



Hiring in
Haste is
Risky Business

False Economy

It seems so logical. Your COO, Susan, has done a remarkable job implementing a sales and service culture at your credit union. Your CEO is retiring and a fellow board member suggests, “Why don’t we promote Susan?” A promotion will reward her recent accomplishment and send a message to all employees that hard work pays off and that you believe in hiring from within. Fourteen months later, Susan (at your request) is working as a CEO and your organization is in a major slump. What happened?

In theory, the board saved both time and money by not conducting a full-scale CEO search. The position was filled immediately and the credit union got Susan for a below-market starting salary. But in reality, she was not all that excited about becoming CEO, and it shows in her performance. Susan felt she had to accept the offer. After all, it’s a dream job, though it wasn’t necessarily her dream. So, Susan was ill-prepared to do the work. Her successes in operations failed to translate into visionary leadership, and she lacked the time and interest to develop the balance of skills her new position requires.

To compound the problem, with a year of experience under her belt, Susan applied for the top position at another local credit

union. Its board was pleased to attract an experienced CEO at such a reasonable starting salary. Consequently, you again face the need to conduct an executive search. Her new credit union is getting a top executive with weak credentials whose performance will likely be a disappointment. And thus the cycle continues....

Recent articles about CEO succession in the *Harvard Business Review* have observed that the process in corporate America is broken, to the point that two of every five new CEOs will fail within their first 18 months on the job. While comparable numbers specific to the credit union industry are not available, anecdotal evidence suggests the need for repairs here as well. While “Susan” may be an archetype, her story is familiar enough to ring true.

So, if you’re faced with filling a CEO vacancy, how do you locate a high-performer? Succession planning to develop qualified internal candidates is one answer. However, ensuring that candidates get the range of experiences required to be a successful CEO — and that they have actually mastered those competencies — takes time.

Consequently, it is helpful to know a few qualities and behavioral traits about these ideal candidates. We can say a few things about them without hesitation.

They are most often not looking for work. If they are, they may have multiple offers to consider.

They are usually recognized as extremely valuable; however, they may or may not be well taken care of by their current employers.

They will have to be convinced to leave their current jobs to pursue a new opportunity with your organization.

They will have a significant impact on your organization and your organization's competitive positioning, if you are able to recruit them.

Your credit union needs to identify these high-performing leaders, not just at the CEO level, but at all management layers, both internally and externally. Maintain contact with external high performers even if you can't hire them at the present.

Leadership Competency

By now, most everyone is familiar with “competency models” — descriptions of knowledge, skills, personal characteristics and behaviors of effective leaders — as explicit statements of these ideas. The models are used for a number of purposes, including assessment of current senior managers, identification of high-potential executive talent, performance appraisal, and leadership development.

What's missing? In DHA's experience, effective leadership is typically left undefined in these models. The *Harvard Business Review* suggests that there is a tendency for such models to emphasize the wrong abilities or to focus on a generic ideal rather than to truly assess individual potentials.

From DHA's perspective in the credit union industry, assessment gaps are principally at the attribute level, where the following competencies are either undervalued or missing altogether.

Business Acumen

Having real business know-how and a broad perspective on how business deals are done is critical to effectiveness as a senior manager. Financial, technical or functional knowledge is a foundation competency, whether it is already present in the leader or is acquired on the job. Yet, few models consider this competency. Two common mistakes are assuming that business acumen is a baseline competency (which it is not) and assuming that such acumen can be determined through review of a listing of personal characteristics (length of career, high industry profile, etc.) rather than by looking at actual results.

Ambition

Potential leaders have high career aspirations, are attracted to challenge, have the desire to run a business, and are driven by the need for power. Ambition is not the sole component of leadership, but it is certainly one element. While a credit union seeking a CEO wants to hire an honorable and ethical professional, it should also strive to hire a person with the ambition to lead and to lead effectively.

The credit unions that hired Susan as CEO in the scenario that opened this article fell prey to these gaps in their leadership competency models. Her original credit union failed to understand that, despite her success in a previous position, Susan lacked the ambition to lead the entire organization. Her second credit union failed to register gaps in Susan's business acumen. Its board looked at the fact that Susan was already serving as a CEO but failed to see that she was performing poorly at the job.

Traditionally, boards have selected candidates and rewarded employees largely on the basis of financial results. The assumption was that good performance would be repeated and success would continue. It is DHA's experience, however, that a successful credit union leader offers more than financial and technical expertise. The high performing leader offers behaviors that are aligned with the vision, strategy and culture of the credit union.

Assessing alignment with the credit union and identifying the candidate who is the best fit may be the most challenging task for a board engaged in a CEO search. While many candidates may have the talent and drive needed to lead a credit union, some of them may not be right for that role in your particular organization.

What are your credit union's strongest needs now and for the immediately foreseeable future? Focus on no more than four things. For example, if the credit union has recently expanded to new membership markets, perhaps the focus needs to be on rolling out new products to serve a group that differs from the previous membership base and on bringing the credit union a higher level of visibility. Keep these critical needs in mind when conducting candidate interviews and assessments.

The DHA Way

DHA works directly with volunteers to identify and select key competencies aligned with the vision, strategy and culture of your organization. DHA's methodology begins with 24 core competencies that have been identified as key factors in successful leaders. Based on the credit union's specific needs, the original list of options is narrowed to the top eight requirements. With these competencies identified, the DHA Recruiting Practice can focus its efforts on finding high-performing, job seekers who exhibit these leadership behaviors and traits.