Future-Proof Your Organization Attracting, Retaining, and Developing Leadership

Companies need deliberate strategies that engage collaboration and psychologically safe interactions between current and future leaders. There is no one-size-fits all approach, and the strategy—once developed and implemented—must continuously evolve and adapt based on the changing needs of the institution, its market, and most importantly, its employees.

by Kyle Melody Rowan Shepard

The Imperative of Building a Strong Leadership Bench

As baby boomers exit the workforce in unprecedented numbers, the banking and credit union industries face a critical challenge: ensuring that the next generation of leaders is ready to step up and carry the torch. Developing a leadership pipeline must also ensure that future leaders see themselves reflected in those roles, inspiring confidence and ambition. The need for robust succession planning has never been more urgent, with regulators like the National Credit Union Administration (NCUA) increasingly emphasizing its importance.[1] For small to mid-sized financial institutions, developing a pipeline of younger-generation leaders is not just a best practice—it's a business imperative.

Why Succession Planning Should Matter to Leaders

Leadership transitions can disrupt operations, erode trust, and compromise long-term strategies if not handled effectively. When institutional knowledge leaves with retiring executives, organizations risk losing the cultural and operational expertise that has been carefully cultivated over decades.

Succession planning mitigates this risk by proactively identifying, collaborating with, and intentionally developing future leaders who can preserve continuity while bringing fresh perspectives to the table. Representation within leadership pipelines is equally critical, as it ensures all employees can envision their potential within the organization.

Regulators have taken notice. The NCUA, among others, now expect financial institutions to have clear, actionable plans for leadership continuity. Additionally, other regulatory bodies, such as the Federal Reserve and the SEC, have recognized the critical role of succession planning in ensuring organizational stability and resilience, underscoring its importance across the financial sector.

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Attracting and Retaining Future Leaders

The banking and credit union industries must contend with a competitive labor market where younger generations seek more than just a paycheck. To attract and retain high-potential talent, organizations must create environments that collaborate with the common values of Millennials and Gen Z-ers:

- **Purpose-Driven Work** - Younger employees want to feel their work contributes to a greater good. Emphasizing the institution's role in supporting and protecting local communities can be a powerful draw.
- **Professional Development** - Offer mentorship programs, cross-functional projects, and clear career pathways to help younger employees envision a future within the organization. Instill a culture where supervisors act as champions of growth and continuous learning.
- **Work-Life Balance** - Fostering open communication and teamwork surrounding projects/deadlines, offering flexible schedules, remote work options, and wellness initiatives can make your organization more appealing to top talent
- **Technological Innovation** - Younger generations are drawn to organizations that embrace modern tools and processes. Investing in digital transformation isn't just good for customers; it's essential for attracting tech-savvy employees.
- **Visible Representation** - Future leaders are drawn to organizations where they can envision themselves in leadership roles. Ensuring diverse representation sends a powerful message about opportunity and inclusivity.

Managing a Multigenerational Workforce

The evolving workforce includes both Baby Boomers delaying retirement and younger generations stepping into new roles. Balancing these dynamics requires thoughtful strategies:

Leverage Delayed Retirements	*Upskill Across Generations*	*Address Labor Shortages*	*Prioritize Representation in Leadership*
Tenured leaders may remain in the workforce for financial, social, or personal reasons.[2] Benefit from this expertise by offering phased retirements, mentorship roles, or consulting opportunities. Part time or other flex arrangements may also appeal to this people in this season of their careers.	*Encourage cross-generational training, where seasoned employees and leadership share institutional knowledge with emerging talent, while also learning new technologies and processes from their up and coming colleagues.*	*With industries already facing measurable labor shortages,[3] proactive measures like apprenticeship programs, partnerships with educational institutions, and intra-institutional job shadowing programs can build a steady pipeline of skilled workers.*	*Encourage inclusive leadership development that reflects the diversity of your workforce and the communities you serve, ensuring every aspiring leader can confidently identify with and create career and leadership goals within your organization.*

Representation plays a vital role in bridging generational gaps. When employees from diverse backgrounds and experiences see themselves reflected in leadership, it fosters stronger engagement and a shared sense of purpose across age groups.

Lessons from Poor Succession Planning

The high costs of poor succession planning are evident in many industries. Research highlights that excessive reliance on external hires can lead to significant value destruction, including intellectual capital loss and underperformance.[4] Internal candidates, while sometimes overlooked, tend to bring better cultural alignment and institutional knowledge.[5]

Additionally, organizations that overlook the critical nature of representation when developing succession strategies risk alienating diverse talent and limiting their ability to innovate and connect with broader markets.

Financial institutions should embed leadership development into the culture at the heart of the organization, by prioritizing internal pipelines, facilitating exposure to leadership and Board, and by learning from case studies of succession missteps (such as Microsoft's initially unplanned CEO succession[6]) which illustrate the importance of preparedness.

Passing the Torch

To ensure a smooth transfer of institutional knowledge, financial institutions need deliberate strategies that engage collaboration and psychologically safe interactions between current and future leaders. There is no one-size-fits all approach, and the strategy—once developed and implemented—must continuously evolve and adapt based on the changing needs of the institution, its market, and most importantly, its employees.

Some best ***torch-passing*** practices to keep in mind:

- **Mentorship Programs** - Pair seasoned leaders with younger employees to foster knowledge transfer and relationship building. Pairing mentors and mentees with shared lived experiences or perspectives can make mentorship more impactful, creating a pathway for diverse talent to rise.
- **Continuous Learning** - Create a culture of Learning by rewarding and recognizing continuous learnings.
- **Collaborative Development Plans** - Implement collaborative learning and development plans, and consistent, disciplined 1:1s to discuss progress, needs for support and successes.
- **Shadowing Opportunities** - Allow emerging leaders to observe and participate in decision-making processes.
- **Knowledge Documentation** - Develop systems to capture critical insights, processes, and strategies in a centralized knowledge base.
- **Leadership Rotations** - Rotate high-potential employees through different roles to build their expertise and understanding of the organization.

- **Accessible Leadership Opportunities** - Make leadership roles and development programs visible to underrepresented groups, ensuring equitable access to advancement pathways.

A Call to Action

The future of small to mid-sized banks and credit unions depends on the strength of their leadership bench. Taking proactive steps to attract, develop, and retain younger generations will position your institution for long-term success.

Additional Resources

To support your efforts in building a future leadership bench, consider exploring the following resources:

- **Invaluable People:** Invaluable People is a Pacific Northwest collective of independent consultants dedicated to serving its clients with tools such as Resource Evaluations, Employee and Executive Coaching, Succession Planning, and a suite of instructor-led and interactive Healthy Workplace training courses. Learn more

- **CareerWorks:** Offers tailored career development programs and leadership training to prepare diverse talent for leadership roles. Learn more

- **Leadership Development Programs:** Many local and national organizations provide training and mentorship opportunities to help emerging leaders develop critical skills. Prime examples are the Executive Development Programs offered by many state banking associations, such as the Oregon Bankers Association (link) and Washington Bankers Association (link).

- **Community College Partnerships:** Collaborate with educational institutions to create internship pipelines that focus on diverse and underrepresented talent.

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[1] NCUA's proposed rule on succession planning emphasizes the need for federally insured credit unions to implement and maintain leadership continuity strategies. For details, see NCUA's Proposed Rule: Succession Planning, 12 CFR Part 701. [2] Forbes highlights that financial need, longer life expectancy, and a desire for mental stimulation drive many Baby Boomers to delay retirement. See: Kelly, J. (2024, February 26). What Will Happen to the Labor Market When Boomers Retire Or Yet Don't Leave the Workforce? Forbes. https://www.forbes.com/sites/jackkelly/2024/02/26/what-will-happen-to-the-labor-market-when-boomers-retire-or-yet-dont-leave-the-workforce/ [3] Ibid. [4] Harvard Business Review underscores that poorly planned successions can cost trillions in value destruction across the S&P 1500. See: Alovits, B. (2023). The High Cost of Poor Succession Planning. https://hbr.org/2023/the-high-cost-of-poor-succession-planning [5] Research shows insiders generally outperform external hires, particularly in stable organizations. Ibid. [6] Microsoft's CEO transition serves as a case study in balancing internal and external candidates effectively. Ibid.