

Mistakes to avoid in performance evaluations

Frequent reviews and detailed feedback are key to successful CEO appraisals.

Evaluating the CEO is a major responsibility for the board of directors, but evaluations often require having tough strategic-performance conversations.

Avoid these mistakes during the evaluation process:

1. Irregular and rushed CEO performance evaluations.

When we ask CEOs how frequently they are evaluated, we often hear they don't receive a formal annual review, and when they do they feel it's rushed.

The board has one employee: the CEO. It's the board's duty to provide regular, comprehensive evaluations.

We frequently hear "no news is good news," meaning if board members had a problem with the CEO, they would say something. But this is extremely short-sighted and does not allow for CEO development.

CEO performance reviews are critically important. Beyond documenting good or bad performance, the performance review can lead to improved CEO development and a clearer understanding of personal and professional goals.

It's an excellent opportunity to formally recognize recent accomplishments.

2. Pay and executive expectations aren't based on industry standards.

Board members sometimes correlate executives' expectations and pay with other professions.

While the comparison may be justified based on

the number of subordinates or the fact that they're both leadership roles, beyond those points, similarities are few.

The management of highly regulated financial institutions is complex. Credit unions must align organizational goals, CEO performance, pay, incentives, and benefits with industry standards.

Eliminating an unfair equivalence and using appropriate data will improve CEO governance and credit union performance.

"HIGH ACHIEVERS thrive on FEEDBACK."

Scott BUTTERFIELD

3. Lack of detailed and meaningful feedback.

General performance feedback without specifics does little to help the CEO understand which behavior or outcomes are being recognized. The board must tell the CEO what's going well and what needs improvement.

Be clear and specific in each performance area. Frequently, board members develop close relationships with their CEOs, and some have difficulty addressing areas that don't fully meet expectations.

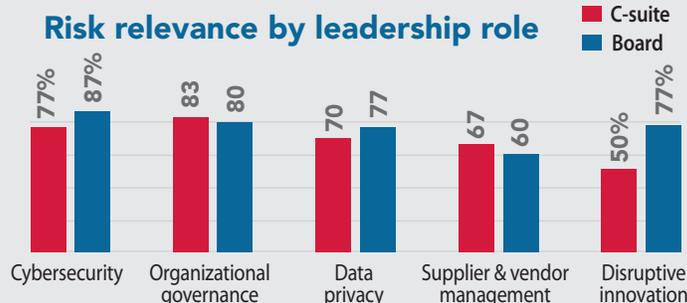
It's unfair to the CEO and the credit union to avoid these topics. Improved feedback over time will lead to improved morale for the CEO, as they feel recognized and appreciated. This feeling is contagious as CEOs provide the same level of attention to the employees who report to them.

This creates and supports a culture of growth,

QUICK TAKE for your next board meeting

Rating risk relevance

Boards and leadership generally are aligned when identifying relevant risks to address. Boards, however, are more likely to rate disruptive innovation as a highly relevant risk (77%) than senior executives (50%), according to "OnRisk 2022: A Guide to Understanding, Aligning, and Optimizing Risk" from the Institute of Internal Auditors North America.



Source: Institute of Internal Auditors North America

improved member service, and a positive work environment at the credit union.

Other factors

Credit union CEOs typically are high achievers by nature. High achievers thrive on feedback and want more, not less.

Beyond the timely and purposeful delivery of an annual review, the board chair or executive committee should touch base with the CEO quarterly to review the development plan and goal performance.

Provide precise feedback to ensure the CEO fully understands what they are doing right and wrong. Back these comments up with specifics on how you're measuring or observing this feedback

to assist the CEO in addressing the process and outcome.

Timely and thoughtful CEO performance reviews are critical to the credit union's short- and long-term success.

High-performing CEOs are essential to high-performing credit unions. Their performance can be traced back to board evaluation and feedback, which allows these CEOs to develop their skills and replicate the best outcomes.

This leads to higher morale and yields a better work culture and consistent growth and profitability.

SCOTT BUTTERFIELD is principal at *Your Credit Union Partner* (yourcupartner.com).

Educating boards on cybersecurity

Snapshots, presentations, and reports are among the ways IT professionals provide information.

When the latest ransomware, phishing, or malware attack makes the news, information technology (IT) professionals know that boards will want to understand how it may impact the credit union.

"Cyberthreats are always in the news," says Mark Reed, senior vice president, technology, at \$9 billion asset American Airlines Federal Credit Union in Fort Worth, Texas. "Boards want to know and have the assurance that we're protected."

A panel of IT leaders discussed how they inform the board about cybersecurity threats and guard against those threats during the 2021 CUNA Operations & Member Experience Council and CUNA Technology Council Virtual Conference.

"A lot of board members aren't as knowledgeable in the cyber realm," says Darich Runyan, vice president, security, at \$3.9 billion asset Langley Federal Credit Union in Newport News, Va. "We try to keep them in the know about what the new trends are."

IT leaders say they often provide a monthly snapshot to the board that describes current and emerging threats, risks these threats pose, and the credit union's vulnerability. Some credit unions also include metrics on organization-wide training efforts and reports that break down recent inci-

dents, including how IT became aware of the incident, the response taken, how long it took to respond, and the outcome.

Robert Eckhart, vice president of information security at \$3.7 billion asset GECU in El Paso, Texas, says he also includes the results of IT audits if they include findings and summaries of internal and external risk assessments. The information is a high-level overview, with more detailed and technical reports provided to senior management.

While their approaches vary, the panelists agree it's best to streamline this information so it's more easily digestible.

"It's an evolution," says Benjamin Corman, director of information security (IS) and IS governance at \$9.8 billion asset Digital Federal Credit Union in Marlborough, Mass. "There's a fire hose of information we could discuss. Figuring out what to discuss is crucial."

In addition to providing information, Runyan says it's important to complete training with board members, whether it's a high-level discussion, going over an incident, or keeping them informed about what taking place in the cybersecurity landscape and how the credit union is responding.

Cybersecurity discussions should come from the top down, not the bottom up, Runyan says.

"Boards want to know and have the assurance that we're protected."

Mark Reed



AVAILABLE THROUGH
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Build a solid knowledge of credit union financials

CUNA

Credit Union Finance for Boards & Committees

eSCHOOL (RECORDED)

Board and committee members who are looking to gain a better understanding of their financial responsibilities at the credit union and want to satisfy their NCUA requirement for financial literacy should attend this 6 session eSchool.

By attending, board members will also leave with the CUNA Credit Union Board Financial Literacy Certificate.



AVAILABLE THROUGH
SEPTEMBER 11, 2022



Adapt strategic plans with insights from current industry trends

CUNA

Trends into Action

eSchool (RECORDED)

At CUNA Trends into Action eSchool (recorded), credit union leaders and board members will learn about four key industry trends important for consideration as they engage in strategic planning.

The content and trends covered, compiled from the 2021-2022 CUNA Environmental Scan, address the current industry environment. Board members will receive expert analysis of how current trends may evolve and ways to plan for those possibilities.

Up your GRC game: 8 steps

Pandemic provides impetus to improve risk management.

If there was ever an environment that provided sufficient motivation to elevate your governance, risk, and compliance (GRC) function, COVID-19 has provided it.

The pandemic is “an example of how a single event can trigger an explosion of risk affecting all aspects of our operations,” says Mark Beasley, professor of accounting and director of the Enterprise Risk Management Initiative at North Carolina State University.

“COVID demonstrates how we have to think of GRC from an enterprise view,” says Beasley, who addressed the 2021 CUNA Governance, Risk Management, and Compliance Leadership Virtual Conference. “It provides motivation to consider if we’ve set up GRC in line with strategic decision-making.”

“
Don't make assumptions or favor data that will only confirm your biases.
 ”

Mark Beasley

Beasley offers eight ways credit unions can improve their GRC efforts:

1. Assess your current GRC ecosystem.

Beasley reports 83% of executives surveyed by the North Carolina State University Enterprise Risk Management Initiative said their organizations experienced a significant operational surprise in the past five years, yet only 28% of those executives report their risk management process as mature and robust.

“Risk management will not get

easier,” Beasley says. “You need organizational buy-in to make that a reality.”

2. Retain silver linings from 2020.

“Many organizations have benefited from improved communication, the elimination of silos, and outside-the-box thinking during the pandemic,” he says.

These efforts will pay dividends moving forward.

3. Evaluate your GRC ecosystem through a strategy lens.

GRC should start with an examination of what drives value.

“Start with what is important for the long-term success of the organization,” Beasley says. “That provides the lens through which you view risk.”

4. Elevate your business continuity plan.

Cyberattacks are the greatest threat to business continuity, Beasley says.

“Our organizations are so dependent on technology today,” he says. “Who owns management of that risk in your organization? Is it silo-focused or managed at the enterprise level?”

5. Broaden your GRC scope.

Risk management should be an expected competency for all leaders within the organization, he says. “You need multiple layers to manage this complex world we’re in.”

6. Identify blind spots.

Biases cause most blind spots, Beasley says.

“Don’t make assumptions or favor data that will only confirm your biases.”

7. Take advantage of opportunities.

Take risks that will advance your organization strategically.

“Be creative in identifying new opportunities,” Beasley says. “Explore where you are too risk-averse and why.”

8. Support the board’s role in governance.

Provide the board with sufficient information to engage in meaningful risk management discussions.

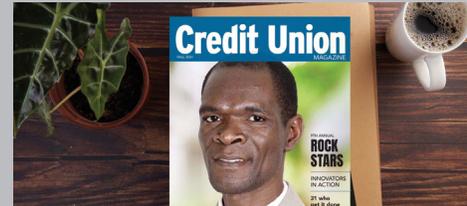
Resources



▶ **CUNA Supervisory Committee & Internal Audit Conference, Las Vegas, Dec. 6-8:**
cuna.org/sciac



▶ **CUNA Credit Union Board Roundtable, Las Vegas, Dec. 6-8:**
cuna.org/cubrt



▶ **Credit Union Magazine Rock Stars:** news.cuna.org/rockstar



▶ **CUNA board and committee resources:** cuna.org/board

Dedicated to service

Two volunteers honored as 2021 Credit Union Rock Stars.

Outstanding volunteers rise to the occasion to meet credit union challenges, whether that means assisting veterans and military families or working behind the scenes to make decisions that best serve members.

Credit Union Magazine recently recognized two volunteers as 2021 Credit Union Rock Stars in a special digital issue sponsored by Fiserv.

Seeing veterans through challenging times

Helping veterans heal their wounds and pay their bills keeps **Ed Cody** moving forward.

Cody is a 39-year volunteer at \$28 billion asset PenFed Credit Union in Tysons, Va. Whether he's raising funds for ill or injured veterans or collecting computers for children of military families, Cody honors the sacrifices of those who served their country.

"My work is founded in my experience as a U.S. Army lieutenant in Vietnam," Cody says.

When the PenFed Foundation, where Cody is a founding director, learned that the high cost of lodging near the Veterans Affairs Palo Alto (Calif.) Health Care System forced many veterans and their caregivers to sleep in their cars, it raised \$17 million to open the Lee & Penny Anderson Defenders Lodge in 2014.

"It brings tears to your eyes to hear their stories," Cody explains. "Our veterans deserve better given the sacrifices they have made."

When schools switched to remote learning due to the pandemic, Cody and another PenFed volunteer donated laptops to the daughters of a blind, double-amputee Marine veteran. This led to PenFed refurbishing and donating to military families more than 500 laptops that had been scheduled for replacement.

In every situation, he emulates coach Lou

Holtz's advice: "Do what's right, do the best you can, and treat others like you want to be treated."

Cody lives that credo by assisting active-duty servicemembers, veterans, and their families during challenging times.

"It's all about the desire to see people succeed," he says.

Lifelong dedication

Some heroes in the credit union industry never work as credit union employees.

Randy Puff is one of these people.

Puff has been a board member at \$215 million asset Gerber Federal Credit Union in Fremont, Mich., for 41 years. His day job was at the Gerber Products Co., where he worked in finance, marketing, and sales.

He joined the credit union in 1976 but eventually felt he should get more involved. That pull has been with Puff throughout his life, inspiring him to participate in his community.

"Community keeps us grounded," he says. "We need to remember who we are and where we come from. Each of us should take time to volunteer in our community to better understand those around us. It not only makes us feel better, it can better the lives of others."

That's exactly what he's been doing since 1980, when he joined the Gerber Federal board. He has held every leadership position on the board during his tenure and is currently serving as vice chair.

Puff says he's been privileged to make decisions that impact every aspect of the credit union, from the members to the associates—even suppliers.

"There can be an impact on a lot of people," Puff says. "We also have the philosophy of 'people helping people.' By putting those two ideas together, my decisions will always have the member at heart, and it will guide me to make the right decisions."

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CREDIT UNION DIRECTORS NEWSLETTER

(ISSN 1058-1561) is published monthly for \$150 per year by the Credit Union National Association, 5710 Mineral Point Road, Madison, WI 53705-4454. (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of \$737. Periodical postage paid at Madison, Wis.

POSTMASTER

Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, P.O. Box 431, Madison, WI 53701-0431. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or CUNA Inc.

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