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Avoiding Emergency CEO Succession in Regional and Community Banks



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Many community and regional bank CEOs and their direct reports have built their careers inside the same institution over long tenures. While that continuity can be a strategic advantage, it can also concentrate risk.

When an entire leadership cohort nears retirement on a similar timeline, boards can face multiple critical vacancies in a compressed window, sometimes with a limited bench depth beneath it. [Federal Reserve polling of community bank leaders](#) reinforces how near-term this has become: 64% reported a senior leadership change in the prior two years, expected one in the next two years, or both.

Many boards treat succession as an annual requirement, but supervisory expectations and the bank's risk profile demand more rigor than a once-a-year review.

Succession-Related Risks Are Unique for Regional and Community Banks

Regional and community banks rarely experience succession as a single event involving a single leader. More often, it arrives as a cluster of departures across the CEO's direct reports and other critical roles. At the same time, the external talent pool is constrained. In the same Federal Reserve polling, more than half of respondents said access to qualified

candidates is difficult, citing competition, local demographics, and budget constraints. That combination compresses timelines and reduces options, particularly for banks with limited flexibility to “buy” the problem away and fewer alternatives when timing shifts.

The regulated nature of the industry heightens the cost of getting succession wrong, especially for community-focused institutions that rely on trust, continuity, and long-term relationships. Banks that invest early in succession planning and deliberate development tend to navigate leadership change more smoothly than those forced into reactive decisions. Yet succession is still too often treated as a check-the-box requirement rather than a core board responsibility tied to safety, soundness, and strategic continuity.

The demographic math compounds the issue. A [Chicago Fed Letter](#) noted that the average ages of community bank CEOs and boards are approaching 60 and 70, respectively, and are increasing.

The best time to start CEO succession planning is now. In practice, disciplined succession planning should begin as soon as a new CEO takes the role, not when retirement becomes imminent. And this is not a banking-only problem: global CEO turnover has risen to record levels, and succession decisions are facing greater scrutiny from investors and other stakeholders.

Framework for CEO Succession Planning

There are seven simple steps that banks can take to build a solid framework for their executive leadership succession planning.

- 1. Define the CEO of the future**
Start by defining the capabilities the next CEO will need to deliver the bank’s strategy in the environment ahead. That profile should reflect company culture and values, strategic priorities, market dynamics, regulatory expectations, and the operating model required to compete in the future environment. Aligning the board on the “end state” creates a consistent standard for evaluating internal candidates and external prospects. Refresh the profile annually as strategy and risk evolve.
- 2. Build a slate, not a single name**
A common pitfall in succession planning is failing to have a diverse slate of internal candidates for the role. A larger slate means more flexibility if the strategy changes and requires a different leadership profile. It also creates options when the timing shifts, candidate development is slower than expected, or high-potential candidates leave the organization. The slate should include multiple leaders within each readiness level or time horizon. Boards should work with the CHRO and CEO to understand the available talent.
- 3. Assess capability with evidence**
Evaluate the candidates against the leadership profile using consistent, comparable methods. The board is usually involved in this process, partnering with the CHRO and an external advisor to coordinate the assessments. This often involves interview-based assessments repeated yearly to measure development progress and

readiness. A repeatable, evidence-based process reduces the risk of subjective debate or political decision-making. It also creates a credible basis for developmental investments and for the board's oversight.

4. Provide targeted development

Assessment results should translate into focused development plans. The CEO and CHRO should identify the few experiences most likely to close readiness gaps and build enterprise leadership credibility. Development may include stretch roles, cross-functional scope, special initiatives, or targeted external exposure. Boards should ensure development investments preserve optionality, rather than narrowing the slate prematurely. Progress should be reviewed regularly, with clear milestones and board visibility.

5. Stay involved

Boards improve succession outcomes when they know the candidates, not just the names on a page. Direct interaction or even mentorship allows directors to observe judgment, presence, and leadership maturity over time. It also signals a commitment to internal talent, can support retention, and reinforces the board's oversight. A practical standard is scheduled opportunities for board members to connect with leading candidates at least once or twice per year, with deliberate opportunities to discuss strategy, risk, and performance trade-offs.

6. Discuss timelines transparently

Succession becomes risky when timing is assumed rather than discussed. CEOs and boards should speak candidly about retirement horizons and leadership transition scenarios, even when performance is strong. A clear process and objective assessments reduce discomfort and make these conversations more constructive. In parallel, boards should ensure emergency succession coverage is explicit, documented, and operationally executable.

7. Review supporting compensation programs

To support succession planning efforts, which can create uncertainty within the organization, boards should review executive compensation programs to ensure they include appropriate retention-focused elements. This applies both to likely CEO succession candidates and to high-functioning executives who may not ultimately become CEO but are nonetheless critical to retain.

While many banks already offer competitive base salaries, market-based annual incentives, and long-term incentives that vest through continued service, in some cases it may be appropriate to strengthen these programs to improve retention among key executives.

Examples of compensation approaches include:

1. Positioning base salaries above market for key succession candidates
2. Increasing the value of restricted stock awards within existing frameworks or introducing supplemental restricted stock grants with 3–5-year service-based vesting
3. Providing special cash retention awards that pay out after two to three years of continued service
4. Introducing or enhancing supplemental executive retirement benefit arrangements

Each approach has advantages and disadvantages, and the right mix should be tailored to the bank. Used thoughtfully, these programs can reinforce retention during critical succession discussions and actions.

What Community Bank Boards Should Do Now

Boards should treat pending waves of succession events—such as nearly-identical C-suite retirement timelines—as an enterprise risk, expanding succession planning beyond a CEO-only exercise. Near term, the most valuable actions are to align on the future CEO profile, confirm bench depth across critical roles, and assess internal candidates using objective standards. At a minimum, every board should have a plan to align its succession approach with best practice before timing compresses further.

Done well, succession planning creates optionality and confidence. Both protect institutions when leadership transitions come in waves rather than one at a time.

About the Authors

Brad brings a decade of experience in executive assessment, leadership development, coaching, and team effectiveness, partnering with senior leaders to build high-impact teams and talent strategies.

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