



NATIONAL ASSOCIATION OF CREDIT UNION CHAIRS

CONNECTING CREDIT UNION BOARD LEADERS

2026 NACUC Leadership Development Seminar

Tim Harrington, CPA ^{ret}
And Kevin Smith

Part 1

Presented by Timothy Harrington, CPA ret



Tim Harrington has consulted with financial institutions since 1992. Since 1996, Tim has been President of TEAM Resources, a firm that provides consulting, strategic planning and training to financial institutions from coast-to-coast. He is the author of the popular the books:

- Eisenhower on Enlightened Leadership
- Living a Life that Matters: Into the Light
- Credit Union Guide to Strategic Governance

Tim is a faculty member of 3 national credit union schools on governance, finance and management, and has spoken to hundreds of thousands of directors, executive management and staff in all 50 states and 8 foreign countries.

About Kevin Smith

20 years' experience in CUs

Speaker/Trainer

Strategic Planning Facilitator

Board Self-Evaluation Consultant

Co-Author of *A Credit Union Guide to Strategic Governance*

10 years at CUNA as Director of Volunteer Education

Former CU Supervisory Committee Member



Meet Your Neighbors

Find out about:

- *The most interesting thing they have ever done*

Or

- *The most dangerous thing they have ever done*

Recommended Topics of Discussion

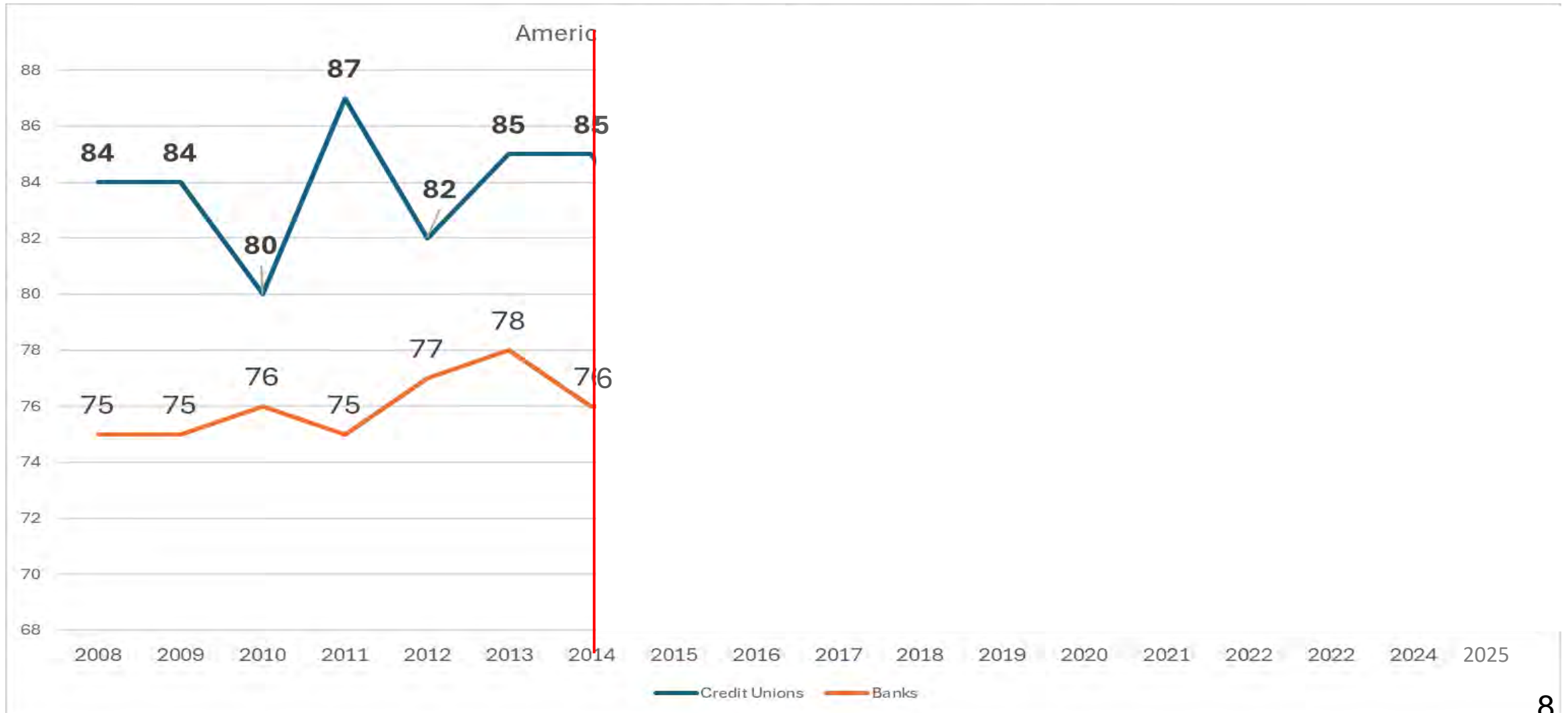
- Defining the Chair's Role
- Distinguishing Between Governance vs. Operations
- Leading and Monitoring Success by Strategy
- Strengthening the Board's Governance Skills
- Ensuring an Effective Committee Structure
- Running an Efficient Board Meeting
- Working Productively with the CEO
- Finding and Attracting Future Directors
- Managing Difficult Directors

What Topics are Important to
YOU?

What has been said of Boards

*A good board can't make a company,
but a bad one will inevitably kill it.*

CONSUMER SATISFACTION



What has been said of Boards

“Effective governance by a board is a relatively rare and unnatural act.”

Richard Chait

“There is one thing all boards have in common...They do not function.”

Peter Drucker

“Boards tend to be incompetent groups of competent individuals.” *John Carver*

What has been said of Boards

“In some ways, the board room begins to resemble a prisoner-of-war camp. A group of strangers gets thrown together with only rudimentary rules of conduct and little effort to turn them into a well-oiled machine. They are given carefully censored information and inadequate time to congregare among themselves to plan actions.”

*Marilyn Seymann & Michael Rosenbaum
The Governance Game*



What is a Board?

A group of 'peers',
Working on behalf of member/owners,
Ensuring that the business achieves what it
should,
And avoids unacceptable situations and
actions!

John Carver

Worst Boards

- No recruiting of future directors (Succession Planning)
- Allowing the CEO to handpick directors
- Board meetings focused on Operational Results
- Interfering in Management Decisions
- Holding NO meetings without the CEO present
- Failing to hold CEO accountable; Achieving Average results
- Disengaged Directors
- Board distrustful of trustworthy CEO and Management
- Directors have personal agendas
- Directors fail to understand current and future markets

Best Boards

- Take role in Director Recruitment and Succession seriously
- Remain on level of Purpose, Planning and Policy
- Focus on Future and Strategy
- Hold periodic meetings without CEO present
- Plan with clear and measurable goals and Monitor plan status regularly
- Evaluate CEO based on achievement of plan
 - Compensate CEO based on achievement of plan
- Hold directors accountable for their own engagement
- Avoid Personal Agendas, Conflicts of Interest and Nepotism
- Trust when trust is due

What's the Chair's Role?



First among equals

What's the Chair's Role?

- Impartial Facilitator?
- Active Leader?
- Something else?

What's the Chair's Role?

The Chair assures the integrity of the Board's process and, secondarily, occasionally represents the Board to outside parties.

1. The job of the Chair is to assure that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.

a. Meeting discussion content will be only those issues which, according to Board policy, clearly belong to the board to decide, not the CEO.

b. Deliberation will be fair, open, and thorough, but also timely, orderly, and kept on point.

From TEAM Resources Strategic Governance Policy

What's the Chair's Role?

2. The authority of the Chair consists of the following:
 - a) Presenting a draft Board Meeting Agenda to the Board for approval.
 - b) Chairing Board meetings with all the commonly accepted power of that position and invoke Rules of Order in the event of an impasse (e.g., ruling, recognizing). The Chair is empowered to vote on all issues.
 - c) In conjunction with the CEO Relations Committee, is the point of contact for the Board to the CEO.

From TEAM Resources Strategic Governance Policy

What's the Chair's Role?

- d) Protecting the CEO from the direction of individual Board Members, including herself/himself. The Chair will advise and communicate to the CEO the Board's expectations and concerns regarding progress towards organizational goals; however, the Chair cannot independently modify or change the Strategy.
- e) Representing the Board to outside parties by announcing Board-stated positions and by stating Chair decisions and interpretations within the area delegated to her or him.
 - i. The Chair may delegate this authority but remains accountable for its use.

What's the Chair's Role?

- f) The Chair is empowered to recognize, remember or respond to special situations in the name of the board within budgeting constraints.
- g) Where the credit union does not own controlling interest in another corporation (e.g., CUSO), but has been offered or is entitled to a seat(s) on the Board, the Chair is empowered to delegate such authority to the President/CEO.
- h) The Chair, in conjunction with the Governance Committee, is responsible for administration of the Volunteer Code of Conduct and Ethics and the Bank Bribery Act for all volunteers.

From TEAM Resources Strategic Governance Policy

Competencies and Expectations for a Board Chair

1. Servant Leader
2. Community Involvement
3. Respected by board members and CEO
4. Can lead even when dealing with difficult issues
5. Willing to commit time required
6. Ability to communicate, listen and seek others' input.

Some Other Interesting Chair Topics

- Eliciting Participation
- Encouraging Dissent
- Handling the Dominator
- Ability to Engage All
- Communicating with Directors who are not meeting their obligations

Role of the Chair

- Facilitator
- Leader
- Arrives with & without Agendas (What?!)
- Transparent
- Liaison with CEO
- Meeting Manager
- Accountable
- Visionary
- Strategic Motivator
- Spokesperson for Media*

To put it simply, the chair is:

“The Gate Keeper”
(Agenda)

“The Time Keeper”
(Efficient meetings)

“The Peace Keeper”
(Demanding diplomacy)

How to Become Chair

Let's stereotype, shall we?



Role of the Chair

Needs intentional development – Not trial by fire.

About half of the respondents indicated they did nothing specific to prepare to become a board chair.

51%

<http://allianceonline.org/page/resources>

VOICES OF BOARD CHAIRS

ALLIANCE
for Nonprofit Management

A National Study on the Perspectives of Nonprofit Board Chairs:
How they prepare for and perceive their role in relation to the board, community, and chief executive officer

ALLIANCE GOVERNANCE AFFINITY GROUP
RESEARCH TEAM:
Judy Frelwirth, Psy.D., Mary Hilland, Ph.D., Michael Burns, M.A.,
Gayle Gifford, M.S., and Debra Beck, Ed.D.

www.Allianceonline.org

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Role of the Chair

From the study:

1. Develop an Intentional, well planned practice of board chair preparation and succession planning.
2. Clarify the role of the chair in relationship to the full board, to the CEO, and the organization's community, so that there is shared agreement with the board.
3. Provide training, mentoring, and coaching opportunities specifically for board chairs.
4. Build leadership capacity for many potential board leaders, including committee chairs.

Source: Voices of Board Chairs: A National Study on the Perspectives of Nonprofit Board Chairs (2016)

<http://allianceonline.org/page/resources>



Role of the Chair

From the study:

5. Provide more accessible and research-based resources for board chairs and capacity-builders.
6. Support the board chair leadership function to improve both the chair's and board's involvement in community involvement and advocacy.
7. Consider moving from a 'heroic' individual model of leadership to shared leadership.

Source: Voices of Board Chairs: A National Study on the Perspectives of Nonprofit Board Chairs (2016)

<http://allianceonline.org/page/resources>



Role of the Chair

- High Emotional Intelligence
- Facilitation skills
- Ability to have difficult conversations
- A good “translator”/Intermediary
- Don’t be the “boss.”
- Listen more than you talk.
- Set the tone.
- Hold everyone accountable
 - Praise in public
 - Scold in private
- Be ruthless with the agenda
- Level up your skills

Role of the Chair

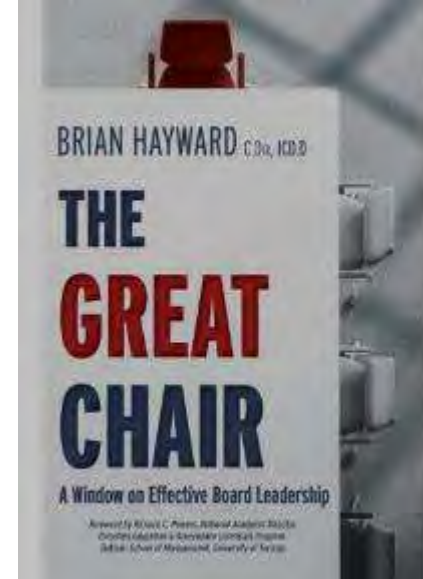
“Issues” that Arise:

- Crisis Management
- CEO Termination
- Managing Competing Blocks – building consensus
- Directors placing personal interest above the CU
- Others? _____

How We Will Work

The CEO & Sr. Management

- Will work through the chair to set the agenda and structure of meetings. Meetings shall be at the call of the chair with notification by the corporate secretary.
- Will consult with the board chair and chair of the audit to establish critical agenda items.
- Will ensure board materials are sent at least five days in advance – visuals used at board meetings will be summary version, and focus on issues, risks and the implication of choices.
- Will consult with the board chair or audit chair if the issues are complex and materials.
- Will look for direction from the board – the individual directors.
- Will question /challenge the board – in meetings or via the chair between meetings – to the extent board policy and direction is less than fully clear. ■



How We Will Work

Individual Directors

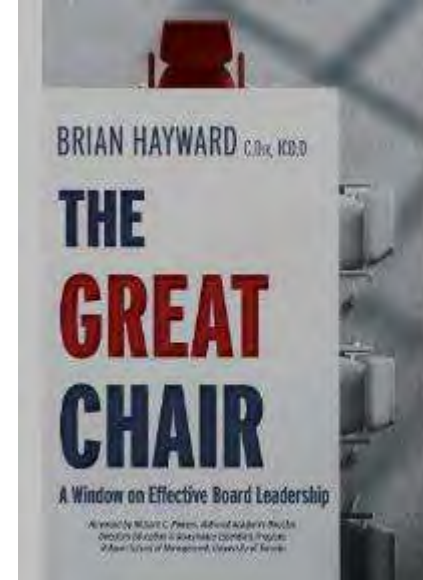
- Will have read materials before the meeting.
- Will focus questions and discussion on understanding, to advance to a decision point.
- Will be prepared to make decisions that provide management with collective board direction.
- Will support management and the CEO – individually and collectively – to ensure that those board decisions, once made, are advanced as effectively as possible.
- Will engage the CEO and management “off-line” to gain supplementary education/understanding of the company and issues – in support of board decisions.
- Will work with – and through – the board chair and audit chair to identify emerging issues and concerns.



How We Will Work

The Board & Senior Management ... Together

- Honesty and integrity are essential in all our relationships and will never be compromised.
- We are results oriented – not political.
- We are team players – no “egos.” A confrontational style is not appropriate. We value loyalty – the organization and the people who honor us by being our colleagues.
- We are hard-working but not at the expense of our families.
- We always look at opportunities but emphasize downside protection and look for ways to minimize loss of capital.
- We are entrepreneurial. We encourage calculated risk-taking. It is all right to fail, but we should learn from our mistakes.
- We will never bet the company on any project or acquisition.
- We believe in having fun – at work!



Visionary Leadership from the CEO

CEO can't just manage.

Can't just carry out Board's direction

CEO must be an entrepreneur!

Board should seek and support a CEO who will push the credit union forward...not be a “caretaker”

Governance is a Team Sport



One Team
Three Parts



Carry out day to day operations of the business

Provide day to day and visionary leadership

Communicate to Board

No Surprises



Represent the owners

Hire and support a competent CEO

Identify "Direction"

Hold CEO accountable to "Direction"

Ensure ongoing relevancy

Communicate to owners

No Surprises

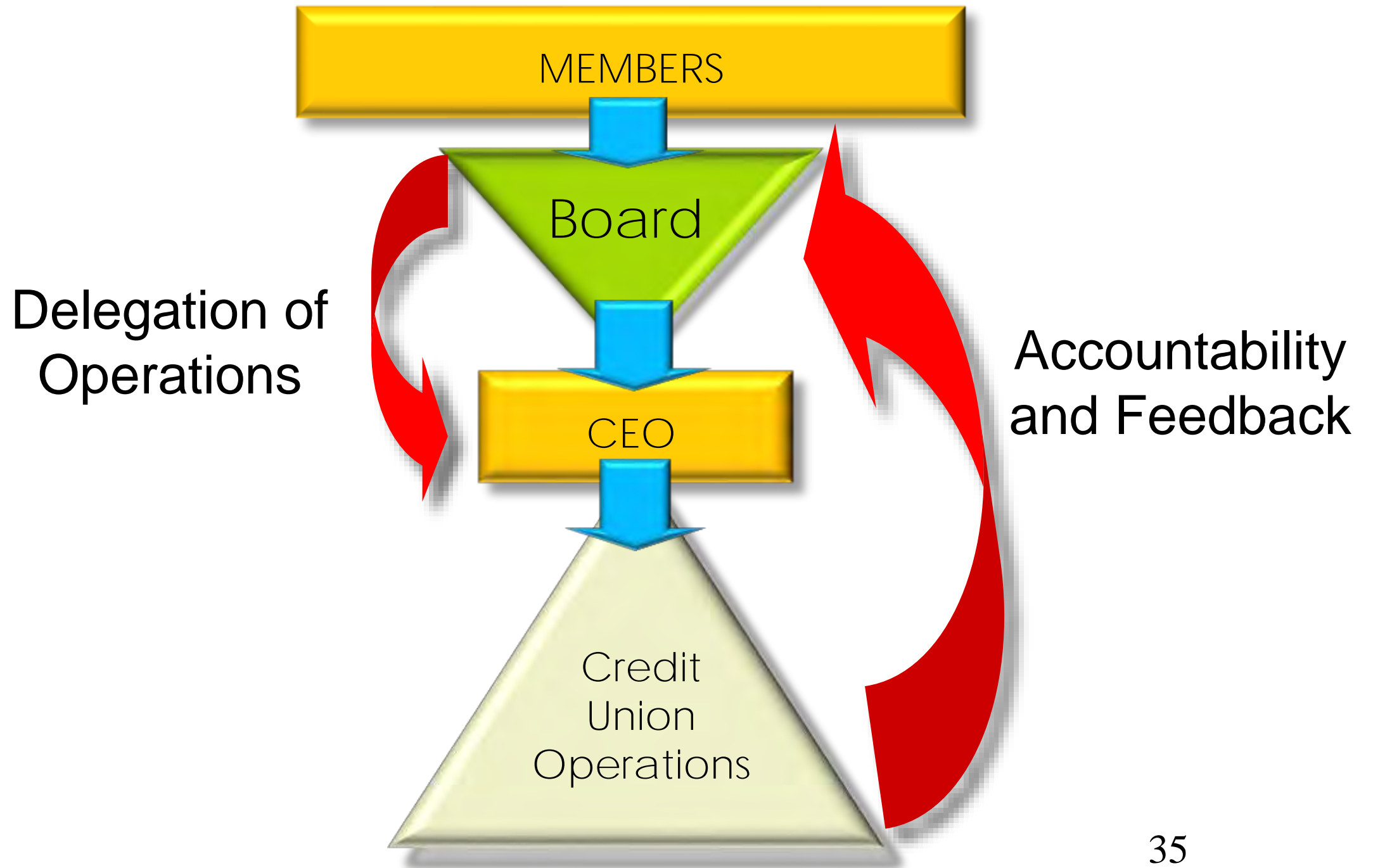


Trust the other two but verify

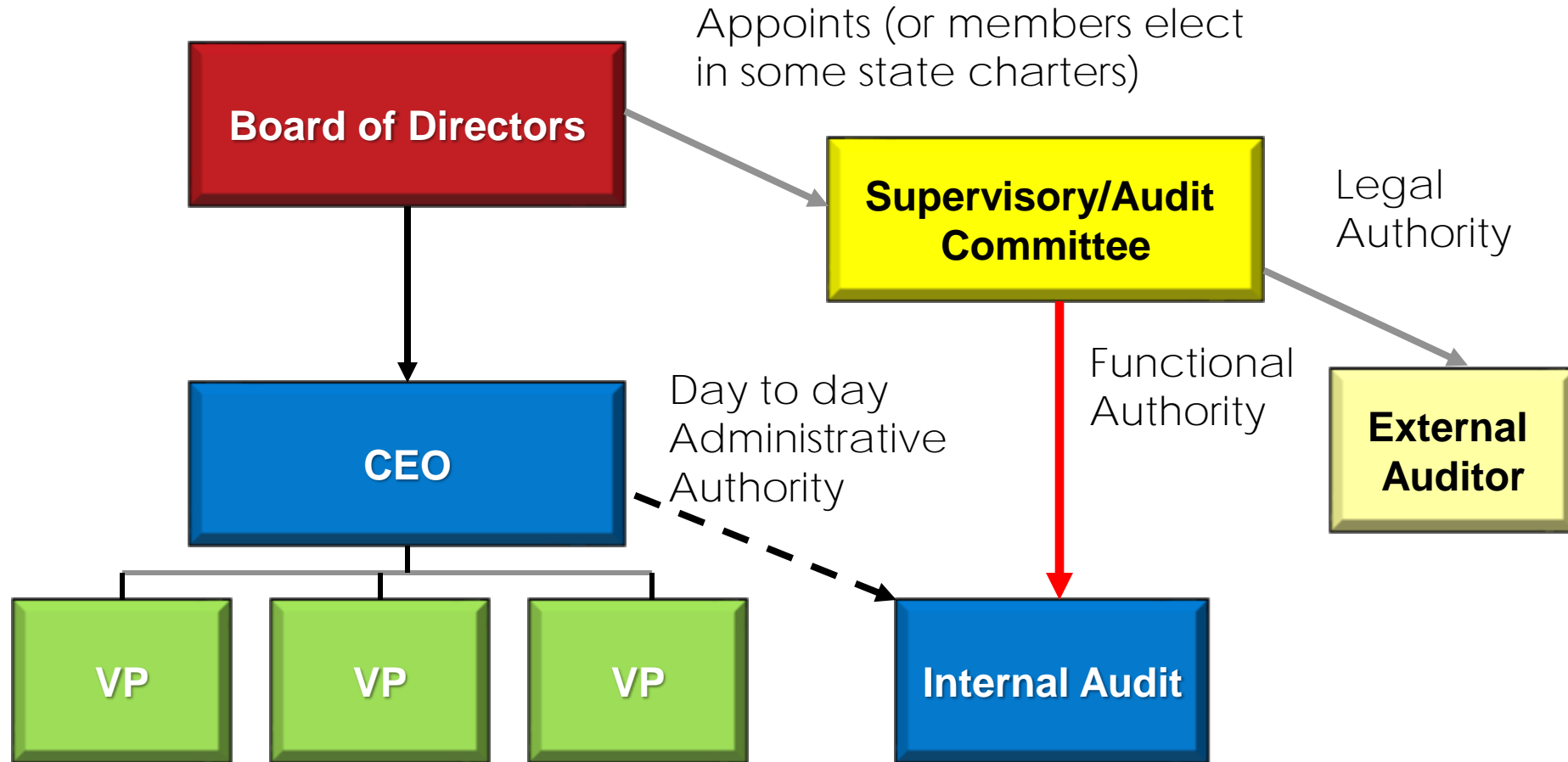
Ensure financial statements are 'reasonable' (audit)

Determine if Internal controls are adequate (audit)

Hire and cultivate a relationship with a competent outside audit firm



Best Practice Structure per the *Institute of Internal Auditors*



What's the Board's Role?

What is the Board's Role?

The Board does not exist to advise the CEO...

**...but to form the accountability link between
the owner/members and
the operators.**

What is the Board's Role? Simple

- Ensure there is a Strategy Moving Forward
- Employ and empower a competent CEO to carry out the Strategy

- To protect CEO from individual directors

What is the Board's Role? More Complex

- Ensure Vision/Plan for the future
- Oversee and guide the credit union so that the members' assets are as safe and productive as possible.
- Hire/replace CEO when needed
- Provide supportive oversight between hire and replace
- Remain independent of management

The role is to **govern, not to operate the credit union**

**The Board is where
all authority resides
until some of it
is delegated to others.**

And the Board delegates
nearly all
operational authority
to the CEO

Where there is Responsibility

You must also give Authority.

***But there must be
Accountability***

Start all over again!

The Governance Process



Align Entire Organization with Purpose and Strategy



How a Board Governs Effectively

- CEO is the single point of delegation from the Board
 - Board has **one** employee
 - CEO has **one** boss, Board as a 'whole'
 - Board speaks with **one voice**, Board as a 'whole'
- CEO is accountable for meeting the Pre-established expectations (Ends)
- CEO must be delegated all the authority needed to match this level of responsibility (Means)

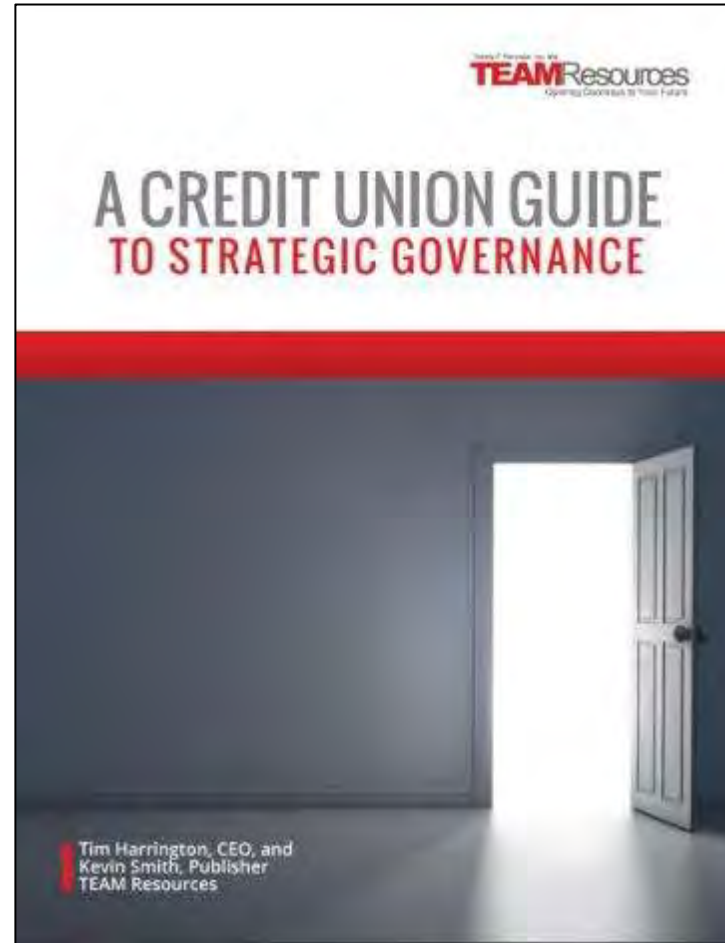
Governance: The Operations Box



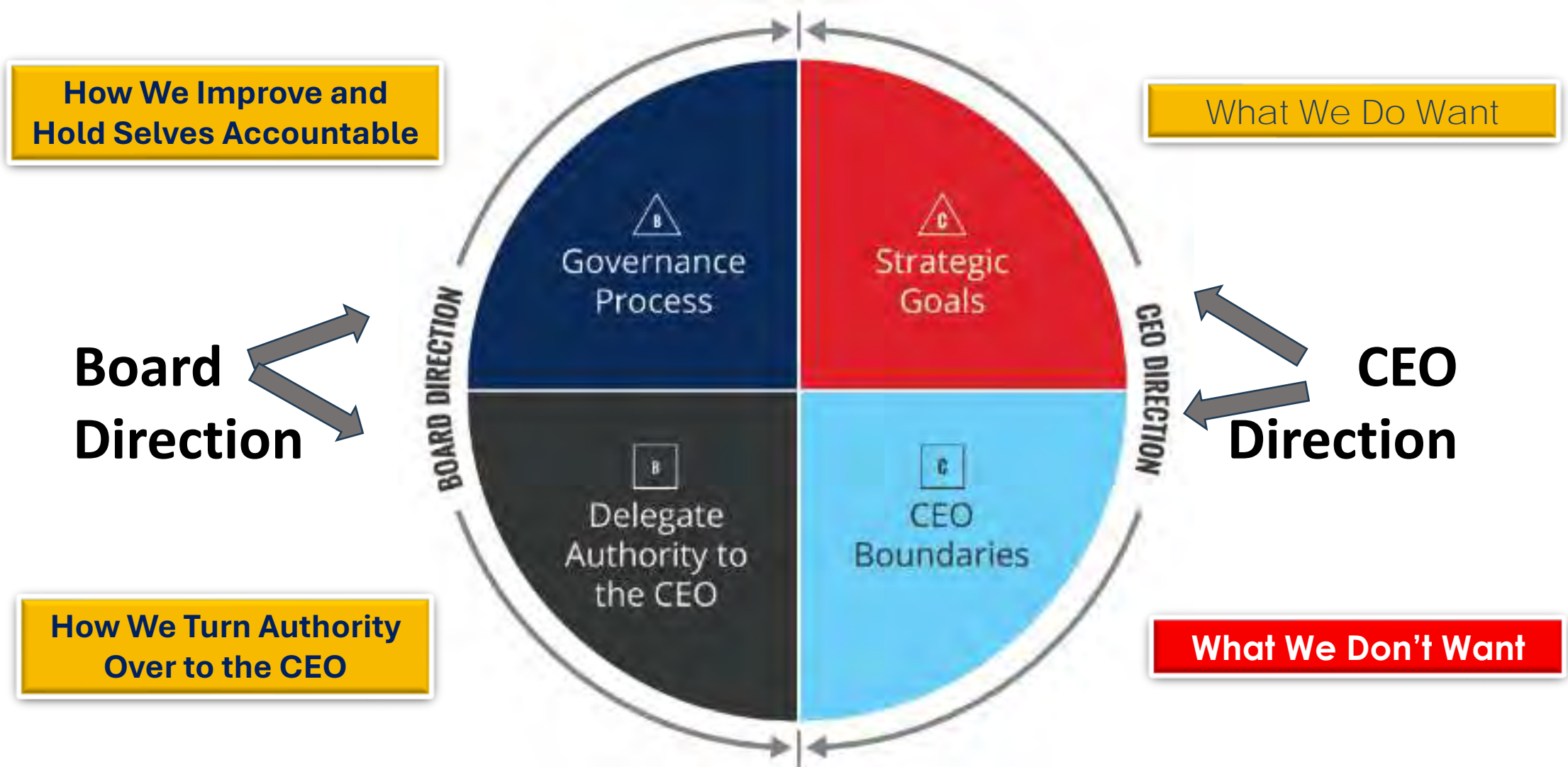
Governance: The Operations Box



Thoughts about Strategic Governance Methodology



Effective GOVERNANCE Process



Four Quadrants of Governance

Strategic Goals

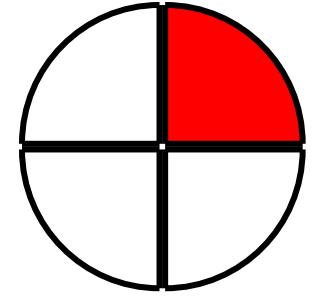
The board defines those things that it wants to accomplish as a credit union.

The board co-creates these goals with the CEO so that the CEO can achieve them.



Strategic Goals

Direction for the CEO



Using Purpose & Strategy to Guide CU

- *The direction and outcome desired*
- *The expectations of the board*

Key Questions

- *What is our Purpose?*
- *Who is our target?*
- *What does that member need and value?*
- *What is our strategic plan to achieve it?*

Strategic Goals – End Results

Board's communication of what it expects the CEO to Achieve

Strategic Thinking Boards

- Help shape the company's priorities through the strategic planning process.
- Allocate time to what matters most to the organization's future viability and performance.
- Identify metrics for oversight, monitoring, and adaptation.
- Honor the need for knowledge, nimbleness, & trust.
- Focus their meetings on governing rather than managing.

End Results...expressed through

- Purpose - Reason for existence. The “Why”
- Vision – What it will look like. Helps others see what you see
- Values – What we hold true to
- Strategic Plan with Measurements – the “How”
- Governance Policies
- By-Laws
- Ethics/Conflict of Interest Policies

Developing a Strategic Mindset

Directors need to **develop a Strategic Mindset.**

- Promote and protect the **PURPOSE** of the credit union
- Creating accountability for the **CEO** to carry out the **PLAN!**

If you aren't in a strategic mindset,
you become an **Operations Oversight
Committee**

and no competent CEO needs that sort of help

Governance Depends on the Right Information

CONCISE: Communicated quickly and briefly

MEANINGFUL: Ties to something significant, such as a goal.

BALANCED: Includes positive and negative facts

TIMELY: Recent and relevant to current agenda

RELEVANT TO RESPONSIBILITIES: Helps board discharge
its responsibilities

BEST AVAILABLE: Realizing we will never get perfect
information

GRAPHIC PRESENTATION: A picture is worth 1,000 words

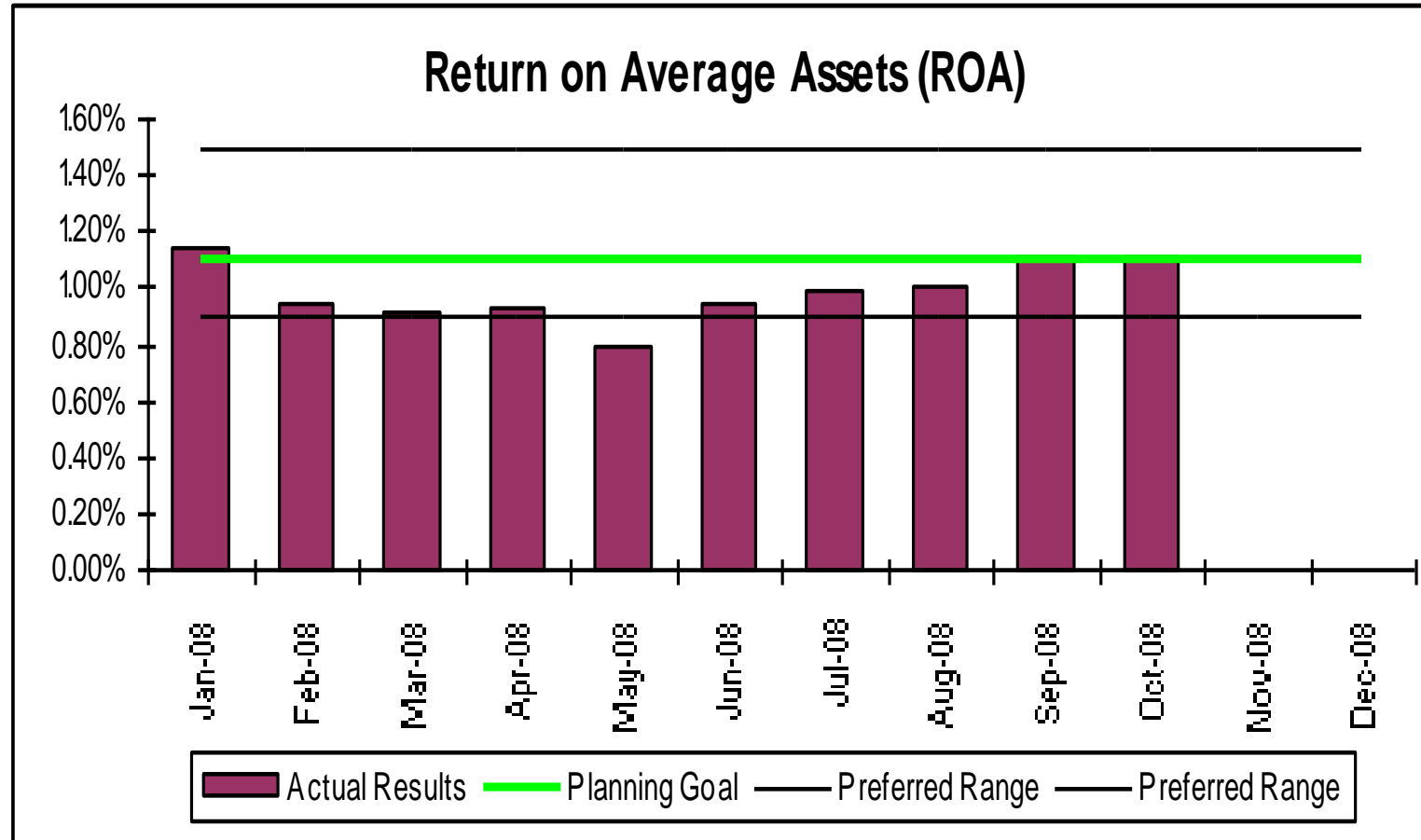
How do you monitor the CEO?

- Monthly Reports
- Internal Audit Reports
- External Audit Reports
- Regulatory Exam Reports
- Staff Surveys
- Member Surveys
- Policy Audits
- MBWA/Common Sense

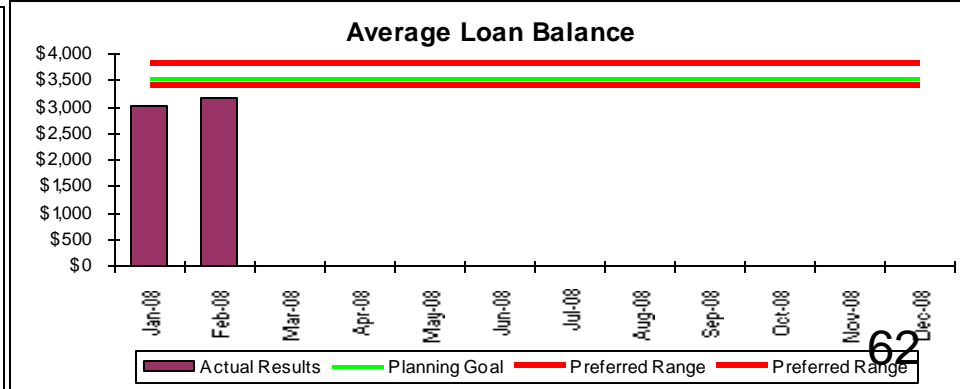
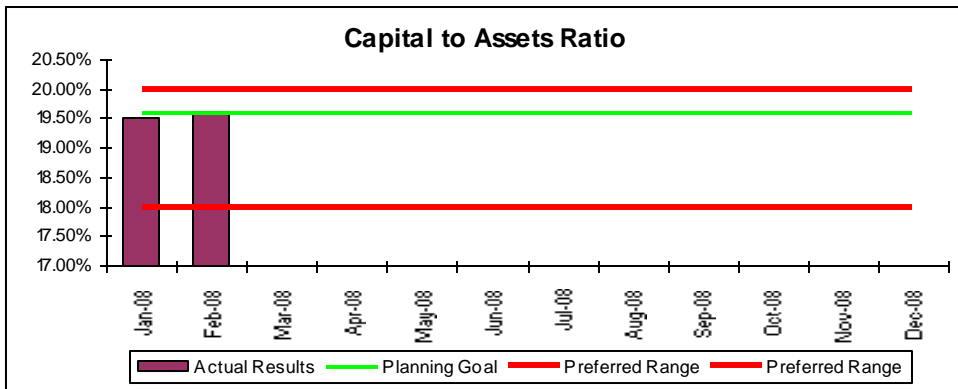
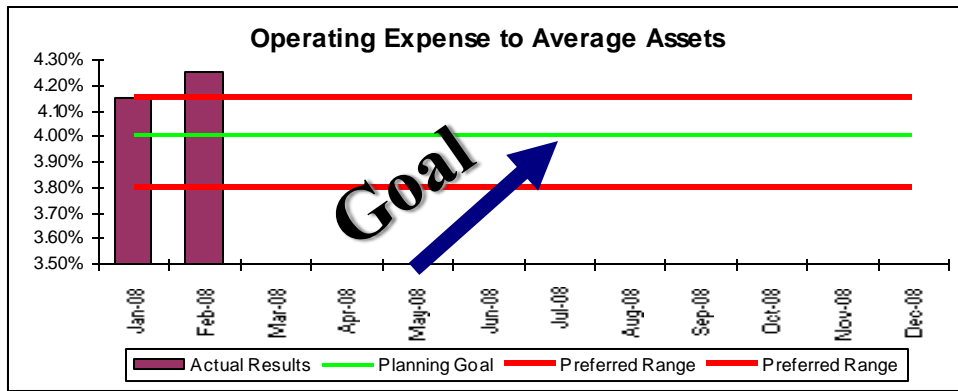
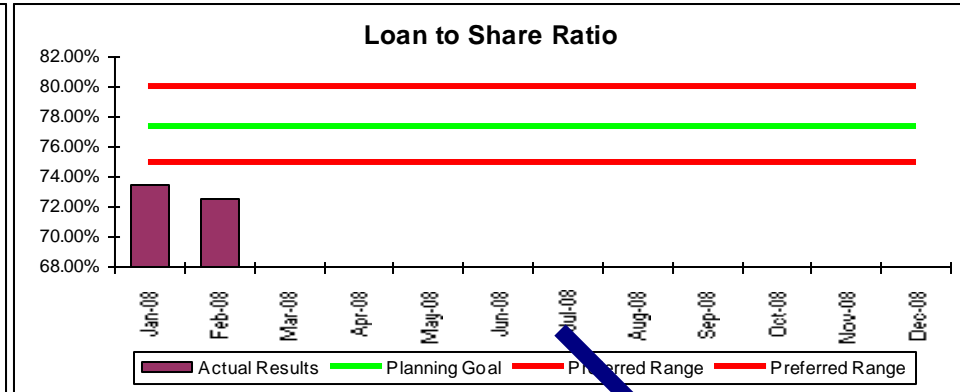
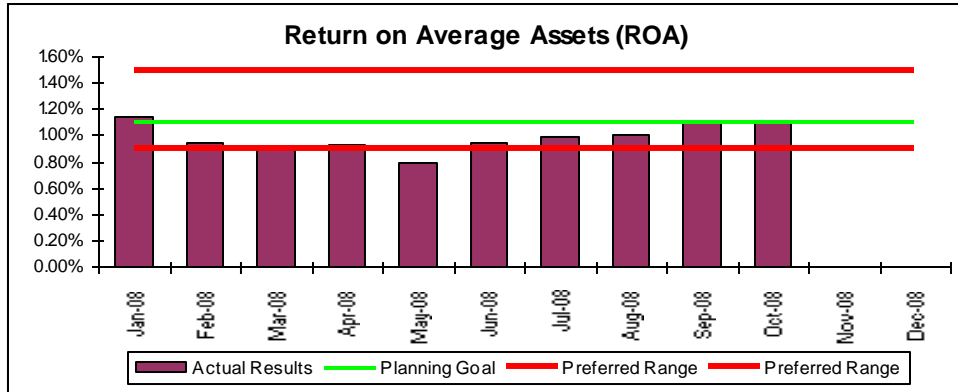
How do we know our information is reliable?

1. Trust but verify
2. Understand what is reasonable
3. Calibration:
 - a. External Audit
 - b. Internal Audit
 - c. Regulatory Exam give you some assurance
4. Third party review may be needed on occasion

Monitoring Financial Goals - Graphs



Using a Dashboard



GOVERNANCE Process

Where the board takes care of itself:

Skills

Succession Planning

Self-evaluations

Board Education Plans

Where culture/style of the board is decided.



“Board must be in full control of its own job before presuming to control anything else.”

John Carver

Board must stay focused on big issues of
Strategy and Governance

Board must be disciplined in this process
and not allow itself to stray.

Governance Process

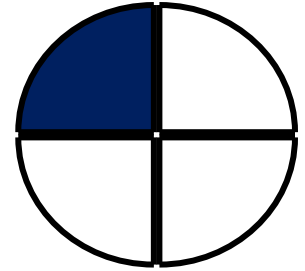
Direction for the Board

Governance Process Defined

- *How the board represents the “member owners” and provides strategic leadership to the organization.*

A Basic Job Description

- *Represents Ownership (no one else is charged with this)*
- *Creates and follows its own Governance Policies*
- *Assures Executive Performance*
- *Speaks with One Voice*
- *Hold selves (Board) accountable*



Governance Policy Ideas

1. The overriding purpose of the board is to help management substitute foresight for hindsight. To accomplish this purpose, the board participates with management as a team in:
 - developing and maintaining a Strategic Plan — the board's highest-level policy
 - reviewing the Business Plan — management's roadmap for the operation
 - reviewing strategic issues regularly at board meetings and at retreats
 - regularly reviewing and updating these governance policies to guide the CEO

Governance Policy Ideas

2. The board hires, directs, and holds accountable its only employee, the CEO. The CEO is chief executive officer with real executive powers granted through this body of policies. These governance policies aggressively define as operations any function that a competent and trusted CEO can and should do without input or interference from the Board.

Governance Policy Ideas

4. The Board can feel it has done well when the Members rate the credit union highly in market surveys, when key financial ratios are strong, and when the regulators report that the credit union is in “safe and sound” financial condition.
5. The Board will evaluate its own performance regularly.

Sonnenfeld's Markers of Great Boards

- Climate of trust and candor
- Willingness to share information
- Culture that invites multiple perspectives
- Commitment to assessment of collective board as well as individual board members

*Jeffrey Sonnenfeld, PHD
Professor in the Practice of Management
Yale School of Management*

Expectations - Board Member Contract

- Preparation done ahead of time
- Active involvement (happens in a variety of ways)
- Culture of candor (egos set aside)
- Ongoing education
- Disagreement is civil, encouraged, and remains in the boardroom
- Decisions are made for the best interest of the organization and the members
- Decisions, once made, are not revisited (unless new, significant information has arisen)

Dissent and Disagreement

“May we never confuse honest dissent with disloyal subversion.”

Dwight D. Eisenhower

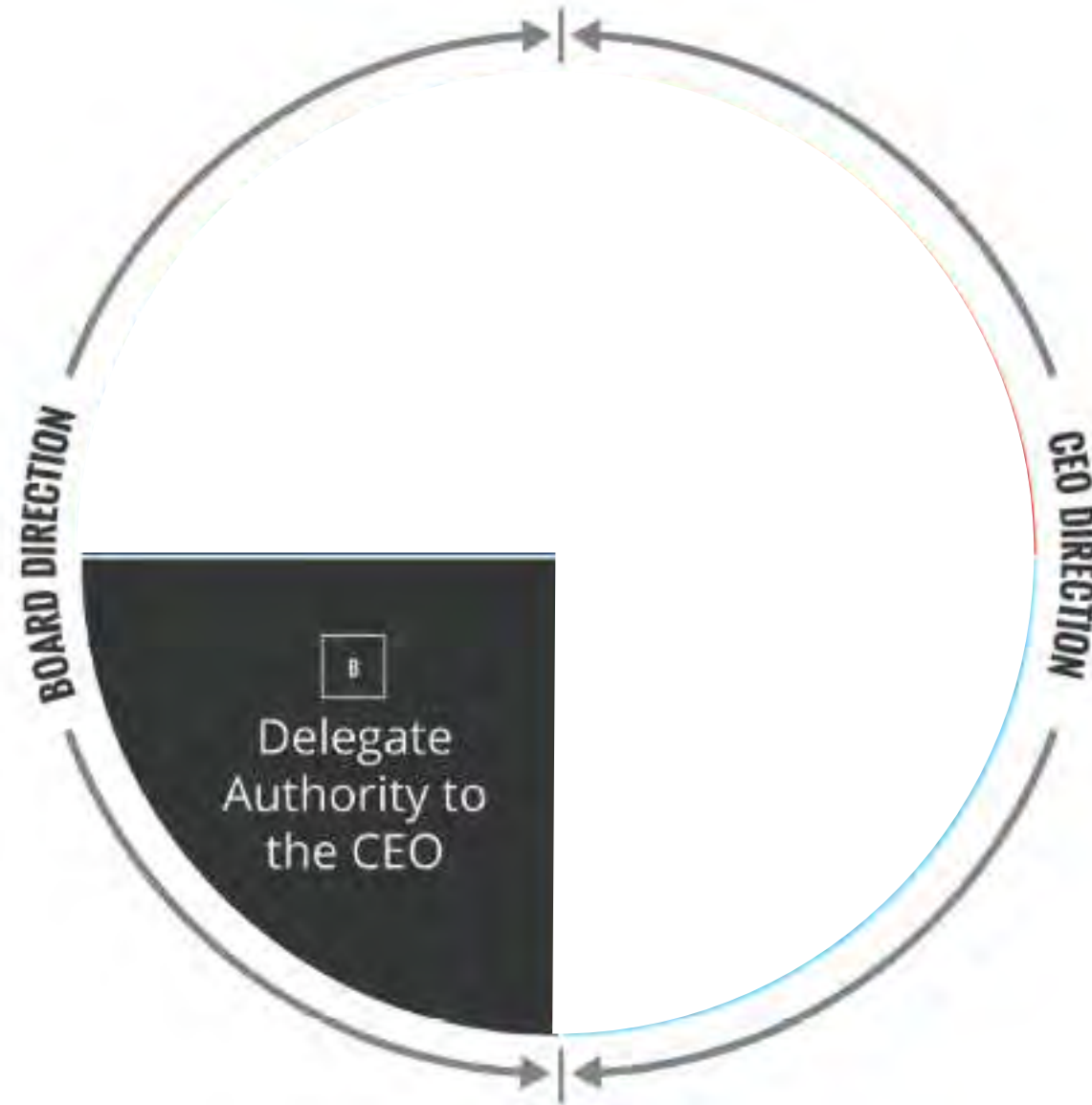
Encourage board members to state disagreements with issues (before the vote).

- If a board member feels that disagreeing with the rest of the board makes him a trouble-maker, then board members are not truly independent.

Delegation of Authority to CEO

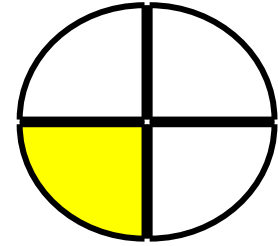
The board clarifies relationship with CEO:

- Board has One employee: the CEO.
- Board speaks with one voice, not as individuals.
- No one director may give directions to the CEO – only the board as a whole.
- Board ensures strategy – CEO is responsible for executing it.



Delegation Authority to CEO

Limitations on the Board



Board-CEO Relationship Defined

- *How power is passed to the CEO and how that power is assessed*

General Principles

- *CEO accountable to the board as a whole*
- *The board has only one “employee” - CEO*
- *The CEO’s work is measured by results – Not Style*
- *Board members and the CEO are colleagues*
 - *But Board as whole is superior*

Relationship to CEO

**Whole board is unambiguously the CEO's superior,
not his/her advisor or social partner**

**The BOARD is the CEO's superior,
not the chair!**

But, board and CEO must act as colleagues!

Board Speaks with One Voice

This does NOT mean that directors don't disagree. Boards are healthier when there is voiced disagreement in the discussion stage.

However, once a board makes a decision, all directors accept and support that decision, especially in front of management.

If there are different “camps”, or different instructions or “advice” to management, the management team can be caught in the middle with little safe ground to move forward.

Also, individual directors should have NO individual voice to management. See Governance Policy #3.

A Vote is taken, then move on

A unified voice is critical to the leadership of an organization. A board that revisits issues repeatedly after a vote can cause confusion among the management leadership and lower the resolve of those executing the plan. If this happens too regularly, it will undermine the voice of the Board on the whole. It will remove clarity and can make the staff question other issues if they believe there is lack of unity among the Board.

Delegation example

3. The CEO is accountable only to the Board as a whole. Not to any individual director. Only officially passed motions of the Board are binding on the CEO (or any staff). Individual Board Member requests or comments will not be considered as binding.

Decisions or instructions of individual Board members, officers, or committees are suggestions only and will not be binding on the CEO (or any staff) except in rare instances when the Board has specifically authorized such exercise of authority.

Individual Board Members, including the Chair of the Board, are peers of the CEO (or any staff), nothing more. Authority resides in the Board as a whole. If the CEO (or any staff) feels he/she has received an instruction from an individual director or group of directors, the CEO (or staff) may (MUST?) ask that the board approve such a request.

Division of Roles and Responsibilities

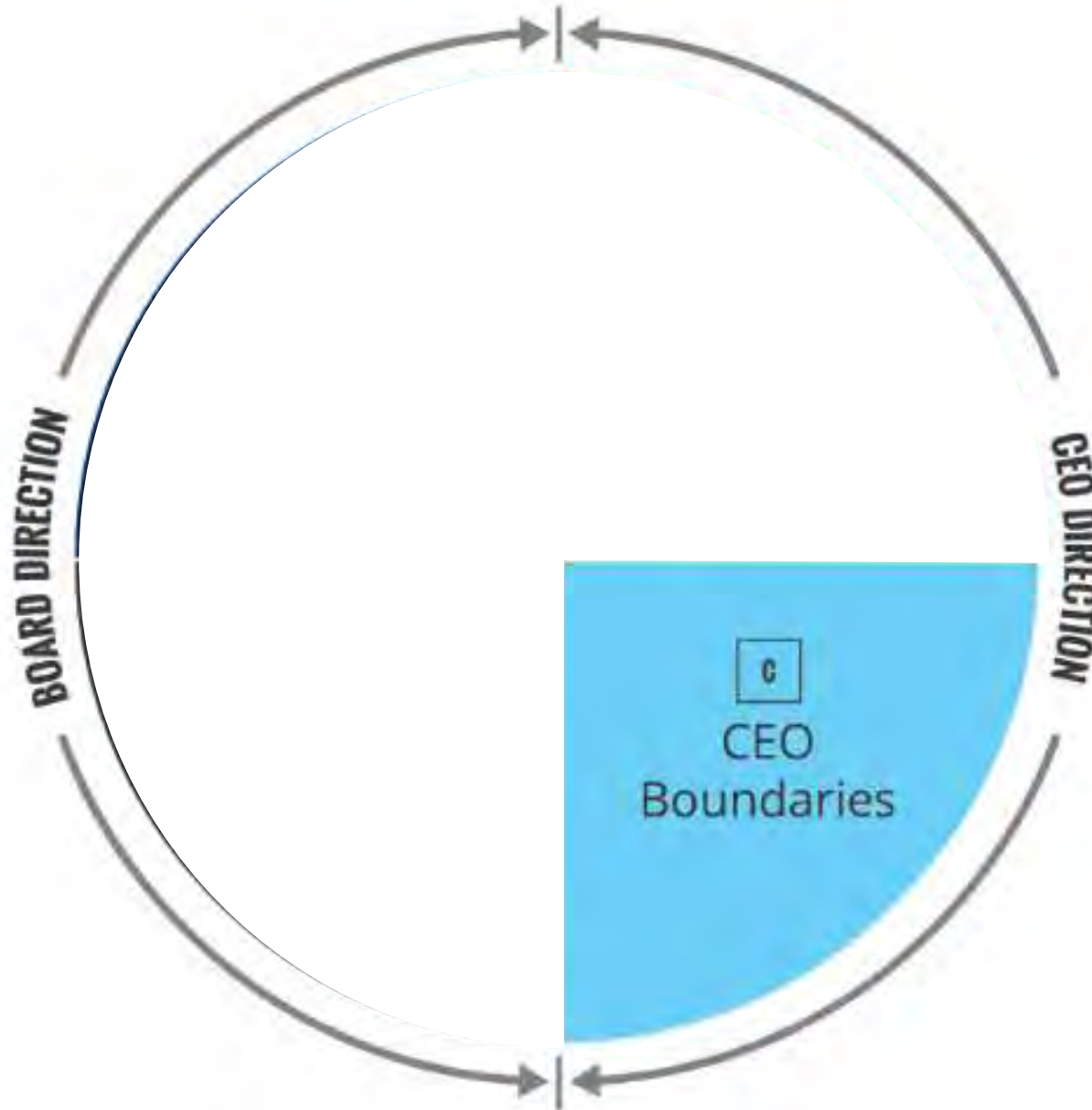
On major and ordinary decisions, who is responsible?

- Board?
- CEO?
- Both?

Consider Developing a Roles and Responsibilities Matrix

Area of Decision	CEO Responsibility	Board Responsibility
Compensation and HR Issues		
CEO Salaries, benefits, incentive compensation, bonus and other related compensation issues		Board only
Staff salaries, benefits and other related compensation issues	CEO - governed by budget, values and boundaries	
Annual staff Bonus	CEO - governed by budget, values and boundaries	
Staff defined contribution program (s)	CEO only	
Staff defined benefit program	CEO and Board work together	CEO and Board work together
Oversight of CEO including hiring, termination, discipline		
Management of staff including hiring, termination, discipline	CEO only	
Management of Senior Management Team hiring, termination, discipline	CEO only	Inform Board at or before next board meeting
Annual Staff Evaluations	CEO only	
Changing staffing numbers or Organization Chart	CEO - governed by budget, values and boundaries	
Staff Training	CEO - governed by budget, values and boundaries	
Development of staff goals	CEO only	
Writing, updating and changing management policies	CEO only	
Writing, updating and changing procedures	CEO only	
Staff deportment and dress code	CEO only	

CEO Boundaries



Here the board defines the restraints for the CEO.

These are the things that the CEO & CU CANNOT do.

“Proactive Restraint”

Who Owns CU Risk?

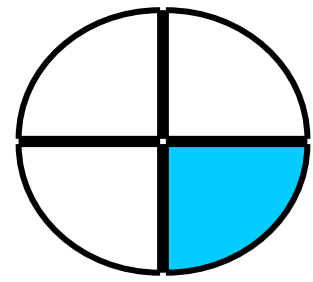
Board establishes Risk Appetite and Ethical Environment

CEO and Management carries out and monitors risk

Supervisory Committee monitors management

CEO Boundaries

What the CEO Can't Do



CEO Boundaries Defined

- *CEO can do anything that is not prohibited or illegal*
- *Defines things the CEO may not do or allow to happen (practices, activities, methods)*

Areas of Focus

- *Control through proactive constraint (What CEO can't do)*
 - *If not prohibited, the CEO can do it*
- *No Board involvement in details (30,000 foot level)*
- *PRE-Address common board concerns about:*
 - *Personnel, financial condition, asset protection, compensation and benefits, budgeting*

CEO Boundaries

Board's expression to CEO limiting acceptable managerial processes and decisions

(i.e. what would be unacceptable)

This simple rule can unleash entrepreneurial talent within an organization. It can allow the full style of a leader to be exhibited.

If it is not prohibited or illegal, CEO can do it.

Boundaries Examples

The CEO shall not cause or allow within the CU any decision, activity, or organizational circumstance that is unlawful, imprudent or contrary to business and professional ethics.

Boundaries Examples

With respect to the credit union, the CEO shall not cause or allow the deterioration in:

- Financial soundness (define threshold)
- Member satisfaction (define threshold)
- Employee morale (define threshold)

Boundaries Examples

Other examples?

Investing in derivatives (after 2008)

Mortgage backed securities

What kinds of lending might be culturally prohibited at your credit union? (This is not who we are.)

What Committees Does Your CU Have?

Which ones do you like?

Which ones could you eliminate?

Recommended Committees

- Governance
- CEO Relations
- Recruiting and Nominating
- Supervisory (required by regulation)
- Executive Committee
- ALCO ???
- Risk Awareness/Oversight

Why No Executive Committee?

- Executive Committees either take power a way from the board or from the CEO
- Other directors can be sidelined
- Can become a power center
- Their work should be spread between following committees
- With instant communication, old “emergency” reason has disappeared

Recommended Committees

Governance Committee

- Develop Governance Policies for board approval
- Keep Governance Policies up to date
- Ensure board members obtain necessary education
- Ensure board evaluations and self-evaluations are completed annually
- Maintain Governance Calendar and keep board on schedule
- Hold directors accountable for their self- improvement

Recommended Committees

CEO Relations Committee

- Remain in touch with CEO on important issues
- Ensure the board evaluates the CEO at least annually
- Monitor and plan CEO Compensation issues
 - Salary via comparison or other process
 - Retirement
 - Deferred Compensation – Golden Handcuffs
 - Incentive compensation – best if linked to Strategic Plan
- Work with CEO on Annual Strategic Planning Process

Recommended Committees

Recruiting/Nominating Committee

- Actively identify and recruit potentially qualified candidates
- Review evaluations of board members
- Annually review potential board candidates
- Nominate qualified candidates
- Responsible for orientation of new board members

Committees to Consider

ALM or ALM Oversight Committee

Cybersecurity Oversight Committee

Risk Oversight Committee

Incumbent Director Re-nomination Checklist

Director Name: _____ Year: _____

Score the incumbent for each of the categories using the following:

3 = Exceeds standards

2 = Acceptable: Meets minimum standards

1 = Unacceptable: Does not meet minimum standards

Re-nomination of an existing Director

A. Knowledge and Effort to Obtain Knowledge

1. The incumbent appears to be aware of our Strategy.
2. The incumbent appears to understand our Financial Condition.
3. The incumbent appears to understand Financial Ratios.
4. The incumbent honors the division between governance issues and operational issues.
5. The incumbent has taken advantage of outside educational opportunities.
6. The incumbent had taken advantage of opportunities to learn more about governance.
7. The incumbent has taken advantage of opportunities to learn more about financials and related ratios (financial literacy).
8. The incumbent keeps up with industry trends (through reading, attending conferences, etc.).
9. The incumbent understands and follows policy guidelines established by the board. (Ex. education, involvement, CEO relationships, etc.)

B. Director Behavior

10. The incumbent comes to meetings prepared.
 11. The incumbent exhibits appropriate behavior in meetings.
 12. The incumbent exhibits appropriate behavior in dealings with other directors, CEO, staff and members.
 13. The incumbent refrains from having personal agendas (that are not in line with the rest of the board or in the best interest of the credit union).
 14. The incumbent keeps the interest of the whole credit union in mind.
 15. The incumbent treats the CEO and other staff as colleagues (as opposed to subordinates).
 16. The incumbent honors the duty to maintain confidentiality of board discussions and corporate issues?
 17. The incumbent contributes positively to discussions in a way that is beneficial to the efforts of the board.
 18. The incumbent focuses his/her efforts on strategic objectives (vs. operational issues).
 19. Value added to the CU & Board, new ideas contributed, above & beyond efforts, new ideas brought from training/education.
- Total:

- Total Score below 27 = Not eligible for re-nomination
- Nine or more scores of "1" (Unacceptable) = Not eligible for re-nomination

Governance Spectrum



Board too
strong

Board too
weak

Micro- Managing Board	Managing Board	Governing Board	Ratifying Board	Failing Board
Board may not trust or respect CEO	Board assumes CEO needs help running CU	Board delegates to Competent CEO.	Hire a good CEO and stay out of his/her way	CEO in Control. High or No Board turnover
Board telling CEO what to do or overriding CEO	Board involved in minutiae, manager of CEO	Focused on Strategy, Purpose, Values & results	Organization OK but board has surrendered Governance	Financial soundness or growth issues
Board usurping job of CEO	Board assigns tasks to CEO	Clear division between Ops and Governance	Board approves what CEO brings	Little transparency, little openness in board discussions
Focus on day-to-day operations.	Board hands on and proud of it	Board monitoring gauges of success	Out of touch, complacent, not watching the gauges or results	Looking to the past, way behind market
Ignores planning and future. Deals with today	Focus on Administration & Operations	Operates on future/strategic level	Stale meetings, little accountability	Not strategic, In-fighting or apathy
Primary role is managing operations	Primary role is making decisions	Primary role is moving CU forward	Primary role is supporting CEO, rubber stamping	Primary role of board is keeping perks

Micro- Managing Board	Managing Board	Governing Board	Ratifying Board	Failing Board
Board may not trust or respect CEO	Board assumes CEO needs help running org	Board delegates to Competent CEO.	Hire a good CEO and stay out of his/her way	CEO in Control. High or No Board turnover
Board telling CEO what to do or overriding CEO	Board involved in minutiae, manager of CEO	Focused on purpose, values & results	Organization OK but board has surrendered Governance	Financial soundness issues
Board usurping job of CEO	Board assigns tasks to CEO	Clear division between Ops and Governance	Board approves what CEO brings	Strife and distrust among board and staff
Focus on day-to-day operations. Protecting from CEO	Board hands on and proud of it	Board monitoring gauges of success	Out of touch, complacent, delegating Gov.	Looking to the past, way behind staff
Ignores planning and future. Deals with today	Focus on administration & Ops	Operates on future/strategic level	Stale policies, little accountability	Not strategic, In-fighting or apathy
Primary role is protecting CU and employees	Primary role is making decisions	Primary role is representing "membership"	Primary role is supporting CEO, rubber stamping	Primary role of board is keeping perks

1 2 3 4 5 6 7 8 9 10 -9 -8 -7 -6 -5 -4 -3 -2 -1



Board too strong

Board too weak

Where are you?

Transformation of Governance - 2026

What Does Your Credit Union Need From You?

2026

Board: *Collaborate with Executives to help CU change fast enough to survive*

Executives: *Collaborate with Board to help CU change fast enough to survive*

Why? The World No Longer Needs Your Credit Union



Reputation Risk!

*Your Biggest Reputation Risk is
Not changing fast enough
For Gen Y and Gen Z
to notice you*



Reputation Risk!

% of Gens that are CU members

Gen Y (27 to 43 yrs)	15%
Gen Z (11 to 26 yrs)	11%

Per APiIure 2024 Survey

DIGITAL SPEED BOARDS

1. *Don't Caretake the Company: Move with Trends*

“When in doubt, attack” Gen. George Patton

1. *Become Digital and AI Enthusiasts and Embrace Innovation and Change*

2. *Accept Failure as Normal (be very wary of ‘**No Failures**’)*

AN INDICATOR OF NOT TAKING ENOUGH RISK

3. *Govern Strategically*

10

4





DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

“Facebook is how I stay in
touch with Grandma.”

Gen Z student



DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

- *Plan 3 to 5 Years ahead*
- *Get Gen X, Y and Z influence into the Board Room*
- *Learn what consumers are doing today (Market Trends & Data)*
- *Judge where the market it is going*
- *Take Significant Action!!!*

DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

Definition of SERVICE has changed

Traditional: Great lobby, good tellers, nice Call Center

Digital: Seamless, Intuitive Technology, and Chat when I'm stuck

RISK is NOT a 4-letter word...

Ok, well, it actually is.

DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS



Risk Intelligence

- Risk Aversion kills the company...slowly
- Risk Madness kills the company... quickly

Find the **Goldilocks Zone** of Risk Intelligence

- A culture of Fast Failure
- Unafraid to learn from mistakes
- Measured, Monitored and Respond
- This is “just right” for us

“Directors and Executives need to rethink their roles and their attitude to risk.”

DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS



Only A and A+ Loans
Branches just like the
others
Same products and
services

Subprime with “Prime”
underwriting skills
Trying every new product

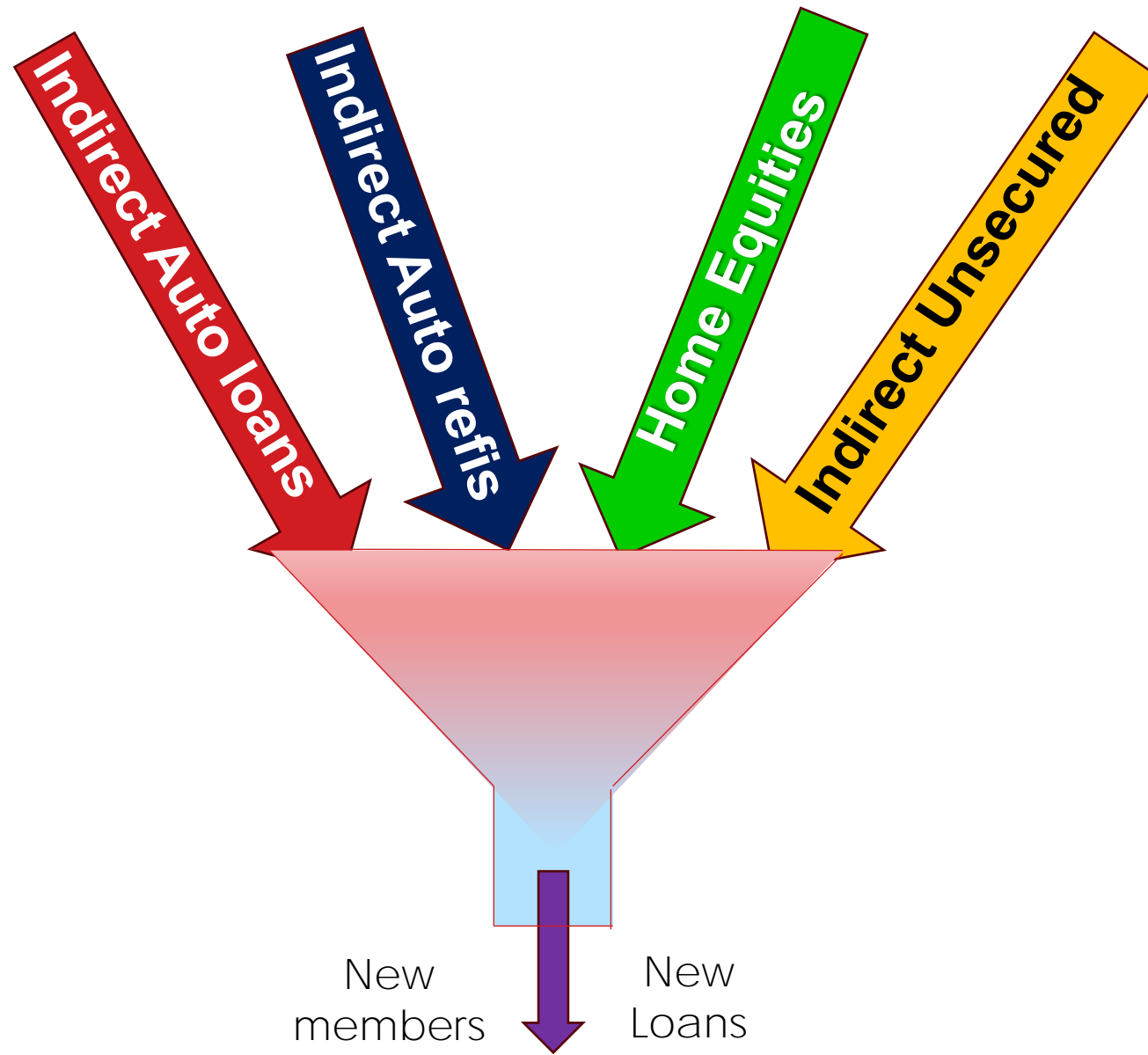
DIGITAL SPEED BOARDS DON'T *CARETAKE* THE COMPANY: THEY MOVE WITH THE TRENDS

Borrowers increasingly find their lenders on-line.

Even existing members will go to a 3rd party for an auto loan, for a personal loan, even more and more for a mortgage loan.

Are you building 3rd party “funnels”?

Offer your products where members shop



New Funnel for Loans/Members

DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

ATTRACTING NEW LOANS TODAY OFTEN DEPENDS ON 3RD
PARTIES

Indirect Auto:

Traditional dealers

Carvana/Auto Trader/Lending Club

Boat/RV/Motorcycle

Indirect Home Equity/HELOC

FIGURE

Indirect Personal Loans

UpStart/Upgrade

Participations

DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

“So, why is there a need for branches? **Deposit-gathering obviously** is an important component of why we're there. But clients need credit cards, clients need advice about their investments, clients need to purchase a home. Our goal is to make their financial life better, frankly.”

Felicia Lewis
Managing Director New Branch Initiatives
Bank of America



“Other banks have
tellers...”

“We have listeners”

“This combination of a social center and trusted brand that can be seen and touched is a really important factor in finance.”

Chris Skinner





WHAT IS A BRANCH FOR?

1. Introduce your brand
2. Market and reinforce your brand
3. Provide advice and solutions
4. Assist in difficult transactions
5. Offer help and comfort

2022 YPulse Survey



Be where the consumer is



WORKERS CU PLANIT CENTERS



One of the most desired services from financial institutions for Gen Z is **Financial Education**

Credit Union Times



DIGITAL SPEED
BOARDS
BECOME
DIGITAL
ENTHUSIASTS

DIGITAL SPEED BOARDS BECOME DIGITAL ENTHUSIASTS AND EMBRACE INNOVATION AND CHANGE

Your Leaders, or at least a majority of them, must:

1. Be Digital Users
2. Be committed to letting go of what got you here
3. Relish staying up with contemporary trends
4. Recognize that your market functions VERY DIFFERENTLY than your Execs and Board

What got you here, won't get you there

12

5

DIGITAL SPEED BOARDS BECOME DIGITAL ENTHUSIASTS AND EMBRACE INNOVATION AND CHANGE

The Digital Age is taking a giant step forward as **Artificial Intelligence:**

1. Writes emails and reports
2. Summarizes documents, reports and articles
3. Underwrites loans
4. Creates marketing materials
5. Chooses when to sell an investment
6. Identifies fraud
7. Writes speeches

Solution Inspiration
Intelligence Creativity

Ideas



Vision

Innovation



DIGITAL SPEED BOARDS BECOME DIGITAL ENTHUSIASTS AND EMBRACE INNOVATION AND CHANGE

We can't really innovate, we're too small. We don't have the resources.

*Most organizations stall,
not because of lack of Resources*

But because of lack of RESOURCEFULNESS¹²⁸



Innovation is rarely invention

Innovation is usually making new connections with old ideas



DIGITAL SPEED BOARDS BECOME DIGITAL ENTHUSIASTS AND EMBRACE INNOVATION AND CHANGE

1. We must accept “Change or Die”
2. Balance **Growers** vs **Preservers** on Board
3. Innovation isn't just invention. It can be rapid adaptation

DIGITAL SPEED BOARDS ACCEPT FAILURE AS NORMAL

ACCEPT
FAILURE

Praiseworthy
versus
Blameworthy Failure

DIGITAL SPEED BOARDS ACCEPT FAILURE AS NORMAL

Fear of Failure is natural...but not helpful.

Fear prevents us from making uncomfortable changes

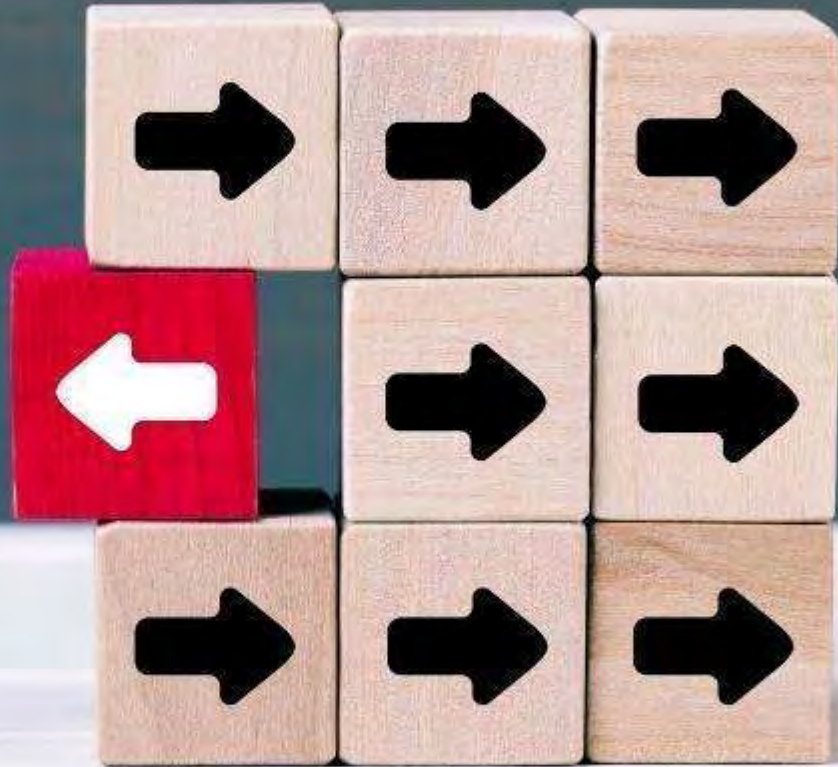
Courage is not absence of fear, it is acting even with fear

Most innovations FAIL.

“I know worrying works, because none of the stuff I worried about ever happened.”

Will Rogers

DIGITAL SPEED BOARDS GOVERN EFFECTIVELY



- Re-define partnership between Board and Execs
 - Not hierarchical... but collegial...
 - A sense of shared future and shared innovation
- Management can bring partial ideas to board and work on ideas together. Creates innovation engagement
- Ask probing questions of management about Big Ideas. Not to discourage, but to ensure broad thought.
- **Understand the MOST innovation efforts fail**

DIGITAL SPEED BOARDS GOVERN EFFECTIVELY

Start every meeting with a **STRATEGIC TOPIC**

- Move the Consent Agenda to item 4 or lower
- Consent Agendas have no forward-looking benefit
- Consent Agendas have no strategic benefit

“Spend a LOT more time looking forward than backward.”

DIGITAL SPEED BOARDS GOVERN EFFECTIVELY

The Role of the Board is to **ASK Questions**, Not Answer Them

- *Spend less time reviewing financial reports*
 - *Look at North Star Metrics...how we are versus where we're going*
- *Spend more time Focusing on Future*
- *Support and question Management: “What if” Questions*

DIGITAL SPEED BOARDS GOVERN EFFECTIVELY

Peoples' lives are busier than ever

- To attract and retain Gen Z and Gen Y directors you've got to make the meetings focused and meaningful
- If your meetings run more than 1½ hours, you're probably in Operations
- Foster discussions and even healthy disagreement

DIGITAL SPEED BOARDS GOVERN EFFECTIVELY

Use your available technology

- Request all reports that would normally be verbal to be recorded on Zoom or Microsoft Teams in advance
- Require all participants to review the recorded reports in advance
- Ask Directors to ask questions on the reports and the consent agenda in advance

What Does Your Credit Union Need From You?

2026

Board: *Collaborate with Executives to help CU change fast enough to survive*

Executives: *Collaborate with Board to help CU change fast enough to survive*

2023

Tier	Credit Score	Total Balance	Interest Income	Gross Yield	Loss Percent	Costs	Net Yield	
A+	730+	\$84,472,664	\$ 3,923,179	4.64%	0.17%	0.10%	4.37%	58%
A	690-729	\$25,543,243	\$ 1,478,700	5.79%	0.32%	0.20%	5.27%	18%
B	650-689	\$16,362,921	\$ 1,218,681	7.45%	1.35%	0.40%	5.70%	11%
C	610-649	\$ 8,370,598	\$ 843,190	10.07%	2.18%	0.80%	7.09%	6%
D	580-609	\$ 985,540	\$ 147,992	15.02%	2.21%	1.50%	11.31%	1%
E	<580	\$ 519,791	\$ 60,932	11.72%	4.16%	1.80%	5.76%	0%
O	0	\$ 8,220,612	\$ 548,336	6.67%	1.33%	0.80%	4.54%	6%
	Total	144,475,369	\$ 8,221,010	5.69%	0.54%		5.15%	100%

87%
13%

2022

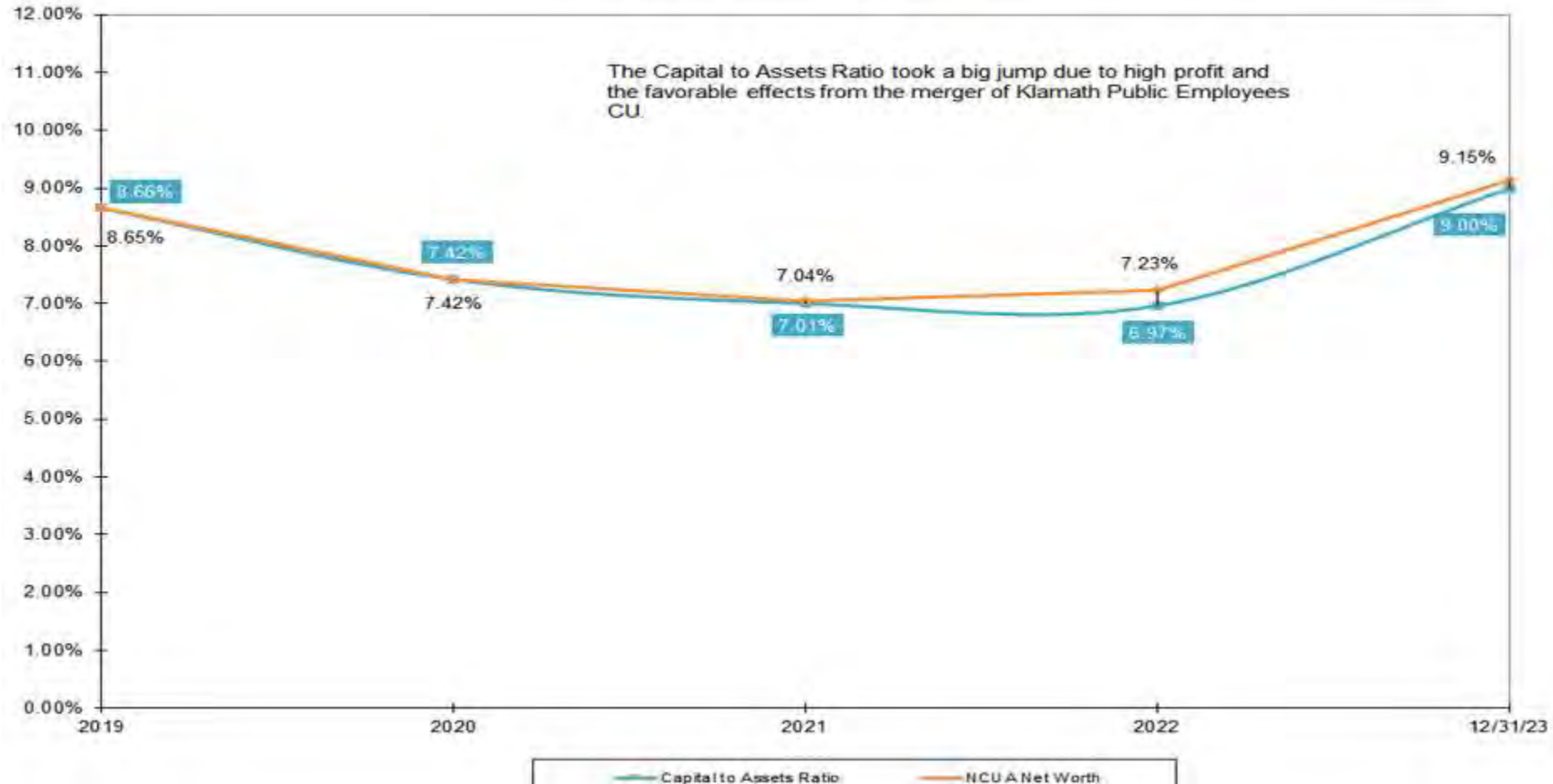
Tier	Credit Score	Total Balance	Interest Income	Gross Yield	Loss Percent	Costs	Net Yield	
A+	730+	\$70,347,202	\$ 2,572,126	3.66%	0.12%	0.10%	3.44%	59%
A	690-729	\$21,239,484	\$ 1,025,005	4.83%	0.26%	0.20%	4.36%	18%
B	650-689	\$14,070,204	\$ 840,529	5.97%	0.45%	0.40%	5.12%	12%
C	610-649	\$ 8,062,742	\$ 638,788	7.92%	1.44%	0.80%	5.68%	7%
D	580-609	\$ 1,153,594	\$ 121,552	10.54%	2.39%	1.50%	6.64%	1%
E	579/below	\$ 350,859	\$ 50,496	14.39%	7.82%	1.80%	4.77%	0%
O	No score	\$ 3,149,198	\$ 269,369	8.55%	2.19%	0.80%	5.57%	3%
	Total	118,373,283	\$ 5,517,865	4.66%	0.37%		4.29%	100%

89%
11%

Spread Analysis	2018	2019	2020	2021	2022	12/31/2023
Interest Income/Avg Assets	3.93%	4.32%	3.65%	2.81%	3.39%	5.32%
Interest Expense/Avg Assets	0.12%	0.20%	0.18%	0.13%	0.10%	0.37%
Net Interest Margin	3.80%	4.13%	3.47%	2.69%	3.29%	4.95%
PLL /Average Assets	0.17%	0.11%	0.27%	-0.02%	0.15%	0.30%
Operating Expenses	4.55%	4.69%	4.15%	3.50%	3.59%	4.41%
Other Revenues	1.13%	1.11%	1.38%	1.70%	1.15%	1.19%
Return on Average Assets	0.21%	0.43%	0.44%	0.90%	0.69%	1.45%

Capital to Assets (Net Worth) Ratio

OR Peer Average: 11.88%



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www.TimothyHarrington.net/blog.html

**End of
Part 1**