Case Study: Succession Planning
Bank of the Sierra
Porterville, California

PI Worldwide

Succession Planning: Building the Future Now

Succession planning is the ongoing process of systematically identifying, assessing, and developing talent to ensure leadership continuity for all key positions in an organization. But identifying those future leaders through an objective, measurable process can be a major challenge, and that is possibly the reason why such a high percentage of companies do not have a plan, or process in place at all. According to a 2005 Price Waterhouse Coopers study of 364 CEOs, less than half have addressed the issue in any meaningful way, with 19% not addressing it at all. And when it comes to the CEO's successor, only 39% have a likely replacement in mind and over 1/3 of that group are not prepared to take control.

> **"The Predictive Index is a confidence builder. Relying on your experience and intuition is not enough. PI gives you an insight that you cannot get any other way. It gives you something tangible."**
>
> ***Jim Holly***
> ***President/CEO***

Bank of the Sierra Faces the Challenge: A recent survey of community banks by the American Bankers Association revealed that nearly 33% of financial institutions do not have a formal succession plan in place. At the start of 2005, Bank of the Sierra in Porterville, California was very much a part of that statistic. They also faced an imminent challenge - the retirement of a key leader of the bank.

Bank of the Sierra, headquartered in California's heartland, is one of the state's largest independent community banks. With over $1 billion in assets, it serves 14 different communities with 19 branches and 370 employees. Jim Holly, President/CEO founded the bank in 1978 with a group of 17 investors, of which 11 became the founding Board of Directors. Jim feels the secret to this success has been their ability to adjust their vision as the industry changed. When they were first established, their intent was to be a "nice, local community bank." As times changed in the 80's and banks were collapsing, Jim - in concert with the executive team and Board of Directors - modified that vision to include expansion into other counties and the development of a much broader product line to serve their markets. That new vision served as the foundation for dramatic growth and stability then, and continues to serve the bank to this day.

In early 2005, after 28 years of leading the Bank, Jim knew it was time to think about management succession for both him and Ken Goodwin, CFO/SVP, who had been with the Bank since its inception. Since there had been very little turnover in the management ranks, he was confident that he could put together a "bullpen of candidates" from within the Bank. The challenge was naming the players.

The Leadership Class of 2005: The executive board identified 18 managers, all VP's and above, who had profit/loss responsibilities with exceptional performance. All 18 exhibited strong leadership within the Bank of the Sierra culture. But Jim knew there was more to know about his future leaders, and he called on the Predictive Index (PI) to provide insight into their behavioral drives as well as their natural management and leadership strengths. Then based upon the evaluation of each individual's experience, performance and PI profile they were able to identify 7 employees with the greatest potential to lead the Bank in the future-no easy feat given the impressive credentials of each manager. This group was referred to as the "Leadership Class of 2005."

To measure that leadership potential as individuals and as a team, several initiatives were developed over a one year period. The most significant challenge was for the group to revamp the commercial loan processing system. At the end of the year, the "Leadership Class" would be evaluated not only on the success of that project but also on how well they interacted with each other. The evaluation incorporated numerous levels of involvement:

- Each team member would evaluate every other team member on their performance.
- The team could unanimously vote to dismiss any team member who was not making a contribution. (They did not.)
- 4 or 5 of each manager's direct reports provided a weekly "report card" to the executive team and manager on the manager's leadership strengths and weaknesses.
- The executive team met once a month during this year-long training and evaluation project to discuss the performance of these key individuals.

The project was launched, but not without some initial discord. Early in the project it became apparent that the very behavioral traits that made these seven people successful managers at the Bank were causing dissension within the group. Six of the seven managers were "High A's" (high dominance and assertiveness levels), with a drive to control the team's direction. The six argued strongly that their recommendation for the new system was the right one to take. As a group, they were getting nowhere. The seventh manager gathered the team together, and using the insight from the Predictive Index, was able to make the team members recognize each person's behavioral style and the impact it was having on the productivity of the team. PI's non-judgmental insight enabled the team to recognize that fact, communicate effectively, leverage the individual strengths of each member, and ultimately strengthen their performance as a team.

The group project was a success with the help of the Predictive Index. The Bank was able to revamp our existing processes and gain improved efficiencies. The entire organization benefited from the project.

After 28 Years, Finding the Right Successor: During this same time period. Ken Goodwin announced his intention to retire. That proved to be the right time for Jim Holly to announce a restructuring that would create a flatter organization built upon his Leadership Class of 2005 in positions of expanded responsibility and authority. The only thing to answer now was the question on everyone's mind: "Will Ken's replacement be one of the seven members of the 2005 team?" While each member of the team became a stronger manager and leader due to the succession planning process, one member stood out. Kevin McPhaill possessed the leadership qualities Bank of Sierra needed to continue to build on their vision of growth. He was named Chief Banking Officer, a new title resulting from the reorganization, replacing retiring Ken Goodwin.

The Predictive Index Insight and Confidence Builder: Jim explains how instrumental the Predictive Index was in the process. "The Predictive Index is a confidence builder. Relying on your experience and intuition is not enough. PI gives you an insight that you cannot get any other way. It gives you something tangible."

With the help of the Predictive Index, Bank of the Sierra's succession planning allowed the senior management team to identify future leaders from all areas of the Bank. It also supported a reorganization that allowed for internal growth and leadership development. Jim Holly realizes this is not a one time event. He feels he owes it to his employees, customers and shareholders to continue his commitment to identify and develop leaders in his organization. As a result, the Bank is exploring the idea of a future Leadership Classes. And you can be sure the Predictive Index will be a key component of that succession planning and leadership development process.

The Predictive Index® is a unique, in-house management tool used by executives throughout the world for 50 years to develop leaders and build successful businesses. PI Worldwide is an international association of management consultants who help companies use PI to manage their most important resource — their people.