



NACUC  
NATIONAL ASSOCIATION  
OF CREDIT UNION CHAIRS

—2025 LEADERSHIP DEVELOPMENT SEMINAR—  
**PARK CITY, UTAH**

May 18 - 20, 2025

Hotel Park City

**LEADERSHIP  
DEVELOPMENT SEMINAR**

NACUC.ORG





## Seminar Schedule

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### **Sunday, May 18, 2025**

|                   |                             |             |
|-------------------|-----------------------------|-------------|
| 9:00 am – 4:30 pm | Seminar Check-In            | Aspen Foyer |
| 1:30 pm - 4:30 pm | Financial Literacy Training | Aspen       |
| 5:00 pm - 6:00 pm | Get Acquainted Mixer        | Pine        |

### **Monday, May 19, 2025**

|                     |                    |             |
|---------------------|--------------------|-------------|
| 8:00 am - 8:45 am   | Buffet Breakfast   | Wasatch     |
| 8:45 am - 10:00 am  | Seminar in Session | Aspen       |
| 10:00 am - 10:15 am | Morning Break      | Aspen Foyer |
| 10:15 am - 12:00 pm | Seminar in Session | Aspen       |
| 12:00 pm - 1:00 pm  | Luncheon           | Wasatch     |
| 1:00 pm - 2:30 pm   | Seminar in Session | Aspen       |
| 2:30 pm - 3:00 pm   | Afternoon Break    | Aspen Foyer |
| 3:00 pm - 4:00 pm   | Seminar in Session | Aspen       |

### **Tuesday, May 20, 2025**

|                     |                    |             |
|---------------------|--------------------|-------------|
| 8:00 am - 8:45 am   | Buffet Breakfast   | Wasatch     |
| 8:45 am - 10:00 am  | Seminar in Session | Aspen       |
| 10:00 am - 10:15 am | Morning Break      | Aspen Foyer |
| 10:15 am - 12:00 pm | Seminar in Session | Aspen       |
| 12:00 pm - 1:00 pm  | Luncheon           | Wasatch     |
| 1:00 pm - 2:00 pm   | Seminar in Session | Aspen       |
| 2:00 pm - 2:30 pm   | Afternoon Break    | Aspen Foyer |
| 2:30 pm - 3:30 pm   | Seminar Concludes  | Aspen       |



NATIONAL ASSOCIATION OF CREDIT UNION CHAIRS

CONNECTING CREDIT UNION BOARD LEADERS

## 2025 NACUC Leadership Development Seminar

Tim Harrington, CPA <sup>ret</sup>  
And Kevin Smith

### Part 1

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.

2

2

## 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



3

3

## Meet Your Neighbors

*Find out about:*

- *The most interesting thing they have ever done*

*Or*

- *The most dangerous thing they have ever done*

4

4



## 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

5

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## What Topics are Important to YOU?



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## What has been said of Boards

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



WORLD.COM



**BlackBerry**

LEHMAN  
BROTHERS

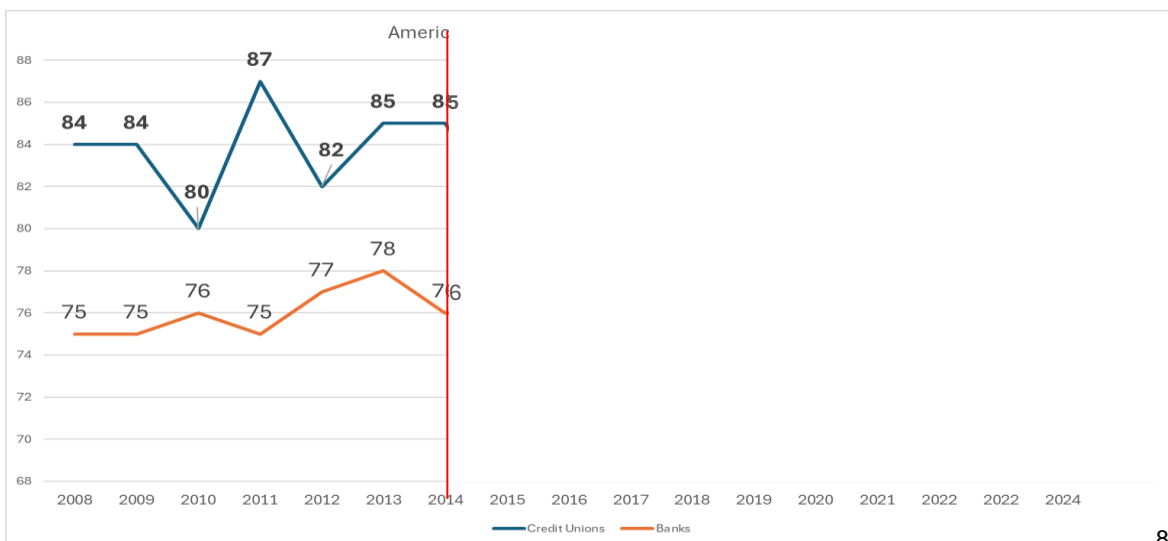


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## CONSUMER SATISFACTION



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## 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

9

9

## 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 congregate among themselves to plan actions.”

Marilyn Seymann & Michael Rosenbaum  
The Governance Game



10

10



## 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*

11

11

## 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

12

12

## 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

13

13

## What's the Chair's Role?



First among equals

14

14

## What's the Chair's Role?

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

15

15

## 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

16

16

## 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

17

17

## 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.

From TEAM Resources Strategic Governance Policy

18

18

## 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

19

19

## 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.

20

20

## 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

21

21

## 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)

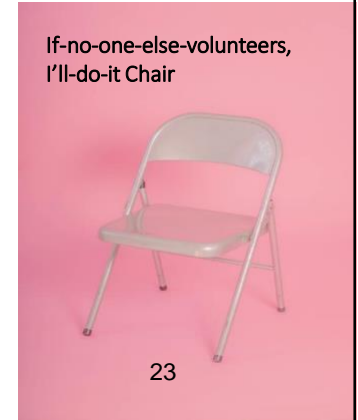
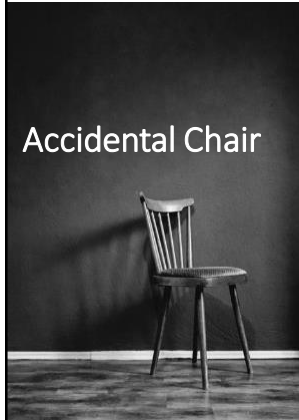
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## How to Become Chair

Let's stereotype, shall we?



23

## 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 Frawley, Ph.D., Mary Hillard, Ph.D., Michael Burns, M.A.,  
Cathy O'Brien, M.S., and Debra Black, Ed.D.  
[www.Allianceonline.org](http://www.Allianceonline.org)

24

24

# 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>



25

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# 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>



26

26

## 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

27

27

## Role of the Chair

### “Issues” that Arise:

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

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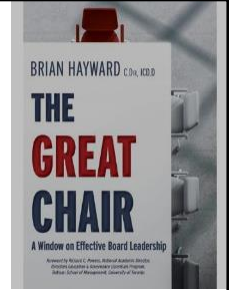
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## How We Will Work

### 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.

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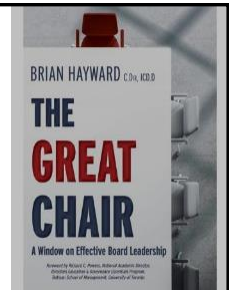
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## How We Will Work

### 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.

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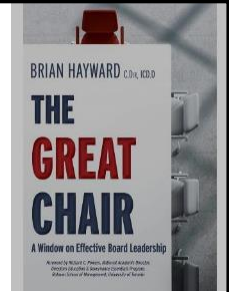


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## How We Will Work

### 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!



31

31

## 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”

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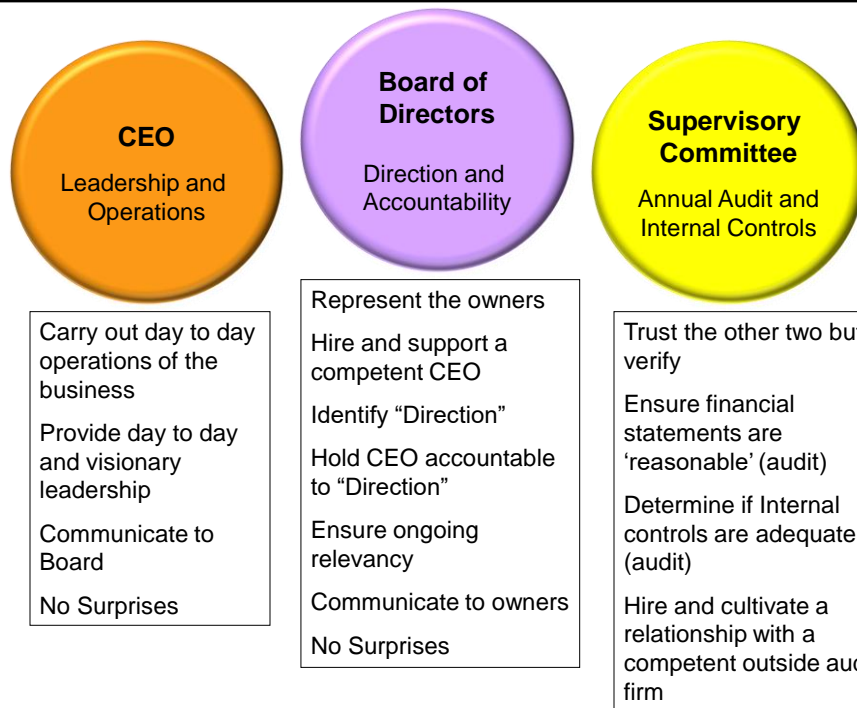
# Governance is a Team Sport



**One Team**  
**Three Parts**

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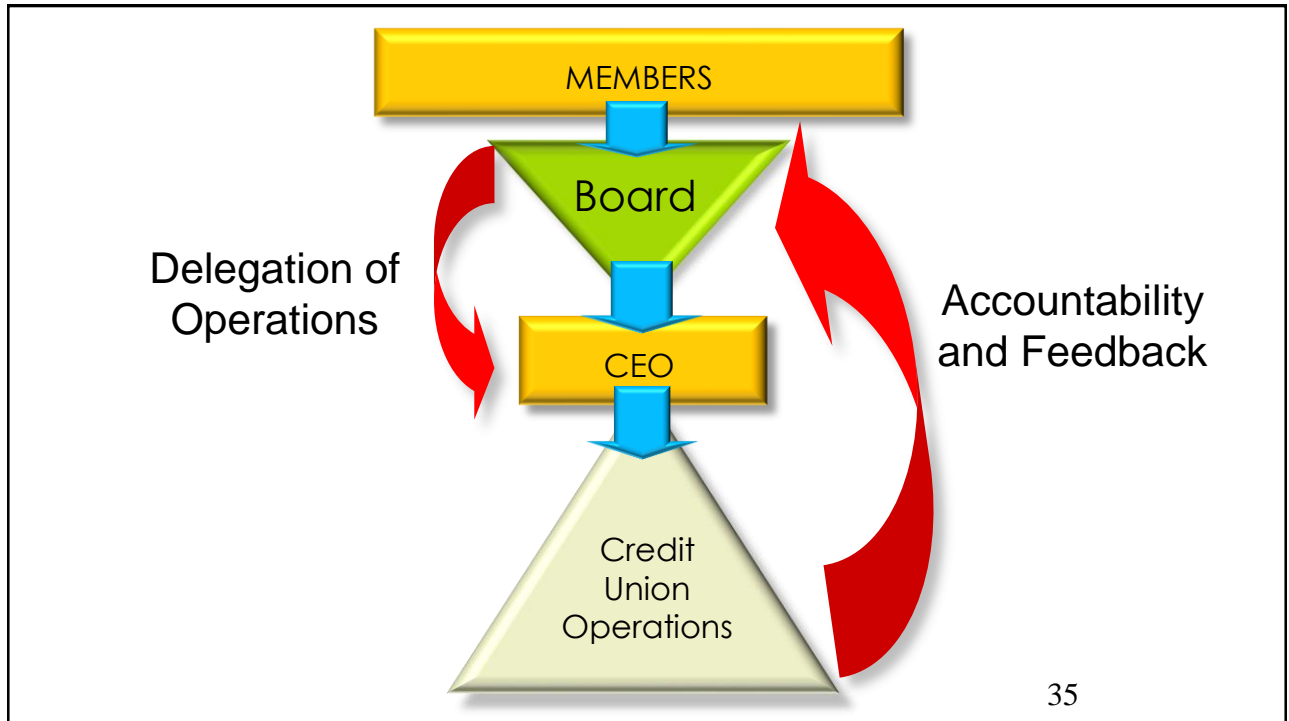
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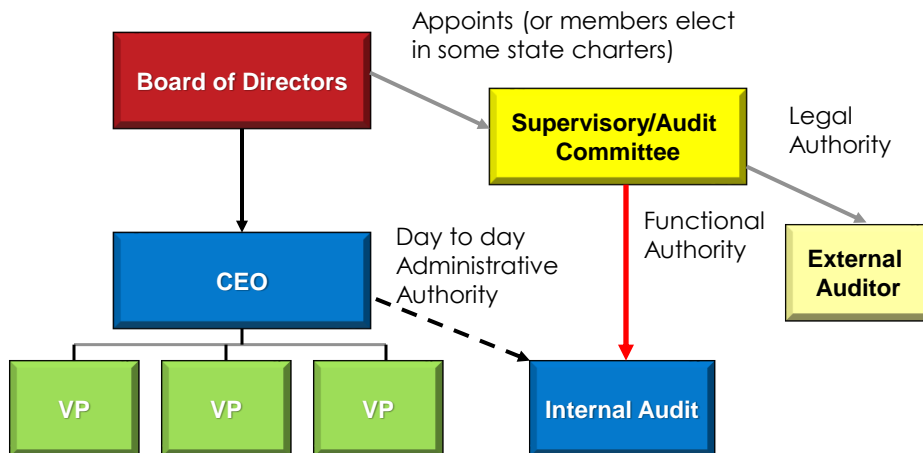
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## Best Practice Structure per the *Institute of Internal Auditors*



36

## What's the Board's Role?

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## 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.**

38

38

## 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

39

39

## 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**

40

40

## What is the Board's Role?

**One more very important thing...**

**To protect CEO from individual directors**

41

41

## Policy to Protect the CEO

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. 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 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, nothing more. Authority resides in the Board as a whole. If the CEO feels he/she has received an instruction from an individual director or group of directors, the CEO may ask that the board approve such a request.

42

42

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

43

43

**And the Board delegates  
nearly all  
operational authority  
to the CEO**

44

44

***Where there is Responsibility***

**You must also give Authority.**

***But there must be  
Accountability***

45

45

**Start all over again!**  
**The Governance Process**



46

46



## Align Entire Organization with Purpose and Strategy



48

48

## 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'
- 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)

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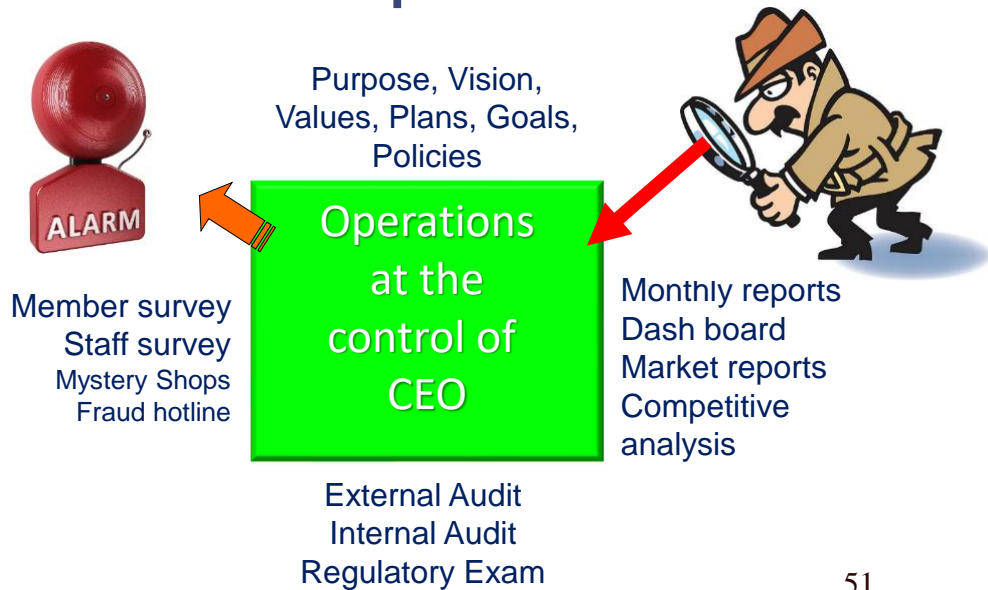
## Governance: The Operations Box



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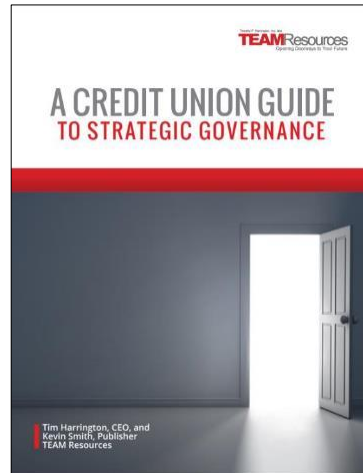
## Governance: The Operations Box



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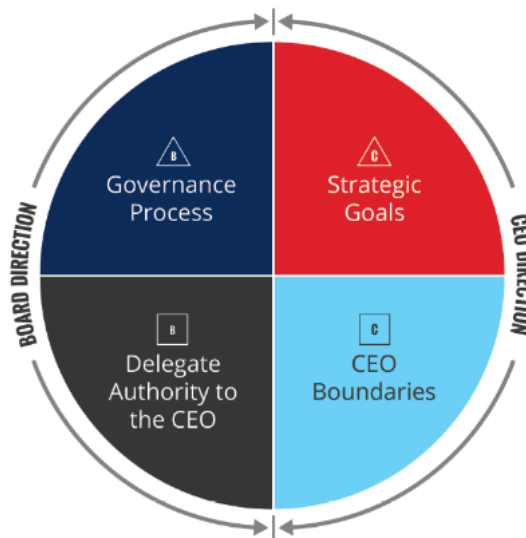
# Thoughts about Strategic Governance Methodology



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## Effective GOVERNANCE Process



**Four Quadrants of Governance**

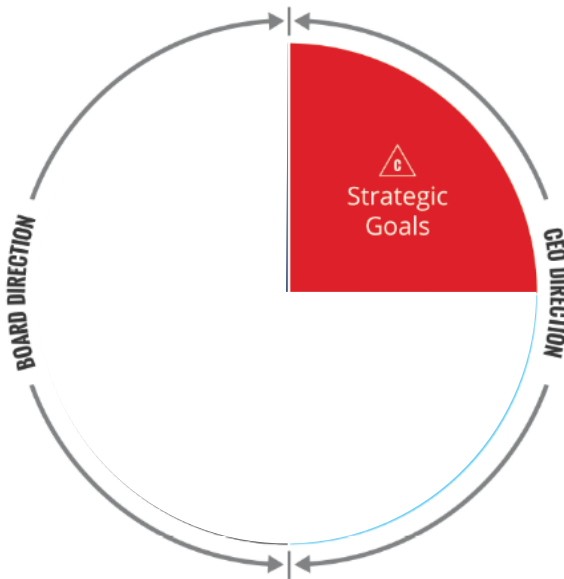
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## Strategic Goals

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

The board shares these goals with the CEO so that the CEO can achieve them.

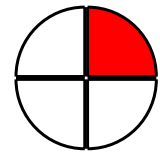


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## Strategic Goals

### *Direction for the CEO*



### Using Purpose & Strategy to Guide CU

- *The human needs the organization intends to meet*
- *Key Drivers to achieve our purpose*

### Key Questions

- *What is our Purpose?*
- *Who is our target?*
- *What does the member need and value?*
- *What is our strategic plan?*

55

55

## Strategic Goals – End Results

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

56

56

## 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

57

57

## 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

58

58

## 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

59

59



## 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

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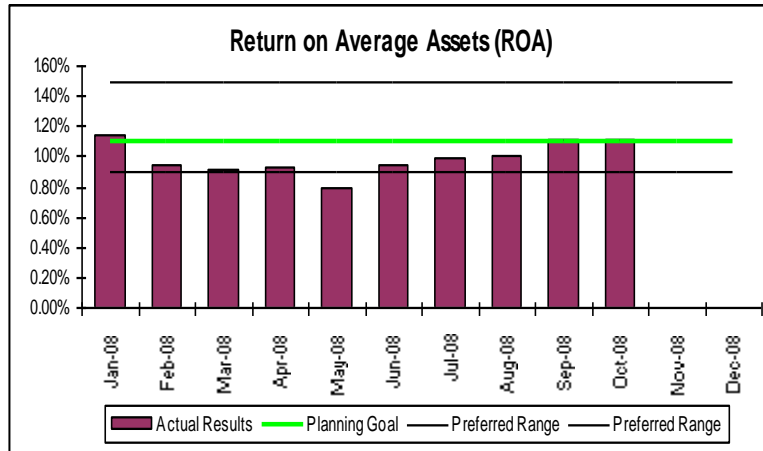
## How do we know our information is reliable?

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

61

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# Monitoring Financial Goals - Graphs



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## Using a Dashboard



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# GOVERNANCE Process

Where the board takes care of itself:

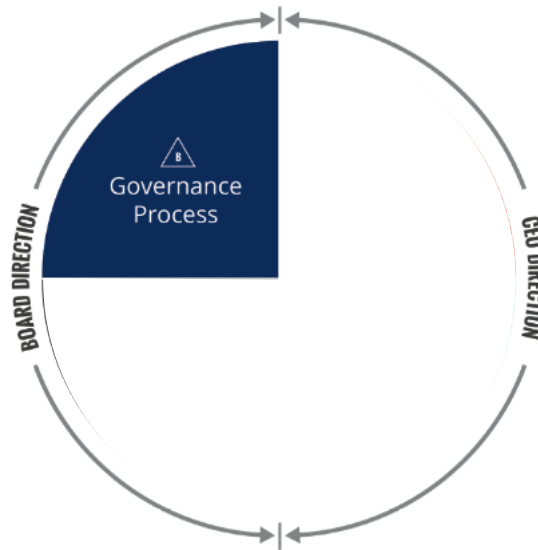
Skills

Succession Planning

Self-evaluations

Board Education Plans

Where culture/style of the board is decided.



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*“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

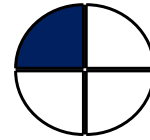
Board must be disciplined in this process and not allow itself to stray.

65

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# 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 it own Governance Policies*
- *Assures Executive Performance*
- *Hold selves (Board) accountable*

66

66

# 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

67

67

## 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.

68

68

## 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.

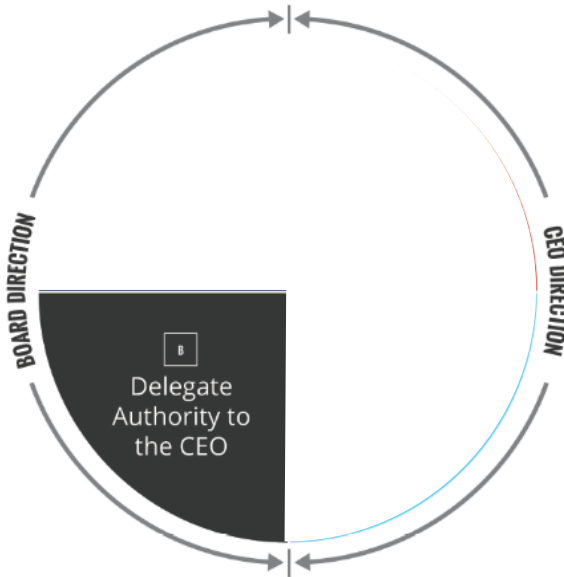
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69

## Delegation of Authority to CEO

### The board clarifies relationship with CEO:

- 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.

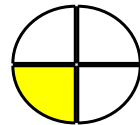


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## Delegation Authority to CEO

### *Limitations on the Board*



### Board-CEO Relationship Defined

- *Clear delegation of authority to the CEO and how success 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*

71

71

## 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!**

72

72

## 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. 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 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, nothing more. Authority resides in the Board as a whole. If the CEO feels he/she has received an instruction from an individual director or group of directors, the CEO may ask that the board approve such a request.

73

73

# Division of Roles and Responsibilities

On major and ordinary decisions, who is responsible?

- Board?
- CEO?
- Both?

74

74

# Consider Developing a Roles and Responsibilities Matrix

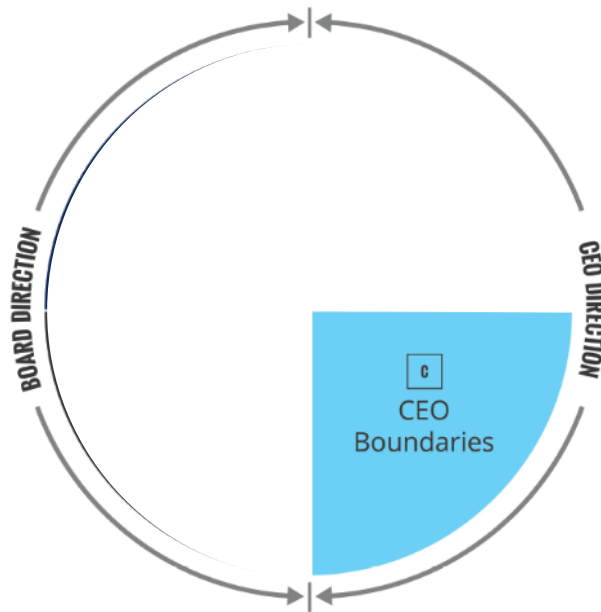
| Area of Decision   | CEO Responsibility                               | Board Responsibility                         |
|--|--|--|
| <b>Compensation and HR Issues</b>                                    |  |  |
| CEO Salaries, benefits and other related compensation issues         |  | Board only                                   |
| Staff salaries, benefits and other related compensation issues       | CEO - governed by budget, values and limitations |  |
| Defined benefit and annual bonus contribution                        | CEO and Board work together                      | CEO and Board work together                  |
| Oversight of CEO including hiring, termination, discipline           |  | Board only                                   |
| 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 limitations |  |
| Staff Training   | CEO - governed by budget, values and limitations |  |
| 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   |  |
| Staff scheduling   | CEO only   |  |

75

75



## CEO Boundaries



Here the board defines the restraints for the CEO.

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

“Proactive Restraint”

76

76

## Who Owns CU Risk

**Board** establishes Risk Appetite and Ethical Environment

**CEO and Management** carries out and monitors risk

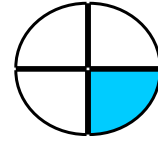
**Supervisory Committee** monitors management

77

77

# CEO Boundaries

## *What the CEO Can't Do*



### CEO Boundaries Defined

- *Things the CEO may not do or allow to happen (practices, activities, methods)*

### Areas of Focus

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

78

78

# CEO Boundaries

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

**(i.e. what would be unacceptable).**

79

79

## 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.

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

- Financial soundness
- Member satisfaction
- Employee morale

80

80

## What Committees Does Your CU Have?

### Which ones do you like?

### Which ones could you eliminate?

81

81

## Recommended Committees

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

82

82

## Why No Executive Committee?

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

83

83

## 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

84

84

## 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

85

85

## **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

86

86

## **Committees to Consider**

**ALM or ALM Oversight Committee**

**Cybersecurity Oversight Committee**

**Risk Oversight Committee**

87

87

## 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.) ☐

88

88

#### 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.

[www.forteamresources.com](http://www.forteamresources.com)  
520.290.5721

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Opening Doorways to Your Future

Tim Harrington  
Kevin Smith

[tharrington@forteamresources.com](mailto:tharrington@forteamresources.com)  
[ksmith@forteamresources.com](mailto:ksmith@forteamresources.com)

89

89

# Governance Spectrum



Board too  
strong

Board too  
weak

90

90

|  | Micro-<br>Managing<br>Board                    | Managing<br>Board                          | Governing<br>Board                             | Ratifying<br>Board   | Failing<br>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                    | 91 |

91



|  | Micro-<br>Managing<br>Board                         | Managing<br>Board                          | Governing<br>Board                             | Ratifying<br>Board                                  | Failing<br>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 on everything          | Board involved in minutiae, manager of CEO | Focused on purpose, values & results           | Organization OK but board has surrounded 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 |
|  | Board too strong                                    |  |  |   | Board too weak                            |
|  | 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, staff                |
|  | Ignores planning and future. Deals with today       | Focus on admin-istration & Ops             | Where are you? Focus 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    |

92

# Transformation of Governance - 2025

93

93

## What Does Your Credit Union Need From You?

2025



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

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

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## Why? The World No Longer Needs Your Credit Union



95

95

## Reputation Risk!

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



96

## Reputation Risk!

### % of Gens that are CU members

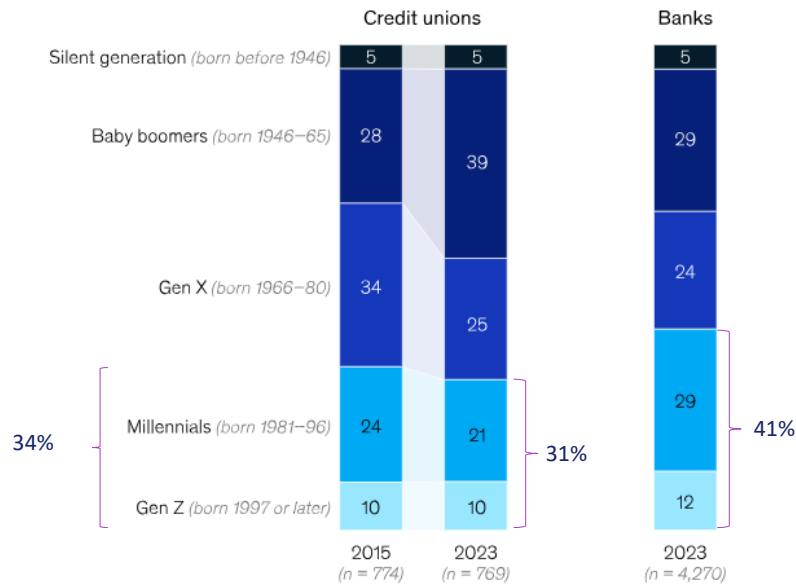
|                      |            |
|----------------------|------------|
| Gen Y (27 to 43 yrs) | <b>15%</b> |
| Gen Z (11 to 26 yrs) | <b>11%</b> |

Per APIture 2024 Survey

97

97

**Banked households, by generation and primary financial institution type, % of respondents**



Note: Figures may not sum to 100%, because of rounding.  
Source: McKinsey Consumer Financial Life Survey

98

98

## DIGITAL SPEED BOARDS

1. *Don't Caretake the Company: Move with Trends*
2. *Become Digital Enthusiasts and Embrace Innovation and Change*
3. *Accept Failure as Normal*
4. *Govern Strategically*

99

99

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

Complacency is your Greatest Enemy

**Your job is not to oversee the safety of the credit union**

(though that's what the Regulators want you to do)

It is to continue to change and expand the credit union to keep it new, exciting and vital.

100



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

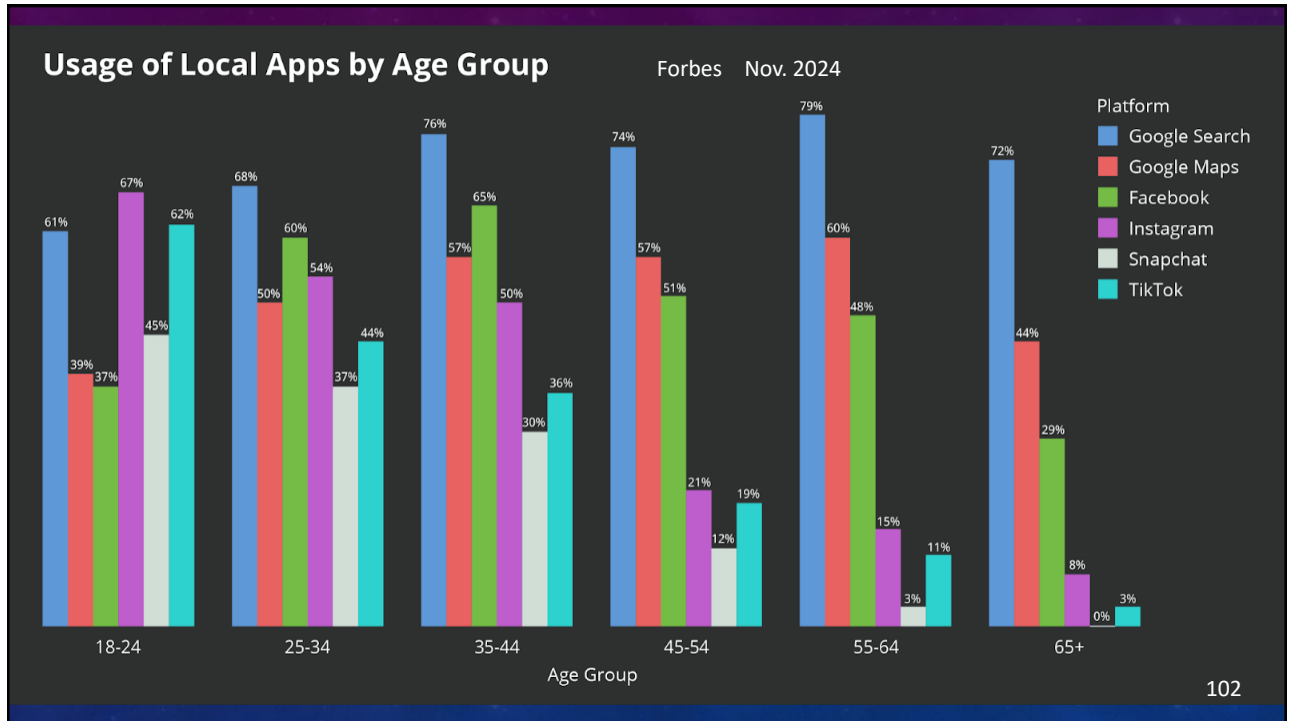
"Facebook is how I stay in touch with Grandma."

Gen Z student



101





102

## 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!!!*

103

103

## DIGITAL SPEED BOARDS DON'T CARE TAKE 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

104

104

**RISK** is **NOT** a 4-letter word...  
Ok, well, it actually is.

105

105

## DIGITAL SPEED BOARDS DON'T CARE TAKE 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

106

*"Directors and Executives need to rethink their roles and their attitude to risk."*

106

## DIGITAL SPEED BOARDS DON'T CARE TAKE 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

107

107



## 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 3<sup>rd</sup> party for an auto loan, for a personal loan, even more and more for a mortgage loan.

Are you building 3<sup>rd</sup> party “funnels”?

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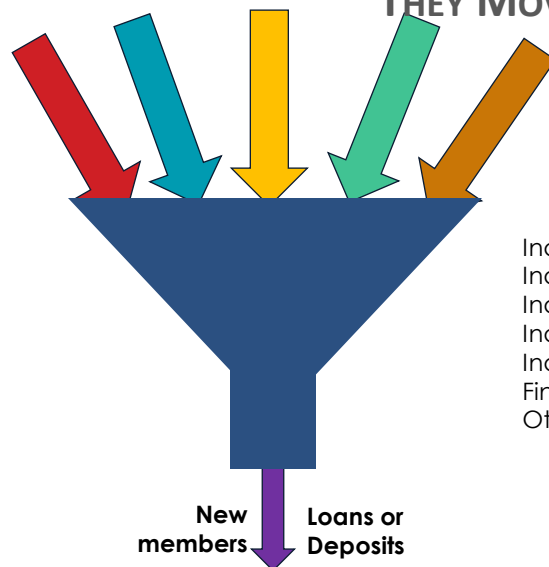
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## DIGITAL SPEED BOARDS DON'T CARETAKE THE COMPANY: THEY MOVE WITH THE TRENDS

Think “Funnels”

Expand your  
reach with 3<sup>rd</sup>  
Parties

*Most of whom  
have better  
presence in the  
digital world*



Indirect Auto loans  
Indirect Auto refis  
Indirect Unsecured loans  
Indirect Home Equity loans  
Indirect Deposits  
Fintechs  
Other 3<sup>rd</sup> parties

109

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

ATTRACTING NEW LOANS TODAY OFTEN DEPENDS ON 3<sup>RD</sup> PARTIES

Indirect Auto:

Traditional dealers  
Carvana/Auto Trader/Lending Club  
Boat/RV/Motorcycle

Indirect Home Equity/HELOC

FIGURE

Indirect Personal Loans

UpStart/Upgrade  
Participations

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## 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

111

111



112

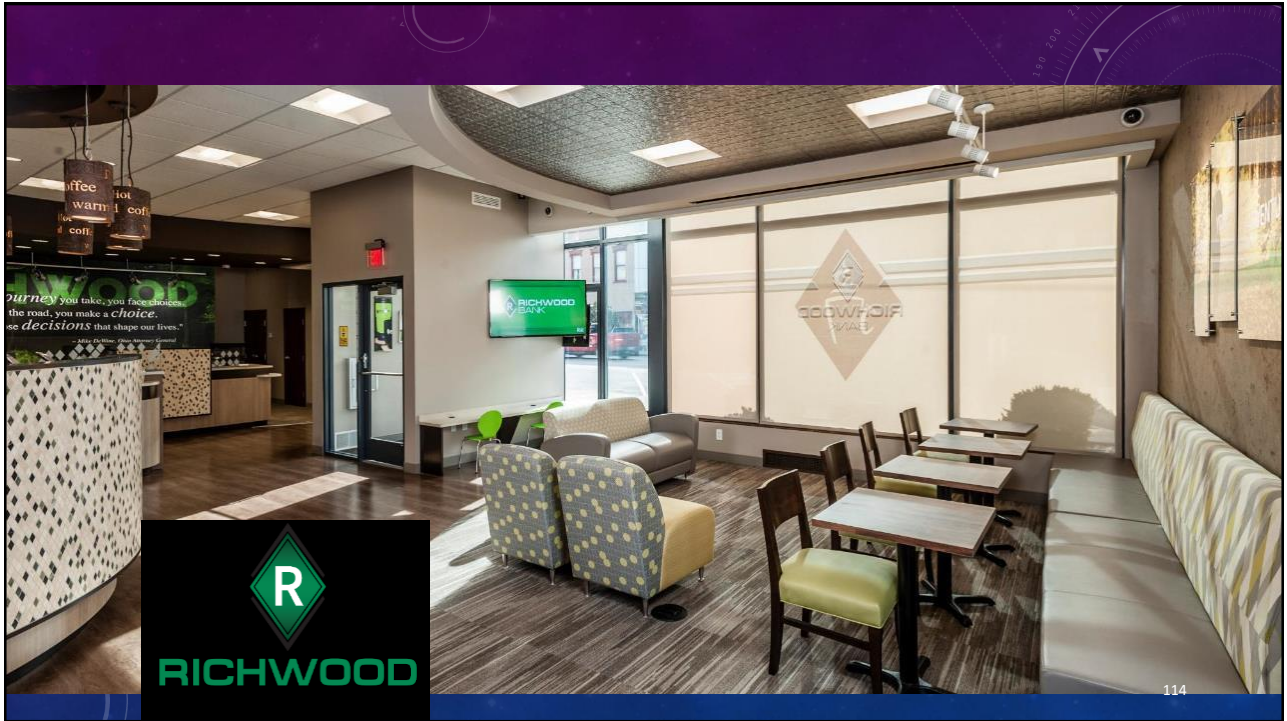
*“This combination of a social center and trusted brand that can be seen and touched is a really important factor in finance.”*

Chris Skinner

113

113





114



115

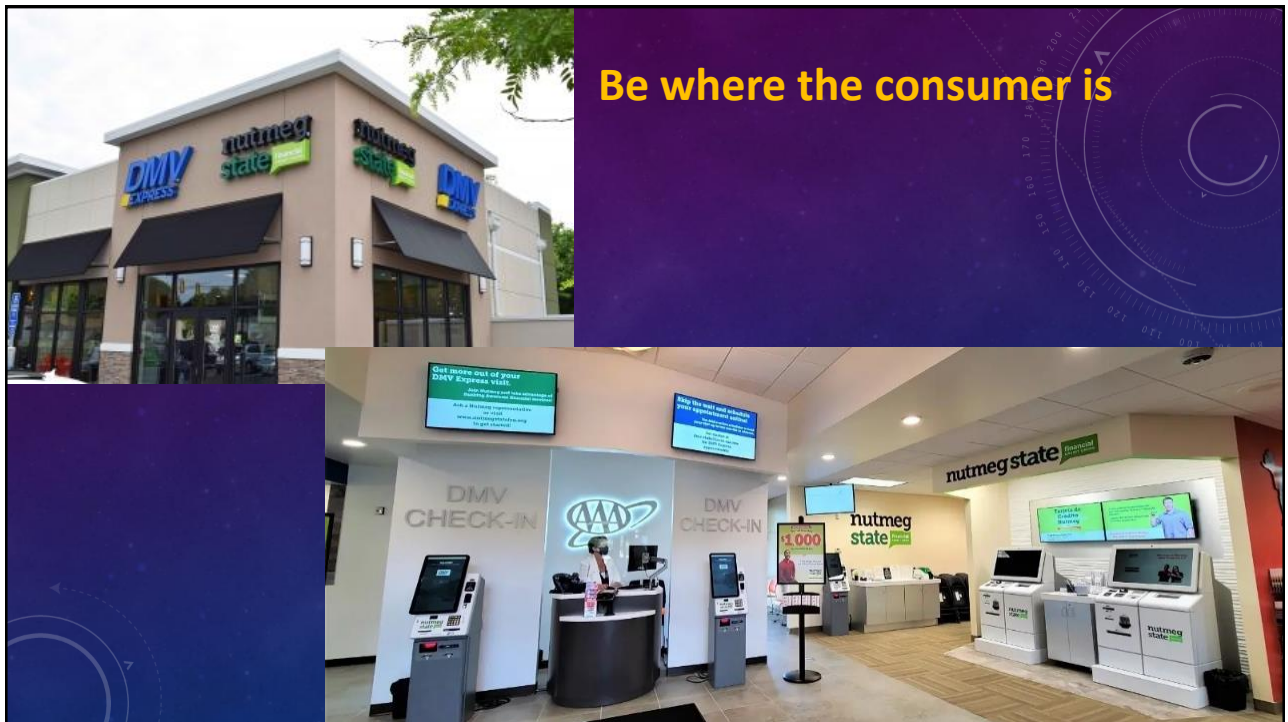
## WHAT IS A BRANCH FOR?

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

116

116



117



## WORKERS CU PLANIT CENTERS



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

Credit Union Times

118

118



DIGITAL SPEED  
BOARDS  
BECOME  
DIGITAL  
ENTHUSIASTS

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## 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*

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## 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 and articles
3. Underwrites loans
4. Creates marketing materials
5. Chooses when to sell an investment
6. Identifies fraud



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122

## 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 RESOURCEFULNESS<sup>123</sup>*

123





**DICK TRACY**

2-WAY WRIST TV

Innovation is rarely invention

Innovation is usually making new connections with old ideas



124

124

## 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

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## DIGITAL SPEED BOARDS ACCEPT FAILURE AS NORMAL

ACCEPT  
FAILURE

Praiseworthy  
versus  
Blameworthy Failure

126

126

## 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

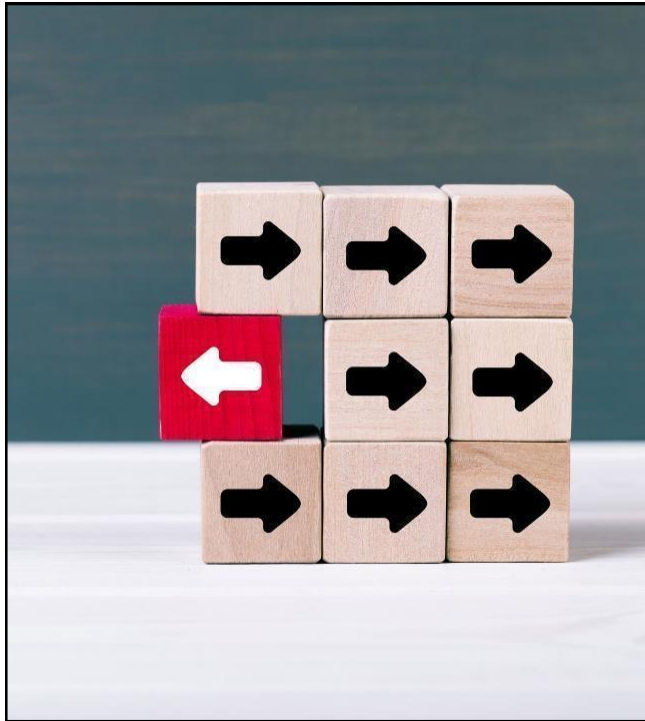
Most innovations FAIL.

*"I know worrying works, because none of the stuff I worried about ever happened."*

*Will Rogers*

127

127



## 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**

128

128

## 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."*

129



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## 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*

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## 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

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## 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

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## What Does Your Credit Union Need From You?

2025



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

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

13

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| 2023 |              |                    |                     |              |              |           |              |             |
|------|--------------|--------------------|---------------------|--------------|--------------|-----------|--------------|-------------|
| Tier | Credit Score | Total Balance      | Interest Income     | Gross Yield  | Loss Percent | Net 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%          |
|      | <b>Total</b> | <b>144,475,369</b> | <b>\$ 8,221,010</b> | <b>5.69%</b> | <b>0.54%</b> |           | <b>5.15%</b> | <b>100%</b> |

87%  
13%

| 2022 |              |                    |                     |              |              |           |              |             |
|------|--------------|--------------------|---------------------|--------------|--------------|-----------|--------------|-------------|
| Tier | Credit Score | Total Balance      | Interest Income     | Gross Yield  | Loss Percent | Net 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%          |
|      | <b>Total</b> | <b>118,373,283</b> | <b>\$ 5,517,865</b> | <b>4.66%</b> | <b>0.37%</b> |           | <b>4.29%</b> | <b>100%</b> |

89%  
11%

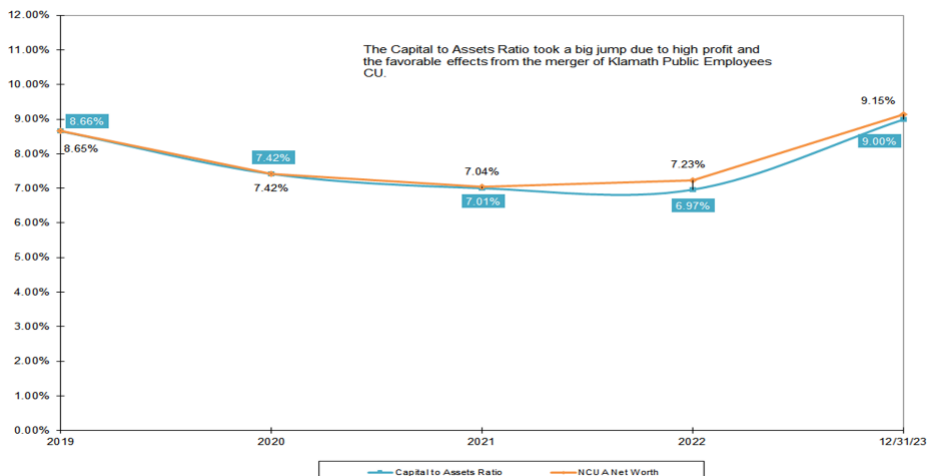
134

134

| 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%



135

135

Timothy P. Harrington, Inc. dba



**Timothy Harrington, CPA ret**  
**Kevin Smith**



[THarrington@forTeamResources.com](mailto:THarrington@forTeamResources.com)



[Ksmith@forTeamResources.com](mailto:Ksmith@forTeamResources.com)



520-290-5721



[www.forTeamResources.com](http://www.forTeamResources.com)



@TimTeamResource



[www.linkedin.com/in/timothypharrington1](http://www.linkedin.com/in/timothypharrington1)



[www.TimothyHarrington.net/blog.html](http://www.TimothyHarrington.net/blog.html)

**End of  
Part 1**

136



NATIONAL ASSOCIATION OF CREDIT UNION CHAIRS

CONNECTING CREDIT UNION BOARD LEADERS

## 2025 NACUC Leadership Development Seminar

Tim Harrington, CPA ret  
And Kevin Smith

### Part 2

1

1

## Succession Planning and Recruitment

2



2



# Succession Planning and Recruitment

**What we typically see in the industry:**

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



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



**Both are dangerous!**

3

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**What is better:  
Succession that is –**



4

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# Succession Planning Now the Law!

**NCUA requires ALL Federally Insured CUs have a Succession Plan**

## ***Why was it implemented?***

Addresses concerns about leadership vacancies and unprepared transitions.

Aligns credit unions with best practices in governance and risk management.

Strengthens financial system resilience.

5

5

# Succession Planning Now the Law!

**NCUA requires ALL Federally Insured CUs have a Succession Plan**

## ***What is in the NCUA Succession Policy Rule?***

1. Identify Critical Positions
2. Develop Successor Candidates
3. Include:
  - a. Emergency Succession
  - b. Long-term Succession
4. Board responsible for:
  1. Reviewing
  2. Approving
  3. Updating

6

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# Succession Planning Now the Law!

**NCUA requires ALL Federally Insured CUs have a Succession Plan**

## ***What is in the NCUA Succession Policy Rule?***

5. Plan must be periodically reviewed and updated
6. Plan must be documented and available for NCUA to review

7

7

# 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.

8

8

## 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.

9

9

## 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?

10

10

## Diversity (The value cannot be overstated)

### 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.”

11

11

## Succession Planning and Recruitment

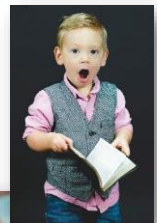
### Term Limits or Age Limits

***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!!!**



12

12

# Succession Planning and Recruitment

## Term Limits or Age Limits

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

### Disadvantages:

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



13

13

# Succession Planning and Recruitment

## Determine where you stand:

Create a spreadsheet of current directors

- Tenure
- Skills
- Demographics
- Estimated time remaining (**YES!** Ask and get an answer. It's an *estimate*, not a legal document!)

14

14

## 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?

15

15

## Recruitment and Cultivation

- **Recruitment & Nominating** - Standing committee
  - Committee members can be assigned to identify prospects
- **Target** connected people in the community
- Require each board member to invite one prospect to a board meeting annually
- **Social media and website**
- Keep banners of Volunteer Spirit of CUs in Lobby
- Make the position enticing
  - Share your passion
  - Travel and training budget.
  - Compensation where allowed by law

16

16

## 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



17

17

## Recruitment and Cultivation

### Recruitment and Nominating Committee

- **Recruit** new members and ensure each is equipped with tools and motivation to carry out responsibilities.
- **Assess** board's current composition, identify missing qualities and characteristics
- Draft recruitment plan and continuously **cultivate** new prospects
- Develop **job descriptions** for board members
- **Orient** new members and continue educating all members on their responsibilities
- Ensure that board regularly engages in **self-assessment**

BoardSource.org

18

18



## Recruitment and Cultivation

### Direct Recruitment

- Identify key needs on the board
  - Financial, H/R, Legal, Management, Sponsor Ambassadors, Community contacts, etc.
- Actively contact prospects and ask them to consider volunteering
- Network (universities, church, work, community organizations)
- Allow **staff** to recommend people they think might make good directors
- Have a job description
- Highlight benefits of CU and Movement

19

19

### 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

20

20

## 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

21

21

## 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?

22

22

## Recruitment and Cultivation

### How can we cultivate future directors?

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

23

23

## 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

24

24

## 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?

25

25

## 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

26

26

## Succession Planning/Recruitment

### Emeritus Director Program

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

27

27

## Succession Planning/Recruitment

What are you doing that we've not covered?

What works well?

What failed?  
(Tell us your cautionary tales.)

28

28

- 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

29

29

## 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)

30

30

## 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

31

31

## CEO Oversight

### Annual Review:

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

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

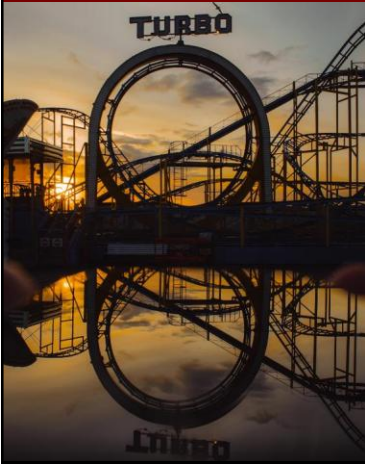
- Periodic feedback at the right level
- Consider quarterly formal check in



32

32

## 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

33

33

### 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

34

34



## 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.”)

35

35

## 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).**

36

36

## 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

37

37

## 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?

38

38

## 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.)

39

39

## 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?

40

40

# 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  
Seminars and conferences  
CUES conference schedule  
League training

**Regulatory agencies**  
State Department of Financial Institutions  
Consumer Financial Protection Bureau (CFPB)  
Treasury Dept - Office of Thrift Supervision

**Industry associations**  
Credit Union League  
CUES - DEF membership benefits  
NASCUS  
NAFCU

CU Magazine  
CU Journal  
CUinsights.com  
CUNA conference schedule  
Other opportunities  
National Credit Union Administration (NCUA)  
Federal Reserve Bank  
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

43

43

## 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

44

44

## 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

45

45

## 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](https://ncua.gov/files/supervisory-letters/LCU2013-12_SupervisoryLetter.pdf)

46

46

## 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?

47

47

**Board Meetings...**  
*Where Minutes are kept  
And Hours are lost*

48

48

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

- S. **S**tart on time
- M. **M**embers come prepared
- A. **A**genda driven
- R. **R**emain informal
- T. **T**imely adjournment
- E. **E**valuate your meeting for improvement
- R. **R**esponsibility is shared for making meetings better

49

49

## 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

50

50



## **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!!!**

51

51

## **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

52

52

## 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

53

53

## Transform Routine Board Meetings to *Strategic Board Meetings*

**Agenda**

**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

*Updated Version*

54

54

## 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**

55

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## 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

56

56

## 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

57

57

## 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**

58

58

## 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.***

59

59

## 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

60

60

## 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."**

61

61



62

62

## 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.”**

63

63

## 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*

64

64

## 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.”*

65

65

## Outside the Boardroom

Can these discussions be managed?

Do they need to be?

How can this be done?

66

66



## 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?

67

67

## 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?

68

68

## Key to Successful Governance

**Be team workers with Management  
while retaining independence from management**

**And not duplicating management (micro-managing)**

69

69

## Maintaining Board Discipline

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

70

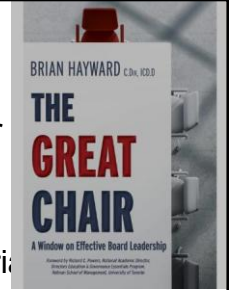
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## How We Will Work

### 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!

71



71

## 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.

72

72

## Rules of Executive Session

- Executive Sessions are not Secret Sessions
- Executive Sessions are not to keep members from knowing what their Board is doing
- Executive Sessions are to protect the people being discussed
- Executive Sessions should have vague minutes
- 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

73

73

## Value of Executive Session

### **Boards should meet regularly without the CEO present**

- Gives board time to discuss board (governance) issues
- Allows candid discussion that may be stifled with CEO present
- Allows Boards to recognize their independence
- Inform the CEO what the meeting generally covered
- This is not a 'get the CEO' session

74

74

## Executive Session – Valid Topics

- CEO issues including:
  - Hiring and firing
  - Performance and compensation
- Corporate crisis management or emergency meetings
- Litigation and legal issues
- Attorney consultation or legal counsel
- Mergers and acquisitions
- Improper conduct and disciplinary action
- Meeting with the auditor
- Succession planning
- Off-the-record conversations between the CEO and board

75

75

## Calibration Vs. Evaluation Semantics?



76

76



77

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78

78



79

79

## 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**

80

80

## Best Practices for Governance

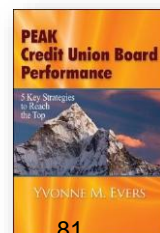
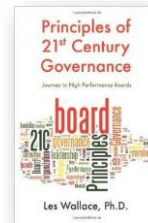
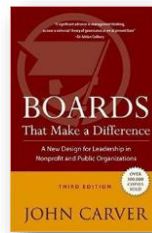
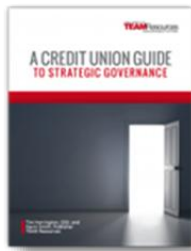
**Tim Harrington and Kevin Smith** – *A Credit Union Guide to Strategic Governance*

**Ram Charan** – *Boards That Lead* (2015)

**John Carver** – *Boards that Make a Difference*

**Les Wallace** – *21<sup>st</sup> Century Governance*

**Yvonne Evers** – *Peak CU Board Performance*



81

**Filene** \*

**REPORT**

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

82

82



“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

**Filene** \*

REPORT

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

83

83

**GOVERNANCE  
IN THE  
DIGITAL  
AGE**

A Guide for the  
Modern Corporate Board Director

BRIAN STAFFORD  
DOTTIE SCHINDLINGER

WILEY

“For processes, director evaluations can be one powerful tool for building board resilience [...] Every organization with a board should be conducting annual evaluations, whether they’re required to or not.”

*Governance in the Digital Age: A Guide for the Modern Corporate Board Director,*  
Brian Stafford and Dottie Schindlinger (2019)

84

84



A stronger culture involves fostering respectful inquiry, encouraging (and graciously accepting) constructive criticism, thinking critically, and seeking diverse opinions. It also may involve adopting a “Growth Mindset,” as coined by psychologist Carol Dweck, which emphasizes lifelong learning and embracing failures as opportunities for growth.

*Governance in the Digital Age: A Guide for the Modern Corporate Board Director*,  
Brian Stafford and Dottie Schindlinger (2019)

85

85

#### AREA OF BOARD PERFORMANCE RATINGS REPORTED BY EXECUTIVES

| Area of Board Performance<br>(Rated on a four-point GPA scale, 0=F, 1=D, 2=C, 3=B, 4=A)  | Assessed in<br>past 2 years | Assessed<br>ever | Never<br>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      |



6

86

## 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

87

87



## How to Make it Work:

**Establish Ground Rules**

**Get buy-in**

**Set Goals**

88

88



89

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



90

90

**DO IT YOURSELF**

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

**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)

91

91

**DO IT YOURSELF**

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

**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).

92

92

**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.

93

93

**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.

94

94

## 3 Approaches to Self-Evaluations

[forteamresources.com/products/free-downloads/](https://forteamresources.com/products/free-downloads/)

95

95

## 1. Board Meeting Evaluation

96

96

Board Meeting Structured Review

(Name of CEO)

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<br>Disagree<br>Not Sure<br>Agree<br>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?

99

99

### 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                                  | Evaluation Questions for the Board as a Whole:  | Average Score | Score of "5"   |   |    |   |   | Score of "4" |  |  |  |  | Score of "3" |  |  |  |  | Score of "2" |  |  |  |  | Score of "1" |  |  |  |  |
|---|---|---------------|--|---|----|---|---|--------------|--|--|--|--|--------------|--|--|--|--|--------------|--|--|--|--|--------------|--|--|--|--|
|   |   |               | 1= Well Below Average<br>2= Below Average<br>3= Average<br>4= Above Average<br>5= Well Above Average |   |    |   |   |              |  |  |  |  |              |  |  |  |  |              |  |  |  |  |              |  |  |  |  |
| 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          | 4  | 7 | 6  | 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: |   | 3.78          | 100  |   |    |   |   |              |  |  |  |  |              |  |  |  |  |              |  |  |  |  |              |  |  |  |  |

100

### 3. Structured Peer Review

101

101

#### 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 |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---|
| 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       | 4.0        | 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  |

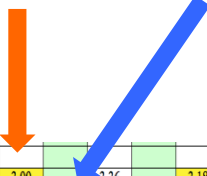
Yellow highlights indicate that the Directors Self-Score is 0.50 or more points **HIGHER** than the Peer Average.  
This may indicate an area where the Director has a self-perception that is not shared by the Peers.  
This may be an area where the Director can learn from the Peers useful information 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.

102

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.

103

103

## Maintaining Board Discipline

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

104

104

Timothy P. Harrington, Inc. dba



**Timothy Harrington, CPA ret**  
**Kevin Smith**

[THarrington@forTeamResources.com](mailto:THarrington@forTeamResources.com)[Ksmith@forTeamResources.com](mailto:Ksmith@forTeamResources.com)

**End of**  
**Part 2**



520-290-5721

[www.forTeamResources.com](http://www.forTeamResources.com)

@TimTeamResource

[www.linkedin.com/in/timothypharrington1](http://www.linkedin.com/in/timothypharrington1)[www.TimothyHarrington.net/blog.html](http://www.TimothyHarrington.net/blog.html)