

PERSPECTIVE

A man with a beard, wearing a blue shirt, is looking out from a high-rise building. The building's glass and metal structure is visible, and the background shows a vast blue sky with white clouds.

CHANGES EVERYTHING.

Succession Planning for Credit Unions

WIPFLI

October 2025

Learning objectives

01

Recognize the value of a succession planning process

02

Define practical approaches and tools to use when selecting the talent pipeline

03

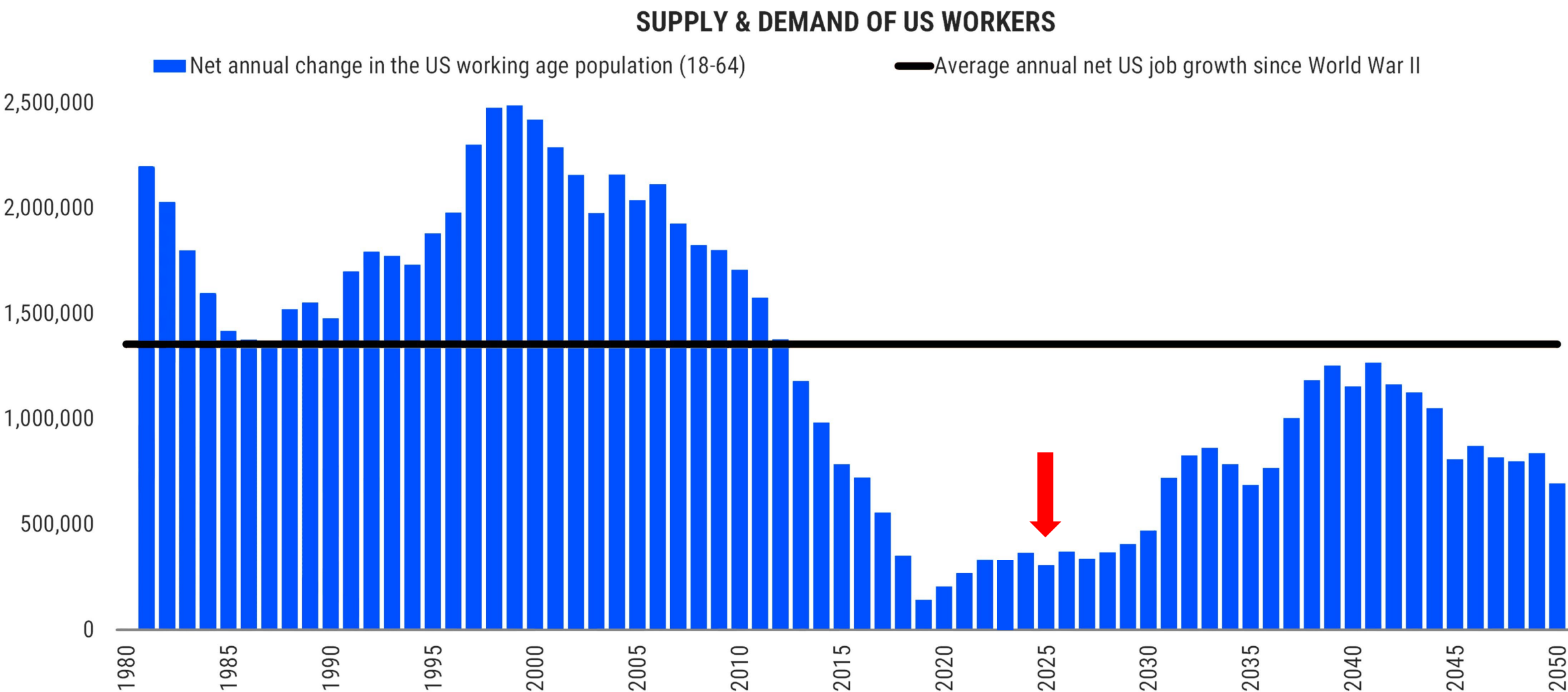
Options when no successor is available



One of the things we often miss in succession planning is that it should be gradual and thoughtful, with lots of sharing of information and knowledge and perspective, so that it's almost a non-event when it happens.

Anne M. Mulcahy

US labor supply faces long-term pressure



US Census Bureau, International Database, US Bureau of Economic Analysis, Current Employment Statistics; TIP Strategies.

Shocking statistics

- Only 35% of organizations have a formalized succession planning process for critical roles
- More than 74% of leaders report they are unprepared and lack the training for the challenges they face in their roles
- 60% of executives fail within the first 18-months of being promoted or hired



Why don't credit unions create succession plans?

- Not included as part of the credit union's enterprise risk management
- The senior team isn't clear on the process
- The senior team doesn't want to separate leaders
- It's costly to invest in people that might leave before they fully leverage the learning
- Other priorities get in the way



Why do credit unions create succession plans?

- Comply with 12 C.F.R. Parts 701 and 741
- Talent development/people readiness is a top focus area
- Senior team (and the Board) realizes it is their responsibility for future stability of the credit union and readiness of leaders
- It is a retention strategy, ties to brand and culture initiatives, and avoids costly vacancies
- Succession focus ties to improving member experience efforts

Final Rule – Succession Planning

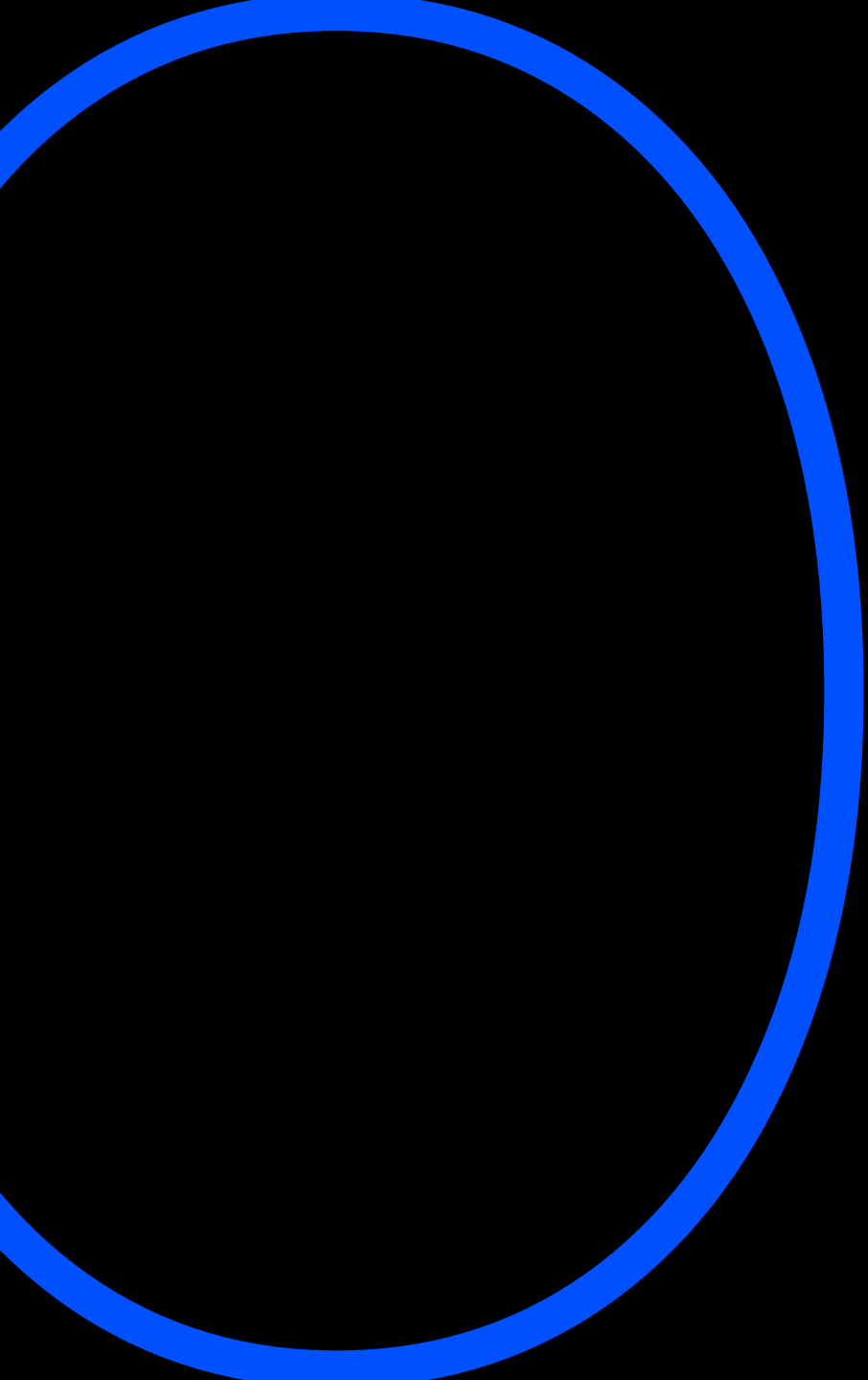
**(12 C.F.R. Parts
701 and 741)**

December 10, 2024

Effective date January 1, 2026

This final rule requires that a FICU board of directors establish a written succession plan that addresses specified positions and contains certain information.

In addition, the board of directors is required to regularly review the succession plan. The final rule also requires that newly appointed members of the board of directors have a working familiarity with the succession plan no later than six months after appointment.



Before you start planning



NCUA 701.4e – Why?

- **Stability and Resilience of Credit Unions**
 - **Leadership Continuity**
 - **Risk Management**
 - **Regulatory Oversight**
 - **Industry Trends**
 - **Member Protection**



NCUA 701.4e – What?

- Applicable for all federally insured credit unions
- Written Succession Plan
- Covered Positions
 - Board members
 - Management officials and assistant management officials
 - Senior executive officers
 - Other critical personnel



NCUA 701.4e – What?

- Plan Contents Must Include:
 - Title of covered position
 - Anticipated vacancy date (term/retirement)
 - Strategy for permanently filling each vacancy
 - Strategy for recruiting candidates with potential to assume each role



NCUA 701.4e – Additional requirements

- Review Frequency – at least every 24 months
- Board Familiarity – board members must gain working familiarity with the plan within 6 months of appointment
- Though updated requirement removed some positions (loan officer, credit, SC) – best practice to include

Managing the risk as part of your ERM plan

- **Vacancy risk** – risk of critical leadership vacancies
- **Readiness risk** – risk of underdeveloped successors
- **Transition risk** – risk of poor assimilation of executive talent
- **Portfolio risk** – risk of poor deployment of talent against business goals





Structure and role alignment

- Review the organizational structure as it relates to the strategic plan
- Evaluate how job duties have shifted over time
- Develop/update job descriptions to match today's needs
- Realign structure for efficiency and effectiveness

The central challenge

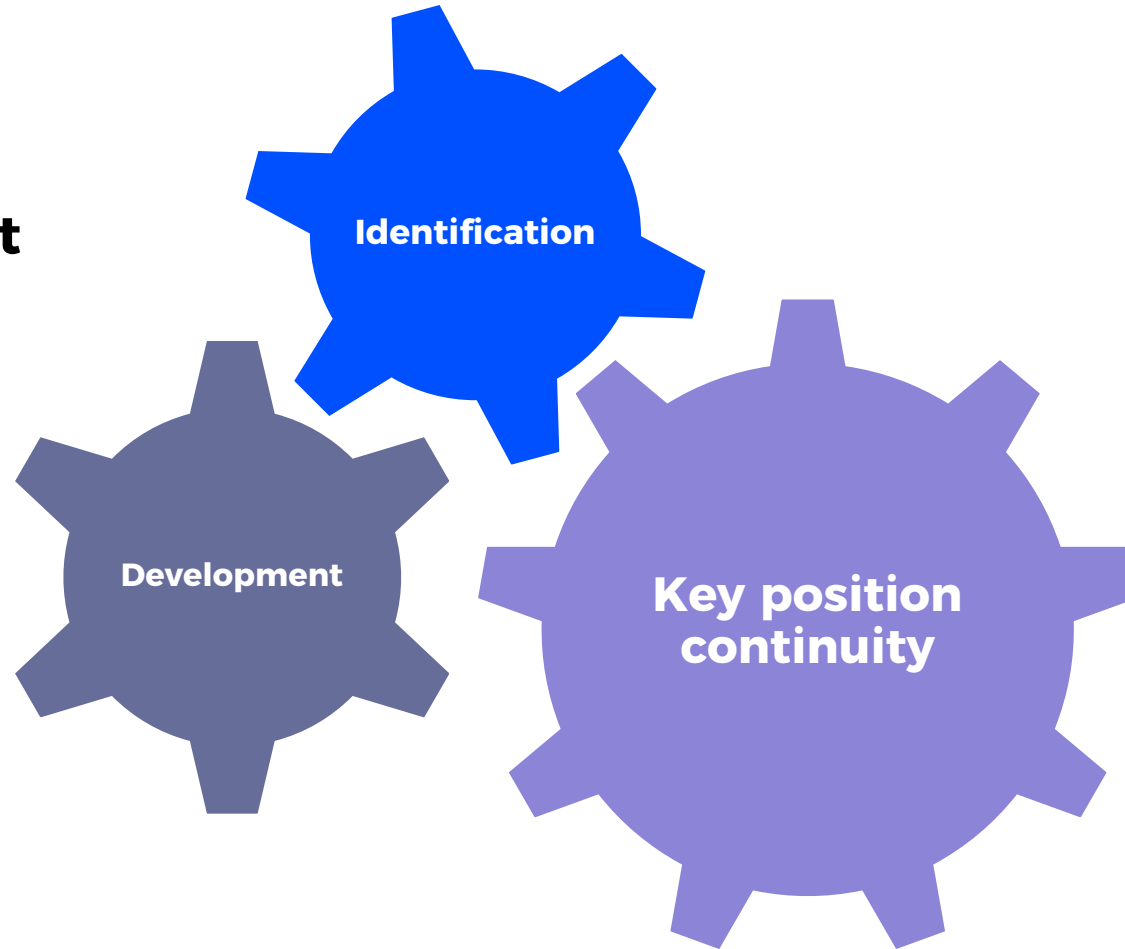
1. Culture must support succession discussion
2. Need to safeguard business-critical capabilities
3. Accelerate development
4. Leverage talent





**The succession planning
process**

Succession management defined



A systematic and defined *process* to ensure *continuity for key positions* by identifying and developing roles and people to fill them

A modern office environment with large windows on the left side, showing a cityscape. Several people are working at desks with computers. The office has a high ceiling with exposed wooden beams. The right side of the image is darkened to provide a background for the text and diagram.

Wipfli's succession planning model

Identify key
positions

Identify hi-po/hi-
perf group

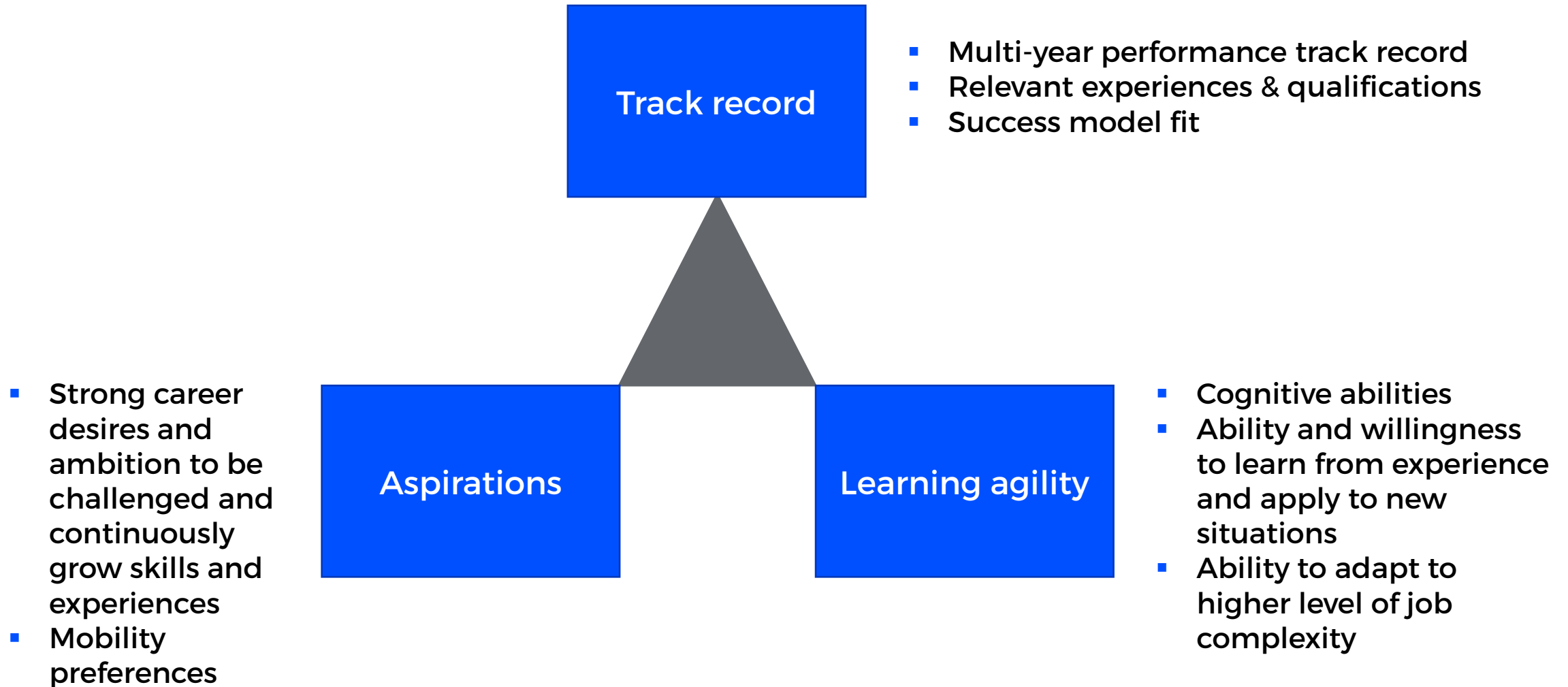
Discuss least
afford to lose
group

Select leadership
competencies

Determine
readiness level

Create succession
plan

Evaluate employees on three key sets of characteristics



Talent Assessment Grid

POTENTIAL

<p>POSSIBLE PERFORMER High potential to advance further, although underperforming. May be in wrong job or new to position; needs intervention.</p>	<p>GROWTH EMPLOYEE Demonstrates high potential to advance further. Valued associate/reward, recognize, promote, develop. Ready for promotion in 3-5 years.</p>	<p>FUTURE LEADER Highest potential – best of senior succession. Immediately consider for succession. Top talent/reward, recognize, promote, develop. Ready now for promotion.</p>
<p>EVALUATE PERFORMANCE With improved performance, may have potential to move one level/challenge is necessary. May be new to position.</p>	<p>CORE EMPLOYEE Likely to have scope to move one level. Solid performer/provide coaching to explore development of potential.</p>	<p>HIGH-IMPACT PERFORMER Has scope to move one level. Reward, recognize, promote, develop, give additional responsibilities. Ready for promotion in 1-2 years.</p>
<p>UNDERPERFORMER Has reached job potential and is underperforming. Place on Performance Improvement Plan (PIP) or exit.</p>	<p>EFFECTIVE Specialized or expert talent; has reached career potential. Engage, focus, motivate.</p>	<p>TRUSTED PROFESSIONAL Specialized or expert talent. Has reached career potential. Engage, focus, motivate, help with developing others.</p>

LOW

MEDIUM

HIGH

PERFORMANCE

Talent Assessment Grid			
		<div><div><div>GROWTH EMPLOYEE</div><div>Demonstrates high potential to advance further. Valued associate/reward, recognize, promote, develop. Ready for promotion in 3-5 years.</div></div></div>	<div><div><div>FUTURE LEADER</div><div>Highest potential – best of senior succession. Immediately consider for succession. Top talent/reward, recognize, promote, develop. Ready now for promotion.</div></div></div>
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SAMPLE ORGANIZATION				
Key players the organization can least afford to lose				
Evaluator:				
Key player name	Position/title	Department	Why can't afford to lose	Comments
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

Leadership Competencies			
Improvement	Goal-Driven	Ownership	Proactive
Flexibility	Responsiveness	Time Management	Even-Tempered
Building Trust	Relating to Others	Versatility	Valuing Diversity
Interpersonal Awareness	Empathy	Cooperation	Communication
Listening	Dominant	Persuasive	Inspiring Others
Strategic	Innovative	Judgment	Decisive
Participative	Organizational Awareness	Objectivity	Confidence
Integrity	Presence	Motivating Others	Leading Change
Resolving Conflict	Promoting Teamwork	Delegation	Structure
Follow Up	Coaching	Driving Results	Compassion

Assessment considerations

- Behavioral, e.g., Predictive Index
- Cognitive, e.g., Predictive Index
- Emotional Intelligence, e.g., EQi 2.0
- 360 Assessment, e.g., C360

PI Behavioral Assessment



PI Cognitive Assessment



EQi 2.0 Tool



C360 Tool

INTERPERSONAL SKILLS			
	Rating	Score	Percentage of Favorable Responses
CULTURAL SENSITIVITY > Understands and appreciates diverse cultures	Self	4.67	100%
	Peers	3.89	77%
	Supervisors	4.33	100%
	Direct Reports	4.14	84%
COMMUNICATION > Listens closely and articulates ideas effectively	Self	4.67	100%
	Peers	4.08	87%
	Supervisors	4.33	100%
	Direct Reports	4.65	95%
GROUP FACILITATION > Leads discussions that encourage participation	Self	4.67	100%
	Peers	4.00	79%
	Supervisors	4.67	100%
	Direct Reports	4.75	100%
CONFLICT MANAGEMENT > Manages conflict skillfully and proactively	Self	4.00	68%
	Peers	3.39	65%
	Supervisors	2.33	37%
	Direct Reports	4.15	84%

★ HIGH SCORES

★ HIDDEN STRENGTHS

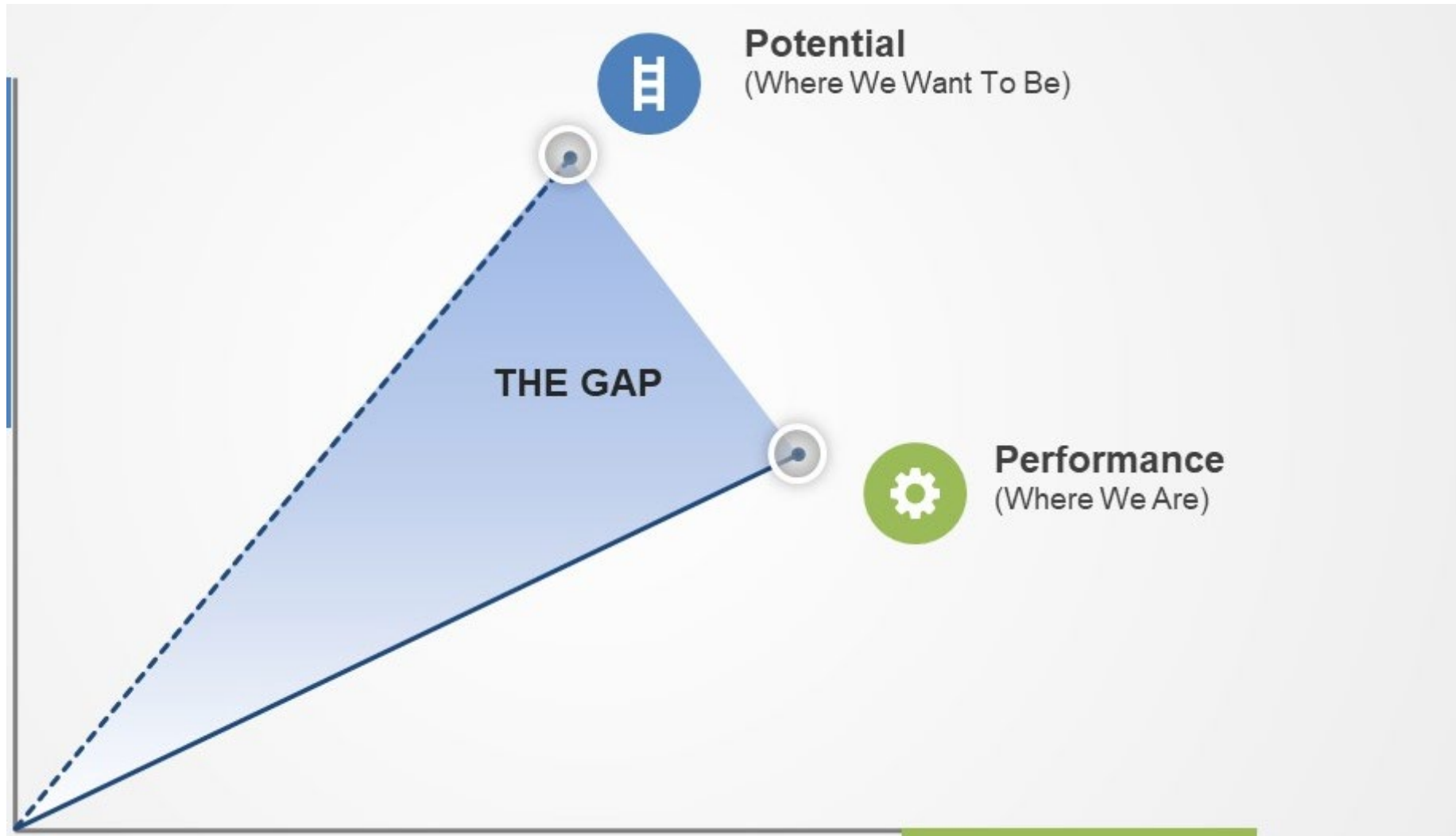
Succession Planning Readiness Chart

Sample

Position Title:	CFO					
Position Key Competencies:	Integrity	Problem Solving	Strategic	Communication	Confidence	Coaching
Current Incumbent:	Bill Financier					
Evaluator Name:	Leadership Team					

Candidate Name	Current Position Title	Current Department	Readiness Level					Competency Strengths		
			Interim	Ready Now	1-2 Years	3-5 Years	Long Shot	Strength	Strength	Strength
Mary Controller	Controller	Finance	X					Strategic	Integrity	Communication
Adam Accountant	Acct I	Finance				X		Coaching		
Eddie Money	Asst Controller	Finance			X					
Outside Hire										

Gap analysis



Additional considerations

1. Identify skill and competency gaps
2. Create individual development plans and career blueprints
3. Provide training and education opportunities
4. Provide mentoring
5. Create career paths



Keeping the plan relevant



**Why engage in
succession
planning and
career pathing?**

Avoids extended and costly vacancies in key positions

Assures the stability of business operations

Provides development opportunities for employees

Increases retention of high potential employees

Maximizes bench strength

5

**Staffing options when no
successor is identified**

Fractional Support for Credit Unions

- Services are provided by individuals with experience and expertise in the financial services industry
- Ability to provide coaching and mentoring for team members as part of the succession planning process
- Assist executive team with critical decisions, budgeting, and other strategic matters



Why the Shift to Fractional Services?

- Gig economy, talent shortage and market demand for outsourcing
- U.S. demographic shifts
 - Continued pressure for talent and experience without the time to train
 - Clients are seeking support for key foundational functions or to bridge talent gaps
 - More demand given the drive for lower efficiency ratios require outsourcing strategies
- Use of PMO/OPMs when appropriate

Fractional Service Support Available for Numerous Roles

- Finance and accounting – CFO and Controller
- Technology – CIO, CTO, CISO
- Talent and Human Resources – CHRO, HR Director
- Operations – COO
- Key Initiatives – Project Management



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