corporate profits are sometimes sacrificed when considering multiple stakeholders and attending to their needs (Miles, 2012). Critics noted that shareholders invest in a firm for the profit, not for it to be shared amongst multiple stakeholders (Miles, 2012).

Stakeholder Theory in Action

Blair and the Singapore speech. Mansell (2013) shared Tony Blair's "Singapore Speech" from 1996 as one example of stakeholder theory in action. During his speech, Blair shared that he is focused on a "Stakeholder Economy," where no groups or classes are excluded and where opportunity is available to everyone (as cited in Mansell, 2013, p. 27). Blair argued that when people have a stake in society, they feel a greater responsibility towards it which then causes them to identify themselves with a social good (Mansell, 2013). On the other hand, when people have no stake, they have little desire to make it successful (Mansell, 2013).

Reciprocity and firm performance. In a 2009 study, Bosse, Phillips, and Harrison expanded on previous research on reciprocity and reviewed its role in strategic management. The authors "draw on stakeholder theory to explain how reciprocity, as an alternative to the self-interest assumption, likely affects the relationship between how a firm interacts with its stakeholders and its aggregate performance" (Bosse et al., 2009, p. 448). For the purposes of the study it is assumed that while some people demonstrate selfish behavior, interested parties often times willingly sacrifice their self-interest and look for fair behavior being rewarded and unfair behavior being punished (Bosse et al., 2009). Rent is the means in the study to evaluate firm performance, and for the purposes of the study, it is noted that "a firm that creates more rent has a larger surplus of compensation available for distribution among its stakeholders" (Bosse et al., 2009, p. 449).

Bosse et al. (2009) made three propositions: (a) firms perceived as distributionally fair (unfair) by their stakeholders create more (less) rent, ceteris paribus; (b) firms perceived as procedurally fair (unfair) by their stakeholders create more (less) rent, ceteris paribus; (c) firms perceived as interactionally fair (unfair) by their stakeholders create more (less) rent, ceteris paribus. The theory developed in their research extended stakeholder theory and shared that when firms are perceived as distributionally, procedurally, and interactionally fair, they enjoyed higher rent (higher firm performance) (Bosse et al., 2009). They found that positive reciprocity occured among stakeholders when value was distributed, which in turn created more rent. They also found that was a more valid assumption than the self-interest approach which was commonly used in previous research (Bosse et al., 2009).

Stakeholder engagement and innovation study. A 2011 study of 656 large, international companies set out to understand whether or not stakeholder engagement promoted sustainable innovation. Ayuso, Rodriguez, Garcia-Castro, and Arino (2011) explained that companies need to innovate by reinventing relationships with their numerous stakeholders and use the relationships to get new ideas. Stakeholder theory, specifically the suggestion that strong stakeholder relationships equate to financial benefits and a competitive advantage, was used as the basis of the study (Ayuso et al., 2011). The study looked at internal stakeholders (employees) and external stakeholders (local communities, NGOs, government, etc.) and their effect on sustainable innovation orientation as well as the existence of knowledge management (KM) practices in relation to sustainable innovation orientation. KM was defined as the process of collecting, distributing, and using the knowledge resource and involves many methods, tools, and instruments which contribute to KM (Ayuso et al., 2011).

The study found that engaging with both internal and external stakeholders did have a positive impact on sustainable innovation orientation (Ayuso et al., 2011). The study also found that firms that adopt KM practices achieve more sustainable innovation, which confirmed previous research on the topic (Ayuso et al., 2011). Another key finding of the study was that when KM is present, stakeholder engagement did not affect innovation.

Credit Union Stakeholders

Credit unions have several stakeholders including the communities, organizations, employers, or religious groups they serve in addition to their suppliers, vendors, and partners. Two very large stakeholders for credit unions are the employees and the members. Johnson (2011) noted that a credit union's strategic advantage was its member-driven approach as well as its safe financial profile, which has helped the credit union industry immensely to reach its current membership and asset growth rates. In the past 10 years, inflows of cash to credit unions by its members has averaged more than $45 billion a year, which allows credit unions to lend out additional funds to its members at better rates (Cole, 2011). Cole (2011) found that from the period of 2007 to 2011, credit union assets increased 26.6% which was better than both commercial banks (16.4%) and other savings institutions (-34.8%).

Wheelock and Wilson (2011) found that in 2000, the credit union industry was serving 80 million members which was up from 52 million members in 1985. In 2009, credit unions were serving more than 93 million members, and in 2014, the industry achieved 100 million members (Credit Union National Association, 2015; Wheelock & Wilson, 2011). While some of this was due to the low interest rate environment, the continued growth rate which was growing at a faster pace than the U.S. population signified that members had recommitted to the cooperative principals of the credit union movement (Cole, 2011). Credit union members were not just looking for credit unions to store their money. According to Wheelock and Wilson (2011), credit union members were also looking to credit unions for help with loans, including business loans, which have increased since 2007. From 2009 to March 2015, credit union loan balances grew from $583 billion to $734 billion, which is a 10.8% growth rate (Credit Union National Association, 2015).

Insolvency and Mergers and the Effect on Stakeholders

While credit union growth rates have been steady over the past several years, not all credit unions are prospering. Credit unions may experience negative financial characteristics including declining membership, prompt corrective action (PCA) (regulators require immediate action to assist them in recovering from financial difficulty), negative earnings, declining net worth, or weak CAMEL ratings (the CAMEL rating system measures the financial condition and operations in five areas and is on a scale of 1-5, 1 being sound in every respect) (National Credit Union Administration, 2000; National Credit Union Administration, 2014). These negative financial characteristics require the credit union to turn around their operation. Turning around the operation can occur in many ways including management changes, regulator assistance, or voluntary merger (National Credit Union Administration, 2014). If the operation does not turn around, the NCUA will get further involved and will place the credit union in conservatorship (National Credit Union Administration, 2015a). During conservatorship, the credit union is required to work with the NCUA on addressing any financial problems. If the credit union cannot address the financial concerns appropriately, they will be required to merge with another credit union or they will be deemed insolvent which means they have “no prospect for restoring viable operations” (National Credit Union Administration, 2015a). The National Credit Union Administration reported that of the 15 credit unions that were already closed in 2016, 10 were liquidated, purchased or assumed, two were conserved, and three were merged without NCUA assistance (2016b).

When a credit union is liquidated, its members are affected as the NCUA will go into the insolvent credit union and pay members for their deposits up to $250,000 (National Credit Union Administration, 2015a). If a member exceeds this $250,000 and does not meet other qualifying circumstances, they will lose their funds on deposit (National Credit Union Administration, 2015a). Depending on the situation, the funds may also be transferred to another financial institution that will handle business and assume the account/membership (National Credit Union Administration, 2015a).

Mergers are also common in the credit union industry. Credit unions in some cases use mergers as a growth strategy like other industries, which is considered a voluntary merger (National Credit Union Administration, 2014). Other times, the NCUA requires an involuntary merger and the credit union must merge with another credit union (National Credit Union Administration, 2014). 2,462 mergers of credit unions occurred between 2003 and 2012 (National Credit Union Administration, 2014). During the same period, credit unions in general declined from 9,369 to 6,812, a 27% decline (National Credit Union Administration, 2014). The NCUA (2014) explained that for the years 2011 – 2013 there were more than 235 mergers annually. The majority of the mergers occurred in credit unions that have assets less than $50 million (National Credit Union Administration, 2014).

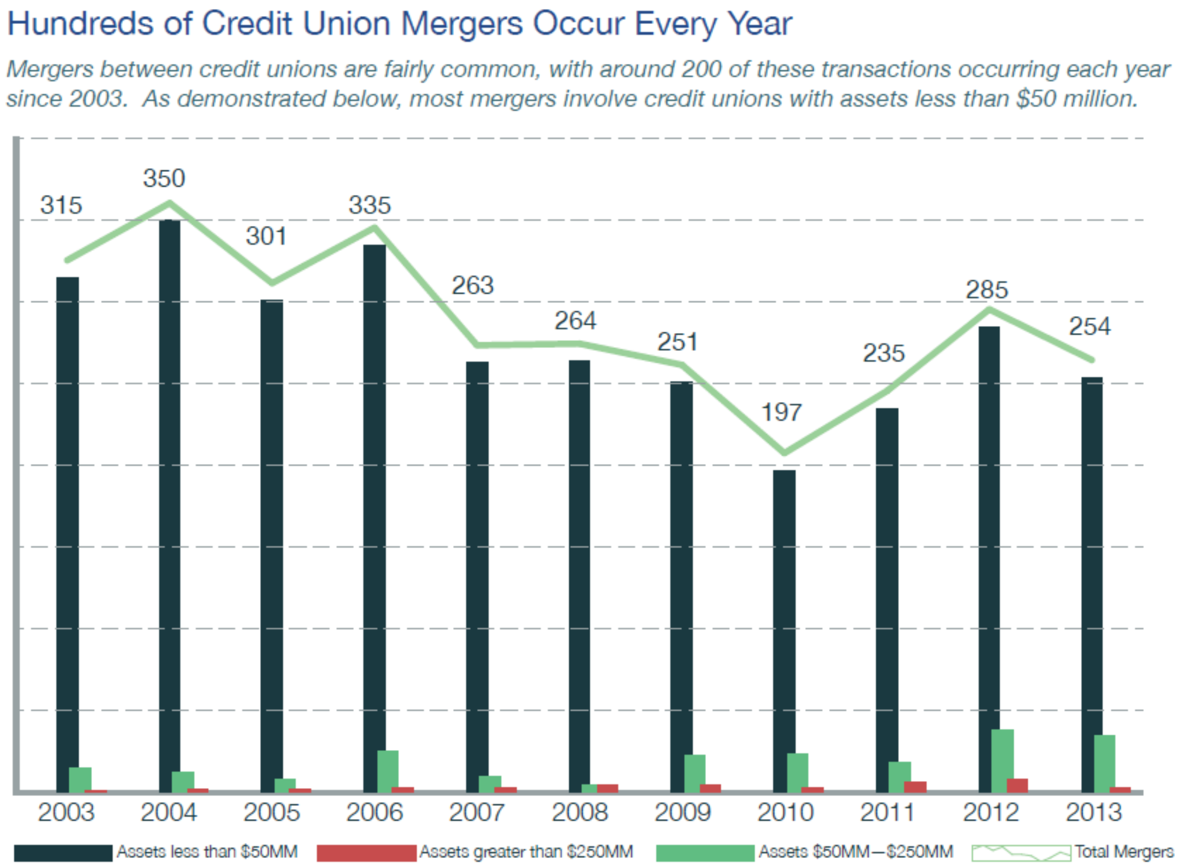

Figure 2. Credit union mergers from 2003 to 2013 by asset size. This figure illustrates the number of mergers that are occurring within the industry each year. From "Truth in Mergers: A Guide for Merging Credit Unions," by Nation Credit Union Association, 2014. Copyright 2011 by the National Credit Union Administration. Reprinted with permission.

The reasons behind the mergers are important to this research for several reasons. First, the NCUA found that most mergers occur because of a weak financial condition with over 74% of mergers citing weak financial conditions as either a primary (56%) or secondary (28%) reason (National Credit Union Administration, 2014). Second, poor management succession planning was cited as a primary reason for merger in 18% of the mergers, and it was cited as a secondary reason in more than 22% of the mergers (National Credit Union Administration, 2014). Other reasons noted for merger include increase services, field of membership disruption, and recordkeeping problems.

Primary and Secondary Reasons for Credit Union Mergers (percent)

Reason	Primary	Secondary	Either
Weak financial condition	56	28	74
Increase services	20	38	44
Poor management succession planning	18	22	32
Field of membership disruption	6	9	12
Recordkeeping problems	–	3	2

Figure 3. Primary and secondary reasons for credit union mergers. This figure illustrates the primary and secondary reasons for credit union mergers. From "Truth in Mergers: A Guide for Merging Credit Unions," by Nation Credit Union Association, 2014. Copyright 2014 by the National Credit Union Administration. Reprinted with permission.

Succession Planning

Succession planning comes in all shapes and sizes and varies heavily by organization and industry. Succession planning is essentially a methodology for identifying, assessing, developing, and building leaders within the organization. Succession planning assists in developing current leaders and ensuring that a solid bench is ready to step up at all times for key positions as selected by the organization. Succession planning is a strategic planning method for the talent within the organization and contributes to organizational effectiveness (Charan et al., 2011; Rothwell, 2010). Some common succession planning activities including leadership development, 360 feedback initiatives, action learning programs, mentoring, coaching, and daily reflection (Conger & Fulmer, 2003; Greer & Virick, 2008; Groves, 2007).

Because there is no one necessary approach to succession planning and it varies greatly, it appears to take two forms within an organization: emergency or strategic succession planning.

Emergency succession planning occurs due to an unexpected change in leadership, for example, an unknown voluntary resignation or death (Rothwell, 2005). The other type of planning referred to as strategic succession planning is when there is a documented, developed plan that connects to the strategic goals of the organization, begins with the hiring process and continuously builds a solid bench of potential candidates to replace existing leaders (Rothwell, 2005, 2012). Groves (2007) found that both managerial personnel along with human resource professionals should focus on two things: 1. adopting a long term approach to identifying and developing leaders versus just a replacement approach, and 2. engaging all those in a leadership position in the process.

Research over the past several years has indicated successful succession planning should only focus on having the next executive in mind but having a culture of leadership development (Conger & Fulmer, 2003; Rothwell, 2002, 2005; Wright, 2012). More specifically, once an organization has their strategic mission, they must then identify their most critical management positions, define the necessary competencies, skills, and abilities required in those positions, and then recruit, hire, and retain potential candidates who either have these competencies or have the potential to develop them (Reid, 2005).

Succession Planning Models

Replacement planning. One approach to succession planning, which has become the norm, is called replacement planning, which involves filling positions to be backups or replacements for key positions (Charan et al., 2011). Charan et al. (2011) found that programs focused specifically on replacement planning however missed out and often times did not address key leadership issues that many companies faced. Simply naming a replacement for a leader, for example, does not ensure that leader will perform adequately at the next level of management (Gonzalez, 2010). For this reason, leadership development programs tend to go hand in hand with this management practice. Potential successors need to be assessed, developed, given challenges, and retained.

Apprenticeship. Leadership today is in a crisis due to CEO failure and a shortage of the quantity and quality of leaders they need (Charan, 2008). Charan (2008) noted however that there is not a shortage of talent, it just has to be spotted and developed, which most organizations are not successful at doing. One model to successfully develop talent and build successors is through an apprenticeship model, focusing on people learning from doing (Charan, 2008). In order to have the correct successors in place, leaders must practice and learn to self-correct; they must grow at their own pace (Charan, 2008). When leaders were given additional jobs and tasks as well as timely feedback, they expanded their core capabilities (Charan, 2008). Charan (2008) explained:

> Repetitive practice of core skills hones judgment and paves the way for innovative ways to lead. The CEO job requires giant leaps in learning. Leaders will not be prepared to lead large companies unless each job is much more complex than the one before. Leaders must be immersed in complexity repeatedly in their careers. As they practice sorting through it, they learn to deal with it. (p. 2)

Charan (2008) found that when the learning needs are defined and the leader is assessed ensuring the learning occurred before moving to the next spot, leaders enhanced their core capabilities in a short amount of time.

The apprenticeship model is “radical and not for the fainthearted,” but it was necessary as the shortage of leaders shows that typical approaches are not working (Charan, 2008, p. 3). Charan (2008) found that current business leaders are not great at identifying and developing new leaders. Often times current leaders selected the wrong successors to focus on or worse, they started too late (Charan, 2008). Many leaders did not even understand that developing other leaders is a large part of their role (Charan, 2008). Charan (2008) noted that most succession planning programs lack discipline, which is why he called for radical change.

The apprenticeship model, which is used in companies known for succession planning like General Electric, Colgate-Palmolive, Novartis AG, Textron, and WellPoint, Inc, focuses on the belief that “leadership can only be developed through practice” (Charan, 2008, p. 25). Charan (2008) warned that the model takes time to build. Charan (2008) found that getting results with this program takes years. If a company does not have a leadership development system in place, it is likely that they will spend between two and three years building and embedding this model into the organization (Charan, 2008). For the apprenticeship model to be a success, the line managers and senior managers are at the root, but the HR function should be the trustee of the model (Charan, 2008).

Charan (2008) shared several key elements for a successful apprenticeship model. First, the organization must be able to define leadership potential appropriately and learn to identify aptitude early (Charan, 2008). High potential leaders are put through a series of customized jobs based on their specific talents and gaps and are expected to not only learn and grow their own capabilities but also to play a key role in identifying and developing their own direct reports (Charan, 2008). The boss is a mentor to the high potential, sharing wisdom, evaluating them on their decision making, and providing real-time feedback on their actions. Each leader’s learning is assessed annually and the plans are updated to ensure the future positions continue to add complexity and additional practice (Charan, 2008). According to Charan (2008), this approach helped build a “self-perpetuating leadership development machine” (p. 27).

Strategic staffing. While the apprenticeship approach is more of a model, Bechet, American Management Association., and the Society for Human Resource Management (2008) shared a succession planning strategy that they called strategic staffing. Strategic staffing is a process for organizations that both identifies issues like staffing gaps or surpluses and addresses (reduces or eliminates) any staffing issues effectively (Bechet et al., 2008). Bechet et al. (2008) explained that strategic staffing has two major outputs: (a) staffing strategy, and (b) staffing plans. A staffing strategy is the long-term plan (Bechet et al., 2008). The plans can vary in time based on organizational need but are generally the next year or the next three to five years (Bechet et al., 2008). The plan takes into account the supply of staff as well as the expected demand necessary for the organization to employ its business plan (Bechet et al., 2008). In order for the staffing strategy to be effective, it must address all critical staffing issues (Bechet et al., 2008). Staffing plans on the other hand focus more on the short-term needs and actions (current quarter) to address any staffing gaps or surpluses (Bechet et al., 2008). “Staffing plans describe specifically what the organization will do in a given planning period to support the implementation of their chose staffing strategies” (Bechet et al., 2008, p. 7). The long-term and short-term planning that occurs simultaneously allows the organization to address staffing in the most effective and efficient ways (Bechet et al., 2008).

Strategic staffing involves many steps. Prioritization of staffing issues for the short-term and long-term is crucial (Bechet et al., 2008). Alternatives and backup plans are also very important to success (Bechet et al., 2008). This goes beyond head count and includes needs regarding both staffing levels as well as skill levels (capabilities) (Bechet et al., 2008). Forecasting supply and demand for all key positions at multiple points in the future is the basis of the strategy (Bechet et al., 2008). Bechet et al. (2008) also suggested blending hires and promotions from within, developing and retaining critical capabilities, contracting out less critical skills, accelerating development as needed especially in the case of a surplus, and using part-time employees to fill gaps.

Succession Planning Best Practices

Regardless of the model used, successful succession planning programs share common best practices. The best practices revolve around total organizational support and dedication, an all encompassing program, and a program built around key competencies, values, and development. This section shares common best practices regarding succession planning across all industries and company sizes.

Company size seems to be a factor in succession planning. Many large organizations like General Electric, Eli Lilly, Corning, and Dow Chemical are known for great succession planning programs, but succession planning must not stop at large companies (Rothwell, 2010). Companies small, medium, and large need succession planning and management programs (Rothwell, 2010). Sobol et al. (2007) noted the importance of the implementation of a succession planning program and recommended rolling it out in stages, specifically over a two to three year period. They also noted that if succession planning is rolled out too quickly to an organization that is not ready for the planning, it can backfire (Sobol et al., 2007). Rothwell (2010) recommended a phased approach that begins with the CEO so the CEO understands why the plan is important and sees the depth of the planning process firsthand.

Gonzalez (2010) noted “the most important ingredient for a successful succession plan is probably the attitude of the leadership” (p. 2). Organizational support is noted across the research as a critical component for successful planning. Top management must be the root of the support, and there must be great participation from top managers as well as HR (Gonzalez, 2010;

Rothwell, 2010). Highly successful organizations have top managers who are advocates for planning and who understand that succession planning is crucial for sustainability (Gonzalez, 2010; Sobol et al., 2007). All executives must focus their attention on planning, be responsible and accountable to the planning process as well as carrying out the plan, and identify, assess, and prepare successors for future roles (Rothwell, 2010). The CEO must be instrumental in the efforts, both leading it as well as demonstrating commitment to the planning process (Rothwell, 2010). Rothwell (2010) stated “Lacking the CEO’s active personal support, commitment, and participation, any SP&M [succession planning and management] effort will fail” (p. 76).

Lastly, succession planning should occur more than once a year. Organizations that only meet once a year to discuss their succession strategy are not as in tune with the needs and wants of the employees of the organization, and they may miss golden opportunities to fill additional roles and talk additional talent management strategies (Sobol et al., 2007). Bechet et al. (2008) also noted that staffing conversations should not arise only when there is an opening; it is a proactive process. Canwell, Geller, and Stockton (2015) noted “Unless developing leadership is treated as an ongoing, strategic initiative by HR and the business, leadership pipelines will be weak and potentially impact the ability of the business to deliver on its strategy” (p. 18).

The most successful succession programs are not only strategic but also all encompassing. Gonzalez (2010) noted that succession planning can be successful whether done openly or privately or whether it focuses on a global approach or a more unit-based approach. The critical component is engaging in talent management (Gonzalez, 2010). Charan et al. (2011) and Rothwell (2010) shared six important crucial rules a company must abide by in order to have an effective succession strategy: (a) make succession planning a continuous and ongoing process; (b) develop a long-term replacement and retention strategy; (c) avoid looking at what the organization currently has and starting looking at what is needed; (d) do not focus on position blockage, instead focus on appropriate turnover; (e) have a pool of ready talent; and (f) emphasize results not subjective evaluation.

Effective succession planning programs follow a very systematic approach. The processes and plans are documented so it is easy to understand when and what will happen (Rothwell, 2010). External benchmarking should be conducted to compare the organization with other organizations and better understand more sophisticated approaches (Rothwell, 2010). The program should include all levels of management and both present and future potential should constantly be evaluated (Charan et al., 2011; Rothwell, 2010). In addition to management, key positions must also be accounted for including non-management positions.

This is becoming more important as organizations take active steps to build high-performance and high-engagement work environments in which decision making is decentralized, leadership is diffused throughout an empowered workforce, proprietary technical knowledge accumulated from many years of experience in one corporate culture is key to doing business, and personal relationships are critical to work are passed on from departing workers to their successors (Rothwell, 2010). It is important that succession planning does not focus on "track records in past position, seniority, or favoritism," and those included in the succession planning strategy should be tested by taking on higher-level responsibilities that demonstrate their abilities to do new, additional skills they may not have used in previous positions (Rothwell, 2010, p. 60).

In order to effectively evaluate candidates, the strategy must include multiple components. Employees must undergo assessment, recruitment, development, progression, discussion and discussion, and they must associate well with the corporate culture (Sobol et al., 2007). Assessments and evaluations should not be based on intuition or it will not be credible. They must be scientific (Sobol et al., 2007). Scientific data allows more accurate measurement of diversity, progression, and development (Sobol et al., 2007). Sobol et al. (2007) believed it is crucial that the programs incorporate the Four Ps: People (Heart Leadership), Partnerships, Performance, and Programs. People or Heart Leadership focuses on effective communication, managing performance, developing others, and leading by example. Partnerships include three important elements: effective and respectful partnerships, responsiveness, change management, and flexibility. Performance includes financial management and growth, effectively managing expenses and budgets, and leveraging financial information. Lastly programs entail quality care and service, achieving excellence and job knowledge.

In addition to the Four Ps, succession planning programs must support strategic planning and strategic thinking. According to Rothwell (2010), succession planning that closely coincides with strategic planning should be the foundation for development programs within the organization. Strategic planning and succession planning must be in alignment in order for an organization to truly identify an appropriate leader and to ensure leadership continuity (Rothwell, 2010). Succession management must go hand in hand with succession planning. Succession management focuses on daily development of talent including coaching, feedback, and helping employees reach their true potential (Rothwell, 2010). The focus should always be on developing internal talent for current and future roles.

In regard to future roles, the organization must realize that jobs must change and evolve with changing markets, products, and leadership requirements (Charan et al., 2011). An organization that is trying to identify a replacement for a job that might become available in the future, may be spending their time looking for requirements that may be completely different in the years to come (Charan et al., 2011). It was also recommended to avoid succession planning in times of great changes. For example, succession planning during a merger or acquisition, a downsizing or a globalization may be a waste of time as the job could be eliminated or unnecessary with the changes (Charan et al., 2011).

Lastly, succession planning programs must incorporate development in order for them to be the most effective. Succession planning and management is completed with the intention of ensuring continuity and talent cultivation, neither of which can be done without development. Leadership development programs create and inspire environments of coaching, executive coaching, mentoring, and action learning and build pools of talent as well as cultivate additional talent (Charan et al., 2011; Rothwell, 2010). Ideally the organization has a pipeline of ready-to-go leaders and employees who can help the organization achieve its strategic goals and initiatives (Rothwell, 2010).

Developmental programs must help talent be better connected with the Who, What, Where, Why, and How as well as familiarize leaders with the environment and stakeholders (Rothwell, 2010). Within the developmental programs, it is important that experiences encourage critical questioning and that they focus on more than just the next position (Rothwell, 2010). Developmental programs should be geared around competencies, value identification, and ethics and support the organization and its strategic goals and values (Rothwell, 2010). Often times, mentoring plays an integral role in the development program, and recognition must not be forgotten as performers should share in the success of the organization and celebrate growth (Rothwell, 2010).

Succession Planning Errors

Succession planning has many benefits, but if it is not managed well, it can quickly lead to failure. There are several common mistakes and missteps that need to be avoided in order to have the most effective succession planning process for the organization. One common mistake happens when succession planning is conducted by only the top two or three positions in the organization (Rothwell, 2010). When the top few positions focus on succession planning, decisions are often made informally or haphazardly and result in decisions made based on luck and longevity (Rothwell, 2010). Rothwell (2010) shared that corporate politics can come into play in these situations and top level executives can promote friends and allies versus the most qualified candidates. Succession planning processes must be supported by the entire organization including all of the top executives. If the support and appropriate sense of urgency are not present, the program will not be effective (Rothwell, 2010). When senior leaders do not see the benefit and have a sense of ownership of the process, the visibility will be low. High visibility regarding succession planning equals effective planning (Rothwell, 2010).

Quick fix attitudes are detrimental when succession planning. If succession planning is conducted with the intent to create a quick fix, expediency overrides effectiveness (Rothwell, 2010). “Leaders cannot be cultivated quickly or easily…excellent leaders are cultivated over time” (Rothwell, 2010, p. 72). A reason for a quick fix approach can be rapid organizational change. If leaders have to make quick changes constantly, succession planning may take a fill-in-the-box approach, which is ineffective (Rothwell, 2010). In addition, leaders can feel overwhelmed with the process of succession planning when there is too much paperwork or too many meetings. Leaders are already inundated with paperwork and meetings. When succession planning feels like another large task, it will not be given the time and dedication that it needs.

Traditional approaches to succession planning require paperwork for many areas of the process including work requirements now and in the future, performance management documents, advancement potential assessments, replacement charts, career mapping, and the identification of key positions (Rothwell, 2010). Succession planning processes will be more likely to succeed when leaders can focus on providing the necessary information like the critical positions and the talent assessments and a group like human resources handling the paperwork (Rothwell, 2010). Meetings are required to answer all of the crucial succession planning questions, but in some cases they can be consolidated. At minimum the meetings must be productive and stay on task to keep leaders engaged.

Impediments to Succession Planning

There are many impediments noted in the literature that inhibit organizations from succession planning. Lack of support, a quick fix approach, and substantial “extra” work on the part of leaders can all cause failure in succession planning programs, but there are additional ways of thinking or issues that can impede succession planning altogether in the organization. These issues and ways of thinking include abundance of workers, knowledge gaps, lack of HR staffing and expertise, and managers not seeing the value or the results of the process.

Abundance of unemployed workers. With the Great Recession, layoffs increased and unemployment rates increased. In turn, some leaders were left with the thought that there are so many people who lost jobs and continue to lose jobs due to downsizing that it should now be easier than ever to find replacements for open positions (Rothwell, 2010). There are concerns with this mentality however. Rothwell (2010) noted that those who are unemployed and out of work may not fit the precise needs of the role and the organization. The unemployment rate according to the Bureau of Labor Statistics has also gone down drastically since the peak of the great recession. In October 2009, the unemployment rate hit 10%, and as of July, 2015, the unemployment rate currently stands at 5.3% (Bureau of Labor Statistics, 2015).

Knowledge gaps. Another impediment to succession planning is simply a lack of understanding and a lack of knowledge of what succession planning is. Rothwell (2010) found that “Succession planning and management is rarely, if ever, taught in most undergraduate or graduate college degree programs, even those specifically tailored to Human Resource Management” (p. xxv). Rothwell (2010) noted that because of this, organizations may not have a current resource with the necessary expertise to deploy the strategic process.

Another impediment, along the same lines, occurs when the organization is not a learning organization. Bechet et al. (2008) found that a common reason for not succession planning now is that the organization tried it once and it did not work. Bechet et al. (2008) noted that an unsuccessful attempt at workforce planning does not mean that the planning is not necessary. If the organization is not open to trying new things or doing things differently, it is not a learning organization, and it may not even explore the concept of succession planning. Also, if the organization does not document, reflect, and learn from its mistakes, a succession planning program will not grow and mature into a more effective program (Sobol et al., 2007). The organization must be open and responsive to change for succession planning to be most effective (Sobol et al., 2007).

Lack of human resources staffing and expertise. The lack of knowledge and experience surrounding succession planning is not the only impediment dealing with the human resources (HR) realm of the organization. Often times, HR departments in organizations have minimal staffing, or they are in dire need of a transformation (Rothwell, 2010). In some smaller organizations, there may not even be a HR employee or department. In addition to little staffing, HR workers are sometimes inadequately skilled and HR departments are ineffective in regard to competency modeling efforts and also lack the technology required to support a robust succession planning program (Rothwell, 2010).

Bechet et al. (2008) found that HR staff themselves can be the most significant barrier to effective and strategic staffing. Often times, HR staff is very reactive and tactical, which makes it difficult for them to think strategically about staffing (Bechet et al., 2008). Bechet et al. (2008) also found that often times HR staff take an egalitarian approach to staffing focusing on a one-size-fits-all approach where all jobs must go through the same process. In order to overcome these approaches and this thought processes, it is important that organizations remove the silos that exist and provide all staff with an in depth understanding of the business plan (Bechet et al., 2008).

Lack of value and results. Bechet et al. (2008) found that time came up as a common impediment to workforce planning when interviewing leaders. Managers often shared that they did not have the time to dedicate to proper planning or that other initiatives were more important at that point in time (Bechet et al., 2008). Bechet et al. (2008) argued that if the feedback is that managers do not have the time to dedicate to the process, they most likely do not see the value in the process. “Managers will always find time for the things they feel are worthwhile” said Bechet et al. (2008, p. 19). Bechet et al. (2008) encouraged the organization to help managers understand the process, its benefits and ultimately results.

Managers need to see results or they will not spend their time on the initiative. Bechet et al. (2008) cited a lack of results as another possible impediment to succession planning. Bechet et al. (2008) found that few results often stem for large, organization-wide endeavors. The focus cannot be on simply bringing the initiative to fruition, it must be on the results of the initiative or to managers it feels like additional tasks and work (Bechet et al., 2008). Bechet et al. (2008) also warned that if organizations spend too much time on discovering data about all of their people, they will not be able to implement an effective program. They suggested starting the process with the data that is available and building on that process (Bechet et al., 2008). Organizations will never have all the information and data, but they do have or can get enough information to make valuable conclusions (Becket et al., 2008).

Credit Union Data Surrounding Succession Planning

The statistics in regard to succession planning in cooperatives including credit unions are striking. 48% of respondents note that they want an internal candidate to replace their chief executive, 16% want an external candidate, 16% do not care, and 17% do not know (Froelich et al., 2011). When asked if they have any viable internal candidates for the chief executive position, only 9% of respondents said yes, while 25% said they did not know (Froelich et al., 2011). Steve Swanston, Executive Vice President of Business Development at a large Texas based recruiting firm believed that the desire to look externally for candidates comes from the evolving market (Windsheimer, 2008). Catherine Bailey, a board member for Group Health Credit Union concurred by saying that credit unions need to think differently now than they have before (Windscheimer, 2008). Bailey explained that credit unions need leaders who have a solid understanding of financial services markets, is ready to compete against other financials and can grow the current credit union (Windscheimer, 2008). Swanston and Bailey noted that a credit union looking to hire internally only may not be recruiting appropriately because they are not exploring other possibilities and potentials; at minimum they noted that the credit union should put the internal candidates through the same process as external candidates (Windscheimer, 2008).

Froelich et al. (2011) found that 54% of credit union respondents expected to have a chief executive position open in the next 10 years, and 61% believe the external search process for a new chief executive is less than six months. The *Credit Union Journal* featured a special report headlining the front page of the newspaper stating, “Do You Know Who Your Next CEO Will Be?” The article begins by noting that one-third of credit unions do not know who their next CEO will be and only 60% of credit unions have succession plans in place for their CEO (Ghosh, 2015).When asked why the organization should be succession planning, business continuity was the overwhelming response; however, more than half of respondents believed it was for the purpose of improving financial performance, and nearly one third of respondents believed it would help the organization adapt to a changing environment (Froelich et al., 2011). Rothwell (2010) found that billion dollar organizations look at succession planning differently noting that over the next five years, succession planning is “the third most important issue behind financial results and strategic planning” (p. 14).

Successful Succession Planning Cases in Credit Unions

SECU. There are several credit unions that are leading the credit union industry in succession planning and making it a priority. Their succession planning philosophies and models were shared in interviews with the credit unions’ CEOs. State Employees’ CU (SECU) in Raleigh, North Carolina is one of them. SECU is more than $29 billion in assets and is the second largest credit union in the nation. Current CEO, Jim Blaine, believes that hiring from within is the best way to go unless the institution is in trouble (Ghosh, 2015). Blaine explained that it is best to grow leaders, even if that means they leave for another credit union. He estimateed that more than 25 current credit union CEOs came from SECU (Ghosh, 2015).

SACU. Jeff Farver, CEO of San Antonio Federal Credit Union (SACU) shared that "If you want the best and brightest on your team, you have to give them challenging work and tell them when they feel ready for a CEO position, you will support them in their quest" (Stoddard, 2011, p. 77). To prepare potential CEOs, Farver believed that the candidate must demonstrate three to five years growing a company since that is what they will have to do as a CEO (Stoddard, 2011). Farver's successor led SACU's manufactured home division and grew it from 11 to 120 employees (Stoddard, 2011). Farver believed in developing managers at all levels of the organization and requires managers to develop people two levels below themselves, something they are held accountable for (Stoddard, 2011). SACU provides employees with long term projects to help them build KSEs, which stands for Knowledge, Skills, and Experience, and Farver believed that someone leaving is not a sacrifice because the organization gets to keep them until they find what they are looking and ready for (Stoddard, 2011). Farver noted that the development of executives is best for the benefit of the members (Stoddard, 2011).

Alliant Credit Union. Another CEO, David Mooney, leads Alliant Credit Union, which is the sixth largest credit union in the nation (Stoddard, 2011). Mooney develops leaders at all levels of the credit union because he believes leadership development drives organizational effectiveness (Stoddard, 2011). Mooney explained that in a climate where product, price, and promotion are similar, execution is the most important piece at the end of the day, and he says that execution stems from aligned, engaged, and competent people (Stoddard, 2011). Alliant utilizes other organizations like Gallup to assist in the development in addition to in house programs that focus on a variety of topics for managers at all levels (Stoddard, 2011). Mooney focuses on developing potential CEOs because his board of directors expects it, but he also believes it is his role to develop other leaders even if advancement for them it not with Alliant

(Stoddard, 2011). He shared, “I work to develop talent for the greater good of Alliant but I have open discussions with people about opportunities they see or I see outside of credit union. No interest is served by pretending people do not want to move up, even if outside the organization” (Stoddard, 2011, p. 82).

Golden 1 Credit Union. Another previous CEO, Stan Hollen, led Golden 1 Credit Union, which is a very large credit union with $7.4 billion in assets. His advice regarding mentoring was to focus on building young executives by getting them networking, putting them on committees and boards of other organizations, and increasing their education by connecting them with other credit union management schools and conferences (Stoddard, 2011). Hollen shared that smaller credit unions have a bigger problem when any manager leaves, but he explained that the credit union must be okay developing leaders even if they do not stay with the organization (Stoddard, 2011). He pointed out that not every leader can become the CEO of their current credit union, but their strong leadership can benefit the entire credit union movement (Stoddard, 2011). He reminded credit unions that turnover can be a good thing as new employees bring new ideas that the organization may need (Stoddard, 2011).

Credit Union Specific Challenges

The approaches of SECU, SACU, Alliant, and Golden 1 are some of the success stories found in the literature. Other credit unions are faced with challenges that get in the way of succession planning efforts. Research finds many credit unions want to succession plan but in the end, they just do not have the formal plans other for-profit companies may have (Froelich et al., 2011). Previous research by Froelich et al. (2011) identified the need to better understand the hurdles to succession planning. As a foundation for the study, it is important to understand several items about the industry including credit union capital, CEO tenure and turnover, human resources departments in credit unions, credit union boards of directors, and credit union strategic planning processes.

Capital and technology resources. Credit unions lack resources their bank competitors have including capital, staff, and efficiency. Smaller credit unions also face additional challenges that large credit unions may not. Of the 6,930 credit unions, approximately 75% have total assets less than $100 million and less than 2% of credit unions have asset sizes >$1billion (University of Wisconsin Center for Cooperatives, 2014). On the other hand, 80% -85% of banks have assets greater than $100 million. In 2013, CUNA reported credit unions have a total of 269,561 full-time and part-time employees within the 6,930 credit unions which averaged a little over 38 employees per credit union. JPMorgan Chase & Co. (2013) on the other hand reported in their 2012 Annual Report that they had 258,965 employees and $2.3 trillion in assets.

The lack of resources presents great challenges for credit unions. Goddard, McKillop, and Wilson (2014) found that small credit unions require more full-time employees per million of assets than large credit unions (.45 to .26). The smaller credit unions (assets less than $10 million) did not offer the same products and services that large credit unions (assets over $500 million) offered like unsecured lending and larger loans (Goddard et al., 2014). Wheelock and Wilson (2011) noted that information technology was also more prevalent in large credit unions due to high fixed costs in information processing. Large credit unions, for example, offer home-banking services 100% of the time, while only 48% of small credit unions are able to offer the same service (Goddard et al., 2014). Lastly smaller credit unions have a greater risk of being acquired or worse failing (Goddard et al., 2014).

Efficiency is another area where credit unions lack in comparison to their bank competitors. A financial institution’s efficiency ratio is commonly used by stock analysts (for banks) to rate efficiency and considers non-interest income expense, net interest income, and non-interest income to reveal the amount of operating expense needed to generate one dollar in revenue. Efficiency ratios average 77% for community credit unions whereas banks average a 65% efficiency ratio. Increased efficiency requires more resources (capital or human) initially (Williams, 2010).

Goddard et al. (2015) noted that credit unions are not like other financial institutions in that they cannot raise capital by issuing new equity. A credit union's net worth grows as earnings are retained versus being paid out to the members in the form of dividends or in lower loan rates. Goddard et al. (2015) explained that this is why correcting financial concerns of regulators for example does not have a quick fix; it takes time for the net worth to accumulate. Credit unions have seen increased regulation in the past 15 years regarding capital requirements, and they are now subject to a minimum capital-to-assets ratio as noted in Figure 4. (Goddard et al., 2015). To be well capitalized, a credit union must remain a net worth above 7% (National Credit Union Administration, 2014).

Status of Capital and Resulting NCUA Action

<table>
<tr><th rowspan="2">Credit Union Capital</th><th rowspan="2">Net Worth</th><th colspan="3">Action Triggered</th></tr>
<tr><th colspan="2">Mandatory</th><th>Discretionary</th></tr>
<tr><td>Well capitalized</td><td>7% or higher</td><td colspan="2"></td><td></td></tr>
<tr><td>Adequately capitalized</td><td>6–6.99%</td><td rowspan="3">Earnings retention required (for example, increase dollar amount of net worth by 0.1% of total assets and transfer from undivided earnings to regular reserve account until the credit union is well capitalized)</td><td></td><td></td></tr>
<tr><td>Undercapitalized</td><td>4–5.99%</td><td rowspan="3">Net Worth Restoration Plan</td><td rowspan="3">– Restrictions on approvals for acquisitions, branching, new lines of business; transactions/ ownership of CUSOs; dividends
– Prohibit asset growth, nonmember deposits
– Alter, reduce, or terminate an activity
– Dismiss director or senior executive officer
– Employ qualified senior executive officer
– Restrict senior executive officers' compensation (under 5%)
– Forced merger (under 4%)</td></tr>
<tr><td>Significantly undercapitalized</td><td>2–3.99%</td></tr>
<tr><td>Critically undercapitalized</td><td>Less than 2%</td><td>– Conservatorship
– Liquidation
– Other corrective action</td></tr>
</table>

Figure 4. Capital requirements and triggered actions. This figure illustrates the NCUA's capital requirements as well as required actions based on capitalization status. From "Truth in Mergers: A Guide for Merging Credit Unions," by National Credit Union Association, 2014. Copyright 2011 by the National Credit Union Administration. Reprinted with permission.

If the credit union falls below 7%, they are classified as adequately capitalized (6-6.99% net worth), undercapitalized (4-5.99% net worth), significantly undercapitalized (2-3.99% net worth) or critically undercapitalized (less than 2% net worth) (National Credit Union Administration, 2014). Depending on the credit union's status, they may be subject to mandatory or discretionary actions like earnings retention, net worth restoration plans, restrictions on how they can run their business, hiring requirements or restrictions, employee dismissal, conservatorship, or liquidation in addition to others (National Credit Union Administration, 2014). Goddard et al. (2015) found that added pressure on capital has caused some credit unions to convert to community banks due to less restrictions on raising capital, reduce their asset bases by reducing lending, or merge with other more capitalized credit unions.

CEO tenure. Credit union tenure and turnover is different from other industries. Froelich et al. (2011) found that more than 22% of credit union CEOs had a tenure greater than 20 years, 25% had a tenure between 11 and 20 years, 17% had a tenure between 7 and 10 years, 20% had a tenure between 4 and 6 years, and 16% had a tenure less than 3 years. This averages out to be about 12 years for the average credit union CEO (McNamara-Fenesy, 2013). The average tenure of a Fortune 500 CEO on the other hand hit 9.7 years in 2013, which was up from 8.1 in 2012 (Feintzeig, 2014). The credit union CEO tenure rate is expected to decrease over the next several years as CUNAs 2011-2012 CEO Total Compensation Survey notes that from 2012 to 2017, more than 21% of the credit union industries CEOs will retire (Credit Union National Association, 2012).

Overall credit union employee turnover rates as of January, 2012 were at 16% (Vertz, 2012). The Bureau of Labor Statistics reported in 2010 that the median number of years wage and salary workers remain with their employer is 4.4 (Credit Union Magazine, 2010). The median employee tenure is generally higher for older workers (Credit Union Magazine, 2010). For workers ages 55-64, the average tenure was 10 years in comparison to workers ages 25-34 who had an average tenure of 3.1 years (Credit Union Magazine, 2010).

Human resources in credit unions. The human resources area and functions in credit unions vary greatly. In 2010, Williams found the median credit union has one human resources employee for every 72 employees and one employee dedicated to training for every 88 credit union employees, yet the demands are increasing. Tierney (2006) found that the HR infrastructure of nonprofits is no match to for-profit organizations.

Tierney (2006) also found that many credit unions and nonprofits are too small to create and maintain leadership development opportunities and programs that are meaningful. The investment in recruitment and development is so costly that in some cases it is more beneficial for credit unions from a cost perspective to hire externally for senior managers (Tierney, 2006). According to Tierney (2006), data on nonprofits explains that 30 to 40% of senior managers are filled with internal candidates whereas for profit businesses average closer to 60 to 65%.

Credit union boards of directors. Credit union boards are setup differently than for-profit boards in many cases. Brannen and Ibrahim (2010) found that credit union board members are volunteers and serve without pay in comparison with their bank competitors in most states. Only in select states are credit unions choosing to compensate their board members, while most credit unions do not pay at all (Strozniak, 2013). Second, board members are voted on by the credit union membership (National Credit Union Administration, 2006).

Brown (2007) found that credit union board members have an average of 25 years of credit union experience and hold their positions for an average of 7.28 years. Charan (2005) explained that boards do not have the previous experience working on CEO succession. Because of this, nonprofit boards of directors tend to misjudge the expenses of making a poor hiring decision and therefore unintentionally avoid succession planning altogether only to have to devote countless hours to the recruiting and hiring process later (Brannen & Ibrahim, 2010; Carman et al., 2010).

Credit union boards also have extremely full agendas to get through during board meetings leaving little time for succession planning (Charan, 2005). Credit union governance takes up the majority of the board members' time, and much of the rest of the time is focused on the organization's financial performance (Charan, 2005). Charan (2005) explained that boards report that they spend less time on CEO succession planning than any other activity, yet a boards' focus and dedication to succession represents as much as 80% of the value they deliver.

Strategic planning in credit unions. One strategic process that can assist the CEO and board of directors is strategic planning. Medley and Akan (2008) believed strategic planning helps meet consumer demands as well as improves organizational effectiveness as it steers decision making. Freeland (2002) shared that strategic planning helps the organization pursue its mission by creating a plan to meet its needs and objectives. Brown (2007) found that some credit union leaders believe the strategic goals and objectives are the board's responsibility to define. McComb (2001) reported that credit union leaders are actively engaged in the creation of a strategic plan, but unfortunately leaders resent the amount of time it takes to create the plan so it ends up on the shelf collecting dust. No matter whose responsibility or the amount of time it takes, when asked the importance of succession planning in relation to other strategic planning areas, only 36% of credit union executives noted it as very important (Froelich et al., 2011). 11% of CEOs responded that they did not know how important it was, 33% said it was important, and 14% were neutral (Froelich et al., 2011).

Proudfoot (2013) explained that "Optimizing human capital is a strategic imperative that is available to all, but under-executed by most. Executed correctly, it can provide a significant competitive advantage for many years to come" (p. 2). Only 16% of credit union CEOs noted they had a plan for CEO transition however (Froelich et al., 2011). Froelich et al. (2011) also noted that succession planning for 61% of credit unions consisted of the topic discussed as an agenda item at a board meeting, while 31% note they have participated in developing an emergency succession plan.

Literature Review Summary

Credit unions began with the intent of "serving the underserved," and over time, the credit movement has remained focused on one important thing: serving their members. A credit union's primary stakeholders are members because they are not only customers but also owners. Employees are also primary stakeholders. To battle through many of the challenges credit unions are facing like stringent capital requirements, increased regulation and compliance concerns, doing more with minimal staff and HR resources, and volunteer boards, they need the right leaders in place at all times. One strategic process that can help prepare leaders to handle these difficult situations is succession planning. Succession planning, if done appropriately, allows credit unions to identify and develop a leadership pipeline. This planning process, if done correctly, not only helps the organization when a critical position becomes available, but it retains top talent and helps build strong leaders for the industry.

The literature notes that credit unions want to hire internal leaders in many cases, but when it comes down to it, they do not have anybody ready for the position. What is not clear is what gets in the way and impedes this planning process specifically in credit unions. Why are not all credit unions embracing this strategic process? The research questions proposed in this study will help the industry get the answers to this question by understanding CEO’s experiences with the process as well as identifying what internal and external factors are inhibiting succession planning.

Chapter 3: Methods

BThe purpose of this research was to explore the lived experiences of current credit union CEOs regarding succession planning within their organizations. This chapter includes discussion of the research design, research questions, subject selection and recruitment, human subjects consideration, data collection, and analysis.

Research Design

A qualitative, phenomenological research design was chosen as the best means to fulfill the intent of this study which was to better understand credit union CEOs experiences with succession planning including identifying what impedes or facilitates this strategic process within organizations, and ultimately to better understand what tools and resources credit union leaders could use to make succession planning a routine and strategic part of the culture. Creswell (2014) defined qualitative research as “an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (p. 4). To explore and understand, the research process includes asking questions to understand the processes, collecting data on the participant’s setting/location, analyzing and identifying themes, and making interpretations about the data that is collected (Creswell, 2014). Those who conduct qualitative research focus on an inductive approach and individual meaning and understand that the complexity of the problem must be rendered (Creswell, 2014).

The qualitative research was phenomenological in nature. Phenomenological research focuses on the lived experiences of the participants about a common phenomenon and extends from both psychology and philosophy (Creswell, 2014). All of the participants in a phenomenological study must have experienced the phenomenon (Creswell, 2014). The credit union CEOs that participated in this study are in the same industry and face the same challenges which include developing and growing their current leaders, satisfying member stakeholders, and leading their organizations to success. This study allowed the credit union leaders to share their experiences with the phenomenon of succession planning in order that a composite description of the essence of what and how the CEOs experienced could be developed (Creswell, 2013).

Creswell (2013) explained that in a phenomenology a researcher must "bracket himself or herself out of the study by discussing personal experiences with the phenomenon…to partly set them aside so that the researcher can focus on the experiences of the participants" (p. 78). As a credit union executive who has spent over 13 years in multiple credit unions of different sizes, the researcher brought a clear understanding of what it looks like when succession planning is lacking. A social constructivist approach was appropriate:

Social constructivists believe that individuals seek understanding of the world in which they live and work. Individuals develop subjective meanings of their experiences—meanings direct toward certain objects or things. These meanings are varied and multiple, leading the researcher to look for the complexity of views rather than narrowing meanings into a few categories or ideas (Creswell, 2014).

When conducting this study, the focus was on the participants' views of succession planning and the associated impediments. However, the concept of reflexivity was considered throughout the research. Reflexivity includes acknowledging and reflecting upon the biases, experiences, and values of the researcher and explicitly stating one's position (Creswell, 2013). As a researcher my own background shaped how the responses were interpreted, which is why stating assumptions was crucial (Hsiung, 2008). The researcher's role was to seek to understand, with the understanding that meanings are neither fixed nor stable, not have expectations that the questions will uncover the truth, and believe the social locations of participants shape the responses and meaning behind their responses (Hsiung, 2008).

Sources of Data

The target population for this study was current credit union CEOs, who were leading credit unions with greater than $500 million in assets which is considered a large credit union (Christensen, 2014). Larger credit unions have more resources (assets) and tend to have more employees, more products and services, and more regulatory burden due to their size. CEOs of these large credit unions were more likely to have considered issues associated with stakeholder concerns and succession planning. Also, CEOs with a minimum of 10 years experience within the industry and preferably at least five years at their current organization were targeted for participation to ensure participants had adequate credit union experience that would be beneficial to this study.

There were approximately 478 credit unions classified as being “large” (Callahan & Associates, Inc., 2015). The number of CEO’s who met the criteria of 10 years within the industry and also five years within their current organization was not known. However in a study by Froelich et al. (2011) that focused on succession planning in nonprofits and credit unions, they reported more than 50% of the CEOs they interviewed had tenure of greater than 10 years. The researcher’s current CEO was not interviewed as backyard research often creates a compromising situation (Creswell, 2014).

Sampling Method and Sample Size

A purposeful sampling approach was used for this research because in a phenomenology, all participants must be familiar and have experience with the phenomenon (Creswell, 2013). Participants were purposefully selected by the researcher as the participants were expected to provide the most help in understanding the problem and the associated research question (Creswell, 2014). The researcher sought to interview both CEOs who have experience with succession planning and have a succession program in their credit union as well as CEOs who had little background or experience on the matter or who do not have a formal plan in place at their current credit union. The levels of succession planning did vary within the credit unions that participated. Their backgrounds with succession planning also varied as some were part of a succession plan themselves and some had no experience in the past. Several of the CEOs did not have experience with succession planning prior to their current role, yet they brought the strategic process to the credit union during their tenure.

CEOs were solicited through the researcher’s professional network and on LinkedIn. Snowball sampling was then be used to identify additional names of other potential participants that may be beneficial or who may provide rich information to this research (Creswell, 2013). Eight CEOs were interviewed for this research study: five men and three women. The CEOs had varying backgrounds, varying credit union demographics, and were located across the United States in hopes of bringing different perspectives to the research. The minimum number of eight was selected because for a phenomenology, a range of three to ten participants is typical, and it was important to get several perspectives on this issue to help identify common trends (Creswell, 2013).

Data Collection Strategies and Procedures

Data was collected through a semi-structured interview process. The qualitative interviews used open-ended questions with the goal of eliciting the CEOs views and opinions from their experiences within their organization (Creswell, 2014). Individual interviews were the best for this research because each participant brought a different perspective due to their background, markets, or experience with the topic.

Procedures

The interviews were conducted by telephone as that is what the interviewee's preferred. The interviews were audio taped with the permission of the interviewee and transcribed. Handwritten interview notes were taken in the event the recording equipment failed (Creswell, 2014). Creswell's (2014) interview protocol was followed. The interview date and times were recorded in the interview notes. A summary of the research was shared with the participants upon request to participate in this research study. An informed consent form was also provided to each participant at or before the actual interview. It was explained to participants that their participation was completely voluntary and confidential. An interview protocol was used with each participant to guide the interview. All interviews were completed within 60 minutes. The interviewer was courteous and listened to the participants to ensure full understanding of his/her responses.

Interview Protocol

The first portion of the interview involved gathering some identifying data such as name, credit union name, length of time in the credit union industry, asset size of current credit union, location of the credit union, and number of employees as this information was used to identify potential trends as well as to understand what the leader was responsible for. In order to hear clearly the subjects' perspective, a solid understanding of the participant's background was needed as one's history, market, and the organization's culture for example shaped their responses and ultimately helped the researcher identify categories and themes (Creswell, 2014). Creswell (2013) recommended the use of five to seven open-ended questions to guide the interview followed by several probing questions to allow the participant's to expand on their responses and the researcher to have a better understanding of the response. To ensure understanding, the researcher paraphrased the participant's response and/or asked for clarification as appropriate. Additional dialogue based on the participant's responses also occurred as this information ended up being very beneficial to the study. The following six open-ended questions guided the interview and provided information needed to understand the lived experience of these CEO.

1. Please walk me through your resume and share how you got to your current role.
2. What does succession planning and leadership development look like in your \ credit union or in your past positions?
3. What internal challenges get in the way of succession planning or other strategic initiatives in your credit union?
4. What external factors get in the way of succession planning or other strategic initiatives in your credit union?
5. What enables you to have an effective succession planning program within your credit union?
6. What tools or resources would be helpful to your credit union to assist in building an effective succession planning program or enhance your current program?

These six open-ended questions were selected to understand the CEO's background both from a career perspective, a succession planning perspective, and an industry perspective. Probing questions varied based on the responses of these questions as the participant's experiences and focuses varied significantly.

To validate the interview questions, they were first reviewed by colleagues with experience of succession planning. Following validation, a pilot interview was conducted with a current credit union CEO to ensure the questions were producing the desired information and to determine the time needed for the interview process. The researcher used the pilot interview to assist in ensuring there were appropriate follow up/probing questions as well as to understand how the interviewees may interpret the questions within the interview protocol. The pilot process resulted in further interview modifications which were incorporated into the process as appropriate to ensure information gathered would enable addressing the study purpose.

Ethical and Human Subjects Consideration

Israel and Hay (2006) noted that the researcher must "protect their research participants; develop a trust with them; promote the integrity of research; guard against misconduct and impropriety that might reflect on their organizations or institutions; and cope with new, challenging problems" (as cited in Creswell, 2014, p. 92). Prior to conducting the study, a formal review was completed through Pepperdine University's Institutional Review Board (IRB) who ensures that all research involving human subjects protects the welfare and dignity of all participants and that all participants are ethically protected. Exempt status (45cf4.46.101 (b)(2)) was requested because participants were all from an adult population, which was not a protected group and because the study did not present more than a minimal risk to subjects or involve deception. IRB approval was granted on November 5, 2015 (Appendix A). The letter used to reach out to the CEOs is included in Appendix B, and a generic version of the thank you email that was used is located in Appendix C. The researcher personalized the emails in several cases based on dialogue that occurred during the interview.

There was minimal risk for a CEO to participate in this study. The participants were only asked to share their experiences as the CEO within their organizations. CEOs may have perceived that not being a subject matter expert on succession planning was considered negative; however, the researcher did not get this feeling during the interviews. Concerns were expected regarding any negative attention that could be brought to a credit union based on the information that was shared. Each participant was informed that information shared through the interview process would be handled confidentially and their personal identities and organizations would be protected. One participant did voice this concern as they shared confidential information during the study. They were assured there would be no identifying information in the study findings, and that remained true when the researcher shared the findings in chapter four. Creswell (2013) noted that ethical issues are common in the data collection area. To avoid ethical issues in this research, several key components occurred. The researcher ensured that all participant information remained confidential. The researcher explained several items to the participant including the fact that they were a participant of the study as well as the clear purpose of the research. The researcher shared experiences with the participants during the interviews. Participants were provided with informed consent forms and there were no deceptive techniques used in this study. To minimize the risk of a breach in data recordings, no signed informed consent was collected.

To protect the confidentiality of the individuals in the study, no associating credit union or participant data was shared in the findings of the study and only categories and themes that resulted across multiple credit unions were shared. In addition, forms and interview recordings were coded using an assigned letter/number combination, to help protect the identity of each individual and codes were stored separately from the transcribed data (Creswell, 2014).

Recordings and transcripts from the interviews will be saved by the researcher for five years in a safe after the publication of the study. Participation was completely voluntary with no recourse for not participating. The researcher provided the following explanations about the study to all potential participants:

- The purpose of the study was to identify impediments to succession planning in credit unions as well as to identify potential resources to help credit unions implement or improve succession planning within their organization.
- The duration of the survey would not be more than 60 minutes.
- There was minimal risk to their participation in this study. Their participation was voluntary and could be terminated at any time. Their participation will not be known to any of his/her peers.
- Participation in the study may only indirectly impact them and their credit union. The research was meant to expand the knowledge about impediments to succession planning within the industry and to identify potential tools that can assist all credit unions in this strategic planning process in the future.
- The university and the researcher did and will strictly maintain their confidentiality. Responses will be recorded to ensure accuracy when analyzing the data and saved in a secured location for a minimum of five years.
- Participants were advised on how to contact the researcher and the dissertation chair for additional information or to address questions or concerns.

Data Analysis

Huberman and Miles’s (1994) systematic approach was used for data analysis because of its history in qualitative research (as cited in Creswell, 2013). The researcher wrote notes in the margin as the interviews were taking place, and she began the process of sketching ideas during the data collection phase. Notes were taken throughout including reflective passages. Once the interviews were complete, each recording was transcribed. Field notes were summarized, and the researcher began working with the words to make notes and identify possible categories and themes. To aid this process, HyperRESEARCH, a qualitative software tool, was used.

The data was coded for key words related to the associated research questions. A code book with clear definitions was developed during the first and second review of the data. Codes included expected findings as well as other commonly noted ideas/themes that surfaced during the interviews. The researcher reflected on the overall meaning, identified the tone of the ideas, looked for general ideas that erupted from the interview notes, and understood the overall credibility and depth of the interview data (Creswell, 2014). Because it was a phenomenology, the emphasis was on analyzing significant statements (Creswell, 2014). Patterns and themes were identified by combining several codes to form common ideas (Creswell, 2013). To appropriately interpret the data from a phenomenology, a “textual description” of what happened as well as a “structural description” of how it was experienced was developed by the researcher using the data (Creswell, 2013, p. 191). At that point “the essence” was also be developed and represented in the study results using tables, figures, and discussion (Creswell, 2013, p. 191). To ensure reliability of the coding process, an experienced researcher (peer-examiner) was asked to review the code book and coded transcripts to ensure consistency. Dialogue with the peer examiner about needed modifications occurred until agreement was reached that the data had been coded accurately.

Findings and Implications

The final manuscript is in descriptive, narrative form and shares in detail the responses to the research questions. The seven identified categories that resulted from the data are explained in depth in chapter four. Any trends in data are also shared as these factors may assist other credit unions in identifying solutions to their own succession planning struggles. The CEO's ideas for starting a successful succession planning process, overcoming impediments, and improving or expanding on the existing processes in place are shared.

The key findings of the study are then shared in response to the research question or sub question they relate to. The six conclusions that resulted from this study are also explained and practical and scholarly implications are discussed. The research that was either confirmed or identified as a nonissue based on the responses of the participants in this study are included within the implications. Because there is so little current research on this topic, future study topics that can help the industry and possibly other nonprofits or smaller businesses trying to compete are suggested.

Chapter 4: Findings

The purpose of this qualitative, phenomenological study was to gain a better understanding of the lived experiences of credit union CEOs in regard to succession planning with the goal of identifying impediments to this strategic process. The study also sought to understand what tools or resources would be valuable to other credit union leaders to enhance their current succession planning programs or to use when implementing succession planning into a credit union. The study focused on the following central research question and four sub questions:

- What are the lived experiences of current Credit Union CEOs regarding succession planning within their organizations?

Sub questions:

- What internal factors influence the use or non-use of this strategic process?
- What external factors influence the use or non-use of this strategic process?
- What is difficult or easy about building leaders within their organization?
- What tools or resources would assist in overcoming the internal and/or external factors?

The interview protocol was specifically designed to understand the background of the CEO, the demographics and market differentiators of the credit union, the depth of the succession planning and leadership development programs within the credit union, tools and resources that either the CEO wished they had access to or that they recommended in the process, and lastly anything else the CEO felt would be valuable information to include in the study.

Eight CEOs who currently lead credit unions with more than $500 million in assets were interviewed as part of this study: five men and three women. Table 1 lists the participants by code, number of years in the role, gender, asset size, and level of succession planning occurring within the organization.

Table 1

CEOs by Codes, Time in Role, Gender, Asset Size and Level of Succession Planning

Participant code	**Time in CEO role**	**Gender**	**Asset size range**	**Level of succession planning**
MM1	15 months	Male	$500M to $1.5B	CEO
SW10	10 years	Female	$500M to $1.5B	All levels
CR14	14 years	Male	$500M to $1.5B	All levels
SS14	14 years	Female	$1.5B to $2.5B	VP and critical
WK34	34 years	Male	$1.5B to $2.5B	VP and critical
EA7	7 years	Male	$1.5B to $2.5B	VP and critical
MC1	10 months	Female	$2.5B +	All levels
SB35	35 years	Male	$2.5B +	Leadership development focus -no successors named

The interviews produced a total of 384 coded passages grouped by seven categories: (a) CEO experience and credit union (CU) demographics, (b) CEO leadership mentalities and strategies, (c) succession planning and leadership development program management, (d) succession planning activities, (e) impediments, (f) facilitators, and (g) tools and resources. Table 2 displays the distribution of themes within each category. The counts for each theme are also listed in the table where appropriate to document the number of times the theme was found in the data. Findings are discussed by category and accompanied by the participant’s textual narratives to best convey the lived experiences.

Table 2

Categories, Themes and Counts Resulting from the Data

Categories	Themes	Count
CEO experience and CU	CEO path - not part of a plan	5
	CEO path - part of a plan	3
	Multi-industry background	3
	Only CU background	5
	High CU competition	4
	Low CU competition	4
CEO leadership strategies	Technology and innovation	6
	Agile work environments	4
	Change hiring process	4
	Succession planning is not the	2
	Succession planning and leadership	4
	Create a pool of leaders	7
	Do not expect talent to stay forever	4
	Fit with the culture or go	4
	Hire from within unless the skill is	3
	Look internally and externally to	4
Program management	Two part process	5
	Depth of the plan	
	Program management	
	Key components	
	Notify candidates or not?	7
Succession planning	Activities used within the	49
Impediments	Nothing gets in the way	5
	Back burner item	5
	Egos and human nature take over	4
Facilitators	Developing leaders is the CEO’s	7
	People/culture centric CEO	6
	Strategic plan alignment	5
	Engaged and supportive board of	4
Tools and resources	Numerous tools available	4
	Consultant	4

CEO Experience and Credit Union Demographics

All of the credit union CEOs met the requirements of the study of being in the industry more than 10 years and working within their credit union for the past five years. The CEOs tenure varied and the length of service of each CEO was noted in Table 1. There were two newer CEOs (MM1 and MC1) that became CEOs for the first time in the last 10-15 months, two CEOs who were in CEO roles for 34 and 35 years, and the other four were scattered in between at 7, 10, 14, and 14 years in CEO roles. Five out of the eight CEOs spent their entire careers in credit unions starting in teller positions, marketing roles, as well as other credit union support roles, while three of the participants had other industry experience including time in public accounting, brokerage firms, consulting, and large bank management.

Three of the CEOs were part of an informal or formal succession plan that provided some sort of grooming for the role. One female CEO noted that she was hired as a COO and was told during the hiring process she was being hired purposefully to be groomed for the CEO role. She also shared "the hiring CEO had no idea how to mentor anybody nor did he have any idea how to handle the likes of me" (SW10). All three of the groomed CEOs (two females and one male) were given additional responsibilities, department oversight, and job rotation to prepare them for their now CEO roles. The newest CEO, MC1, noted that she was part of an "extensive succession transition" that started in 2011. A year before the departing CEO left, the employees of the credit union and the communities they served were made aware of the upcoming transition, and she was included in all meetings the CEO normally attended. She noted that the "warm transfer" was positively endorsed by all successors.

While the CEOs have varying experiences and backgrounds, the credit union markets and communities in which they serve also have their own intricacies. The asset sizes of the credit unions varied greatly with three credit unions in the $500 million to $1 billion range, three in the $1 billion to $2.5 billion range, and two over $2.5 billion in assets as noted in Table 1. The member demographics of the credit unions varied greatly. The member stakeholders of the credit unions were noted to be highly affluent due to serving universities or wealthy areas of the county, not affluent due to mainly serving bases of teachers or state employees, high Hispanic or Latino populations, and agricultural industries. CEOs noted that in their markets they experienced in some cases high fraud, limited talent pools due to uneducated workforces, talent readily available, a lack of diversity in the state, strong marketplaces for businesses due to their location, as well as multiple CEOs who noted they are operating in very cooperative friendly states, which assists them in their success.

When CEOs were asked to rate the credit union competition in their markets on a scale of one through 10 with 10 representing the most competition, their responses were split equally with four noting high competition and four noting little competition. Those noting high competition explained there were a lot of credit unions in their markets and that other credit unions were entering their markets within the coming year. Others indicating high competition noted that banks played a role in their competitive market. SS14 noted that the "other challenge is we have a lot of banks; they are mainly community banks" while SB35 shared that his state has "always been a tremendously strong banking state" due to several large banks headquartered there.

Two CEOs noted little competition (five or less on the scale) and were very passionate in their responses. This was demonstrated by louder and more forceful tones in their voices and repetition in responses. Both EA7 and CR14 wanted to make sure their responses were understood and clear as noted in the following.

EA7 explained, “We don’t have any credit union competition. Let’s be clear about that! I think a lot credit unions are emotional and think they are competing against each other. We are not competing against credit unions. We are competing against the national banks and the large regional banks. Our industry is very myopic when we all compare ourselves to each other. We all look at each other. But it is the wrong benchmark. We should be comparing ourselves to our true competitors that own the market share.”

CR14 rated the competition as a one stating “I want you to understand this. We own 7% of the market; the other 93% are banks. So I don’t look at those credit unions as competitors. I look at the banks.”

CEO Leadership Strategies and Talent Development Mentalities

The CEOs showed great emotion regarding the competition. The same was true for the strategies they deploy to ensure their credit unions endure long term success. Again CEOs expressed their emotion in the tone of their responses. Their voices escalated, they shared how proud they were of their teams, or there was clear frustration with those not seeing the value and embracing talent development. A couple examples include:

SB35: The only thing [the CEO] does have time for is to assure that if you are not there, the organization continues! There may be some CEOs that are pretty self-centered and think it is all about them.

SW10: I put a lot of thought and energy into the development of these people! I never got to work with people at the caliber that we have!

CR14: How do you not have time for your people? I am sorry this is a little aggressive but no time for people? That’s ludicrous!

The credit union strategies that emerged from the data include: (a) a focus on technology and innovation, (b) a focus on building or maintaining an agile work environment, and (c) a change in the current ways credit unions hire. All of the CEOs that have been in their roles for at least seven years noted at minimum two of these strategies currently in play inside their credit unions. Three of the CEOs note at least three of the strategies are present in their credit unions. The two newest CEOs did not mention any of these specific strategies in the context of the interview.

Strategy one: technology and innovation. The strategy named the most frequently was a focus on technology and innovation. All of the CEOs citing this strategy confidently voiced that in order to be successful long term, neither technology nor a focus on innovation can be ignored. SW10 shared that "We need to spend our time in vision, planning, and strategy, and in future, future, future because our industry is disrupted right now and our business is changing. We need to be on top of it in order to be here 10-15 years from now." CR14 shared that in his credit union they spend a lot of time talking about moving more towards a technology company versus a financial services company in an effort to compete with the disruptors of the industry like Square, Google, Apple, and Prosper. CR14 was adamant that "If you don't get that the pace of change is accelerating at an unprecedented rate and understand that you need an employee-focused leadership base that can drive the initiatives according to the deadlines dates you need these done by, then forget about it, you will not be around." At her credit union, SS14 is questioning everything to see if it can be done better. For example, the standard performance review process is under scrutiny. SS14 asked the Vice President of Human Resources "Why do we have to check a box for someone? It kind of drives me nuts. I hate it. I don't want to label somebody in that way. She said well I don’t know. We started looking and there are several companies, bigger companies that have challenged that premise.”

Strategy two: agile work environments. The point SS14 makes borders on innovation as well as the next strategy of building or maintaining of an agile work environment. Three CEOs shared they deploy this strategy in their credit unions, and WK34 illustrated this concept well when he explained “We are in a period of very rapid change in organizational dynamics from a hierarchical structure to a more network world.” He shared that information tends to flow up and down within the organization, but in order to move to a network world, the organization must recognize a “network effect where you get information coming from different sources and you have to act on the information real time.” The key is to be flexible according to WK34 and constantly adapt and evolve. His advice: “Don’t think you have it locked. It is always changing and always moving” (WK34). The CEOs with this strategy require their credit unions to embrace change and make it happen. SB35 shared that the belief in his organization is to “Learn or lookout because the world is changing. If you are not willing to move forward with the organization, then we do not want you here.”

Strategy three: change the hiring mindset. In order to evolve into a more agile work environment, CEOs noted that a change in the hiring mindset is required. Four CEOs noted that the changing work environment has caused them to take different hiring approaches to ensure long term success. In his credit union, SB35 always prefers to hire within. He did note that sometimes they do have to go outside to address a specific problem or to gain a particular expertise however. SW10 believes the hiring process is step one to moving her credit union in the desired direction. She shared “I have some ability to really move this thing in a better direction through the hiring process…I am specifically trying to hire somebody that has not worked in a bank or credit union." CR14 was in agreement sharing that in the past as well as in the present for some credit unions, the focus or requirement was to hire people with financial services backgrounds. He explained that this topic needs consideration and contemplated,

> Is financial service experience as important as it was before? Should we be looking at the Verizon store? Should we be looking at other retail establishments, like Apple, that have connected the dots between selling and service and professionalism? That same thing holds true with technology positions. Should we be going outside the industry to understand different technology strategies or different skill sets? I think we are too insulated. I think it is a problem for the industry, because when you really think of the credit union industry, does innovation come to mind? I don't think so.

CR14 also notes that he does not believe that credit unions are even on the radar for talented people when it comes to employment. He pointed out that "we may think we have good talent, but there may be even better talent not even considering us."

All of the strategies for the organizations require looking at the future in a different way and being flexible and ready for what is yet to come. In addition to understanding the main strategies the CEOs were deploying for the organization, the CEOs also shared their mentalities regarding talent management. Seven main mentalities resulted from the interviews: (a) succession planning is not the best title, (b) succession planning and leadership development gets results, (c) create a pool of leaders, (d) do not expect talent to stay forever, (e) fit with the culture or go, (f) hire from within unless the skills are not available, and (g) look internally and externally to find the best talent. The seven mentalities are discussed in more depth in the following paragraphs.

Mentality one: succession planning is not a good title for the process. Two CEOs, SS14 and WK34, had very strong beliefs and emotions about the term succession planning and actually preferred not to use it. SS14 explained that "people have a bit of a negative reaction to succession planning. Oh let's do some succession planning. That sounds really boring." She also referred to succession planning as static in that people create a plan, maybe show it to the board, and then put it on a shelf versus developing people so they are happy and they stay, ensuring the organization can accomplish strategic objectives because of the people. WK34 prefers the term executive development. He noted that the term succession planning focuses heavily "on the change part rather than just developing people as much as you can with whatever challenges you can come up with."

Mentality two: succession planning and leadership development get results. Regardless of the term they used, half the CEOs specifically noted during the interviews that a focus on talent, succession planning, and leadership development does produce results for the organization. WK34 explained that "It takes a lot of time and a lot of patience. Once it is there it does reap huge benefits." He was so confident in the process and results of succession planning that he explained in response to the statistics from the research, "That is great because when their credit union and my credit union compete on a competitive playing field, I will beat them." SW10 agreed and noted she would put her team up against any $4-$5 billion credit union in the industry because her talent strategy is so strong. CR14 stated, "Just look at the results you get when you [succession plan]." He shared that organically his credit union did 16% loan growth in 2015, 14% asset growth and 12% of organic member growth. He shared that there are not many credit unions growing at those rates or budgeting for large double digit loan and asset growth in

2016 because most would see that as a stretch goal. He said “we have that level of optimism because of the talent management we have.”

To best understand the growth, Table 3 illustrates the participants and their credit union’s asset sizes and loan growth percentages for the last five years (comparing December 2010 to December 2015) as reported in the credit union’s call reports from the National Credit Union Administration’s website. The asset sizes and level of succession planning are also included in the chart. The average asset growth for all of the participating credit unions was 150%, and the average loan growth was 166% over the past 5 years. For credit unions with two part (succession planning and leadership development) programs, the average asset growth was 156% and the average loan growth was 180%.

Table 3

Asset and Loan Growth Percentages by Credit Union from December 2010 - December 2015

Participant	**Asset growth %**	**Loan growth %**	**Asset size range**	**Level of succession planning**
MM1	122	110	$500M to	CEO
SW10	135	190	$500M to	All levels
CR14	170	158	$500M to	All levels
SS14	151	171	$1.5B to	VP and critical
WK34	155	200	$1.5B to	VP and critical
EA7	167	181	$1.5B to	VP and critical
MC1	155	178	$2.5B +	All levels
SB35	148	139	$2.5B +	Leadership development focus -no successors

Note. Asset and loan growth percentages were calculated using the NCUA Call Report Data.

The credit union that only had CEO replacement planning had the lowest asset and loan growth percentages during the review period. The credit unions that had succession planning and leadership development programs that reached the entire organization had 153% asset growth and 175% loan growth. Those credit unions that focused heavily on VP levels and above as well as critical positions had 158% asset growth and 184% loan growth on average.

Mentality three: create a pool of leaders. Regardless of the results they were seeing, the main strategy that emerged was the need to develop a pool of leaders. Seven out of the eight leaders explained that a pool of leaders was important for both their credit unions and the industry. The goal for the CEOs is to provide the board and the hiring leaders in the organization with "a range of individuals from whom [they] can choose who have different skill sets and can tackle different problems the credit union might be facing" according to WK34. SS14 noted that every leader is responsible for carrying out this goal of a strong leadership pool, and in 2016, her credit union is "going to be starting to measure how many people move within the organization" as a metric to measure their succession and leadership development efforts.

Mentality four: do not expect talent to stay forever. Four of the CEOs pointed out that a pool of leaders is critical because nobody and no organization can or should expect people to stay forever. MC1 went through an extensive succession and transition and noted how her previous CEO was preparing the successors to either succeed him or become a CEO in the industry. The other potential successor actually left three to four years ago to be the CEO of another credit union based on a recommendation of the CEO that was grooming them. EA7 felt similarly and noted that "I wasn't born here, and I don't have to die here. The meaning behind that is there are many organizations to fulfill one's professional goals. It is really about building leaders" and benefiting from their time with the organization. SB35 was excited to share that more than 25 CEOs in the credit union industry were developed within his organization. Three of those 25 CEOs are currently running multi-billion dollar credit unions. SB35 explained "We don't expect everybody to stay a lifetime. We want to train them to be successful wherever they go. People say, well you trained them and then they are going to leave. We think it pays off down the road. Start here and then go. It makes the state much stronger."

Mentality five: fit with the culture or go. While overall the CEOs explained that developing people is a must, they also noted high expectations within their organizations. Four of the CEOs noted that employees must be a good cultural fit for the organization or it would not work out. All four of the leaders noting culture are leaders that also noted the importance of creating a pool of leaders. SW10 shared that being engaged and buying into the core values is a non-negotiable in her organization. CR14 shared that in his monthly meetings with his senior managers, the senior manager is expected to be either coaching up their team members who have limited potential and resistance to change or coaching them out. He noted that if they have to talk about the same person over and over for six months, "trust me, it is not a comfortable conversation." SB35 added his perspective sharing that the expectation in his credit union is to grow in your job. He explained, "You have never arrived because what our members want and what the world expects changed every day. If you are not willing to move forward with the organization, then we do not want you here."

Mentality six: hire internally unless the skill is not available inside. The interviews produced extensive discussion around the hiring process. When asked whether their boards would prefer an internal or external CEO, all the CEOs interviewed noted that when a particular skill is missing in the organization, external recruitment is required. If there are highly skilled leaders in the organization at the time the position opens, the CEOs were split on how their boards would proceed: (a) look internally or (b) always look internally and externally. SB35 explained that their culture of building leaders from the ground up and promoting from within guides this mentality for him and his credit union. He noted that his board will post the position internally first. He shared that "Effectively I think there might be eight or 10 people that apply, and they will interview those 10 or whatever number they want to. If they see an answer there, they will hire internally." He expanded by saying "If you're not a troubled organization, everything is going fine, and you want to continue your course, it makes sense to look inside first. If you go national first, then I think you insult the people that brought you to the dance." MC1 explained that their organization had two unsettling experiences with CEOs from the outside. One of the external hires stayed for about two years, which caused instability in the organization. Their board's intent now is to "always hire internal first."

Mentality seven: always look internally and externally. Four of the participants felt that recruiting internally is very important, but in order to truly know the organization is getting the best candidate, they must also look externally. EA7 explained, "I think it'd be a disservice to any internal candidate not to do a national search. The board has a responsibility to the organization and its members to warrant the best of the best." CR14 felt similarly and explained, "I hope they look at both. I think it is wrong not to. I don't think there is an honest assessment of your talent [if only looking within], I think that often credit unions will just hire from within and not understand that sometimes people need to go outside to get different perspectives." KWK shared,

> I came from the outside. My job is just to get you the best internal candidate I possibly can. My job is done after that. Yes there will be an outside recruitment process. I would say our culture is really strong, and if I was going to handicap it, I think it is better than 50/50 that it will be an internal candidate but who knows. Five years is a long time. A lot of things can happen.

Three out of the four CEOs that had this mentality came from outside their current credit union.

Whether the CEO had the mentality of hiring from within or always looking internally and externally, the CEOs were in agreement on the benefits and risks of internal candidates versus external candidates. Table 4 illustrates the benefits of hiring internally versus externally as well as the disadvantages that were noted throughout the interviews.

Table 4

Internal versus External Hires: Benefits and Disadvantages

Benefits of internal hires	**Disadvantages of internal hires**	**Benefits of external hires**	**Disadvantages of external hires**
Proven performance	Lack fresh ideas	Will change the culture	Shorter time span in the organization
Know and fit with culture	Do not bring different perspectives	New or different skills	No proven performance; only know their interview skills and references
Illustrates a focus on internal employee development and promotion	Since they are known, their skill set may be unintentionally magnified during the hiring process	New ideas and perspectives	May not fit with current culture
			Time to learn the organization which causes a period of stalemate
			Less likely to succeed

The benefits of hiring an internal candidate were centered around the candidates proven performance and understanding and fit with the culture. SB35 noted that the organization knows "the potential of the successor" and when an organization develops leaders from the inside, the leaders "have a track record; they understand the culture." MM1 explained that "assuming you are happy with the culture in your organization, an internal candidate is the better choice than an external candidate who will change the culture." The leaders, regardless of the way they approach the hiring process, noted that promoting from within was best for the organization to continue to emphasize a people centric organization.

Internal candidates also have several disadvantages that the CEOs shared. WK34 explained, “The issue with an internal candidate is there are not those new fresh ideas. You don’t get a different perspective. You don’t get the energy and enthusiasm. And chances are since you know the person and you are familiar with them, you could unintentionally magnify their skill set and then be bias in assessing their skills.” External candidates on the other hand bring the items WK34 noted and can help the organization move forward by bringing the new perspective, changing the culture if the organization needs it, as well as bringing new and needed skills to the organization that it may not currently have.

Four of the CEOs did express that external hires come with risk. Two of the four are focused on hiring internally and the other two believe in always looking internally and externally when hiring. MC1 shared her organization’s concern with external hires is the time they actually stay with the organization as it has been shorter in their experience than internal hires. SB35 explained, “If you hire outside, you are going to be looking at a resume and calling some references, but you have not actually seen that person perform. Of course you and I dress up our resume, make it look as good as we can and we only give references that think we walk on water, right?”

WK34 noted “the risk is you lose time for the person to learn the culture. With proper recruiting that shouldn’t be an issue, but there is a possibility that an external candidate would not fit at all culturally and change would have to be made.” SB35 shared a similar concern and explained that “if you hire somebody from the outside, they have to learn the organization, so there are some periods of stalemate where people try and learn what is going on and it freezes the organization for a little bit.” MM1 shared another concern of external candidates. “External candidates in general in corporations tend to be less likely to succeed and stay in the role than internal candidates.” While there were many benefits and disadvantages noted, there were no connections identified between the leaders looking to hire internally only with their responses to the benefits or disadvantages. The same was true for those who believe in always looking internally and externally. Overall the leaders understood the pros and cons of each hiring decision.

Succession Planning and Leadership Development Program Management

When leaders were asked to share what succession planning and leadership development look like in their organizations, the CEOs shared many different approaches and angles. Several themes resulted from this question including: (a) succession planning is a two part process, (b) the depth of the plan, (c) program management, (d) key components, and (e) the debate of whether or not to notify candidates that they are part of a formal succession plan. These themes will be discussed in more depth in this section.

Two part process. Five CEOs were specific in noting that succession planning is a two part process that includes creating a succession plan as well as a leadership development process that runs side by side. Both WK34 and CR14 referred to these two processes as their talent management process or talent strategy, which includes both a written plan but also an extensive leadership development program. CR14 shared that “the talent management process feeds into the succession plan.”

One CEO in the study took a radical approach to succession planning, which focuses only on leadership development. In his credit union, SB35 does not have a succession planning document. His credit union does not list out potential successors but gives everybody the chance to go where they want in the organization. The organization is flat despite its very large size, and decision making abilities are pushed down throughout the organization to empower the employees. He explained, “In terms of developing leaders, I think one of the things we are famous for is not picking folks to succeed. We try to give everybody a chance to succeed and let it kind of take care of itself. It is quite self-identifying believe it or not.” In his organization, he found that people will choose the path they want versus feeling like they are being led in a specific direction. Not designating successors has two main benefits for SB35 and his credit union. First, “We think it is important because you may have folks out there that you have not identified or is a superstar in the making, you just haven’t found them.” His second reason is that “when nobody is designated by us, while we might have made the wrong choice when hiring, we didn’t select against anybody. That demoralizes staff. They will all be disappointed they didn’t get it. That is human nature. Instead of it feeling like I was one of four and lost, it is just that I wasn’t selected this time.”

Depth of the plan. When asked about their succession plans, the CEOs shared the different levels of the organization that are included in the planning and developmental opportunities. Other than SB35, all of the CEOs did document and share with their board possible successors for the CEO as noted in Table 2. MM1 shared that he is looking to expand on these efforts at his organization but that historically “it was really a matter of identifying people who might be able to step into a CEO role. It is really an exercise of we got this person and this person could potentially be a CEO. There really wasn’t work done specifically developing those people.”

Three of the CEOs included Vice Presidents and critical positions within the organization in their talent planning efforts. WK34 explained that “they cover all the way down to the VP level. My practice is the top 20-40 people should all be visible to the board. That is practical manifestation of the strategy." SS14 explained that CEO succession planning has been in existence for a long time in her organization, but "the identifying of key positions, high performers, and high potentials who are looking to be fast tracked…has all happened over the last two years. When we lost people it was because we didn't invest in them the way they needed. We needed to invest in them to keep them." SS14 noted that they began and will continue to expand their succession planning and leadership development efforts to additional levels in the years to come.

The three remaining CEOs responded that they are already including all levels of management and critical positions. SW10 explained that "Succession planning isn't just about CEO succession. It is about planning for all positions in the organization that are important strategically…It is also for any key positions in the organization that are difficult to recruit for." The CEO who had the most far reaching succession and leadership development program in place was CR14. He explained, "We take every leader, and it goes down to every employee. We take every position and we code it as a change position or a throughput position. A throughput position is something like a teller. A change position would be a director of web and mobile." The type of role the employee is in helps to determine the developmental activities that are appropriate to get them to the next level as in a new position or next level within their position.

Program management. When asked who managed the succession planning process within the organization, all of the CEOs with two part succession planning programs noted that senior management works in conjunction with the human resources department to carry out the process. EA7 explained, "The Chief Human Resources officer is the point person, but it is not just that position's responsibility. My executives are responsible for carrying it out." SW10 funnels the process down throughout the organization, but it all starts with her. She noted, "I am going to create a development plan for all of my direct reports, but my C-Suite is going to have to create a development plan for all of their direct reports. Then any of their manager reports below the VP layer are going to have to create them. We are all accountable to our Vice President of Development."

Key components. Who manages the program is important as well as the key components of how the credit unions manage the strategic process. Four main components were uncovered during the interviews with the CEOs that assist them in managing the program effectively. The four components are illustrated in Table 5 as well as the number of CEOs that include this component within their succession planning and leadership development efforts. The four components include evolution, identifying high potential and high performers, rating leaders and employees, and utilizing a consultant.

Five of the CEOs noted that their programs started out small in scope and continue to evolve in depth and complexity just like their strategic plan. CR14 started by identifying the top 45 leaders in the organization but the rest of the organization was phased in. WK34 shared,

> A credit union $250 million or larger should have a developmental process in place and have the resources. I worked in smaller credit unions, and we have had some sort of development process in place. One you have an understanding as an organization of what is being done, even if it is not all that robust, just the fact that you're making an effort, and the employees can see that the effort is having an effect will change the psychology of the organization.

The CEOs shared that just as the organization is changing, the succession planning process including leadership development needs to change as well to support the organization.

Table 5

Key Components of a Successful Succession Planning/Leadership Development Process

Key component	**CEOs utilizing this**
Evolution	5
High potential and high performers	5
Leaders or employees are rated	5
Consultant utilized	4

The second key component that resulted from the interviews was the step of identifying high potential and high performing employees. High potentials and high performers were assessed based on key competencies, potential, and their overall level of readiness for future positions. SW10 explained that in her credit union high performers are called A players. "An A player is one who qualifies among the top 10% of those available for a position and is willing to accept a job in your organization." Employees are also assessed based on 12 key competencies for their credit union that include "vision, intelligence, leadership, passion, resourcefulness, customer focus, ability to top grade their own staff, ability to coach their own staff, team building, a track record, integrity, and oral and written communication skills." EA7 ranks high performers and explained, "We put them into three categories: 0-12 months, 2-3 years, or 3-5 years, so we can understand their overall level of readiness."

Once the high potentials and high performers are identified, SS14 noted that the employees in those categories have "disproportioned development plans because those are the ones who we recognize have the willingness but also the ability to be fast tracked." CR14 shared that his credit union takes the same approach with their high potentials. "We basically give them a fire hose to drink water out of. Those people want to be challenged. They want to be on the projects. They do not work 40 hours a week. They work 50+ hours a week. I know who those high talent people are, and they always get my attention. I think that kind of focus is critical."

In addition to being identified as a high performer, the same five CEOs shared that another important piece of their program is that their leaders or employees are rated using some sort of matrix, graph, or tool. Some of the matrices and graphs are explained in more depth below.

EA7: We subscribe to a special kind of matrix; however, ours is a rather simple tool. It is a quadrant if you will. If you look at the access, the horizontal access is performance and the vertical is potential. The top right box is high potential, high performer. The one on the upper left would be high potential but a low performer.

SS14: It is a nine bucket grid on where people fall. As in the case of some senior leaders, I would say I would put this person in place for this job. So it might name an interim or it might name people I can farm out responsibilities to.

SW10: We actually have a chart for A players. On the horizontal axis is productivity, and the vertical axis is culture fit. You create the four quadrants, and your A players are high cultural fit and high productivity. I also have what I call my talent and development chart. It is basically my succession planning chart. It has all of the positions that need to be developed across the top. Going down the left hand side, I have 5 categories about where somebody is going with their development. The first category is ready now for example.

CR14: We rate the leaders on a grid. On the X-axis of the grid is your potential. Where the X and the Y cross, you have limited potential. On the far right hand side you have unlimited potential. On the Y-axis where is it intersects with the X you are resistant to change and on the top of your Y axis you are proactive. So if you think about that whole system, on the top right, people are proactive to change with unlimited potential. If you are in a change position, we are not looking at volume, we are looking at innovation. We are looking at driving results and business model shift. We have to make sure that all of our leaders in a critical position for our future are in the top right.

The last common key component that was uncovered during the interviews was the utilization of a consultant. Four out of the five CEOs who also noted the other key components use a consultant to assist them in their succession planning efforts. CR14 explained, “when I sat down with [the consultant], I realized that this was our missing link here. They insure the integrity of the process on this. It allows for more honesty and allows me not to have to speak up.” CR14 shared that all the senior leaders meet for the whole day with the consultant and have an “uncomfortable meeting” where employees are rated by all the leaders in the room. According to CR14, there are occasions where the ratings lead to deep and sometimes heated discussions. SW10 uses a consultant that specializes in a process called Top Grading, which is how employees are ranked within the organization. EA7 explained the role of the consultant in his organization by saying:

We use an outside consultant to help facilitate the discussion but meet twice a year and go through the specific plans for all the leaders in the organization, how people are progressing, and where they are getting off. We have those very honest and robust conversations. We learn about each other’s leadership and about those who are on their team. It is one thing for a leader to have a relationship with their supervisor but how they work with others is so important. So having the conversations about the other one’s team member is a very rewarding conversation to have.

Notify candidates or not. The last theme under the category of succession planning management that emerged from the data was the question of whether to notify potential successors or not. Seven CEOs responded to this question. Four of the CEOs believe that the candidate should be notified. MC1, who went through an extensive succession planning effort, wished she was notified and knew earlier on. She stated, “I would have appreciated knowing why I had ten times the amount of work as everyone else.” She shared that knowing sooner than later helps the potential successor feel a part of something bigger. SW10 believes that notifying the successor is important because her organization values transparency. She explained, “It is all transparent. Everybody sees it. Whether they are on it or not, they see it.” WK34 notified each of his potential successors during developmental conversations, including one external hire during the interview process.

Three CEOs did not feel that the candidates should be notified. SB35 focuses only on developing all leaders to avoid disappointing the staff if they are potential successors but do not get the position. SS14 does not notify them because “People can be on the high potential list one year and not the next or vice versa. It’s not like you are forever branded. I don’t want to disenfranchise them or make them feel like they are less than.” EA7 also does not notify potential candidates because he believes it is all about his employee’s personal goals. EA7 explained,

> Some [goals] are to be CEOs of an organization. They are not so naïve to think this is the only organization they can be a CEO for. I am grooming them to be a CEO, whether it is here or somewhere else. It’s their decision and could be the organization’s decision as well. It has nothing to do with my position. It solely has to do with their personal and professional goals.

Succession Planning Activities

When the CEOs were asked to share the types of succession planning and leadership development activities they do within their credit union, 15 activities emerged from the data. Figure 5 shows the different activities the CEOs are using as well as the frequency the activity was noted. The most common succession planning activities that surfaced were external education and development plans. External education consists of conferences, specialty schools,

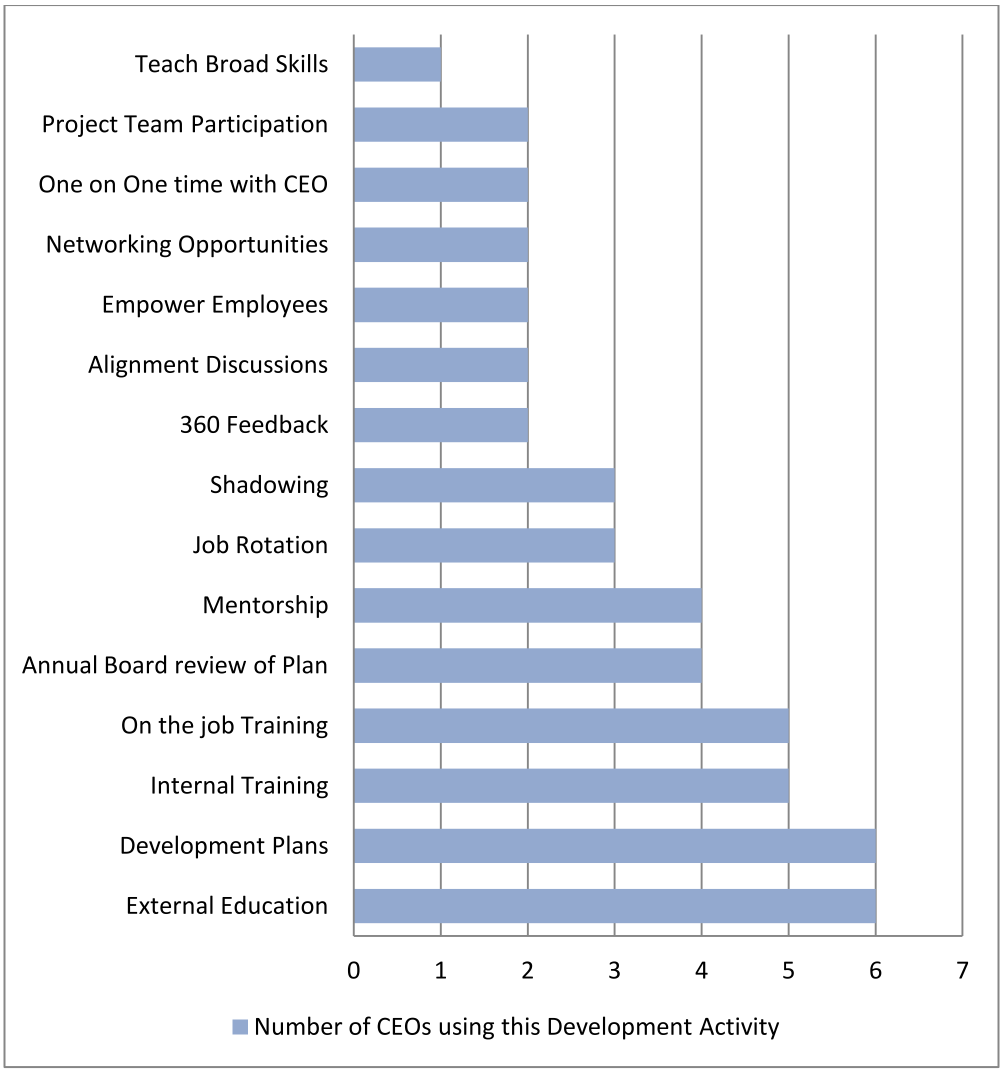

Figure 5. Succession planning activity frequency. This figure illustrates the succession planning activities the CEOs noted by frequency.

or higher education like bachelor’s and master’s degree programs and certifications. SB35 emphasized the importance of conferences outside of the credit union industry. “We try to expose people to conferences that are not credit union oriented. It gives them better perspective than only a credit union conference as that is like looking in the mirror all the time. It is better to look at the way other folks are doing things.” Development plans are created in six of the credit unions and include a variety of the other activities listed within this section. These activities range from alignment discussions to rating processes where opportunities for employees are noted as well as the organizational needs.

If specific competencies need development or the employee needs exposure, appropriate activities are included in the plan. EA7 explains that “We spend time with [the employees] talking about what their future goals are, matching those up with organizational goals and seeing the possibilities of where they can lead to different places in the future. Then we develop specific plans for those individuals. Then we track, review, and monitor.”

External training and development plans were closely followed by internal training and on the job training with five CEOs including these activities within their succession planning programs. Internal training programs varied in their depth. Both MC1 and WK34 have extensive training programs.

` MC1: We have a leadership development group. Generally most employees start there if they want a leadership position. It doesn’t have to lead to a management position. We run the programs twice a year. They are generally 12 week programs. They have course work, meetings, and things like that to work on.

WK34: We developed a leadership university program. It’s a combination of planned programmatic mentorship along with coursework that is customized for us by a local online university. We worked with them over the years to customize it for our purposes. We are constantly changing it and refreshing it. It is about 6-9 months, less than a year.

Another form of internal training that is occurring is on the job training. MC1 as part of her transition kept her normal responsibilities of overseeing multiple departments and also had three vice presidents report to her. SB35 had numerous branches and notes that his branch managers are “test pilots. It’s live fire training in the real world.” In addition they have a whole serious of internal education for employees. MM1 explained that the “most effective leadership development from my perspective is on the job. That is how people retain the most and that is the most important component.”

The next activities that resulted most frequently from the data were annual board review of the plan and mentorship. Each of these activities was occurring in half the credit unions interviewed. The annual board review, although not an activity for employees, is a piece that the CEOs did to keep their boards in the loop with the talent strategy they are conducting as well as what to do if something goes wrong. MC1 explained, “They don’t intend on me leaving, but if something traumatic happens, here are the people who are most capable.” SS14’s document goes in great depth. She shared, “It’s a board approved document. It is about a 20 page document that outlines the various things that the board would need to think about if different scenarios played out…If I was unable to do my job tomorrow…If I were to win the lottery…The CEO is terminated.” The responsibilities of the chairman and the board, the responsibilities of the senior leaders as well as who needs to be contacted are included. CR14 shares that the board document is “an active, living document.” Mentorship is provided by both the CEO as well as by matching up people within the organization. WK34 weaves mentorship into the internal training program, while SS14 provides employees with internal mentorship opportunities throughout the organization.

The CEOs included other succession planning activities inside of their programs as they saw fit. MC1 used job rotation as part of a nine month manager development program where employees who are selected to potentially be front line managers rotate through different departments, for example spending “six weeks in the call center, part of the time as an agent and part of the time as a manager.” Shadowing of other departments and vice presidents was noted as a common activity. CEOs also utilize 360 feedback assessments and conduct alignment discussions where CR14 noted “there is an active discussion on alignment of where we see them going and where they see themselves going.” Others empower employees to make decisions or provide autonomy as well as assist them with networking opportunities where they can build a network of peers. Two of the CEOs spend one on one time with the candidates. MC1, for example, will do book reviews with leaders in the development programs. SS14 and CR14 provide additional experience or exposure to other areas by allowing them to participate on project teams. Lastly SB35 focuses on teaching broad skills. He gets employees from across the credit union and sends them to a conference. He explained, “They don’t know each other. Suddenly they are going to a conference together. They have to figure it out. They eat together and part of their training is how to get through an airport, taxi, and the conference.”

Impediments

The CEOs were first asked to share what internal impediments they believe get in the way of succession planning in credit unions. That question was then followed up by asking what external impediments get in the way. The themes were the same for both unexpectedly and are listed in Figure 6.

The biggest theme that emerged from the data was that nothing should get in the way and anything named was an excuse. This was followed by the idea that succession planning is a back burner item; one where time must be dedicated to it. Another theme that emerged was the idea that egos, human nature, and the leader's deficiencies get in the way causing organizations to not move forward with planning and leadership development. All of these themes were mentioned by numerous participants.

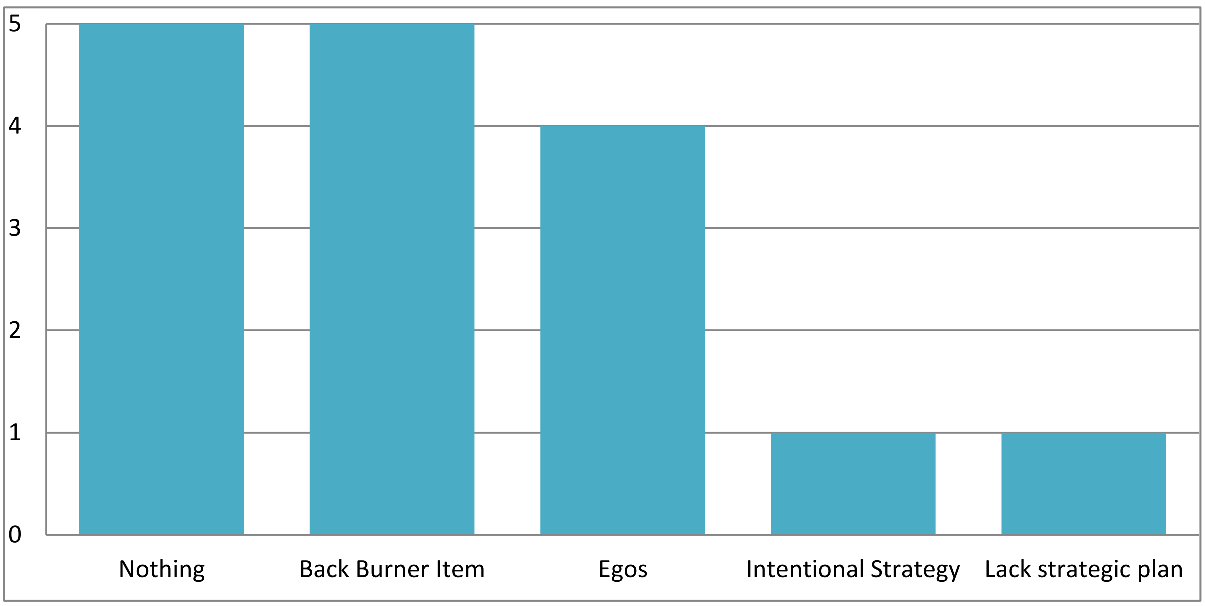

Figure 6. Impediments by Frequency of Response. This illustrates the impediments noted by the CEOs by frequency of response.

Nothing Gets in the Way Except Excuses

When asked for internal and external impediments, the CEOs' most common responses were that either nothing gets in the way or that things that get in the way are excuses, not impediments. Five out of the eight CEOs felt that there should be nothing that gets in the way of succession planning and leadership development. EA7 explained "First of all, there is no reason not to do it. In fact I do not think a leader is fulfilling their responsibility by not doing it. It is a requirement of leaders to develop leaders within an organization. Succession planning in my view is the optimal way to go about doing it. To me it is a non-negotiable." When MM1 was asked if there were external impediments the answer was a simple "No." He then shared that

"There are certainly things like regulatory issues that take up a lot of staff time but from my perspective no. I would not use an excuse of something external as a reason for not doing what I need to do from a succession planning perspective." SW10 answered a straight "No" when asked as well. SB35 and CR14 both noted any reason for not succession planning or developing leaders is an excuse.

"[Succession planning] is the only thing you do have time for to assure that if you are not there the organization continues" (SB35). When asked if there are any things he could think of that get in the way of succession planning, CR14 shared passionately, "No! It's the number one thing you do! I'm sorry I am being repetitive." When EA7 was asked, I offered some of examples of the items noted in the research as well as current credit union issues including boards not being educated on the process, high regulation and compliance requirements, and a lack of capital or human resources to which EA7 replied, "Those are not succession planning issues. Compliance has nothing to do with succession planning. Compliance is a regulatory obligation. They are separate issues. If someone says that, it is a symptom of a bigger management issue."

Back burner item. When the participants were asked to share what types of internal impediments could get in the way of succession planning, a theme arose from the data around the idea that succession planning is a back burner item. Succession planning itself requires time, and sometimes, there are other things in the day to day that take priority. MC1 explained, "Your day to day is plenty busy. If you don't dedicate time to it, it can easily fall apart because there is no immediate it needs to launch.” SW10 has a strong program in place now but noted that when her credit union was completing a merger in 2011, the wheels came off the train for a couple years due to a major system conversion, the closing of branches, and the “shrapnel to clean up in 2012 and 2013.” MM1 shared similar thoughts with MC1 and SW10 and shared, “Things like succession planning are discretionary time. We have an enormous amount of change occurring in the organization, so it is difficult to say let me throw something else on the list. Not that it is not important but it does not have the urgency that many other things do.” WK34 was in agreement with MC1, SW10, and MM1 and expanded by saying,

I think some organizations do not have the capacity to allocate. The organization does not have the capacity to invest the time and money into something that has a long term payout but does not have a short term payout. They are focused on the bottom line. I have to meet my numbers this year and these projects will do it. Right now development will not deliver the return I need.

WK34 also explained that sometimes organizations “are in crisis mode, so the world is happening to them versus them happening to the world. They are stretched just to keep the wheels on the bus. There are many reasons this happens. I think many organizations are in that right now.” The time and patience to put together and maintain this strategic process is significant according to WK34.

Egos and human nature take over. When asked about impediments, four of the CEOs shared that the egos of the leaders or human nature sometimes get in the way. SB35 clearly noted that “The only thing that can get in the way is if the CEO does not view himself as immortal and doesn’t think that is ever going to happen.” He elaborates by explaining that “There may be some CEOs that are pretty self centered and think it is all about them,” not about the folks that are looking to them to continue the organization in the future regardless of what happens to the CEO. SS14 shared this as a possible impediment stating “Human nature is no one wants to feel like they can be replaced, so I think succession planning is a really hard thing for people. They don’t want to say Sally can do my job tomorrow.” She said that makes people like they are dispensable and “we don’t want to feel like that.” SW10 responded that “it’s egos. People have a hard time putting the interests of the organization above their own.”

The CEOs also mentioned some other possible impediments during the interviews; however, they were not noted consistently or by multiple CEOs. WK34 shared that in some cases a lack of succession planning may be an intentional strategy. He described a company with this strategy as one that has a very small group of people that are executives and receive all the benefits. There is always a fresh new face, like those coming right out of college, that wants to work for the company because of the company’s reputation. “The company says, I will pay the cost of hiring somebody new every six months and pay the costs because I do not care. That is my business model” (WK34). CR14 also mentioned that the lack of a vibrant strategic plan could be getting in the way of the succession planning process as they should go hand in hand.

Facilitators

While listening to the CEOs share their experiences, five facilitators to succession planning emerged. The themes include a people centric CEO and culture, a CEO who was engaged and active in creating the plan, the belief that developing people is the number one job of the CEO, strategic plan alignment, and an engaged or supportive board. The themes are illustrated in Figure 7 and will be expanded on in more depth in this section.

Facilitator	Times Noted by CEO
Developing People is #1 Job	7
People Centric CEO	6
CEO Integrated Plan	6
Strategic Plan Alignment	4
Board of Director Support	4

Figure 7. Facilitators by response frequency. This figure illustrates the facilitators named by the CEOs by response frequency.

Developing leaders is the CEO's main job. The most common theme that emerged from the data was that developing leaders is the CEO's main job. Seven CEOs shared the belief that developing leaders and having leaders ready for future positions, including the CEO role, should be the main focus every day. MM1 shared that he felt that "it is my main role to provide them with well-developed people that [the board] can choose from." CR14 explained that developing people is "the number one thing you do." WK34 shared that he is actively involved in the process, perhaps more than other CEOs. "My job is just to get you the best internal candidate I possibly can. My job is done after that (WK34)." Developing leaders was something the CEOs noted as their responsibility. SS14 noted, "It is our responsibility to help create new opportunities for people that want them." EA7 is in agreement and takes it a step further by saying, "We all have a responsibility for developing leaders. You cannot be an executive in this organization unless you are doing that. Our primary job is to develop leadership."

People/culture centric CEO. The six CEOs that have been in their roles for seven years or greater all noted during the interviews that they were focused on the people in the organization as well as the culture. SW10 shared that "In our organization, we spend a lot of time on the culture." SW10 is currently grooming team members for the CEO position and explained "my pledge to them is that they will be a better CEO than me. I put a lot of thought and energy into the development of these people." WK34 shared his perspective saying "Invest in people first. It is so simple. So simple to say but not all people see it." CR14 was adamant that in order to keep people, time must be made for them. CR14 explained,

How do you not have time for your people? The thing is with that attitude, what will happen is that your best people will leave. Our unlimited potential, proactive people go to any credit union, any bank, any company, and deliver. The right employer will say that my god I have the right talent here, and I've got to develop them and treat them well and make sure they're objectives are aligned with ours.

CEO integrated succession planning into the organization. One theme that emerged from the data was the fact that six out of the eight CEOs (all those who had been in their positions for more than seven years) brought the strategic process of succession planning and/or leadership development to their credit unions. The CEOs were very clear they did not do this on their own and gave credit to their executive teams for assistance in developing their current processes. SB35 shared that his extensive leadership development process "just evolved out of the nature of the organization" over the past 35 years. SW10 who has been at her credit union for nearly six years explained that "None of this was anywhere near what we have today. I brought this to the credit union. Of course I brought it to the credit union with my executive team." MC1 was one of the CEOs who did not bring it to her credit union, but again she was part of the vast succession planning and leadership development program that her credit union already had in place.

Strategic plan alignment. Another facilitator of succession planning that emerged from the data was a strategic plan that supported and included talent management. WK34 explained this as having a talent strategy that is connected with the business strategy that also connects to the business model of the organization. The CEOs also shared the importance of having a strong vision as well as a strategic plan to accomplish that vision and propel the organization in the future. In order to get there EA7 explained "the first step is to define the future state of the organization through the strategic plan. We do planning very well in our organization. Our strategic plan looks at five years from a conceptual marital standpoint and three years from a numeric, metric, and financial standpoint." WK34 noted that the strategy the organization has will determine how the organization goes about hiring and developing people. His example was that if a credit union wants to be more of a technology organization, then they have to figure "a way to get technology people in the door and keep them around." CR14 explained, "I do not think that many credit unions have a vibrant strategic plan. They are not accountable to the result in the plan if they have one." Accomplishing the strategic objectives and initiatives of the organization first requires the planning to understand what those are and the next step is "developing people so that they are happy and they stay" according to SS14.

Engaged or supportive board of directors. The last facilitator that emerged from the data was the engagement and support for the process from the credit union's board of directors. Four CEOs shared that the board wants to know the extent of these efforts, the board holds the CEO accountable to reviews of the plan, or the board trusts the CEO to create, develop, or enhance the succession planning process. In six of the credit unions, the CEOs noted the board reviews and approves the CEO's succession planning document at least annually. MC1 explained that "an engaged and involved board is important as well as the transparency of the board." She felt this provided direction and helped her prepare to meet their expectations. SW10 also noted that she shares the document with the board in an effort to be transparent. WK34 shared that his credit union did "very extensive research and what we found looking at what the best boards do, not in credit unions but best boards period, is the board of directors has an involvement with the talent strategy."

Tools and Resources

The final question the CEOs were asked was what tools or resources they found valuable or that they would have liked as they went through implementing or expanding the succession planning programs within their organizations. Four of the participants shared that there are numerous tools or resources available to those who want them. MC1 shared that in her credit union they partner with organizations like Filene or Cornerstone Advisors as well as professors from universities. SB35 explained, "There are succession planning websites where you can go out and learn the 10 steps of succession planning" as well as numerous trade associations and other sources of information. MM1 who seeks to build a succession planning process in the future shared that "There is a lot of information out there. I don't think it would be difficult to find the information that one would need."

Consultant. The most common response, noted by four CEOs, to what tools or resources are or would be valuable was the use of a consultant. CR14 explained, "I believe that the utilization of a consultant with succession planning and talent management experience outside the credit union industry is completely appropriate. I wish I had gone down that path earlier to utilize this individual. We always did it, but not to the level of intensity." EA7 shared that with the use of a consult in his credit union, "We find ourselves implementing the future state a lot sooner than we would from a human capital standpoint, which has propelled the success of the organization." SW10 and SS14 also use consultants. SW10 uses a consultant that specializes in Top Grading and assists their organization with executing the succession planning process. The assistance from the consultant helps take some of the burden off the credit union team and provides relief since they do not have to do everything themselves.

There were a couple other tools or resources that emerged from the data as possible items that may help other credit unions. "I am always surprised when an organization doesn't embrace something as a simple as a 360 evaluation…People know about 360s, have heard of them, but man they are one of the most powerful things out there in terms of a tool" according to WK34. MC1, the newest CEO, explained that "It would be helpful if there were defined conferences for people in the first year as a CEO." She felt this would be a good place to share what everyone is learning as well as best practices as a new CEO. Lastly, an authority mapping tool was suggested by WK34. The authority mapping matrix does just what the name says: it maps where the authority and decision making ability lies within the organization. Those in the organization write down the board's authority, senior management's authority, vice president's authority, etc…Having it in one spot allow the board and management to see if the authority is spread out correctly and not bogging down the organization. The tool allows the organization to move the dial a little bit as well and spread out decision making authority for example to other levels which has many benefits including quicker decision making as well as empowering others as part of the talent strategy.

Chapter Summary

Following a total of eight qualitative interviews with eight credit union CEOs, interview transcripts were read and coded in an effort to analyze the data related to the CEOs experiences with succession planning in credit unions. Seven categories emerged from the data: (a) CEO experience and credit union (CU) demographics, (b) CEO leadership mentalities and strategies, (c) succession planning and leadership development program management, (d) succession planning activities,(e) facilitators, (f) impediments, and (g) tools and resources. The categories and themes provide the basis for answering the research questions, developing conclusions and discussing implications and making recommendations.

Chapter 5: Study Conclusions, Implications, and Recommendations

For the past 100 years, credit unions, not-for-profit financial cooperatives that are owned by its members and governed generally by volunteer boards, have been working diligently to serve their members. No matter the size of the credit union, the economy, the number of members, or the cost, credit unions and their employees have been on a mission to do what they do best: help people, no matter their financial situation. The industry experienced tremendous growth up through the 1970s when it peaked (National Credit Union Administration, 2013a). By 2008 and 2009, the industry was facing unprecedented threats including a rapid decline in the number of credit unions, consolidation of assets, growing global competition, and stagnant market share (National Credit Union Administration, 2013a). The industry continues to face these challenges with nearly one credit union shutting its doors per day. In an industry with this type of pressure, fatal leadership flaws like lack of a clear vision, resistance to change, arrogance, and indecisiveness cannot be underestimated (Dotlich & Cairo, 2003; Fulmer & Conger, 2004; McCall & Lombardo, 1983).

One solution for ensuring that organizations have the right leaders in place is succession planning, something according to the research that is not happening to the extent necessary (Dahl, 2010). This study sought out to understand why succession planning is not happening in every credit union to the depth necessary in order to guarantee that as many credit unions as possible can continue to serve their member and employee stakeholders far into the future. The central guiding research question was “What are the lived experiences of current credit union CEOs regarding succession planning within their organizations?” Four additional sub questions also guided the study. The sub questions focused on (a) identifying internal factors that influence the use or non-use of succession planning, (b) identifying external factors that influence the use or non-use of the process, (c) understanding what is difficult or easy about building leaders within organizations, and (d) learning about the tools or resources that the CEOs believe are necessary to overcome the internal and external factors. This chapter provides a summary of the problem and significance of the study, a brief discussion of the underlying conceptual framework, and key findings leading to the study's six conclusions. Implications and recommendations are also provided.

Background & Significance

In the past 20 plus years, credit union market share has remained between 6-7% (Credit Union National Association, 2011). While the number of members is at an all time high for credit unions, the physical number of credit unions has been cut in half over the past 40 years (Credit Union National Association, 2011). The worst part is that at the pace the industry is going, the physical number of credit unions will again decrease by 50% in the next 10-15 years (Financial Brand, 2012). When credit unions close their doors, either due to merger or insolvency, their stakeholders including members, employees, and vendors are all affected. To thrive, Sims and Quatro (2005) note that great leadership is critical as the leaders are at the helm of the organization's vision, initiatives, innovation, and people strategy. Leadership factors like empowerment, life-long learning, quality, change, and excellence must be embraced as they will ultimately lead the organization to success or failure (Sims & Quatro, 2005).

Unfortunately, the people strategy is not always developed like it should be or considered as important as other strategic planning areas (Conger & Fulmer, 2003; Froelich et al., 2011; Rothwell, 2002, 2005; Wright, 2012). One thing that credit unions often neglect is succession planning (Ghosh, 2015). Succession planning is a two-part process that includes identifying successors for critical positions and developing internal employees with the competencies necessary to be successful at the next level or in another key position, should a position open either expectedly or unexpectedly (Carman et al., 2010; Reid, 2005; Rothwell, 2005). According to Ghosh (2015), only 60% of credit unions have succession plans in place for their CEO, leaving 40% of credit unions not knowing who will take over this vital leadership role. The time to develop a succession plan is well before it is needed (Dahl, 2010).

Credit unions face relentless competition from banks and disruptors like Google, Apple, etc…One significant disadvantage credit unions have is their assets. In 2014, credit unions had slightly over $1.0 trillion in assets whereas banks had nearly $13.6 trillion (Credit Union National Association, (2014). Significantly fewer assets equates to less resources available to be competitive. With an average asset size of $161 million, credit unions are challenged daily to compete with fewer resources, new technologies, and the war on talent that many industries are facing (Charan et al., 2011; Credit Union National Association, 2014).

Credit unions must be prepared to fight the talent battle just as hard if not harder than they are fighting against the regulatory and technological components. Their people after all are how they will tackle the other issues. The times have changed. Every dollar counts and organizations are no longer overstaffed, economic restructuring is occurring, new generations are shaking up the workforce, and talent is willing to leave if they are not getting what they need (Rothwell, 2010). Not being prepared and not investing in the employees, particularly the high potential and high performing employees, can be extremely costly. Internal promotes generally have greater long-term success as more than 65% of externally recruited executives fail in their first two years (Berchelman, 2005; Greer & Virick, 2008). This does not include the costs of downtime and disruption that occur with a vacancy, the effects on culture, or the compensation costs of an external CEO as they can be significantly higher than internal candidates (Harris & Helfat, 1997; Zhang & Rajagopalan, 2010).

While the facts indicate the need to focus on developing internal talent, credit unions are not doing all they can. 48% of credit unions would prefer to hire an internal CEO according to a 2011 study; however, only 9% noted they had a viable candidate for the role (Froelich et al., 2011). Only 36% of credit unions and nonprofits rated the process as very important in comparison to other strategic planning areas (Froelich et al., 2011). Numerous past studies suggest the need to better understand why credit unions who are focused on helping people, primarily members and employees, are not taking advantage of this strategic process that can move their organizations forward and get them better results (Adams, 2005; Balser & Carmin, 2009; Block & Rosenberg, 2002; Froelich et al., 2011). This study adds some much needed answers for the credit union industry on what exactly is impeding this process as well as tools or resources that are needed to make this a stronger and better process. It also adds to the overall academic research available on succession planning and talent management in credit unions and nonprofits. Finally this study shares successful strategies, mentalities, and stories filled with passion for people, credit unions, and leadership that can and should be embraced by all credit union leaders or any leader for that matter.

Conceptual Framework

The management practice of succession planning and stakeholder theory were used as the foundation of this study. Succession planning is the process that focuses on building a pool of leaders and candidates within the organization in an effort to ensure continuity for the organization (Carman et al., 2010; Reid, 2005; Rothwell, 2005). Succession planning is a two-part process that includes both identifying talent and potential future roles/needs and then developing talent with the necessary competencies to be successful in those roles. The depth of succession planning may range from CEO transition to planning and developing all levels of staff within the organization.

Stakeholder theory on the other hand focuses on ensuring continuous success of the firm by creating as much value as possible for all stakeholders, which for credit unions includes members, employees, and vendors (Freeman, 2008). Bakan (2004) expanded when he shared that the main responsibility of executives is to promote both the organization’s interest as well as the interest of the owners. Friedman and Miles (2006) elaborated by saying that management must be an agent for all stakeholders which includes customers, employees, suppliers, stockholders, competitors, and many others and ensure the organization’s long-term survival.

Methods

A qualitative, phenomenological research design was selected as the best means to fulfill the intent of this study. Eight credit union CEOs were selected to share their lived experiences on their obligations to stakeholders, their need to develop and grow talent, and ultimately their challenges faced as they try to lead their organizations to success. Each of the CEOs worked in the credit union industry for at least 10 years, had been with their current credit unions for at least five years, and were leading credit unions with assets over $500 million. Three of the CEOs were female and the other five were male and were selected from the researcher’s professional network and from LinkedIn. The interviews were all completed by phone and lasted between 45-60 minutes. The interviews followed a semi-structured interview process. First participants were asked identifying information about themselves and their credit unions, and then they were asked six open-ended questions to better understand their backgrounds, how succession planning and leadership development look in their credit union, internal and external factors that get in the way of succession planning, enablers of an effective succession program, as well as tools and resources that were helpful or would be helpful to implement or enhance succession planning in their credit union. Following the interviews, the interviews were transcribed and the data underwent a thematic analysis process. Qualitative software (HyperRESEARCH) was used to document and organize the analysis.

Key Findings

There were several key findings derived from this study's interviews with the eight CEOs in large-size credit unions. Thematic analysis resulted in 384 coded passages grouped into seven categories: (a) CEO experience and credit union (CU) demographics, (b) CEO leadership mentalities and strategies, (c) succession planning and leadership development program management, (d) succession planning activities, (e) impediments, (f) facilitators, and (g) tools and resources. Key findings are presented in response to the associated central research and sub questions that guided the study which included the CEOs lived experiences, internal and external impediments of succession planning, strategies for building leaders, and tools and resources.

Lived experiences. The lived experiences of the CEOs had both variances and similarities. The backgrounds of the CEOs varied both in length of time as a CEO and work experience. Two interviewed CEOs were in the position of CEO for about a year, two CEOs had 34 and 35 years in their position, and the other four varied in the middle. Three of the CEOs were female while the other five were male. Five of the CEOs had worked only in credit unions, while the other three came from other industries including public accounting, brokerage firms, and consulting. Three of the CEOs were part of a formal or informal succession plan, and the rest did not have any experience with the subject prior to their current role. The two newest CEOs, one who had succession planning in her organization and the other who did not plan beyond the

CEO role, did not speak to succession planning like the more tenured CEOs and in their first nine to 15 months had not dedicated time to this process. They both planned to do more with it in the future, however.

Overall the CEOs had many different experiences regarding succession planning. Several CEOs were very passionate, sharing emotions like pride, excitement, and frustration in the tone of their voices around the topics of succession planning, leadership development, and talent management. Several leadership strategies emerged from the data including a focus on technology and innovation, the need for agile work environments, and a needed change in the hiring process as the credit union industry seeks to compete with other disruptors like Google, Apple, etc…In addition to leadership strategies, there were several leadership mentalities that the CEOs shared. More than half the CEOs shared that succession planning does get results. The asset growth and loan growth results of each credit union were analyzed using the December 2010 and December 2015 NCUA call report data. The average asset growth for all of the participating credit unions was 150%, and the average loan growth was 166% over the past 5 years. For credit unions with two-part (succession planning and leadership development) programs, the average asset growth was 156% and the average loan growth was 180%. Three CEOs noted that their talent management strategies are their competitive advantage and why they are confident they have outperformed and will outperform other credit unions on a level playing field.

The other mentalities that emerged from the data include a focus on creating a pool of leaders both for the credit union as well as for the industry as a whole. Seven out of eight leaders explained that it was their goal as well as a requirement of all management to provide a range of individuals with differing skills sets to their boards and to their organizations to fill open positions. This mentality is in part due to two other mentalities that surfaced from the data: (a) do not expect talent to stay forever, and (b) fit with the culture or go. Half the CEOs noted that it is unreasonable to think talent will stay forever, so succession planning and leadership development is a tool to be proactive. Half the CEOs also shared that they have high expectations within their organizations and fitting into and adapting the culture was required of all staff or they needed to look elsewhere for employment. All those noting this requirement did focus heavily on building leaders within the organization and had extensive leadership development programs for their staff. It was uncovered throughout the data that there was a deadlock between the CEOs as to whether to search and hire internally for positions, particularly for the CEO role, or whether to look internally and externally always in hopes to find the best candidates.

The actual succession planning program management in each credit union looked slightly different as well. Five CEOs specifically shared that succession planning is a two-part process that includes both the actual replacement planning as well as leadership development. One CEO and credit union did not plan beyond on the CEO, and another CEO only did extensive leadership development and did not name any successors for any positions. Three CEOs had a two-part process for all employees while the other three focused on a two-part program for their vice president and critical positions. All of the CEOs that had both succession plans and leadership development programs noted that senior management works with human resources (HR) to deploy these programs. HR was the trustee as noted in the research and managers were ultimately accountable to HR for these efforts.

In regard to program management, four main themes arose. First, five of the credit union CEOs shared that their programs have evolved in depth and complexity over time, and they foresee the program continuing to evolve with new generations and ideas. Five CEOs also noted that as part of their programs, they identify high potential and high performing employees as part of the process. Leaders and employees are also rated in five of the credit unions using some sort of graphing tool, matrix, or tool that the CEOs found helpful in visualizing their efforts and needs. The visuals were indicative of the strategic staffing model that was described in the research as the CEOs did use this to consider both short and long term staffing strategies. All of these items were noted in the research as best practices for a successful succession planning program. One important piece that arose from the data was also the use of a consultant. Half the CEOs noted that a consultant has strengthened their program or was the missing link they needed to take their programs to the next level. 57% of the CEOs believed that candidates should be notified they are potential successors for several reasons like their own understanding of perhaps why they are being challenged to do more as well as for transparency.

The activities within the program were different by credit union. However, there were several CEOs incorporating several of the best practices as noted in the research including the use of development plans, which was used in six out of the eight credit unions. It was common to hear that the apprenticeship model from the research, where people learn from doing, was present inside of the credit unions that were active in succession planning and leadership development. Other than creating plans, the three most common succession planning activities included external training, internal training, and on the job training. A board review of the plan annually occurred as well as mentorship, job rotation, and shadowing. Other activities that were used but noted less frequently include the use of a 360 feedback survey, alignment discussions, empowering employees, networking opportunities, one-on-one time with the CEO, and project team participation.

Internal and external impediments. Two of the sub questions of this study revolved around identifying factors, both internal and external, that influence the use or non-use of the succession planning process. The key findings and themes that resulted from these questions were, unexpectedly, the same. The CEOs overwhelmingly believed that nothing should get in the way of succession planning and leadership development. They also noted that the items from the research like compliance, resources, and board education amongst others were just excuses. Even the CEO without a formal succession planning and leadership development program noted this. The CEOs also mentioned that succession planning was often a back burner item, particularly for newer CEOs who had to focus their attention on getting acclimated to their role as well as implementing the changes they wanted in the organization. Overall though, the CEOs noted that time should be dedicated to avoid working in a crisis mode where the world happens to the organization versus the organization happening to the world as WK34 noted. 50% of the CEOs cited egos and human nature as another possible impediment to this strategic process. When CEOs view themselves as immortal, are self-centered, feel like they could be replaced, and do not put the interests of the organization first, this process may be ignored.

Strategies for building leaders. Another sub question of the study was centered on understanding what is easy or difficult about building leaders within the organization. The difficulties were discussed in the impediments section above, and what is easy about developing leaders is best described as the facilitators to succession planning. Five facilitators were derived as part of the findings. First, developing leaders through succession planning and leadership development was found to be easy when the CEO is people and culture centric. The CEOs shared that they spent endless hours of time on their people and culture and pledged to understand the talent they have, invest in people, and make others better than them. In the research, Gonzalez (2010) explained that "the most important ingredient for a successful succession plan is probably the attitude of leadership." This was heard through the voices of the CEOs who had the most extensive programs. Their attitude toward development was that it is critical for the organization and also for its people. Second, the CEOs explained that it was easier to develop leaders when there was a developed talent management program. Six out of the eight CEOs interviewed shared that they brought the strategic process to their credit unions along with their executive teams who assisted in the development of the program.

Third, six of the CEOs naturally focused their efforts on succession planning and leadership development because they believe that developing leaders is the main part of their role. They felt that people are their main responsibility. Another thing that makes it is easy to develop leaders is when the talent strategy is included as part of the strategic plan. They believed that their business model and goals should be in alignment with their talent management processes. Lastly, the CEOs noted a supportive board of directors as a facilitator to succession planning as increased effort, engagement, accountability, and awareness made it easier to focus their efforts on this. If the board was not engaged in the process, however, the CEO's still felt it was their responsibility to develop leaders and build a strong pool for their board, the organization, and its members.

Tools and resources. The other sub question that guided this research was about understanding what tools or resources the CEOs felt were available as well as anything that stuck out that would help other credit unions. There were surprisingly fewer tools and resources that resulted as findings than initially expected. One finding that resulted in this category was that there are numerous tools and resources available if a credit union or other organization wants to implement succession planning and leadership development into their organization. The participants noted the numerous websites, trade associations, and other sources that are available. They did not believe finding this information would be difficult for any leader looking to create or enhance their programs. The other finding was that a consultant is a valuable tool to assist credit unions and other organizations. The CEOs felt the use of a consultant was appropriate and could really help propel these processes to new levels within the organization. One tool that was noted as underutilized was the 360 feedback tool, and one of the new CEOs thought it would be great to have a conference available to new CEOs where those new to the position could talk about their challenges and get ideas.

Study Conclusions

All of the findings were analyzed in depth in an effort to create the final conclusions of this study. Six conclusions were identified and each is presented below along with a discussion of implications. Recommendations for future practice and research are presented following the six conclusions.

Conclusion one: committed leaders. The first conclusion of this study is that these leaders are committed to their organization's future and those who will inherit it. As the Kouzes and Posner (2006) passage noted, "[These leaders] are the custodians of the future, and it's their job to make sure that they leave their organizations in better shape than they found them." SB35 explained it best, focusing on the member stakeholders, when he said, "You have never arrived because what our members want and what the world expects changes every day. If you are not willing to move forward with the organization, then we do not want you here." Seven out of the eight CEOs noted that developing strong leaders is the core of their position. EA7 explained the importance of this when he said, "My responsibility is to help this organization thrive and exist forever. In order to do that, I have to have the right people to help steward the organization."

When the programs did not exist in their organizations, they created them as they saw this as part of their responsibility.

Succession planning in organizations goes beyond naming a successor for a CEO or other position. Succession planning is important in order to keep the organization alive, safe, and sound. Agile work environments help organizations stay focused on the ever changing world around them and will keep the organizations strong 10-15 years from now as SW10 noted. These leaders understand that technology and innovation are bringing change, new generations and ways of thinking are surfacing daily, and disruptors are attacking the industry on a regular basis. They are using their focus on being adaptable and evolving to propel their organizations forward and avoid insolvency.

The theories behind this study are stakeholder theory and succession planning. The quotes from EA7 and SB35 demonstrate that the organizations, their members, their boards, and their employees are at the root of the CEOs responsibilities in these credit unions. The CEOs understand that credit unions are merging and/or facing insolvency and other challenges everyday that they need to overcome to keep their credit unions thriving. The CEOs with vibrant succession planning programs did not get plagued with active inertia. Instead of doing things how they were always done, which was no succession planning for most, they created the programs themselves with the help of their executive teams. The CEOs did this because they were in alignment with the research that shows that leadership is how organizations will succeed.

These findings support the research conducted by Miles (2012) who explained that stakeholders and organizations must have mutually satisfying, reciprocal relationships, and the organizations must pay primary attention to key stakeholders, like employees, because they have urgent demands, power, and legitimacy that according to Freeman (2008) and Mansell (2013) are vital to the success of the firm. EA7 and SW10's perspectives above regarding their responsibilities of ensuring their organizations thrive far into the future directly supports Friedman and Miles's (2006) finding that management must protect the interests of the firm in order to ensure long-term survival. Lastly, these CEOs negate the research of Sull (1999) that notes that leaders engage in active inertia, relishing in their previous success and not taking into account the changing environment and markets around them. The leaders in this study did not spin their wheels as Sull (1999) noted. Instead these leaders created solutions within their organizations to address the talent problems because they understood and agreed with the findings of Sims and Quatro (2005) who explained that leadership is how organizations will succeed, and the way leadership looks is changing daily, hence the need for agile work environments.

Conclusion two: CEO personality. The second conclusion from this study was that CEO personality accounts for the company's performance but also for the level of succession planning and leadership development. Out of the eight CEOs who participated in the study, the five CEOs that have the most vibrant, two-part succession planning processes have several things in common. First they all integrated succession planning in their organizations. Second, they are people centric. They care about people and understand that people are the key to their success. They focus their time and energy on their employees and members and enhance their cultures at the same time. As SW10 shared, she wants her people to be better leaders than she could ever be. Why? Because "culture eats strategy for breakfast every day" (SW10). Third, all five CEOs believe that developing leaders is their number one job. Fourth, the five have asset growth averaging 156% in comparison to the other three CEOs that did not specifically note these items and who average 142% asset growth. Fifth, the loan growth of the five CEOs who mentioned these important focuses was 180% on average while the other three averaged 142% loan growth. CR14's credit union has grown $625 million in the past seven years, and they continue to push themselves from a growth perspective year over year. "We have that level of optimism because of the talent management we have" (CR14).

Gonzalez (2010) found that "the most important ingredient for a succession plan is probably the attitude of leadership," which was apparent in this study. The CEOs shared very passionately that this process gets results and the asset and loan growth statistics are proof of that. This study directly supported Joyce et al's (2003) research that found that CEO personality is directly correlated to the company's performance. This study showed an increase from their 14% statistic to 62% as five out of the eight CEOs in this study integrated the plans into their organizations, were people centric, and believed that developing leaders was their number one job. If succession planning and leadership development is not happening in credit unions, it needs to be. The industry needs these results. Because the personality of the CEO does equate to stronger succession planning programs which ultimately gets tremendous results, boards need to place a large emphasis on CEO personality in the interview process of new CEOs, particularly seeking to understand their focus on people and talent development strategies. The right leader with the right personality can drive this process forward within the organization. This again supports the research conducted by Gonzalez (2010) and Sobol et al. (2007) who noted that highly successful organizations have top leaders who are advocates for planning and understand that succession planning is crucial for their sustainability.

From a research perspective, the CEOs in this study with strong succession plans did not exhibit the common reasons leaders failed like making poor decisions, focusing on themselves, and lacking vision and innovation as noted by McIntyre et al. (2013). These items were in fact noted by the CEOs as strategies they leverage to make their organizations stronger. This study confirms that indeed "leadership impacts organizational performance" as noted by Joyce et al. (2003) and Wang et al. (2011). This study also confirms Wang et al's. (2011) research that found that task-focused CEO leadership qualities affect organizational performance and that relationship-focused qualities improve employee satisfaction which boosts organizational performance. The CEOs in this study contradicted Charan (2008) when he shared that many leaders do not understand that developing other leaders is a large part of their job. The CEOs in this study found succession planning to be a true solution for creating a pipeline of leaders and getting results and were willing to put their talent strategies up against other organizations. This mentality was directly aligned with Proudfoot's (2013) research where he noted that when an organization optimizes its human capital effectively, "it can provide a significant competitive advantage for many years to come" (p. 11). The credit unions in this study that focused heavily on talent management every day were using this strategic process to gain market share and ensure their credit unions are around indefinitely.

Conclusion three: focus on vice presidents and critical positions. This study not only found that CEO personality gets results, but it also showed a third conclusion that the credit unions who are engaging their vice presidents and above and critical positions are achieving higher results. In this study, there was one organization doing CEO replacement planning, one CEO doing just leadership development and not naming successors, three CEOs focusing on vice presidents and higher and critical positions, and three CEOs focusing on succession planning and leadership development at all levels of their organizations. The organization in this study that only does CEO replacement planning, minimal to no planning at other levels, and no formal leadership development got growth results of 122% in assets and 110% in loans over the five year period. The credit unions who had two-part succession planning and leadership development programs saw 158% asset growth and 184% loan growth while the three credit unions with two-part programs that extend their succession planning efforts to all levels saw 153% asset growth and 175% loan growth on average. These statistics suggest that there is a need to plan beyond the CEO, but the need to plan beyond vice president and above and critical positions, at least from the start, does not appear to be necessary.

From a practical perspective, this means that organizations that are just implementing programs do not need to focus on starting succession planning with all levels of staff. They can start slow with their vice presidents and above, add in critical positions, and then as the program evolves, they could add more positions or leave as is, whichever suits the organization. Engaging the vice president and critical positions appears to bring speedy results to the organization: results credit unions cannot avoid. From a research perspective, this conclusion speaks to the best practice that Rothwell (2010) noted of phasing in succession planning and letting the process evolve over time. The three CEOs in the study did not implement succession planning at all levels initially; however, they did add in additional levels when they felt ready. It does not speak to his best practice that succession planning should reach all levels of the organization however.

Rothwell (2010) also shared in the research that key positions should also be included in the succession planning efforts. The CEOs in this study who are getting the most results by focusing their efforts on vice presidents and critical positions directly support Rothwell's research. The CEOs in this study who planned or developed leaders beyond the CEO took ownership of this process within their organization but also required participation and support from their executives in order to make the processes successful which Gonzalez (2010) and Rothwell (2010) noted as critical components of effective succession planning. As the CEOs worked to develop their executives, they also required their senior managers to develop the next level of leaders which was at minimum the vice president level. Lastly, this study supported the need for two-part succession planning programs. Conger and Fulmer (2003), Rothwell (2002, 2005) and Wright (2012) found that successful succession planning should focus on both identifying leaders for future positions but also on a leadership development centered culture within the organization.

Conclusion four: impediments are intrinsic. The purpose of this study was to identify impediments to succession planning in credit unions. After carefully analyzing all the data, it was concluded that the main impediments to succession planning and leadership development are inherent or best described as intrinsic rather than extrinsic. The items noted as impediments that emerged from this study were (a) nothing should get in the way, (b) succession planning is a back burner item, and (c) human nature and egos are getting in the way of the process. 63% of the CEOs shared that nothing should get in the way of developing talent and those items that are coming up are not impediments but excuses. 63% also shared that they believed succession planning did not always occur because it was a back burner item. If other things were on the plate of the CEO or senior managers, succession planning was an easy thing to pass up. Lastly, 50% shared that the egos of leaders get in the way and human nature makes this topic uncomfortable. Those in leadership roles did not want to consider real possibilities like death, termination, etc…or they did not want to develop people to be better than they are.

To overcome this, leaders, particularly CEOs and senior managers, need to stop making excuses and get out of their own way when it comes to this process. They need to adjust their personalities and focus on developing leaders even when other things are on their plate or time is limited. Boards do not have to endorse succession planning or require it in order for the CEO to make it happen in the organization. If they have the right personality, some of which is described in conclusion two, there is no reason not to be succession planning.

One other thing that may help credit unions overcome some of the noted impediments is a greater focus on strategic planning as noted in the research. As Rothwell (2010) explained in his research, succession planning that is in alignment with strategic planning should be the foundation for development programs in an effort to ensure leadership continuity. The research of Froelich et al. (2011) also shared that only 36% of executives found strategic planning to be important which may be causing a lack of focus on succession planning. The CEOs in this study named the connection between the talent strategy and the strategic plan as a facilitator to succession planning however.

Board support was also seen as a facilitator of succession planning; however, CEOs like SW10 noted that she shares her approach with the board but would be succession planning and developing leaders regardless of their support. While the CEOs appreciated support of the process, they did not cite a lack of board support, experience, or knowledge of the process as noted by Charan (2005) in the previous research as an impediment to the process. Again the CEOs who valued the process took it upon themselves to make succession planning happen in their organization and saw the process as something they do for the organization, not just their board.

The previous research named possible impediments like the mentality that there is an abundance of unemployed workers due to company downsizing, a lack of knowledge or resources that can deploy succession planning, a previous failed attempt, organizations not open to learning, or a lack of resources due to the generally small size of credit unions and nonprofits (Bechet et al., 2008; Rothwell, 2010; Tierney, 2006). The findings of this study did not support these possible impediments as noted in the research. The only impediment from the research that was validated by this study's findings was time (Bechet et al, 2008), which the CEOs voiced when they shared that succession planning can be a back burner item.

Conclusion five: hiring processes need to change. The fifth conclusion that resulted from this study was an overwhelming need to change the hiring processes. The CEOs in this study noted that the hiring process was a key area that is not only important to the talent management process but also as a strategy to drive change. There were two critical pieces that should be changed. First, credit unions need to stop focusing on hiring only credit union talent. The CEOs shared that previously, and for many currently, credit unions required credit union or banking experience when hiring candidates. Multiple CEOs noted that this approach to hiring did not make sense during the changing times. As the CEOs shared in their strategies, a focus must be on technology and innovation for example. The credit union may need to go outside the industry when hiring to get skills that the organization does not have but that are necessary to compete and evolve and ideally eventually become an industry known for its innovation.

This study confirms previous research by Charan et al. (2011) who explained that organizations must realize that jobs must change and evolve over time due to changing markets, products, etc…The research also noted that replacements for positions may look different in future years as the requirements for positions are changing (Charan et al., 2011). Several of the CEOs in this study focused on strategies revolving around agile work environments, a focus on innovation and technology, as well as the changes required from the talent perspective. They noted the replacements for current positions as well as new necessary positions to be competitive most likely will have to come from outside as the industry does not have the talent readily available to compete with the disruptors or the technology sector. The study did contradict

Charan et al.'s (2011) finding that organizations are coping with the war on talent by using the strategy of attempting to hire the best talent money can buy. This was not mentioned by any of the CEOs in the study as a hiring strategy.

The second thing that needs changing in the hiring process came from more than half the CEOs. These CEOs focused on always looking for the best talent, which means looking internally and externally versus just internally, especially for the CEO role. The CEOs were all grooming leaders internally, and their goal was ultimately to provide excellent internal candidates, but they understood that sometimes the best candidates may come from the outside depending on the state of the organization. It was not uncommon to hear that they hoped their credit unions would look outside when/if they were filling their position. Intertwined with this was the need to realize that talent does not stay forever. Lastly, several of the CEOs including SB35 and CR14 explained when hiring and building leaders, it is important to develop talent to be leaders inside the organization as well as for the industry because the organization will benefit from the talent and their productivity while they are employed at the credit union.

Ghosh (2015) found that 60% of credit unions had a succession plan for their CEO. In this study, 100% of the CEOs surveyed noted that they had at minimum successors ready or being groomed to take over as the CEO. The 2011 study by Froelich et al. found that 48% wanted an internal candidate for their next CEO, 16% wanted external, 16% did not care, and 17% did not know. All of the leaders in this study preferred to hire internally and were grooming leaders to take over for their position. More than 50% still noted that even with great possible internal successors, they believe their boards should search for the best talent available. This contradicts the statistics from the research by Froelich et al. (2011) that only 9% of credit unions felt they had a viable internal candidate and 25% did not know, which this study again finds to be inaccurate as all 100% believe they have viable internal candidate, if not more than one.

Conclusion six: new credit union CEOs. The sixth and final conclusion from this study was that new credit union CEOs, regardless of circumstances of the credit union, must make succession planning an early priority. This supports the arguments made by Monroe (1963) that "Among the many critical problems facing chief executives today, none is more serious or urgent than planning the best use and allocation of executive resources" (p. 35). All CEOs who had been in their role greater than five years were focused on this strategic process. Both credit union CEOs in their roles less than two years were not active in succession planning even for their own positions and even if the credit union had a succession plan and leadership development program in place for other levels of the organization. The two newest CEOs were in a transition period within the first year to year and a half and were trying to balance everything with their new role.

The problem is that the lack of succession planning during this period could be problematic for the organization if something happened to the CEO. One reason for succession planning and leadership development is to ensure continuity within the organization (Rothwell, 2010, Reid, 2005, Carman et al., 2010). It needs to be a priority from day one to ensure the organization is moving forward and will be better off without them when they leave as noted in conclusion one. Bechet et al.'s (2008) argument that if managers do not dedicate time to this process, they do not see value in it was not confirmed however. Even though the new CEOs were not actively succession planning, they did both note that the process was necessary and it was about to start for the CEOs as in the case of MC1 or it was listed as on the agenda for the future by MM1.

The one time where the research recommends avoiding succession planning is during times of great change like during a merger or acquisition, downsizing, or globalization (Charan et al., 2011). SW10 noted that in her first couple years, she went through a large merger which kept her preoccupied and not as focused on this process. After the merger and currently, she focuses heavily on it and prides herself on her program. All of the leaders in their roles longer than five years agreed with Charan et al. (2011) and Rothwell (2010) that succession planning contributes to organizational effectiveness and must always be a focus.

Recommendations for Practice & Scholarship

There are numerous practical and research related recommendations that arose from this study. For credit unions, it is important to be knowledgeable on succession planning, best practices, benefits, and the results that come from having a formal succession planning program. This knowledge and training needs to expand to credit union boards so that directors understand how to best support their credit unions and its leaders. It is recommended that boards review their hiring processes and the key competencies they are searching for during recruitment. Also in regard to recruitment, credit union leaders and human resources teams need to review their focuses, needs, and practices to ensure they are always in search of candidates that will move their credit union forward versus doing what they have always done and getting what they have always gotten.

It is also recommended that credit union CEOs and human resources departments look into the value of connecting with a consultant that is specialized in the process of succession planning. The consultant was noted as a valuable tool in the findings and is one way that credit unions and boards can become more knowledge on the subject as well as be more in tune with some of the impediments noted in this study like egos and human nature as well as making excuses for this process. Credit unions also need to focus on being more innovative both from a technological standpoint and a talent perspective. It is important that as credit unions focus on additional innovation, they maintain their personal, direct touch with their members. Credit unions should also be open to partnerships with new technology players that can help them advance their businesses. Lastly, trade associations and consultants that support credit unions should make information more readily available in hopes of connecting more CEOs and leaders with the value proposition behind succession planning. Conferences that share succession planning and strategic planning best practices, experiences, and lessons may be extremely valuable to organizations that are looking to build a new program or expand on their existing programs.

From a research perspective, there are several opportunities for additional research. This study was conducted with eight CEOs in credit unions with over $500 million in assets. Further research is suggested in the smaller credit unions which make up the other nearly 6,000 credit unions. The challenges, strategies, and needs within those credit unions may be different and should be brought to light. Additional research comparing growth and performance results both in credit unions and other organizations outside the industry, specifically in regard to the depth of their succession planning programs could also be valuable. This study showed that focusing on the vice presidents and critical positions within the organization showed the most results, but the question is whether or not that is true across other industries and credit unions.

There is opportunity to also add to the research in the area of hiring and recruiting for credit union CEOs. Research is needed on specific traits that are being targeted in credit union CEOs versus which traits should be targeted by boards of directors to get the best possible talent for the role. Lastly, Rothwell (2010) found that billion dollar organizations look at succession planning differently noting that over the next five years, succession planning is “the third most important issue behind financial results and strategic planning.” Data on this notion was not specifically targeted in this study, but overall the researcher did not gather from the CEOs interviewed that succession planning ranked behind financial results and strategic planning. The researcher gathered that succession planning in the highest performing credit unions was part of strategic planning and both were a catalyst for achieving higher financial results. Research better examining how organizations view the relationship between the three may be helpful in understanding where leaders should place emphasis: results or people.

Limitations of the Study

The study was limited to credit unions with $500 million or more in assets. The CEOs that participated had a wide range of backgrounds and it is not known whether they are truly representative of the targeted population. Those who had been in the credit union industry their entire career did work in smaller credit unions in the past or grew their credit unions to the current size. Some of the CEOs participated in mergers and several noted grooming leaders for the industry, not just their credit unions. It was also true that the credit unions faced very different challenges depending on the location of their credit union and the market they serve.

Internal Study Validity

Creswell and Miller (2000) note that qualitative validity stems from trustworthiness, authenticity, and credibility. The researcher had extensive training in building relationships and trust both in a professional and academic setting. Because the researcher had spent an extended period of time working in credit unions and was passionate about the industry, there was no bias. The researcher was seeking answers in an effort to help other credit unions as well as herself to build better leaders, have plans in place, and maintain safe and sound financial institutions. From being in the industry for so long and spending time in the literature, the researcher believed there were several impediments already identified as noted in the literature review, but the researcher believed there may be more that have not been identified or focused on appropriately. The researcher was open to the CEOs experiences and their perspectives. Unexpectedly, the expected impediments from the research did not surface in most interviews. Because the impediments noted in the research had not been confirmed, this study was needed. The researcher hoped and continues to hope to bring this information back to credit unions in future publications and use the findings in the future to create tools to assist credit unions with this type of strategic planning.

To ensure the data and findings were accurate, the researcher focused on using reflexivity throughout the entire research process, particularly in the data analysis phase. The researcher reflected on her actions throughout, reviewed transcripts multiple times, and verified coding was accurate according to the interview data provided. In addition, the researcher used the qualitative software to check the accuracy in the analysis process. Lastly, the researcher used a qualified peer examiner to ensure validity. The peer examiner held a doctoral degree and had experience as a researcher.

Closing Comments

This study sought out to identify the impediments and facilitators to succession planning in credit unions as well as tools and resources to help credit unions implement or enhance their succession planning and leadership development processes. The study did just that and adds additional research on credit unions and succession planning. The CEOs that participated in this study were overall very knowledgeable on the subject and were passionate about the benefits of succession planning and leadership development in credit unions. The CEOs genuinely worked every day to make their credit union a better, stronger, and more prosperous organization through their best assets: their people. They focused on this because they understood that the end result was happier stakeholders, and several shared their end goal was to leave their organization in a much better place than when they started. The best part is that possible or expected impediments as noted in the research did not arise but additional thoughts and ideas on what gets in the way did.

Because of my experiences both in and outside of the credit union industry, I had assumptions and expectations of what this study would produce. I had not seen succession planning in action in credit unions, so I assumed that it was not happening to the extent described in some of the research, and if it was, I did not believe it extended past the CEO position in most cases. The same was true for leadership development programs as I had not seen these types of programs in credit unions either. I did not believe that succession planning was part of the strategic planning process as it should be. I also assumed that credit union boards, CEOs, and senior managers are not educated on succession planning and the role of leadership development in succession planning like they may be in other industries. It was assumed that the lack of knowledge on the subject led to a lack of passion as well as a feeling of additional work for top management with minimal reward as the true benefit was not understood by those who would perform the succession planning tasks.

Regulatory burden and financial and personnel resources were expected responses to current impediments as I did not believe that most credit unions had the human resources or the capital resources available to succession plan according to the best practices. This was never noted by any of the CEOs in this study. I expected to find that the larger the asset size of the credit union, the more likely they were to have succession planning to some degree within their credit union. The data did not show a correlation with this expectation. I assumed the volunteer board of directors of credit unions did not typically have the expertise of the topic or that they played a larger role in the process which may be a reason why there is a very low number of credit unions in previous research who actually have a candidate ready for their next CEO position. Turns out the CEOs in this study felt it was their job to develop the next CEO and give their board options, all while keeping them in the loop of his/her efforts. Lastly, there were no expectations of responses in regard to the tools and resources needed, so it was great to hear the role that consultants are playing and the value they bring to this process.

Despite my own experiences, I did maintain hope over the last several years. I had the pleasure of working with numerous great credit union leaders in a variety of positions who I believe in and who I know care about people. In several of my previous positions, I understand that I simply may not have been privy to this type of information because of my level, which makes more sense after the study because of the levels the programs are reaching in these credit unions. I have also seen more and more articles and research on the topic in recent years, which is exciting for the industry. With that said, the study was more successful than I imagined because the findings and conclusions were not what was expected.

As a researcher and credit union professional who values people above all else, it was amazing to hear the devotion to this process in these organizations as well as the commitment to the industry, the employees, and the members. The CEOs had numerous things on their plates, many large strategic initiatives, and endless items like regulatory and compliance items, staffing issues, disruptors, and the ever changing industry falling in their laps daily but they never made excuses. In fact they got angry when others made excuses about not focusing on their employees. They refused to let anything come in the way of their stakeholders including their own egos or a lack of time, and they were up for the constant challenge of keeping their team members happy by putting them first. Their stories, their programs, their strategies, and their results that are shared within this study are a stronger tool for other credit unions than I ever imagined. The only hope is that other credit union leaders and boards will listen to these successes, strategies, mentalities, and conclusions and implement them within their own organizations. The more credit unions performing at the highest levels described in this study, the more likely the members are happy, the industry is growing, and the number of credit unions closing or merging into others per year will go down.

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APPENDIX A

IRB Approval Notice

Pepperdine University

24255 Pacific Coast Highway

Malibu, CA 90263

TEL: 310-506-4000

NOTICE OF APPROVAL FOR HUMAN RESEARCH

Date: November 04, 2015

Protocol Investigator Name: Stephanie Zuleger

Protocol #: 15-10-068

Project Title: Identifying Impediments of Succession Planning in Credit Unions

School: Graduate School of Education and Psychology

Dear Stephanie Zuleger:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at community.pepperdine.edu/irb.

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chairperson

cc: Dr. Lee Kats, Vice Provost for Research and Strategic Initiatives

Mr. Brett Leach, Regulatory Affairs Specialist

APPENDIX B

Initial Email to Participants

Dear Mr. or Mrs. <Chief Executive Officer>,

I would like to interview you as part of a larger research study that seeks to better understand your experiences with succession planning and leadership development within credit unions. My name is Stephanie Zuleger, and I am the Chief Lending Officer at Y-12 Federal Credit Union in Oak Ridge, Tennessee. I am also a doctoral student at Pepperdine University, and I need your expertise and experiences to be able to provide strong and beneficial results that we can use to help our industry prosper.

You have been selected to participate in this survey due to your position as Chief Executive Officer of a large credit union as well as your time in the credit union industry. By completing this interview, you will be assisting in identifying internal and external impediments and facilitators of succession planning and leadership development.

Please note that your experiences will add value whether you have a strong program in place or no program in place. I need to understand both to have a successful study. You and your credit union will be kept confidential in the findings and no identifying information will be shared at any point. We can meet face-to-face, by Skype, or by telephone, whichever you prefer.

I appreciate your time in advance and hope you will assist me in my research. Please email me back at your earliest convenience at or call me at. I will also follow up with you by phone.

Sincerely,

Stephanie Zuleger

APPENDIX C

Thank You Email

Dear Mr. or Mrs. <Chief Executive Officer>,

Thank you so much for your participation in my research study seeking to identify impediments and facilitators of succession planning in credit unions. This study would not have been successful without your participation. I am looking forward to sharing the responses of all of the Chief Executive Officers in the findings of the study as I presume this will assist all credit union CEOs and leaders in being more effective in this strategic planning process.

I am hoping to have the findings of the study wrapped up within the next three to four months. I am happy to share the findings with you once they are reviewed with my committee. If you have any questions at any time, please reach out to me at or by phone at.

Thank you again for your time!

Sincerely,

Stephanie Zuleger