



Annual Meeting and Conference

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- ▶ There is a problem facing the credit union industry in the very near term

- ▶ In fact, it is probably already here
 - ▶ 1/3 of C.U. CEOs will retire in the next 5 years
 - ▶ 78% of CEOs are baby boomers
 - ▶ 19% Gen X

- ▶ How these succession plans are handled **WILL IMPACT THE FUTURE of OUR INDUSTRY**



- ▶ Credit Unions operate with a unique philosophy in the financial services world
 - ▶ Is this philosophy taught in colleges and universities??
 - ▶ Is it something that people inherently understand??
 - ▶ Is it taught in banks??
 - ▶ Where can it be found??
 - ▶ Who knows it best ??
 - ▶ How do we keep it going ??



- ▶ Credit Unions (except for the largest among us)
 - ▶ Philosophically different from most banks (this is not size dependent)
 - ▶ Smaller in average asset size than banks
 - ▶ Fewer members of the senior management team
 - ▶ Often need an individual with more balanced exposure at the helm
 - ▶ Bankers tend to be more focused on a single operational area



▶ Conclusions

- ▶ Home grown talent can be more well rounded
 - ▶ It is our job to make them so
- ▶ Home grown talent can be more philosophically in tune
 - ▶ It is our job to make them so
 - ▶ Or weed out those who are not



- ▶ This presents two sides of the coin
 - ▶ Opportunity
 - ▶ Young emerging leaders
 - ▶ People finding credit unions for the first time
 - ▶ Challenge
 - ▶ Existing CEOs
 - ▶ Boards of Directors



- ▶ Lets talk about the challenge first
 - ▶ Who is responsible for the credit union's succession plan?
 - ▶ Board of Directors
 - ▶ Existing CEO and Management Team
 - ▶ Both



- ▶ CEOs that claim:
 - ▶ This is not my problem
 - ▶ When I am done, I am gone
 - ▶ Someone else needs to be thinking about this
 - ▶ I have too much on my plate to think about future leadership
 - ▶ What time is my tee time
 - ▶ We cannot afford a “farm team”.....Maybe that one should read:

We cannot afford to not have a farm team



- ▶ Some Boards and CEOs do not have an open and honest relationship which contributes to a lack of future planning, especially in the area of succession planning
 - ▶ We don't know what he is thinking
 - ▶ She wont tell us

- ▶ The CEO needs to be confident in his/her role and willing to talk openly with the board about the future and the need to develop talent in the credit union
 - ▶ Contracts with incentives to stay to a planned date
 - ▶ Notice of intent to retire

- ▶ Not just the CEO that needs to be considered
 - ▶ Depends on the size of the credit union
 - ▶ CFO, COO, CLO or whoever performs these functions



- ▶ What is succession planning at your credit union?
 - ▶ A file document we give to the regulators at exam time
 - ▶ An emergency plan to be activated upon the sudden departure of the existing CEO
 - ▶ A living and breathing plan that looks at all of the key management employees of the credit union and addresses the development of internal talent (where possible and affordable)



▶ Directors

- ▶ Expertise and sophistication varies greatly
- ▶ Many need to be guided by the CEO and team even though succession planning is listed as a board function
- ▶ However, many things that are listed as board functions really require a collaborative effort among board and management
- ▶ This should be no different
- ▶ Should be a vital part of strategic planning process



▶ Opportunities

- ▶ Young professionals (internal to your organization or part of a recruitment process)

- ▶ Talents:

- ▶ Intelligent - Often well educated

- ▶ Able and willing to learn

- ▶ Technology - they grew up with it ◊ they use it ◊ they understand the needs of the market we talk about

- ▶ Attitudes:

- ▶ Want to do good

- ▶ Want to work for a company that is helping people

- ▶ Want to have an impact on peoples live



- ▶ Internal vs External Candidates for senior Mgt. Positions
 - ▶ Internal
 - ▶ Fewer variables in the hiring process....they are already here...we should know them
 - ▶ Indoctrination to the culture has already occurred or at least started
 - ▶ Experience and training is our responsibility but it is done our way..... no retraining needed.....no bad habits to be broken
 - ▶ External
 - ▶ May have better experience...been there done that
 - ▶ May be more seasoned (but by another institution)
 - ▶ May not understand the credit union difference
 - ▶ Certainly will not understand or be part of the credit union's culture on day 1



- ▶ Thoughts from a successful C.U. Leaders:
 - ▶ Jim Blaine: State Employees Credit Union
 - ▶ Hire locally
 - ▶ Give authority at the branch level (realize this credit union spans the entire state of N.C.)
 - ▶ More authority = more decision makers = more talent to choose from
 - ▶ Train them in your culture
 - ▶ Indoctrinate them to your sense of beliefs
 - ▶ Get them onboard before someone else ruins them
 - ▶ Advancement is open...no road blocks
 - ▶ You know what you have....much more than a resume
 - ▶ External candidates may have expertise but what about buy in to the culture



- ▶ Blaine (continued)
 - ▶ Let them go
 - ▶ Help them go
 - ▶ You can keep the mediocre foreverdo you want them ?
 - ▶ You're better off with 5 yrs. of a superstar who leaves for betterment because your institution is not quite ready for what they want
 - ▶ Enthusiastic leaders may leave but you reap the short term benefits
 - ▶ You develop a network of confidants



- ▶ Stan Hollen (Golden One/Co-Op)
 - ▶ What happens to our cooperative spirit as more non credit union (bankers) enter the senior management ranks
 - ▶ Banks do not share resources (no shared branching network)
 - ▶ Bankers are reluctant to work together (competition)
 - ▶ Young Professionals need to network
 - ▶ CEO to CEO
 - ▶ CFO to CFO etc.
 - ▶ CEOs need to encourage this (especially if we hire externally)
 - ▶ CUES, CUNA Councils, local networks (formal or informal)



- ▶ Stan Hollen (Golden One/Co-Op): Cont.
 - ▶ Let them go
 - ▶ Encourage them to go
 - ▶ Creates opportunities for others (requires deep bench and may only be possible with size)
 - ▶ Helps build your own network
 - ▶ Be proud of their accomplishments
 - ▶ Make it part of your job



- ▶ Some examples (good and bad) of how credit unions solve the succession problem

\$600M very successful community credit union

- 73 yr old CEO... 40+ year veteran
- Has given an 18 month notice 5 times
- CFO retired one year ago replaced from within but not a CEO candidate
- COO late 50s grew up in the credit union not a CEO Candidate

\$400M very successful community credit union

- CEO retired in 2017 after a one year notice
- No internal succession plans
- No qualified candidate
- External search
- Found another credit union CEO from a smaller (\$200 M) c.u.
- Culture learning curve (not all credit unions are the same culturally)
- Started the problem all over at the \$200 M credit union

Did these credit unions have other (better options) ??????



- ▶ Some examples (good and bad) of how credit unions solve the succession problem

Very successful large credit union

- Long time #2
- Formed board succession committee several yrs. out
- Gradually transferred authority and responsibility
- Number 2 became number 1

\$600M very successful community credit union

- Three year multi faceted leadership transition plan
- CFO became President in Jan
- CFO became CEO in July
- Developed new positions
 - Chief Marketing Officer
 - Director of Branches



▶ My Story:

- ▶ Boston Firefighters Credit Union
- ▶ Currently \$260 M.....so not big.
- ▶ Summer of 2014 Management Team
 - ▶ CEO 59
 - ▶ COO 55
 - ▶ CFO 63 (planned retirement within 12 mos.)
- ▶ Asset size at that time was approx. \$200 M.



- ▶ Task #1
 - ▶ CFO:
 - ▶ No internal candidates with requisite education or experience
 - ▶ Attempted to recruit from within the industry on my own
 - ▶ Not successful
 - ▶ Hired a search firm
 - ▶ No credit union experience among candidates
 - ▶ Successful candidate:
 - ▶ 30 yrs. young
 - ▶ CPA and banking experience
 - ▶ very recent MBA
 - ▶ knew very little about our culture beyond the web site



- ▶ Candidate was light on experience but HIGH on potential
 - ▶ Hired as VP Finance with a 3 yr plan to CFO
 - ▶ Goals established for the three year plan
 - ▶ ALM related goals including seminars and hands on experience, including three days of hands on training with ALM First Advisor
 - ▶ CUNA Management School (3 yr. program)
 - ▶ CUNA CFO Council membership and attend conferences
 - ▶ Local CUA CFO Council active membership
 - ▶ FHLB Boston seminars
 - ▶ Local Corporate (EasCorp) Association of Senior Officers
 - ▶ Active mentoring on the investment portfolio by CEO and ALM First



- ▶ Candidate was light on experience but HIGH on potential
 - ▶ Katie completed the three year plan in two years, was promoted to CFO in January 2017 and is now the leading candidate to replace the CEO in approximately 5 years.
 - ▶ Learned from that experience
 - ▶ EVP/COO and CEO will retire in a similar timeframe
- ▶ Two additional young professionals are being mentored.

VP Retail Banking and Bus. Dev:

- 29 years young
- Started at BFCU as a teller
- BS and MBA
- Graduate of CUNA Management School (CCUE)
- Candidate to replace EVP/COO or possibly CEO

Electronic Services Manager:

- 28 years young
- Started at BFCU as a MSR
- BS and working on her MBA
- Enrolled in yr. 3 CUNA Management School (CCUE program)
July 2018 Graduation
- Candidate to replace EVP/COO or to co-fill that roll if the vacancy occurs sooner

► Successful Succession Planning from within:



Successful Incumbent
“Superstar”



Resident Genius
Board of Directors



Young and
inexperienced
“Rising Star”



- ▶ Resources to be considered from two points of view:
 - ▶ Availability
 - ▶ Cost

- ▶ Internal
 - ▶ Management trainee
 - ▶ Mentoring
 - ▶ True succession planning at multiple levels of the organization

- ▶ External
 - ▶ Formal education...cu tuition assistance program...NECF
 - ▶ Local trade association education events
 - ▶ National organizations that provide education



▶ External Continued

- ▶ National Organizations: National Council of FFCU's

CUNA and/or NAFCU

- Councils
- Management School
- On line and in person programs

CUES

- CEO Institute
- Schools
- Conferences
- Webinars

▶ Vendor Community

- ▶ Conferences
- ▶ Training Programs



▶ **BFCU Hiring Philosophy:**

- ▶ Primarily pertains to member service personnel
 - ▶ Banking experience is not critical....Personality and attitude is
 - ▶ Customer Service background
 - ▶ Cash background
 - ▶ Fast paced environment background

- ▶ We now have 6 former bartenders
 - ▶ 2 Branch Managers
 - ▶ 1 Electronic Service Manger....promoted from MSR
 - ▶ 1 Mortgage Loan Officerpromoted from MSR
 - ▶ 2 MSRs



- ▶ What happens when we don't properly plan and what happens when we do not promote from within??
 - ▶ Where do the leaders of the credit union come from??
 - ▶ What do they know about credit unions?? Your credit union??
 - ▶ Are they bankers?? For Profit?? Can they be re-educated??
 - ▶ Will the culture of the credit union survive??



- ▶ Board composition and recruitment
 - ▶ Common C.U. characteristics
 - ▶ Old
 - ▶ Long tenure