


Board Governance: Does Your Board Have a Succession Plan?

Today it is more important than ever to have a well-thought-out succession plan in place for your financial institution's board of directors. Putting a succession plan in place requires a thoughtful planning process that considers a new board member's competencies, experience, background, and fit with your existing board. In addition, board governance tools need to be well developed and up to date. These include role descriptions for the board chair and directors, a committee structure, committee charters, profiles of existing board members, and an understanding of the board's culture.

Many financial institution boards wait until they have an opening on the board before considering prospective board candidates. At that point, the current board members will discuss prospective board members, drawing on their own social and business networks. This reactive process can lead to boards that are uniform in their makeup and lack a diverse set of experiences and perspectives. Instead, succession planning should consider your current board demographics and seek diversity that represents your shareholders, customers, employees, and the communities you serve.

Most often, the Governance Committee develops the financial institution's succession plan. Identified steps in the process of developing a succession plan include:

1. Understand your financial institution's strategic plan. One of the first steps in the process of board succession planning is to consider the financial institution's strategic plan. The strategic priorities in your plan will help determine the knowledge and skill sets needed on your board.
2. Develop a board composition matrix. This requires an understanding of current board members' skills, competencies, and experience relative to areas such as strategic planning, human resources, sales and business development, risk management, audit, and technology. Consider the industry experience of board members and how that experience fits with your organization's customer base. Assessing current board member competencies is an important part of the process.
3. Review or create role descriptions for the board chair and director positions. Make sure your role descriptions accurately reflect the primary responsibilities and role qualifications necessary for board members. Fully developed role descriptions will include requirements for education, experience, and competencies and for performance measures.
4. Ensure each committee has an accurate and up-to-date committee charter. Standing committees should have a written charter describing committee responsibilities. Defining the scope of responsibilities of each committee helps board members understand the work they need to perform and avoids overlapping duties of the various committees.
5. Understand your board dynamics and board culture.
6. Establish a process for selecting board officers and committee chairs. Typically, the Governance Committee will propose a slate of officers and committee chairs for the board to vote on. Alternatively, the board chair, in consultation with the President/CEO of the financial institution, can make the appointments.
7. Develop a list of prospective board candidates. Establish relationships with prospective board members, and keep an active list of candidates who might be available to serve on the board.
8. Make sure you have a compelling story about your financial institution that you can articulate to recruit prospective board members.



A good succession plan will ensure that your board has the right skills and experience to provide the board leadership your financial institution needs. An active, knowledgeable, and engaged board is an asset at any time, but it is especially important during this time of increased regulatory scrutiny and during a challenging economy.

If you would like more information or have questions regarding the information above, contact:

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