

Succession: Does your Board Have a Plan?

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Directors
Conference

Succession Planning



There is a high cost to poor succession planning!

Imagine this

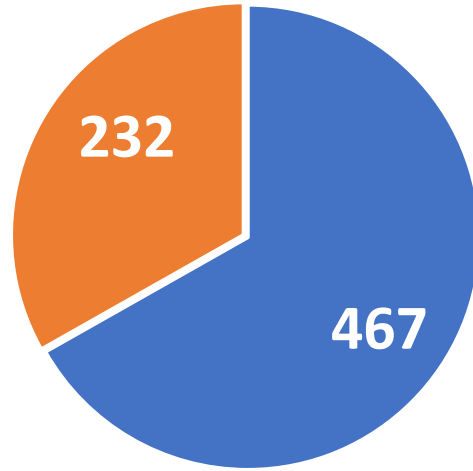


98%

35%



Retirement Eligibility



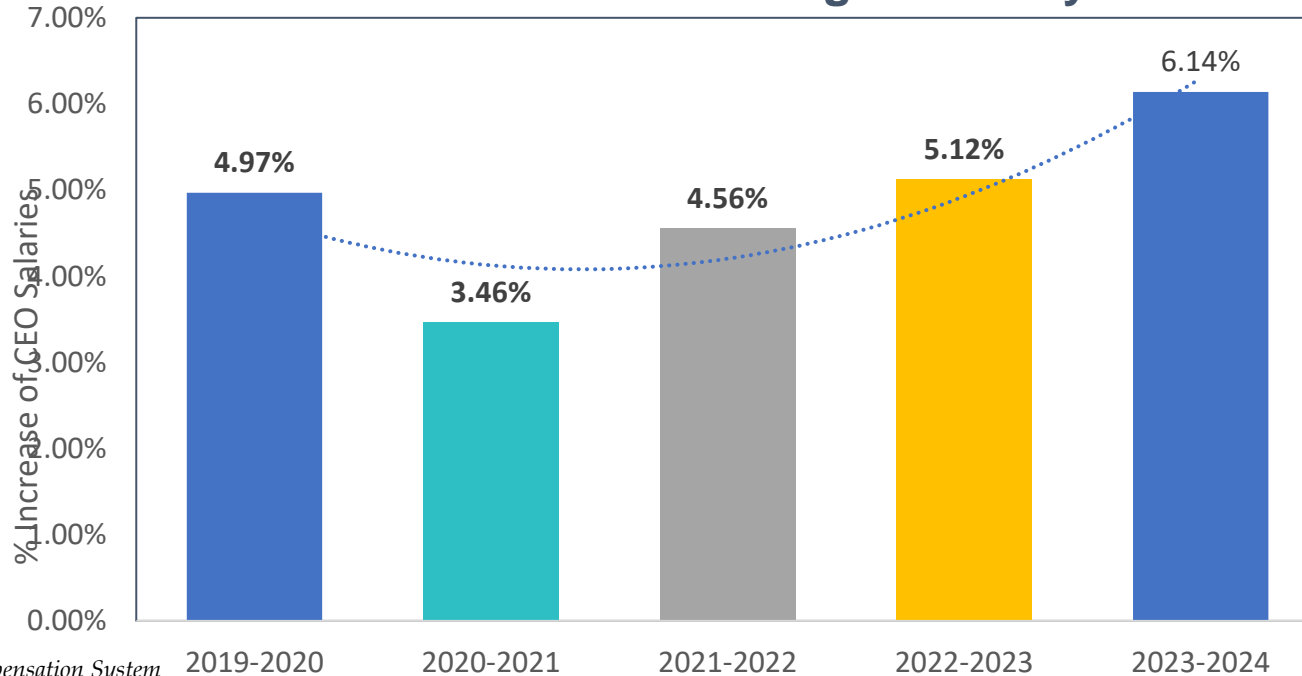
- Eligible in the next 5 years
42.7%
- Eligible now
21.2%

65 and older - 1,093 GMs, CEOs, Asst. GMs, COOs



Today's Environment

Salaries are increasing nationally



Source: NRECA National Compensation System



The Result?

Co-ops are faced with replacing employees with:



Someone
who has
never held
that role
before



Someone
who might
make more
than you
have paid
before



Someone
who might
not stay as
long as your
previous
employee



Are you ready?



Create Your Future



The best way to predict the future is to create it."
– Peter Drucker (and Abraham Lincoln)

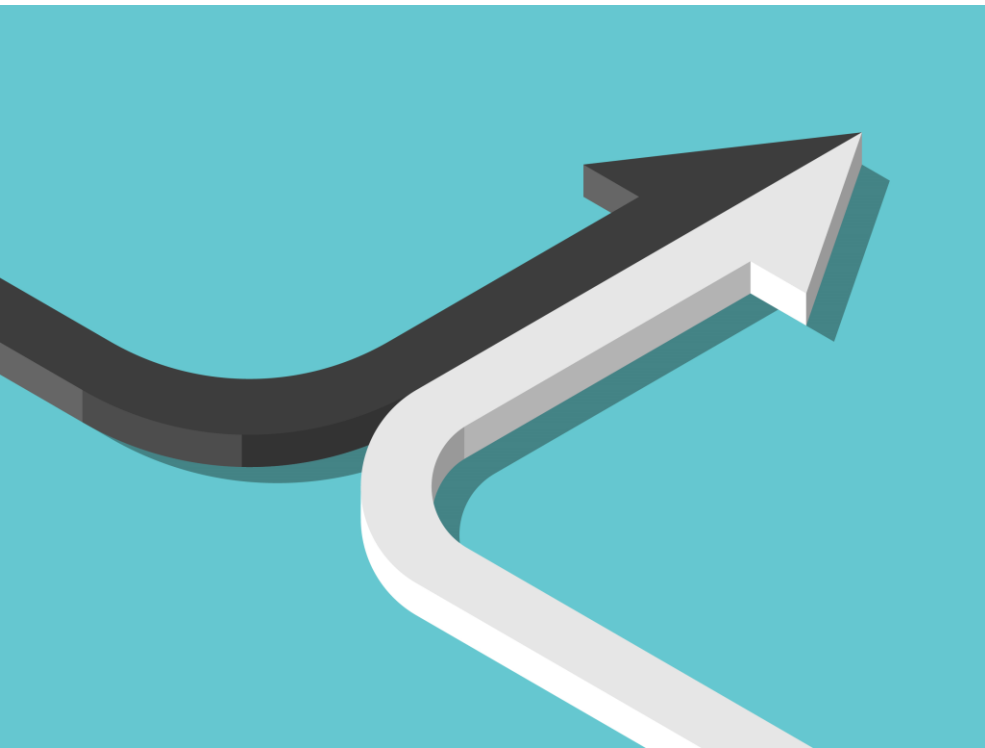
“What if we don’t change at all ...
and something magical just happens?”



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Board's role



Ensure that the existing CEO has the funds, time and support of the Board to develop internal talent

Partner with your CEO

Expect results



What is Succession Planning?

Succession planning is a process for identifying and developing new leaders who can replace seasoned leaders when they leave, retire die.

Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available.

-Wikipedia

A **planned strategy** to develop the workforce your cooperative needs for the future

- Longer term
- Systematic process



Impact of Succession Planning

Effective succession management includes:

- Identifying and developing the right high potentials
- Stretching skills to build competencies for higher-level leadership
- Ensuring bench strength
- Retaining top talent
- Preventing premature promotions
- Fostering knowledge transfer
- Commitment to the cooperative



What it is not...

Succession planning is
not replacement planning



3 Key Steps to Succession Planning



1) Assess

- Business Challenges or Opportunities
- Competencies and Skills Needed

2) Evaluate Potential Employees

- Identify & Develop for Skill Gaps

3) Develop



Assess

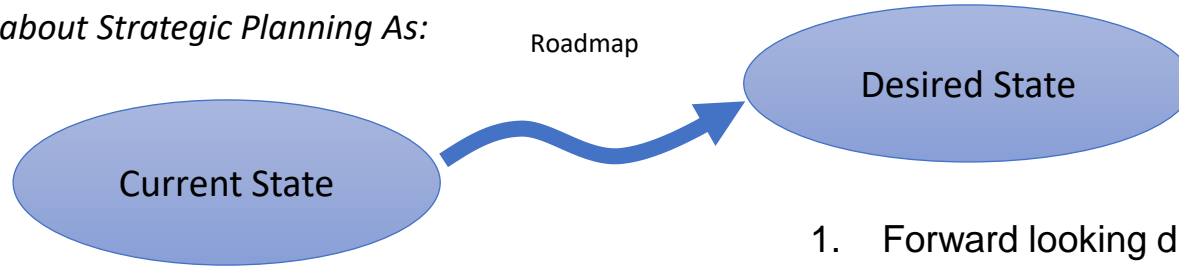
- Strategic Plan
- Leadership Profile Analysis
 - Understanding of the CEO role
 - What competencies does the current CEO have?
 - What competencies do you want in your next CEO?



Role of the Strategic Plan

A **strategic plan** clarifies the direction of the organization (envision its future) and formulates the strategies and initiatives to achieve this direction.

Think about Strategic Planning As:



1. Honest assessment of the current conditions, performance and the environment it faces
2. Clear understanding of the needs and expectations of your member-consumers
3. Understand the internal and external forces affecting change

1. Forward looking direction
2. Compelling and measurable
3. Increasing value to consumers
4. Shaped and developed over time



NRECA Leadership Competency Model

Working with Others

External Leadership

Governance and
Strategy

Getting Results

Doing the Right Thing

Evaluate

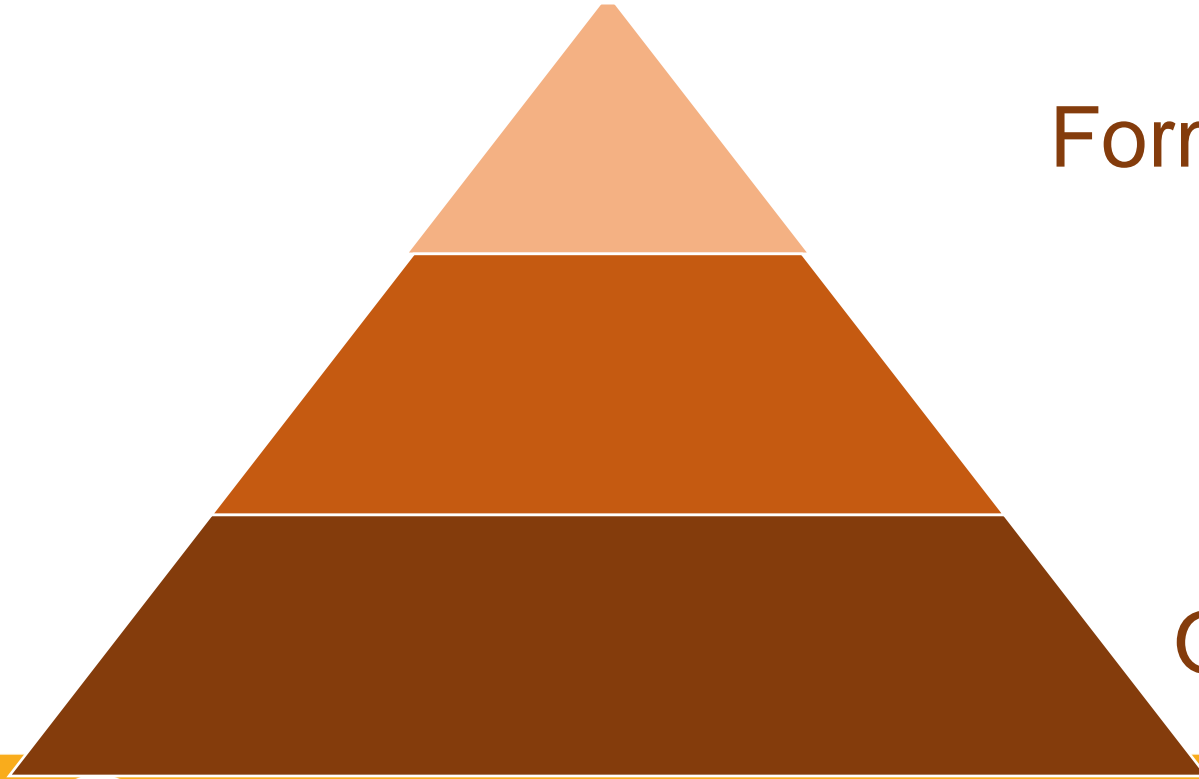
Business Challenges – what skills do you need for the future?

Organizational Overview

- Who is a potential successor?
- Do they want to be considered?



Develop



Formal Training 10%

Peer 20%

On-the-Job 70%



Policy Development

Update or develop appropriate policies

- Delegation of Authority
- CEO Board Relations
- CEO Compensation and Appraisal
 - CEO Compensation Analysis (990s)
- CEO Search and Selection Policy
 - Position criteria
 - CEO Job Description
 - Management contract
 - Relocation Policy
 - Search Process



Cooperative Stories



What to avoid...

- No link to strategic direction/plan
- Tactical not strategic
- Lack of formal structured approach
- Not focusing on the critical needs, jobs, and most pressing risks
- Bias assessment and conclusions which may lead to perceived favoritism to certain employees
- Lack of follow-through
- Plan has no leadership buy-in or ownership



Beware of the Ripple Effect



Board Responsibilities

- Review the utility's articles, by-laws and Strategic Plan
- Address CEO related policies
- Anticipate future Leadership needs and competencies (competency model/LPQ)
- Ensure that your organization has a succession plan and the resources to address it
- Monitor and communicate the Plan (Strategic Planning)



Retirement Readiness

February 11th-Preparing your Cooperative

March 18th- Preparing your personal finances

April 24th- Preparing your personal life



We're Here to Help

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