Course Materials

STRATEGIC LEADERSHIP ISSUES

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Agenda

› Talent and Succession – A Top Priority!
› Talent Assessment – What it is and what you have
› Succession Planning and Management
“If we don’t get the people thing right, we lose. It’s the most important thing in all our businesses.”

- Jack Welch, Former CEO, General Electric (GE)
Succession: On All Fronts
Ownership Succession

› What is the end game?
› What is the ownership structure today?
› How might it change going forward?
Succession

› How much profitable growth is in your market?

› How positioned for technology are you?

› Do you have a competitive advantage that will sustain you for 5 years?
  10 years?
  20 years?

› Is it embedded in the Culture?
  In Governance?
  In Leadership?
Strategic Priority: Board Succession
Board Succession Tools

1. Updated role description
2. Qualified, competent outside directors
3. Proper committee structure
4. Matrix of Board qualifications / skill sets
5. Ongoing education / Board development
6. Matrix of pending retirements
Manage Talent . . . and get even more serious about succession within the Bank!
Capital Adequacy

Human Capital . . .

› Well capitalized?
› Adequately capitalized?
› Under-capitalized?
The Business Case

The Approaching Deficit of Workers

- Projected Annual Net Change in the US Working Age Population (18-64)
- Linear (Average Annual Net US Job Creation Since 1940)

Sources: TIP Strategies; U.S. Bureau of Labor Statistics; U.S. Census Bureau
“People aren’t a company’s most important asset . . . the RIGHT people are.”

- Jim Collins, Good to Great
The Link to Business Strategy

Business Strategy and Drivers determine “Talent for what?”

Business Strategy and Drivers

Human Capital Strategy

Talent Strategy

Acquiring Talent
- Recruiting
- Selection/Hiring

Identifying Talent
- Assessment
- Performance Reviews

Develop Talent
- On the job / Off the job
- Job Assignments
- Coaching & Mentoring
- Promotions

Strategy is future focused: What we have today may not be what we need in the future.
Talent Management

The ONLY thing that will matter
What Is Talent?

›Talent:

... the skill that someone has quite naturally to do something that is hard. ... It is an ability that someone is born with. It is a high degree of ability or of aptitudes. [Wikipedia]

›Alternative definition:

An employee known to be high performing, with high engagement, and with high aspirations.
Talent Assessment Process

› Necessary for Succession Management
› Can stand alone w/o Succession
› Calibrated with multiple inputs
› Can change over time
Talent Assessment

A process of identifying HIGH-POTENTIAL ASSOCIATES and then evaluating and developing their skills and competencies in preparation of advancement into POSITIONS THAT ARE KEY to the success of the business strategy.
Key Concepts

Two Distinct Components:

1. Mission-critical POSITIONS
2. Mission-critical TALENT
What Are Mission-Critical Roles?

› Critical to strategic goals
› Key leadership and functional expertise

Defined by:

- Key Responsibilities – WHAT is to be accomplished
- Competencies – HOW work gets done (knowledge, skills and abilities)
Mission-Critical Roles: Identification

Mission-Critical Roles refer to positions essential to the achievement of long-term strategic business priorities through their strategic impact and/or contribution of unique capabilities.

Identifying Mission-Critical Roles

<table>
<thead>
<tr>
<th>Goal</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify which jobs are mission-critical</td>
<td>Strategy executed by mission-critical roles</td>
</tr>
<tr>
<td>Less than 15% of jobs</td>
<td>Top performers impact the bottom line</td>
</tr>
<tr>
<td>Top players should be in mission-critical roles</td>
<td>Don’t want “B/C” players in strategic roles</td>
</tr>
</tbody>
</table>
Mission-Critical Roles: Characteristics

› Has direct impact on the Company’s culture, strategic success and profitability.

› Having significantly more top talent in these roles would enhance the success of the Company’s business model.

› Usually less than 15% of an organization’s positions qualify.

› Not determined by hierarchy but rather impact.

› High variability in performance across incumbents.
Assessing Talent
Talent Assessment

Dimensions of Talent:

› Performance – delivering on goals, results and accountabilities

› Potential – the ability to adapt to and “fit” into increasingly complex roles and environments:
  – Personal and professional motivation
  – Intellectual curiosity
  – Innovation and insight
  – Engagement
  – Determination
Performance: Track Record of Success

› Most recent performance review ratings
› Feedback from others – 360 feedback
› Stretch goals and contributions
› Questions to ask:
  – Does this person have a proven track record for accomplishing impressive results?
  – Are any potential inconsistencies “derailers”?
  – Are they already performing at the next level?
Assessing Potential

› It is multi-faceted

› Prioritized most important facets to evaluate
  – Values
  – Competencies

› It is ALWAYS a judgment call
  – Minimize subjectivity through comprehensive involvement
  – The more evidential experience, the better your judgment will be
Questions to Consider Potential

› How do unexpected changes affect this person’s performance?
› How does this person respond to obstacles?
› Does this person inspire others and lead through persuasion and influence?
› Does this person have initiative and seek additional responsibility?
› Does this person continually offer solutions and new ideas?
# 9-Box Grid Example

## Performance (based on current job):

The extent to which the individual:

- a) Delivers business/functional results
- b) Demonstrates core competencies
- c) Acts in the spirit of the company’s values

### Potential:

The ability to assume increasingly broad or complex accountabilities as business needs change during the next 12-18 months.

## Grid

<table>
<thead>
<tr>
<th>High</th>
<th>Does Not Meet Expectations</th>
<th>Meets Expectations</th>
<th>Exceeds Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>May be an individual who has recently been promoted and hasn’t had the opportunity to demonstrate higher performance. Focus on coaching and a solid development plan. If an individual has been in the role for some time, there may be a serious issue (derailer).</td>
<td>A valuable asset for the future. There is still room for maximizing performance in current role; potential many not be fully realized yet. Focus on increasing performance contribution to high, after which greater challenge and/or broader scope are likely.</td>
<td>Has mastered current role and is ready (and anticipating) a new challenge. Next steps are to provide greater scale and/or scope or a new assignment which will stretch them in a significant way or will provide new or missing skills. Retention is critical. These are future leaders of the company.</td>
</tr>
<tr>
<td></td>
<td><strong>Develop</strong></td>
<td><strong>Stretch/Develop</strong></td>
<td><strong>Stretch</strong></td>
</tr>
<tr>
<td>High</td>
<td>Shows some potential but performance is considered low. Focus on reasons for low performance and actions to improve it. If there isn’t an improvement, potential should be reassessed and a performance improvement plan put in place.</td>
<td>Has potential for increased accountabilities and is meeting current performance expectations. Development focus: Increase performance contribution to “high” with further assessment of potential growth.</td>
<td>Is exceeding performance expectations and is a good candidate for growth and development. Employee development should focus on specific gaps – i.e. what is needed to broaden or to move to the next level of responsibility.</td>
</tr>
<tr>
<td></td>
<td><strong>Observe</strong></td>
<td><strong>Develop</strong></td>
<td><strong>Stretch/Develop</strong></td>
</tr>
<tr>
<td>Low</td>
<td>Not meeting performance expectations and demonstrates limited potential. Focus should be on significant performance improvement or finding a more suitable role (internal or external)</td>
<td>Consistent contributor, but shows limited potential. Focus on maximizing performance while assessing future potential and/or a more suitable role. May need a plan for a successor. In some cases, if performance declines or is blocked, retention may be reviewed.</td>
<td>A strong performer but unlikely to move to a higher-level role. Engagement will be important for continued motivation and retention. May be of real value for developing others. Professional, business, or content experts may fall into this box.</td>
</tr>
<tr>
<td></td>
<td><strong>Observe/Exit</strong></td>
<td><strong>Observe</strong></td>
<td><strong>Develop</strong></td>
</tr>
<tr>
<td>Potential</td>
<td>Performance</td>
<td>Possible Performer</td>
<td>Growth Employee</td>
</tr>
<tr>
<td>-----------</td>
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<td>--------------------</td>
<td>-----------------</td>
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<td>High potential to advance further, although underperforming. May be in wrong job or new to position; needs intervention.</td>
<td>Demonstrates high potential to advance further. Valued associate/reward, recognize, promote, develop.</td>
</tr>
<tr>
<td>Medium</td>
<td>Medium</td>
<td>Evaluate performance</td>
<td>Core Employee</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Underperformer</td>
<td>Future Leader</td>
</tr>
</tbody>
</table>

COMPiled by WIPFLI LLP 28
# Talent Assessment Matrix

(Example)

<table>
<thead>
<tr>
<th>POSSESSIBLE PERFORMER</th>
<th>GROWTH EMPLOYEE</th>
<th>FUTURE LEADER</th>
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<td>High potential to advance further, although underperforming. May be in wrong job or new to position; needs intervention.</td>
<td>Demonstrates high potential to advance further. Valued associate/reward, recognize, promote, develop.</td>
<td>Highest potential – best of senior succession. Immediately consider for succession. Top talent/reward, recognize, promote, develop.</td>
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<tr>
<td><strong>Chris Young</strong></td>
<td><strong>Jane Austin</strong></td>
<td><strong>Pat Richardson</strong></td>
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<tr>
<th>EVALUATE PERFORMANCE</th>
<th>CORE EMPLOYEE</th>
<th>HIGH-IMPACT PERFORMER</th>
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<tbody>
<tr>
<td>With improved performance, may have potential to move one level/challenge is necessary. May be new to position.</td>
<td>Likely to have scope to move one level. Solid performer/provide coaching to explore development of potential.</td>
<td>Has scope to move one level. Reward, recognize, promote, develop, give additional responsibilities.</td>
</tr>
<tr>
<td><strong>Sandy Sneed</strong></td>
<td><strong>Julius Quo</strong></td>
<td><strong>Candy Lane</strong></td>
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<tr>
<td></td>
<td><strong>Andrew Layman</strong></td>
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<th>EFFECTIVE</th>
<th>TRUSTED PROFESSIONAL</th>
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<td>Has reached job potential and is underperforming. Performance manage or exit.</td>
<td>Specialized or expert talent; has reached career potential. Engage, focus, motivate.</td>
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<td><strong>Lonnie Bates</strong></td>
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Compiled by WIPFLI LLP
Talent Assessment Results

› Quantity and Quality of existing talent

› Relevant to all Talent Management processes and systems
  – Recruiting and Selection
  – Development
  – Total Rewards
  – Performance Management
  – Succession Management
“ARC” Model

For purposes of focusing on Talent Management:

- **A** – Accelerate development; test potential
- **R** – Retain and motivate; continue to grow
- **C** – Coach or change; improve performance

*Remember: All positions and all employees are important to the organization!*
Re-recruit / Re-enlist

The “A” Team!

› Identify “A” Players . . . “Starting Lineup”
  – How do we define?
  – Who are they?
  – How many do we have?
  – What’s our bench strength?
Important Strategy

Re-recruit the top 20% every year!

› Define them:
  – Top performers!
  – Top potential!
  – Greatest capacity!

Key: What are you doing to retain them?
Important Strategy

Take good care of the “R” team!

› Nurture them:
  – Core staff
  – Dependable, content
  – Some have capacity / desire to move up / develop
Important Strategy

“C” Team: Coach them up or coach them out!

> Pay attention – talk “banker” talk!
  – SPA Portfolio
  – May be new to the role
  – Workout portfolio
Talent and Succession
Succession Management

An integrated set of PROACTIVE PROCESSES within TALENT MANAGEMENT that identifies and prepares successors for key roles needed to deliver the business strategy.

› Processes include:
  – Talent Assessment
  – Succession Planning
  – Development Planning
Why Is It Important to Have a Succession Plan?

› To avoid extended and costly vacancies in key positions and assure the stability of business operation

› To provide development opportunities for associates, thereby increasing retention of high-potential associates

› To develop a diverse workforce
Components of a Succession Plan

1. Organizational Summary of key talent issues and flight risks

2. Current Organizational Chart (Mission-Critical Positions identified)

3. Current Job Description(s)
   › Key responsibilities and accountabilities
   › Competencies needed for success
   › Up to date Qualifications
Components of a Succession Plan

4. Readiness Chart(s)

5. Profile(s) of potential successors

6. Development Plans for potential successors
The RIGHT people . . . in the RIGHT seats . . . for the RIGHT time
Succession Process: Real Life!

Identify for key positions:

1. Critical skills and competencies
2. Potential candidates for succession
3. Readiness level for succession
4. Developmental needs for skills or competencies
# Succession Readiness

<table>
<thead>
<tr>
<th>Position Title:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Position Key Competencies:</td>
<td></td>
</tr>
<tr>
<td>Current Incumbent:</td>
<td></td>
</tr>
<tr>
<td>Evaluator:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Candidate Name</th>
<th>Current Position Title</th>
<th>Current Department</th>
<th>Readiness Level</th>
<th>Strengths</th>
<th>Development Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim</td>
<td>Ready Now</td>
<td>2-3yrs</td>
<td>3-5 yrs</td>
<td>Long Shot</td>
<td></td>
</tr>
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</table>
Succession Process: Real Life!

1. Discuss roles, responsibilities and competencies of each position for succession

2. Discuss candidates identified in one-on-one meetings and their projected readiness levels

3. Discuss known strengths and development needs of each candidate
Succession Process: Real Life!

4. Prioritize candidates for formal leadership evaluation for formal development plan

5. Assess gaps in succession process to ensure contingency planning for open key positions

6. Identify potential legal or diversity issues
Succession Process: Real Life!

7. Identify leadership assessment tool and conduct evaluations

8. Develop detailed development / action plan for each identified associate

9. Continually monitor associate progress toward development goals

10. Update succession plan annually, at minimum
Key Position Planning
Development Planning

› Individual Development Planning:

The process of clarifying the development gap between what possible successors can already do and what they must do to qualify for advancement.
Development Planning

› Internal Development uses:
  – Planned training
  – Education
  – On-the-go work assignments
  – Coaching
  – Special projects
Succession Summary

1. Proactively develop succession strategies and succession plans
   › Ownership
   › Board
   › Leadership
   › “A” Team
Succession Summary

2. Win the talent war!

› Get real about talent assessment
› Re-recruit the top 20%
At the end of the day, it’s all about the “M”!
Questions?

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