From Continuity to Culpability: Leadership Progression in Credit Unions

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Stability has long defined the credit union industry.

Many credit unions have been led by the same executive teams for decades. Over time, this continuity can tip from a benefit to a constraint and, without board oversight, a liability. Decades of consistency become an identity, shaping how leaders think, how decisions are made, and what is seen as possible.

Continuity as an identity has traditionally been considered a strength. In today's environment, however, if not paired with leadership progression and aggressive succession planning, these pillars of cultural strength can limit progress and innovation.

Credit unions are expanding their asset portfolios, investing heavily in technology, and competing successfully with both traditional financial institutions and fintechs.

These realities demand an agile, innovative, and systems-thinking leadership team. The stark reality is that many of these C-suites and their respective benches were built for a different era; one that rewarded operational excellence, functional depth, and incremental change.

The resulting myopic focus on singular channels of excellence has produced an unintended result. While leaders display deep expertise in the above skills and experiences, the enterprise perspective, systems thinking, and technological fluency needed to compete and succeed today are not well-honed across credit union leadership teams.

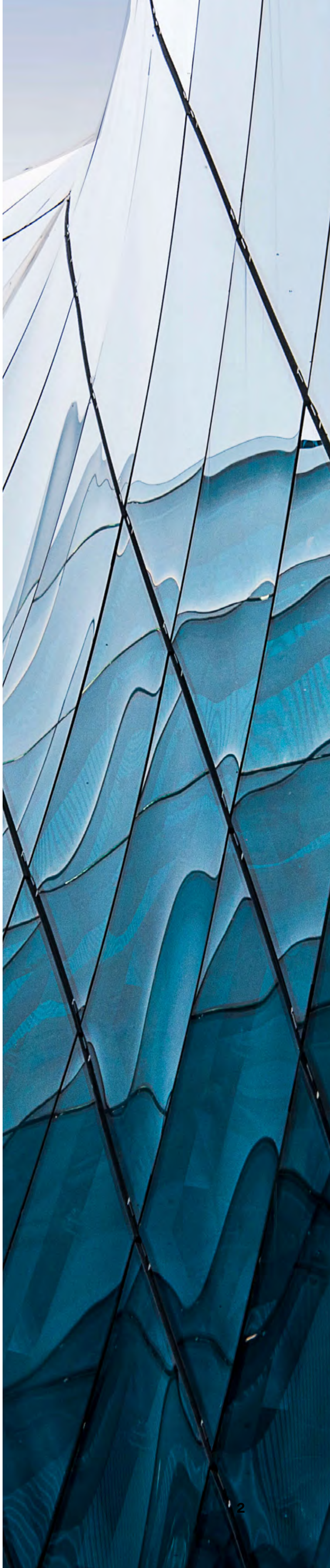
The urgency behind this leadership team evolution is no longer theoretical. More than half of credit union CEOs are expected to retire or transition within the next six years. Nearly a third are already over 60. At the same time, only 54% of credit union boards have a formal succession plan in place. Institutions without one are significantly more likely to face disruption, including a materially higher likelihood of merger following a CEO departure.

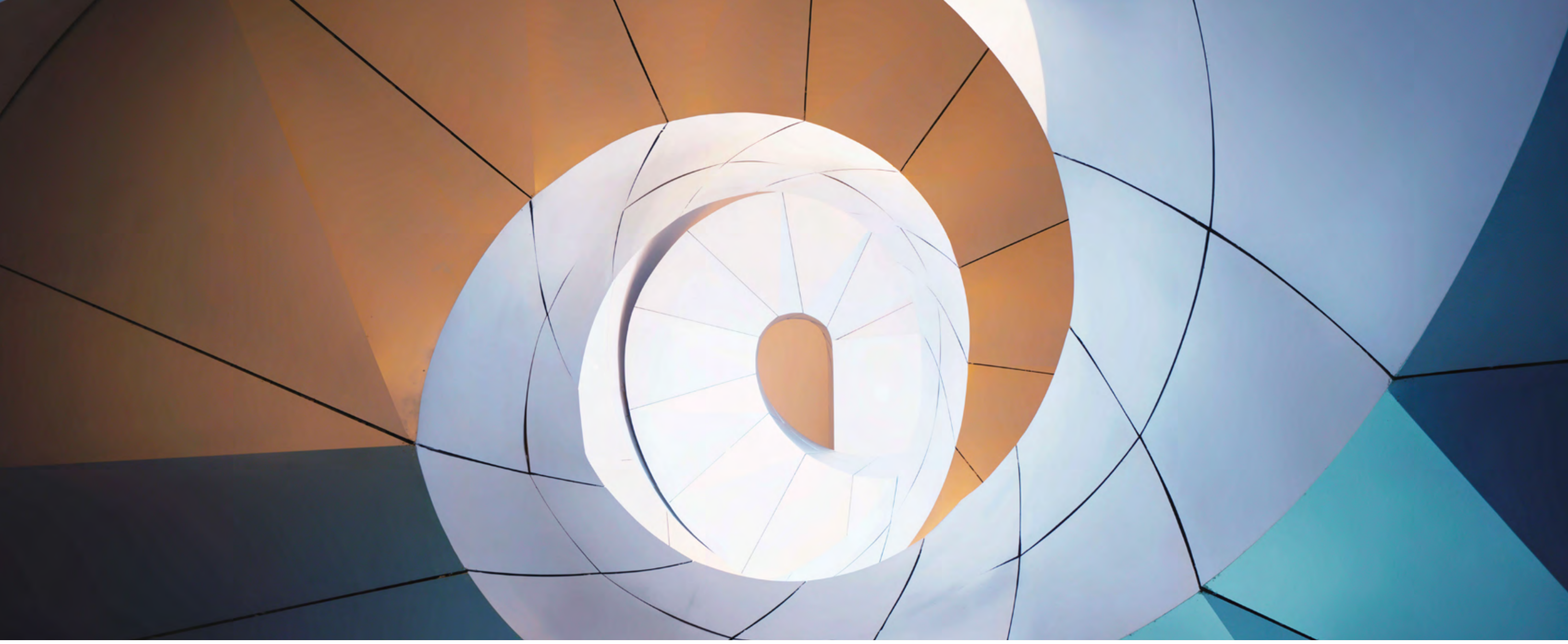
Leadership succession has shifted from a continuity requirement to a test of system readiness, requiring boards to assess whether the full C-suite can manage enterprise complexity, maintain external credibility, and uphold the cooperative voice in a more agile and technology-driven environment.

Credit union's leadership transformation hinges on developing a new, future-focused leadership identity based on new models that hold true to the industry's ethos.

To examine how the landscape is shifting, where pipelines fall short, and what boards must do now, credit union executives and their boards must embrace three new realities:

1. The credit union model is expanding
2. Stability can become liability
3. Five new capabilities define tomorrow's credit union CEO





The credit union model is expanding

Over the past decade, the credit union industry has undergone a profound transformation.

Institutions are expanding products, leveraging cutting-edge technology, partnering with fintechs, increasing commercial lending, and pursuing unique acquisitions as a growth pathway. In 2024 alone, a record 22 credit unions announced acquisitions of banks, underscoring how far the model has moved from its traditional positioning.

While merger volume remains relatively consistent with the consolidation peak two decades ago, the number of credit unions has been cut in half over the last 30 years. As a result, merger activity continues to affect a significant share of the industry each year, making consolidation one of the defining strategic realities facing credit union leaders.

If credit unions now operate with the complexity of mid-sized financial institutions, are leadership models keeping pace?

The answer: **no.**

This is not due to a lack of talent per se, but skills and experiences honed for a time past. Tomorrow's leaders think in terms of products and platforms, possess working fluency in AI and data, lead across ecosystems of partners, and build organizations capable of attracting, developing, and retaining scarce next-generation talent.

As financial service models and platforms evolve to address rapidly shifting customer expectations and redefine how value is created, so must leadership teams evolve to meet these challenges.

Stability can become liability

The challenge facing boards today is the combined quality of today's leaders and the design of the system that produces tomorrow's CEOs.

In and of itself, a system hardwired for internal promotion is not inherently flawed. Complications arise when the supporting C-suite mirrors the CEO in tenure or has limited exposure to other companies and technical expertise. The combination of the two leads to groupthink and inertia defined by a small aperture.

Rehashing an earlier refrain, many of today's leaders were developed for a world that rewarded operational excellence, long-term compliance, and incremental change; deep but narrow, lacking enterprise perspective and systems thinking. Leadership benches remain optimized for a predecessor era defined by linear careers, functional depth, and stable operating environments that prioritize prudent risk orientation and technical expertise.

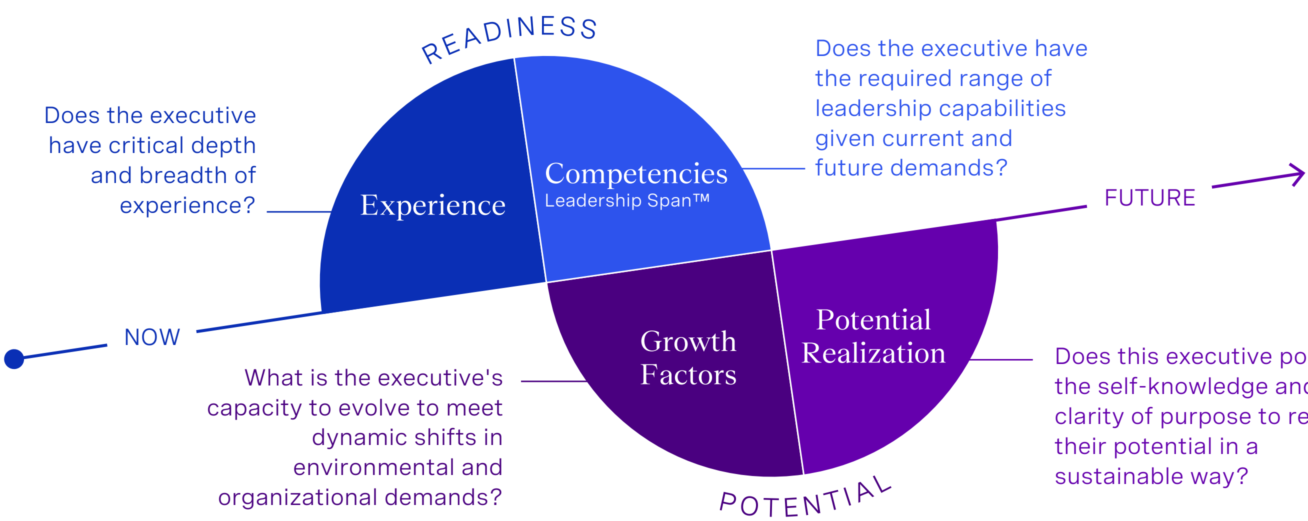
The result is a leadership and talent scarcity at precisely the moment the industry can least afford it.

Today's environment demands technological fluency, ecosystem thinking, velocity, and constant reinvention. Digitally native challengers and new entrants are being built by leaders who understand these technologies, recruit differently, train differently, and move without legacy constraints. Executives must have the proven ability to move left to right, not just vertically, with speed through agile operating models, and build organizations capable of attracting and retaining scarce, next-generation talent.

Leaders grounded in one system rarely adapt to different operating models, competitive dynamics, or constraints. In a stable environment, this is a strength. In a changing one, it becomes a risk.

Leadership systems do not simply produce successors; they build organizational capability. As RRA's Leadership Portrait demonstrates, organizations can only produce the leaders their capabilities enable. (Figure 1)

Figure 1: RRA Leadership Portrait



Source: RRA proprietary research, 2024

These patterns are not problematic in isolation. Institutional loyalty, cultural alignment, and leadership continuity have been strengths of the credit union model, and this remains true.

The question is whether they are sufficient in today's environment. On their own, they are not.

Credit unions now face challenges that were far less prominent than a decade ago - digital transformation, cybersecurity risk, fintech competition, regulatory complexity, commercial expansion, and industry consolidation.

Institutions that have not broadened their pipelines will house executives not ready for transition. A long-tenured CEO retires; an internal successor is elevated. The board discovers, too late, that the capabilities required for the next phase of the institution's growth simply outpaced their leadership development playbook. This is how stability becomes a liability.

Five capabilities defining tomorrow's credit union CEO

As the credit union leadership landscape shifts and contracts, CEOs, CHROs, and boards need to evolve their leadership progression models. This involves identifying and developing future-fit leaders who display the following five capabilities:

01 Systems thinking

Operating across complex, interconnected functions, balancing competing stakeholder interests, and leading enterprise-wide transformation while anticipating second- and third-order consequences of strategic decisions

02 Strategic vision

Translating the cooperative mission into a forward-looking strategy by anticipating industry disruption, positioning the institution competitively, and shaping – not simply responding to – the future credit union landscape

03 Commercial acumen

Deploying deep expertise in lending, deposits, portfolio management, and capital allocation to drive sustainable growth, optimize performance, and balance member value with long-term financial resilience

04 Technological fluency

Leveraging digital, data, AI, and cybersecurity as strategic enablers to modernize operations, strengthen member experience, and improve enterprise decision-making, rather than treating technology as a functional responsibility

05 Cultural stewardship

Fostering a high-performing, mission-driven culture that develops leadership at every level, attracts and retains critical talent, and strengthens organizational adaptability without compromising the cooperative identity

At the center is enterprise leadership: the ability to connect strategy, technology, risk, and culture across the institution.

Questions to determine whether your leadership stability has become liability:

Are we managing succession continuously or waiting until it becomes urgent?

Have we defined the leadership success profile for what comes next, or are we still anchored to what worked before?

Are we deliberately building enterprise leaders or reinforcing functional depth?

Do we know how our internal candidates compare to the external market, and if any critical capability gaps remain?

Are we transforming for success early or only responding when change becomes urgent?

Boards have full accountability for leadership readiness. What is not built early will be tested under pressure. The boards leading the next generation of credit unions must deliberately build leadership systems capable of producing enterprise leaders before they are needed.

In today's environment, succession planning looks beyond replacing individual executives and towards ensuring the institution is prepared for whatever comes next. Time is no longer an ally. Boards that wait until leadership transitions become imminent have already waited too long.

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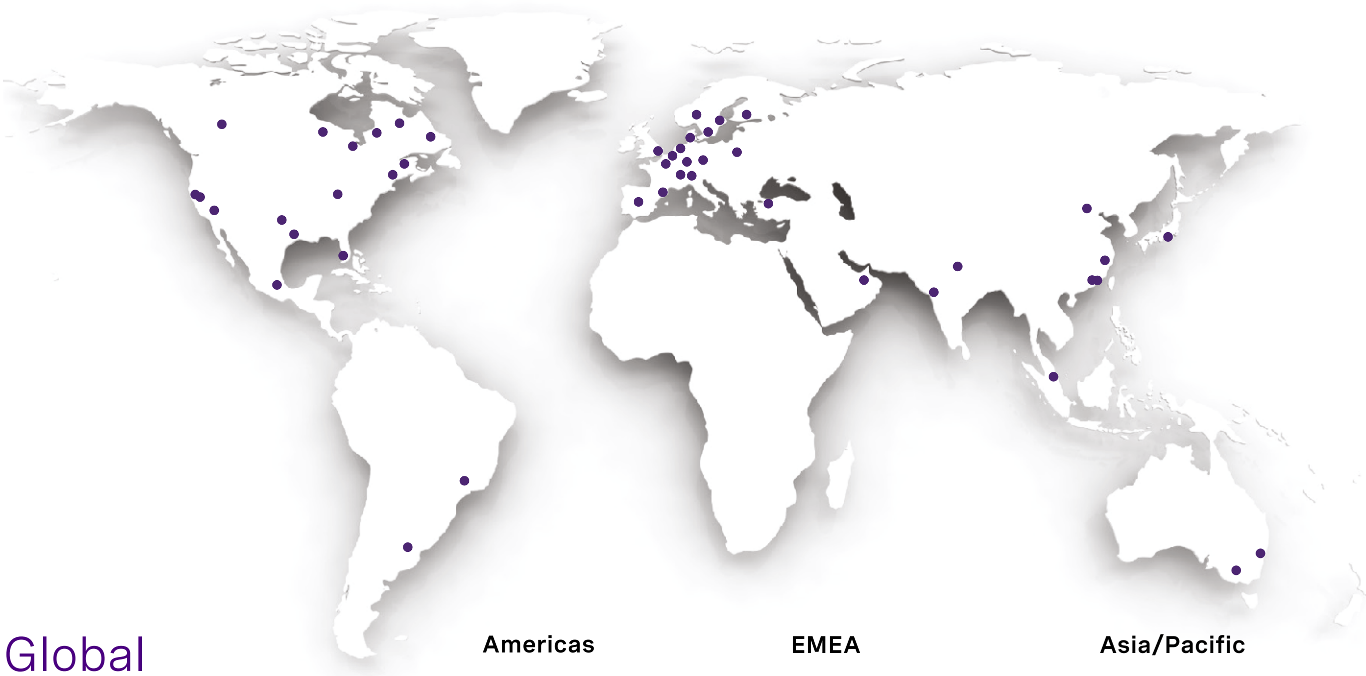

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