



NATIONAL ASSOCIATION OF CREDIT UNION CHAIRS

CONNECTING CREDIT UNION BOARD LEADERS

2026 NACUC Leadership Development Seminar

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Part 2

Succession Planning and Recruitment



Succession Planning

§ 701.4 General authorities and duties of Federal credit union directors.

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(a) **General direction and control of a Federal credit union.** The board of directors is responsible for the general direction and control of the affairs of each Federal credit union. While a Federal credit union board of directors may delegate the execution of operational functions to Federal credit union personnel, the ultimate responsibility of each Federal credit union's board of directors for that Federal credit union's direction and control is non-delegable.

(b) **Duties of Federal credit union directors.** Each Federal credit union director has the duty to:

(1) Carry out his or her duties as a director in good faith, in a manner such director reasonably believes to be in the best interests of the membership of the Federal credit union as a whole, and with the care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances;

(2) Administer the affairs of the Federal credit union fairly and impartially and without discrimination in favor of or against any particular member;

(3) At the time of election or appointment, or within a reasonable time thereafter, not to exceed six months, have at least a working familiarity with, and to ask, as appropriate, substantive questions of management and the internal and external auditors of:

(i) Basic finance and accounting practices, including the ability to read and understand the Federal credit union's balance sheet and income statement; and

(ii) The Federal credit union's succession plan established pursuant to [paragraph \(e\)](#) of this section.

(4) Direct management's operations of the Federal credit union in conformity with the requirements set forth in the Federal Credit Union Act, this chapter, other applicable law, and sound business practices.

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(c) **Authority regarding staff and outside consultants.**

(1) In carrying out its duties and responsibilities, each Federal credit union's board of directors and all its committees have authority to retain staff and outside counsel, independent accountants, financial advisors, and other outside consultants at the expense of the Federal credit union.

(2) Federal credit union staff providing services to the board of directors or any committee of the board under [paragraph \(c\)\(1\)](#) of this section may be required by the board of directors or such committee to report directly to the board or such committee, as appropriate.

(3) In discharging board or committee duties a director who does not have knowledge that makes reliance unwarranted is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, prepared or presented by any of the persons specified in paragraph (d).

(d) **Reliance.** A director may rely on:

(1) One or more officers or employees of the Federal credit union who the director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports or statements provided;

(2) Legal counsel, independent public accountants, or other persons retained by the Federal credit union as to matters involving skills or expertise the director reasonably believes are matters:

(i) Within the particular person's professional or expert competence, and

(ii) As to which the particular person merits confidence; and

(3) A committee of the board of directors of which the director is not a member if the director reasonably believes the committee merits confidence.

Succession planning requirements.

(1) ***General.*** A federal credit union must establish a written succession plan as provided in this paragraph that is approved by the board of directors and consistent with the credit union's size and complexity. In evaluating whether a succession plan meets the requirements of this paragraph, the NCUA will consider the size of the federal credit union, as well as the complexity and risk of its operations.

(2) ***Covered positions.*** The succession plan shall, at a minimum, cover the following positions, or their equivalent if the federal credit union has adopted different position titles:

(i) Members of the board of directors;

(ii) Management officials and assistant management officials, as those terms are defined in Appendix A, if provided for in the federal credit union's bylaws, and, to the extent not already covered, the senior executive officers identified in [§ 701.14\(b\)\(2\)](#); and

(iii) Any other personnel the board of directors deems critical given the federal credit union's size, complexity, or risk of operations. This includes new positions that may be required due to planned changes in operations, supervisory landscape, or corporate structure.

(3) **Contents of succession plan.** The succession plan must, at minimum, contain the following information regarding each of the positions covered under [paragraph \(e\)\(2\)](#) of this section:

- (i) The title for each covered position and the expiration of the incumbent's term (if serving in a term-limited capacity) or other anticipated vacancy date if known (such as the incumbent's retirement eligibility date or announced departure date).
- (ii) The federal credit union's plan for permanently filling vacancies for each of the positions.
- (iii) The federal credit union's strategy for recruiting candidates with the potential to assume each of the positions. The strategy must consider how the selection and diversity of skills among the employees covered by the succession plan collectively and individually promotes the safe and sound operation of the federal credit union.

(4) **Board responsibilities.** The board of directors must:

- (i) Approve a written succession plan that meets the requirements of [paragraphs \(e\)\(2\)](#) and [\(e\)\(3\)](#) of this section; and
- (ii) Review, and update as necessary, the succession plan in accordance with a schedule established by the board of directors but no less than every 24 months.

What the regulation says:

Good succession planning confers a variety of benefits, including:

- Minimizing service disruptions during management transitions;
- Ensuring organizational viability over the long term;
- Clarifying the employee development path;
- Developing current talent;
- Creating opportunities for employees; and
- Bringing in new ideas from outside hires.

To be successful, succession planning should be an ongoing and iterative process, not a one-time event.



An NCUA analysis found that poor management succession planning was either a primary or secondary reason for almost a third (32 percent) of credit union consolidations!!

Succession Planning and Recruitment

What we typically see in the industry:

Both are dangerous!

**Zero Turnover -
What's Succession?**



**We'll take anyone
willing/breathing.**



What is better:

Succession that is –

**Carefully
thought
out**

Intentional

**Active/up
dated &
tweaked**

Succession Planning and Recruitment

PROCESS:

1. Create a director's job description that is thorough, mapping out a full year's worth of activities. It should include specifics about your organization as well as the expectations you have for directors, such as:

- How many meetings are required annually
- How much time is expected (roughly) outside of the board room (preparation, self-evaluation, etc.)
- Training/educational requirements (and appropriate budgets)
- Etc.

Succession Planning and Recruitment

2. Create a succession spreadsheet (matrix)
 - Discuss with current directors how long they intend to remain on the board.
 - List skills that each director brings to the board
 - List skills that the board would like to see on the board
 - Look for gaps
 - Determine who is to manage recruitment efforts. (It is our opinion that this should be a requirement for ALL directors but is the direct responsibility of the Recruitment & Nominating Committee.)
 - Develop an “evergreen” list of potential candidates.
 - Consider having both an Associate Director program and an Emeritus Director program.
 - Create a template with skills, demographics and tenure.

Succession Planning and Recruitment

Diversity

- Age
- Professional Skills and Experience
- Gender
- Ethnicity
- Working Style
- What else?*

How are you achieving this?

Does everyone agree that this is important?

Diversity on Credit Union Boards

From *Formalizing the Art of Board Composition*. Published by the Filene Research Institute

“Defining the ideal makeup of a board when it comes to demographic diversity is a near-impossible task. As with most other elements of good governance, there is no single ‘best’ practice, but boards need to constantly work on getting it as right as possible. There is no shortage of evidence showing that diverse groups are more effective. Racially diverse groups demonstrate less conformity, or greater independence of thought (Gaither et al. 2017). Boards with directors from diverse professional backgrounds make better decisions in uncertain situations, while homogenous boards increase the risk of organizational failure (Almandoz and Tilcsik 2016). Perhaps most importantly, most groups are entirely unaware of how their inherent biases work against diversity.”

Succession Planning and Recruitment

Term Limits or Age Limits

We do NOT endorse term limits – we endorse Self-evaluations!

Advantages:

- Good level of turnover
- Prevent stagnation
- 3-4 terms, of 3 years each allows time to learn w/o becoming entrenched
- Age limits also promote turnover & are common in for profit sector

**Have a Discussion
About It!!!**



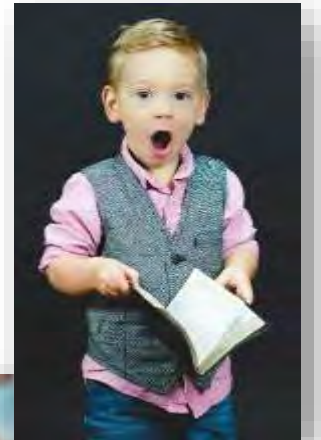
Succession Planning and Recruitment

Term Limits or Age Limits

Disadvantages:

- Removes productive directors as well as unproductive ones
- Long learning curve for volunteers

**Have a Discussion
About It!!!**



What Do You Have?

Name	Board Tenure	Contributing Skills and Experience	Anticipated Departure Date	Generation
Abbie	39 years	Financial, purchasing, senior management experience, quality management, pilot: future looking	2025-2027	Baby Boom
Bob	38 years	Financial, public administration., senior management experience, CCUV (keep updated on new information in industry)	2024	Baby Boom
Chris	20 years	Financial, Credit Union industry and audit experience, regulatory awareness	2025	Baby Boom
Devin	10 years	Financial (CPA), senior management experience, sees member side, regulatory awareness	2025	Gen X
Elvin	19 years	Financial (CPA), HR, former county Treasurer, senior management experience, other non-profit governance skills	2024-2026	Millennial
Farrah	25 years	Financial, bank expertise, senior management experience	No Set Date	Gen Y
Gertrude	19 years	Chair experience, keep updated on new information in industry, HR, sees member side	2025-2027	Baby Boom
Harriet	2 years	Business owner, building construction knowledge	2026-2028	Baby Boom

What Do You Need?

Board Succession

Create tools that make all of this easier:

- Board Job Description
- Expectations
- Governance Calendar
- History of the CU (and the movement)
- Training expectations and budget (be specific)
- Business cards for directors (with links to information)
- Onboarding Schedule
- Mentoring program



Preferred (Basic) Board Member Characteristics

- Openness to learning, unlearning and relearning
- Understand the basic financial well-being (or lack thereof) of a credit union
- Willingness to ask penetrating questions **RESPECTFULLY**
- Ability to disagree diplomatically

Desired (additional) Board Member Characteristics

Ask yourselves:

- What specific skills do need on your board?
- What do you currently have?
- What are the gaps?
 - Matrix

Recruitment and Cultivation

Be prepared to answer these 5 questions

1. What do you want me to do?
2. What info and assistance will be provided?
3. How will I know I'm doing this right?
4. What good is the CU doing?
5. How much time it will take?

Recruitment and Cultivation

How can we cultivate future directors?

- Ambassador/Advisory/Associate Directors
- Supervisory Committee
- Other Committee

Succession Planning/Recruitment

Associate Director Program

- “Directors in Training” – people with potential
- Renewable, one-year terms
- Take part in discussion, but cannot vote
- Shortens the learning curve of directors
- Establishes a “good fit” before too much commitment

Succession Planning/Recruitment

Associate Director Program

Best Practices:

- Active participants vs. passive listeners
- Don't wear them out before giving them a seat
- Let them see viable option for board seat (not endless associate position)
- Provide some perks (i.e. travel/training budget)
- Others?

Succession Planning/Recruitment

Emeritus Director Program

- Honorary seat for retired directors
- Rare (not assumed for ALL members)
- Renewable, one-year terms (some limit this to 3)
- Take part in discussion, but cannot vote

Succession Planning/Recruitment

Emeritus Director Program

- Creates healthy, intentional turnover
- Maintains knowledge base of the board
- Lessens expectations & demand on a long-serving member

Succession Planning/Recruitment

What are you doing that we've not covered?

What works well?

What failed?

(Tell us your cautionary tales.)

- A list of potential candidates
- Some initial discussions, not full recruitment
- Sitting directors must bring to the table based on needs in matrix
- Bring short bio and how they fit the need
- List will change and evolve

Director Involvement: Evergreen List

CEO Oversight

Hiring:

- Hiring best CEO the CU can afford is one of most effective board activities
- The link between board vision & the plan
- Good fit for board is crucial
 - *Best boards have least experience in hiring!
(If you have lots of experience hiring, something's wrong.)
- Define & Prioritize Competencies for *your* strategy/culture
- Consider wide range of options (inside & out)
- Embrace change & transition
- Remain independent of outgoing CEO (respecting input)
- Give yourself more time than you think (really)

CEO Oversight

Relationship Between the Board/CEO:

- Foster strong relationship built on trust & clear communication
- Be careful not to get too “chummy”
- Maintain supportive “skepticism”:
 - Regular informal chats
 - Encourage frankness about failure
 - Get a variety of feedback from a range of sources
 - Be intentional about board/CEO development
 - Speak with one voice

CEO Oversight

Annual Review:

- Shouldn't be annual (*what?*)

Annual review doesn't provide time to correct/adjust/achieve

- Periodic feedback at the right level
- Consider quarterly formal check in



Feedback Loop



Allows for adjustments
(Not excuses)

More transparent

Formative (not summative)

Removes surprises

In line with industry HR best practices (which should hold at the board level as well)

Get the right feedback inputs

I. Strategic and Business Plan Achievement

- A. Financial Objectives
- B. Marketing Objectives
- C. Operational and Delivery Platform Objectives
- D. Effective Planning

II. Member Service

- A. Member Satisfaction
- B. Member Service

III. Leadership of Staff and Credit Union

- A. Communication with Staff and Management
- B. Innovation

IV. Teamwork

- A. Board Relations
- B. Management and Staff Relations

V. Regulatory and Policy Compliance

- A. Regulatory and Policy Compliance & the Audit Processes
- B. Effective Internal Controls

VI. Professional Development (For the CEO)

- A. Education/Training
- B. Networking

Sample Oversight Measures

Subjective vs. Objective Options

1. Use as many objective options as possible.
2. Many “subjective” measures can be put into an objective frame
3. Leave room for some subjective measurement, but add commentary to support the position.
(i.e. avoid: “I just *feel* like he didn’t really earn what the numbers show.”)

CEO Oversight

Areas for Review and Oversight:

- Financial Success – via dashboard
- Strategic Achievements (what was expected?)
- Staff Morale/Engagement
- Member Surveys
- CPA Audit/ Regulatory Examination

Reward for Success!
Compensate based on industry norms
(not on the directors' professional
norms).

CEO Oversight

Succession Planning for CEO

(*We see this gap putting CUs out of business, literally, and too often.)

- Surveys indicate a wave of CU retirements in near future
(= demand for talent)
- Take care of Emergency Planning First
- Emergency scenarios are temporary
- Think through the domino effect of internal candidates

CEO Oversight

Considerations for hiring process:

1. Will all board members be included in reviewing candidates?
2. How will a Board/committee narrow down the candidates?
3. Will it be a group interview?
Or will the second round be multiple interviews with individual board members?
4. Will you be getting input from senior management?

CEO Oversight

Succession Planning for CEO

- Will we hire internally or externally?
- Do we want to keep the current culture
 - or are we open to a new culture?
- How many potential internal candidates do we currently have?
- What are the strengths and weaknesses of internal candidates?
- Are we prepared to invest in potential candidates' growth?
(Professional development classes, stretch assignments, etc.)

CEO Oversight

Succession Planning for CEO

- Are we realistic about the salary and benefits necessary for a modern candidate with financial services experience?
- What resources will we use for an external candidate search?
- Will we use an executive search firm or go it alone?
- Have we planned for significant time to vet search firms?
- Have we planned for significant time to vet candidates?
- The entire board should be involved, but in which parts?

Board Orientation

BOARD ORIENTATION OUTLINE

Key Policies

Bylaws

Strategic governance policies

Specific policies of note: Volunteer Education, Membership, Organizational Chart, Travel, Privacy, and Volunteer

Financial Literacy

Code of Conduct and Ethics Policy

Credit Union Background Information

Orientation slide show - history of CU

Purpose and Vision of credit union

Board and CU Values

Strategic Plan document

Business Plan documents

Financials and historical trends

Products and services brochures

Disaster Recovery / Business Continuity

Logistics

Committee structure

Board packet structure

Governance calendar

Meeting schedules

Planning meeting date

Evaluations of Directors

Contact list – Board, Volunteers, Employees

Administrative Assistant (AA) duties and how AA interfaces with Board

Educational Opportunities Available

Volunteer Achievement Program (through CUNA)

CUES Executive Education

NAFCU

Magazines and other resources available

CU Management

CU Times

Creditunions.com

CUBusiness

CU Magazine

CU Journal

CUinsights.com

Seminars and conferences

CUES conference schedule

League training

CUNA conference schedule

Other opportunities

Regulatory agencies

State Department of Financial Institutions

Consumer Financial Protection Bureau (CFPB)

Treasury Dept - Office of Thrift Supervision

National Credit Union Administration (NCUA)

Federal Reserve Bank

Industry associations

_____ Credit Union League

CUES - DEF membership benefits

NASCUS

NAFCU

Corporate Credit Union or Correspondent Bank

CUNA

NACUSO

World Council of Credit Unions

Board Onboarding & Orientation

- The Credit Union Difference
 - The History of Credit Unions and your specific organization
 - Purpose and Financial Well-Being for All
 - Legal Responsibilities
 - Duty of Care
 - Duty of Loyalty
 - Duty of Obedience
- Terminology and Acronyms
- Credit Union Financials
- Risk Management
- Strategic Planning and Mindset
- The Governance Approach of the CU
- Document Access:
 - The Credit Union's Charter
 - Bylaws
 - Governance Policies
 - Board Minutes
 - Strategic Plan
 - Calendar
 - Board/Staff Contact Information

Training Topics

Board Orientation

- Should be measured in months, not in hours.
- Should NOT be an “information dump”
- Should be “chunked” down in various formats (print, verbal, electronic, observation)
- Should NOT only be generic “board” or “credit union” info.
- Should be customized and include your CU history
- Should NOT be left for the board member to do alone

Prioritize the Financials

At a bare minimum, directors should have a firm grasp of:

1. Capital to Assets Ratio
2. Spread Analysis
 - 2a. Interest Yield on Assets (interest income ratio)
 - 2b. Cost of Funds (interest expense ratio)
 - 2c. Net Interest Margin (difference)
3. Non-Interest Income ratio (fees, service revenue)
4. Operating expense ratio
5. Provision for Loan Loss ratio
6. Return on Assets (profit ratio)
7. Efficiency Ratio
- 8a. Delinquency Ratio
- 8b. Net Charge-off Ratio
9. Loan to Share Ratio
- 10a. Balance per Member
- 10b. Profit per Member]

Board Orientation

Risk Management

Types of Risk:

1. Credit Risk
2. Interest Rate Risk
3. Liquidity Risk
4. Transaction Risk
5. Compliance Risk
6. Strategic Risk
7. Reputation Risk

<https://ncua.gov/files/letters-federal-credit-unions/LFCU2002-09.pdf>

ERM Components

- **Established “Risk Culture”**
- **Clear Objectives**
- **Event Identification**
- **Risk Assessment**
- **Risk Response**
- **Control Activities**
- **Information and Communication**
- **Monitoring**

https://ncua.gov/files/supervisory-letters/LCU2013-12_SupervisoryLetter.pdf

Board Orientation

What do you recommend? Dos & Don'ts

What would you like to add?

Are you tying orientation back to purpose? Or just making sure everyone knows where the snacks & bathrooms are?

Board Meetings...

*Where Minutes are kept
And Hours are lost*

S.M.A.R.T.E.R. Meetings

S. Start on time

M. Members come prepared

A. Agenda driven

R. Remain informal

T. Timely adjournment

E. Evaluate your meeting for improvement

R. Responsibility is shared for making meetings better

The Effective Board Meeting

- Put most important items **highest** on agenda
- Request all reports be written
- Consider having verbal reports on video available prior to the meeting
- Don't rehash written reports unless there is an action item requested on that report
 - If report author wants action, that should be clearly specified in report and agenda

Board meetings belong to the Board

- The board controls the agenda
- The board controls the attendance
- The board controls the topics and direction
- The CEO is a guest, unless on the board

The board is in charge!!!

Board meetings belong to the Board

Staff members should be there as a valuable resource

- This is not giving up control,
it's maintaining proper control

Transform Routine Board Meetings to *Strategic Board Meetings*

Use the Agenda to keep Directors focused on the PURPOSE

Align the Dash Board (critical measures) to the Purpose and Strategy

- All reports should be **aligned with the strategic purpose**
- Reports should include an **introductory paragraph on how they are helping achieve** the strategic direction or how they fit into the strategic plan

Transform Routine Board Meetings to *Strategic Board Meetings*

Agenda

Updated Version

Purpose Statement

Board Strategic Overview:

Quarterly training on strategic insights on:

- Environment the credit union is operating in
- Evolving issues effecting the future of the CU

Staff Presentations:

Quarterly staff presentations on:

- Strategic issues faced in their area
- New opportunities arising in products, service and Technology

Transform Routine Board Meetings to *Strategic Board Meetings*

Strategic Environment Section: At each meeting, allow time for directors or management to bring issues of strategic importance to the table.

This could be:

- pending issues
- new developments
- Intuitions
- Something learned at a conference, webinar, reading
- market changes
- economic issues, etc.

Spend most of the meeting on these big, important, strategic issues

Then the Regular Stuff

2. CEO's Corner – new branch on Maple St.
 3. Consent Agenda
 - a. Board Meeting Minutes – December, 201X
 - b. Previous month's financial and data reports
 - Financial reports and Dashboard
 - Membership Report
 - New/closed accounts
 - Charge offs/delinquency
 - c. BSA Report
 4. Policy Review
-

7. BTW – Addition of live entertainment at the annual meeting to drive attendance.
8. Board Education – Governance best practices in other nonprofit industries. Case study in association governance. (source, ASAE)
9. Old business – Ongoing discussion of benefits of new core processor.
10. Next meetings:
 - a. February 15, 201X
 - b. March 23, 201X
11. Adjournment

The Effective Board Meeting

Consent Agenda

- Hold discipline on this
 - Agenda items are here because they don't add real value or require discussion
 - Only allow discussion if it really allows value
- Put all routine items in this section
- Pull items that require discussion or clarification, then vote on remainder
- Consider even moving this to end of meeting

The Effective Board Meeting

Leave Time for:

- **Education** – a part of every meeting
- **CEO's Corner** – Time for CEO to talk about those issues that are important to him/her
- **BTW (by the way)**
 - Environmental issues that could impact the credit union

Stop at agreed upon time, items not covered are carried to next meeting

Link Short-Term Results to Long-Term Goals

At each board meeting and retreat, the board should assess **how short-term results relate to the PURPOSE.**

Are we moving toward our PURPOSE?

Are we treading water?

Are we moving away from our PURPOSE?

Have we lost track of our PURPOSE.

By consistently reminding themselves of PURPOSE, the board can persistently work to keep management aiming toward it.

Keep Up with Strategic Issues

- Directors should be expected to become knowledgeable about:
 - the credit union/banking world
 - trends affecting the credit union and its competitors.
- Helps board evaluate management actions
- When decision points arise, the directors will be more familiar with the issues and alternatives

Making the Annual Planning Retreat “Strategic”

When you get to the annual planning retreat... be **mindful of the “WHY.”**

Find Key Strategies that support the why and focus your limited resources.

Avoid steps or strategies that don't focus on the “Why.”

Priorities are only priorities if there are few...3 to 4.

Keeping the group focused on the purpose can keep them from “chasing shiny objects.”



Making the Annual Planning Retreat “Strategic”

If you always remember:

- WHY you are here and
- What you’re trying to accomplish and,
- What the strategy is to get you there:
Then making decisions is often much easier.

Strategy is as much about saying “No, that doesn’t fit,”

As it is about saying “Yes, that fits.”

Start with the Purpose

Agenda

Our Purpose

To help strengthen and build the financial lives of our members

Key Strategic Drivers

- 1. Become a Lending Giant to our members*
- 2. Provide “Knock-Your-Socks-Off” service to our members*
- 3. Provide “Life-Changing” financial education to members*

Use the WHY as the Filter

The Purpose become a filter

If new opportunities arise:

- “This fits our Purpose perfectly”
- “This has nothing to do with our Purpose.”

Requires great discipline and it is the reason behind number using the WHY becomes a great filter...keeps you from “Chasing shiny objects.”

Outside the Boardroom

Can these discussions be managed?

Do they need to be?

How can this be done?

14 Key Governance Questions

1. Why does this require the Board's attention?
2. What's important for us to know, why is this of interest to the Board?
3. Is this good news or bad news?
4. How will it get us where we want to go?
5. Is management confident that this is the right course of action?
6. What is management planning to do about it?
7. How does this benefit the member?

14 Key Governance Questions

8. What potential risk does this pose?
9. Could you please explain that to me so I fully understand?
10. How much is this going to cost?
11. Will it cost more to do it or not do it?
12. What is the ROI?
13. How does this align with our Purpose and Strategy?
14. Could you please convince me?

Key to Successful Governance

Be team workers with Management
while retaining independence from management

And not duplicating management (micro-managing)

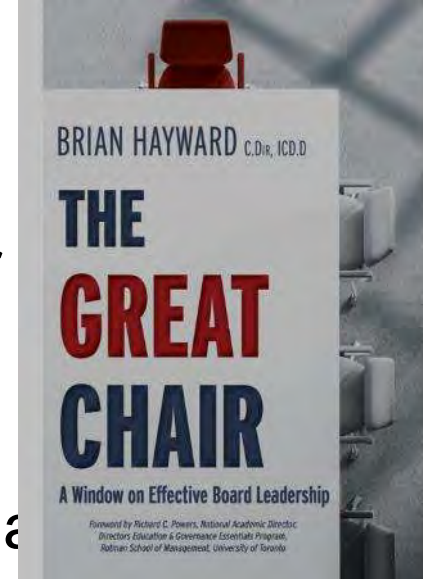
Maintaining Board Discipline

- Everyone's job
- Starts with Chair
- Members can assist
- Best if Board Evaluations are performed routinely

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!



Independence of Board

The importance of Executive Sessions

Boards should meet regularly without the CEO present

- Allows candid discussion that may be affected with CEO present
- Allows Boards to recognize their independence
 - BUT: Keep general minutes
- Inform the CEO what the meeting generally covered
- This is not a 'get the CEO' session
- No votes on anything but Compensation and Employment

Required by Sarbanes-Oxley Act 303A(3) ...companies must schedule regular executive sessions in which those directors meet without management participation. (NOTE: credit unions are NOT covered by Sarbanes-Oxley so Executive Sessions are not required)

Executive Session Guidelines

- Executive Sessions are not “Secret Sessions”, they are created to ‘protect’ someone. Broad minutes should be kept.
- Best when held on a ‘regular’ basis (monthly, quarterly, etc.).
Reduces CEO anxiety
- Allows directors to voice concerns they would withhold with management in the room
 - Concern about financial condition or risk issue
 - Sharing information received confidentially (allegations of fraud, sexual harassment, or other concern)
- Permits directors to hash out important board or governance disagreements among themselves without the “kids” watching

Executive Session Guidelines

- Executive Sessions are not to keep members from knowing what their Board is doing
- Executive Sessions are to **protect someone**
- Executive Sessions should have vague minutes
 - Topic: then “Robust discussion followed”
- But all votes in executive session should be recorded and made part of the Regular Meeting Minutes
- Many Governance Experts say that the Executive Session should be closed and Regular Meeting be reopened for votes...probably depends on subject

Executive Session Guidelines

Who attends Executive Session?

- Board
 - May exclude a director who is being discussed
- Anyone the board invites

Executive Session – Valid Topics

- CEO issues including:
 - Hiring and termination
 - Compensation and benefits
 - Performance/Management Issues
- Board only Governance Issues
- Corporate crisis management or emergency meetings
- Improper conduct and disciplinary action
- Concerns about fraud/defalcation of Senior Management member
- Litigation and legal issues
- Attorney consultation or legal counsel
- Mergers and acquisitions
- Meeting with the auditor
- Succession planning
- Off-the-record conversations between the CEO and board

Calibration Vs. Evaluation Semantics?





When to Perform Alignment:



1. As a part of regular maintenance



2. When you hit a bump/minor crash



3. When you get new equipment

Best Practices for Governance

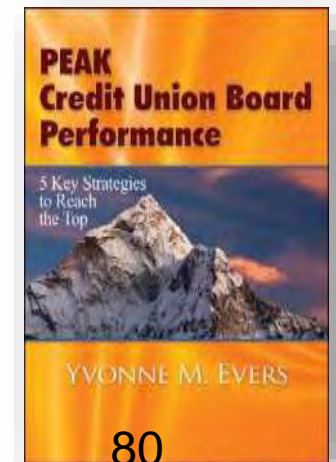
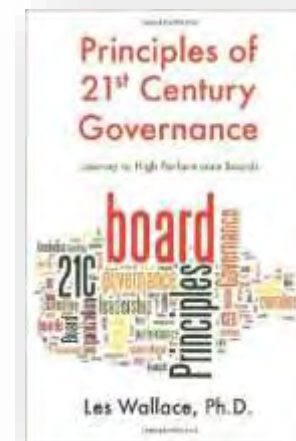
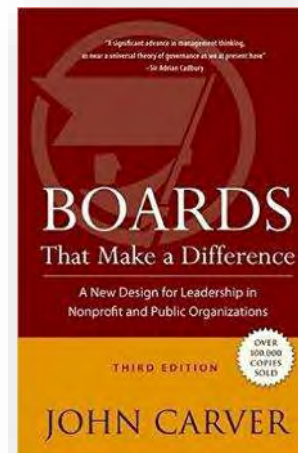
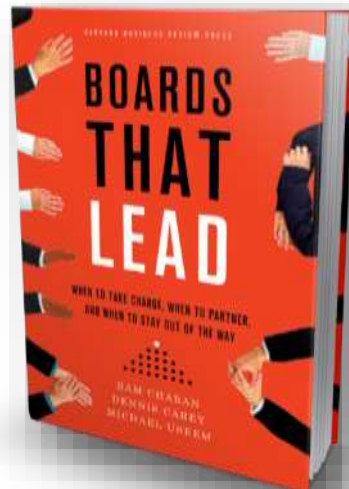
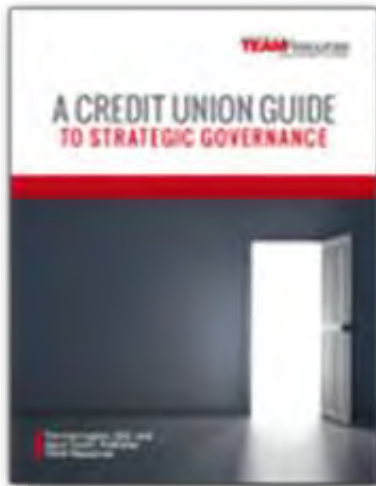
Tim Harrington and Kevin Smith – *A Credit Union Guide to Strategic Governance*

Ram Charan – *Boards That Lead (2015)*

John Carver – *Boards that Make a Difference*

Les Wallace – *21st Century Governance*

Yvonne Evers – *Peak CU Board Performance*





REPORT

**Entrenched or Energetic?
Improving Credit Union
Board Renewal**

“Formal and regular board evaluations help boards to identify areas of strength and areas in need of attention. Directors are much more likely to voice concerns through a well-defined and confidential procedure than they are during a board meeting. As a result, formal evaluations can strengthen processes, structures, and decision making on an ongoing basis.”

Antonio Spizzirri and Matt Fullbrook



REPORT

**Entrenched or Energetic?
Improving Credit Union
Board Renewal**

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AREA OF BOARD PERFORMANCE RATINGS REPORTED BY EXECUTIVES

Area of Board Performance (Rated on a four-point GPA scale, 0=F, 1=D, 2=C, 3=B, 4=A)	Assessed in past 2 years	Assessed ever	Never assessed	Variance*
Setting the organization's strategic direction	2.68	2.45	2.11	0.57
Monitoring impact in the context of the strategic goals or objectives	2.36	2.17	1.81	0.55
Evaluating the chief executive's performance against goals	2.47	2.15	1.94	0.53
Financial oversight	3.18	3.09	2.68	0.50
Providing guidance to the chief executive	2.72	2.62	2.22	0.50
Thinking strategically as a Board	2.50	2.28	2.05	0.46
Understanding the Board's roles and responsibilities	2.67	2.61	2.26	0.41
Building a diverse and inclusive Board with a commitment to equity	2.00	1.67	1.59	0.40
Level of commitment and involvement	2.77	2.64	2.38	0.40
Monitoring legislative and regulatory issues that have the potential to impact the organization	1.83	1.57	1.47	0.36
Understanding the context in which the organization is working	2.31	2.21	1.97	0.34
Fundraising	1.79	1.60	1.47	0.32
Legal and ethical oversight	2.94	2.94	2.63	0.30
Building relationships within the community that help support and inform the organization's work	2.13	2.05	1.92	0.21
Projecting a positive public image of the organization	3.01	3.04	2.81	0.20
Understanding the organization's mission	3.34	3.26	3.20	0.15
Knowledge of the organization's programs	2.69	2.56	2.54	0.14
Leveraging Board connections and networks to influence public policy decisions that have the potential to impact the organization's work	1.68	1.57	1.56	0.13
Average across all categories of board performance	2.50	2.36	2.15	0.36

JUNE 2021

BoardSource
Empowering Boards. Inspiring Leadership.

**LEADING
WITH
INTENT**
BoardSource Index of
Nonprofit Board Practices

Common Obstacles



The Last Ditch Effort

To get rid of a Board Member

...a non-productive
member.

...or an over-productive
member. (i.e. a meddler)

The Fear Factor

The Excuses



How to Make it Work:

Establish Ground Rules

Get buy-in

Set Goals

**Do it yourself?
Or
Have a facilitator?**



Do it yourself? Or Have a facilitator?



DO IT YOURSELF

Pros:

- An insider knows the board members and how they may react.
- It's faster to work from within.
- It's cheaper.
- Survey tools are cheap (sometimes free)

Do it yourself? Or Have a facilitator?



DO IT YOURSELF

Cons:

- Board members may hold back and not be totally candid in their comments with a fellow board member running the process.
- If you're unfamiliar with the process the set up and data can be cumbersome.
- If you're doing this for the first time, you may not know where to look in the data for the right information to get good results and analysis. It may take several years to refine the practice (the exception is the monthly meeting evaluation).

**Do it yourself?
Or
Have a facilitator?**



HIRE A FACILITATOR

Pros:

- A facilitator will make the process much easier, handling the practicalities and details.
- An unbiased, third party offers board members a filter and therefore the confidence to be candid.
- The facilitator may compare your data with other surveys of other boards giving you additional information and context.
- A facilitator will know how and where to tease out the most interesting information, red flags, etc., producing more valuable results for your time.

**Do it yourself?
Or
Have a facilitator?**



HIRE A FACILITATOR

Cons:

- Cost
- It may take time to make sure that the facilitator knows/understands your board well enough to make a proper analysis.

3 Approaches to Self-Evaluations

forteamresources.com/products/free-downloads/

1. Board Meeting Evaluation

Board Meeting Structured Review

(Name of CU)

The purpose of this form is to evaluate overall effectiveness of the monthly Board meeting. Please rank the following items on a scale of 1-5 as defined below.

	Strongly Disagree Disagree Not Sure Agree Strongly Agree
1) The agenda and materials were provided to all meeting participants in a timely manner	1 2 3 4 5
2) The agenda was clear and sensible	1 2 3 4 5
3) Board packet materials were relevant, focused on strategic issues and/or provided analysis of key strategic measurements	1 2 3 4 5
4) Directors were prepared and involved	1 2 3 4 5
5) Discussions were on target	1 2 3 4 5
6) Directors refrained from discussing operational issues (Realm of CEO)	1 2 3 4 5
7) Meeting was focused on strategic issues (Board Realm)	1 2 3 4 5
8) Directors looked ahead to ascertain if current Strategic Plan remains relevant	1 2 3 4 5
9) Education was provided, was relevant and was well presented	1 2 3 4 5
10) Chair managed the meeting well	1 2 3 4 5

2. Board As a Whole Self-Evaluation

Questions: Evaluation Questions for the Board as a Whole

Please use the following ratings:

- 1 = Well Below Average
- 2 = Below Average
- 3 = Average
- 4 = Above Average
- 5 = Well above Average

1. Does the board have a full understanding of its responsibilities?
2. Is the board structure clear? (officers, committees, job descriptions)
3. Has the board established clear goals resulting from a relevant and realistic strategic planning process?
4. Does the board stay on the policy and planning level?
5. Does the board engage in micro-managing?
6. Does the board receive regular reports on financial issues, budgets, product and program performance and other important matters?
7. Does the board regularly monitor and evaluate the progress toward strategic goals and product and program performance?
8. Does the board receive appropriate reports and information to measure and monitor risk at the credit union?
9. Does the board effectively represent the credit union to the membership?
10. Does the board effectively represent the credit union to the community?
11. Do board meetings focus on important matters?
12. Does the board regularly evaluate the CEO?
13. Does the board keep internal politics to a minimum?
14. Does the board approach issues with a concern for what is best for the membership and the organization as a whole?
15. Are the necessary skills and diversity represented by the board?
16. Does the board use policy and planning to guide the direction of the CEO?
17. Has the board encouraged a team concept between the board and management?
18. Does a climate of mutual trust exist between the board and the CEO?
19. Does the board accept expressions of differing opinions?
20. Is every board member encouraged to participate in discussions?
21. Does the board keep informed of new laws and/or regulations affecting credit unions?
22. Do directors appear to be aware of the level of risk existing at the credit union?

Board as a Whole Self-Evaluation SAMPLE Federal Credit Union - May 2014

Summary by Score

Scores of 4.5 or above indicate a strength that may be exploited.

Scores below 3 indicate a weakness that should be addressed.

Yellow highlighting indicates an area of concern.

Question		Average Score	Score of "5"	Score of "4"	Score of "3"	Score of "2"	Score of "1"
	1= Well Below Average 2= Below Average 3= Average 4= Above Average 5= Well Above Average Evaluation Questions for the Board as a Whole:						
5	Does the Board request and receive regular reports on financial issues, budgets, product and program performance and other important matters?	4.67	14	2	2	0	0
20	Does the Board receive appropriate reports and information to measure and monitor risk at the credit union?	4.50	11	5	2	0	0
2	Is the Board structure clear? (officers, committees, job descriptions)	4.28	9	5	4	0	0
19	Does the Board keep informed of new laws and/or regulations affecting credit unions?	4.17	6	9	3	0	0
1	Does the Board have a full understanding of its responsibilities?	4.11	7	7	3	1	0
21	Do Directors appear to be aware of the level of risk existing at the credit union?	4.00	5	9	3	1	0
7	Does the Board effectively represent the credit union to the membership?	3.82	3	9	4	1	0
12	Does the Board approach issues with a concern for what is best for the membership and the organization as a whole?	3.82	4	7	5	1	0
6	Does the Board regularly monitor and evaluate the progress toward strategic goals and product and program performance?	3.78	4	7	6	1	0
10	Does the Board regularly evaluate and provide direction to the CEO?	3.71	3	7	6	1	0
14	Does the Board use policy and planning to guide the direction of the CEO?	3.65	3	7	5	2	0
8	Does the Board effectively represent the credit union to the community?	3.61	3	6	8	1	0
3	Has the Board established clear goals resulting from a relevant and realistic strategic planning process?	3.56	4	7	2	5	0
11	Does the Board keep internal politics to a minimum?	3.50	2	6	9	1	0
13	Are the necessary skills and diversity represented by the Board?	3.44	1	9	5	3	0
17	Does the Board accept expressions of differing opinions?	3.44	2	5	10	1	0
18	Is every Board member encouraged to participate in discussions?	3.44	2	5	10	1	0
9	Do Board meetings focus on important matters?	3.39	3	5	5	4	0
15	Has the Board encouraged a team concept between the Board and management?	3.39	4	5	4	4	1
16	Does a climate of mutual trust exist between the Board and the CEO?	3.33	2	7	6	1	2
4	Does the Board stay on the policy and planning level or does it engage in micro-managing?	3.06	2	5	5	4	2
Overall Average for the Board as a Whole:							

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3. Structured Peer Review

Board Structured Peer Review SAMPLE Credit Union - May 2014

Peer Review Summary Scores by Individual Item

Question #	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Peer Score	Self Score	Average score for question for Entire Board
	Director 1	Director 1	Director 2	Director 2	Director 3	Director 3	Director 4	Director 4	Director 5	Director 5	Director 6	Director 6	Director 7	Director 7	Director 8	Director 8	Director 9	Director 9	
1	3.00	4.0	3.40	3.0	3.20	4.0	3.20	4.0	3.70	3.0	3.70	4.0	3.40	4.0	3.20	3.0	3.60	4.0	3.38
2	3.00	3.0	3.30	3.0	3.20	3.0	3.20	3.0	3.40	3.0	3.30	4.0	3.20	3.0	3.20	3.0	3.22	3.0	3.22
3	2.80	4.0	3.50	3.0	3.00	4.0	3.10	3.0	3.40	3.0	3.40	4.0	3.30	4.0	3.20	3.0	3.56	4.0	3.25
4	2.80	4.0	3.50	4.0	3.40	3.0	3.20	3.0	3.40	3.0	3.50	4.0	3.50	4.0	3.40	3.0	3.44	3.0	3.35
5	2.70	3.0	3.50	4.0	3.10	3.0	2.80	3.0	3.20	3.0	3.30	4.0	3.50	4.0	3.20	3.0	3.11	3.0	3.16
6	2.70	3.0	3.20	3.0	2.90	4.0	3.00	3.0	3.30	3.0	3.30	4.0	3.30	3.0	3.20	3.0	3.44	3.0	3.15
7	3.30	4.0	3.20	3.0	3.30	4.0	3.30	3.0	3.40	3.0	3.40	3.0	3.50	3.0	3.10	3.0	3.33	3.0	3.31
8	2.80	4.0	3.60	3.0	3.00	3.0	3.10	4.0	3.50	3.0	3.40	4.0	3.20	4.0	3.40	4.0	3.44	4.0	3.27
9	3.10	4.0	3.30	3.0	3.30	4.0	3.40	3.0	3.40	3.0	3.40	4.0	3.40	4.0	3.10	3.0	3.33	3.0	3.30
10	3.30	4.0	3.40	3.0	3.20	4.0	3.40	4.0	3.50	3.0	3.50	4.0	3.40	3.0	3.40	3.0	3.44	3.0	3.39
11	3.10	4.0	3.30	3.0	3.20	4.0	3.30	3.0	3.30	3.0	3.20	4.0	3.30	3.0	3.30	4.0	3.44	3.0	3.27
12	3.00	4.0	3.10	3.0	3.10	4.0	3.20	3.0	3.20	3.0	3.30	3.0	3.20	3.0	3.00	3.0	3.22	3.0	3.15
13	2.80	3.0	3.30	3.0	3.10	3.0	3.00	3.0	3.50	2.0	3.70	4.0	3.10	4.0	3.40	3.0	3.67	3.0	3.29
14	3.00	4.0	3.60	4.0	3.30	4.0	3.10	3.0	3.40	3.0	3.50	4.0	3.40	4.0	3.30	3.0	3.67	4.0	3.36
15	2.80	4.0	3.60	3.0	3.30	4.0	3.00	3.0	3.20	2.0	3.40	4.0	3.20	4.0	3.10	4.0	3.44	4.0	3.23
16	3.00	4.0	3.40	3.0	3.10	4.0	3.30	4.0	3.50	3.0	3.40	4.0	3.50	4.0	3.00	3.0	3.33	3.0	3.28
17	3.20	4.0	3.20	3.0	3.20	4.0	3.40	3.0	3.40	3.0	3.40	4.0	3.40	4.0	3.20	3.0	3.33	3.0	3.30
18	3.20	4.0	3.30	3.0	3.20	4.0	3.30	3.0	3.30	3.0	3.30	3.0	3.30	3.0	3.30	3.0	3.33	3.0	3.28
19	3.20	4.0	3.40	3.0	3.20	4.0	3.40	3.0	3.40	3.0	3.30	4.0	3.40	3.0	3.40	3.0	3.44	3.0	3.35
20	3.10	4.0	3.10	3.0	3.20	4.0	3.40	3.0	3.40	3.0	3.30	4.0	3.40	3.0	3.20	3.0	3.44	3.0	3.28
Peer Average	3.00		3.36		3.18		3.21		3.39		3.40		3.35		3.23		3.41		
Self Score		3.80		3.15		3.75		3.20		2.90		3.85		3.55		3.15		3.25	
Overall Board Average:																			3.28

Yellow highlights indicate that the Directors Self-Score is 0.50 or more points **HIGHER** than the Peer Average.

This may indicate an area where the Director has a self-perception that is not shared by the Peers.

This may be an area where the Director can learn from the Peers useful information about their functioning as a director.

Bright Green highlights indicate that the Directors Self-Score is 0.50 or more points **LOWER** than the Peer Average.

Peer
Score

Self
Score

Peer Average	3.00	3.36	3.18	3.21	3.39	3.40	3.35	3.23	3.41										
Self Score	3.80	3.15	3.75	3.20	2.90	3.85	3.55	3.15	3.25										

Overall Board Average: 3.28

Yellow highlights indicate that the Director's Self-Score is 0.50 or more points **HIGHER** than the Peer Average.

This may indicate an area where the director has a self-perception that is not shared by the peers.

This may be an area where the director can learn from the Peers useful information about their functioning as a director.

Bright Green highlights indicate that the Directors Self-Score is 0.50 or more points **LOWER** than the Peer Average.

Maintaining Board Discipline

- Everyone's job
- Starts with Chair
- Members can assist
- Best if Board Evaluations are performed routinely

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**End of
Part 2**