

Set clear expectations in the boardroom

Provide straightforward rules for decorum and performance.

Many of us believe common sense should rule expectations and behavior in the boardroom, so it's not something we need to write down or talk about.

However, I've been in plenty of boardrooms and had more conversations than I'd care to count about how to deal with "problem" directors who don't seem to get it.

Part of the issue is that the board is made up of peers with no hierarchy. There's no boss. The board chair may seem like the boss, but instead they're "primus inter parus" or Latin for "first among equals."

The chair is chief cat herder but doesn't have more power than any of the other directors. The board is a group of equals who must hold each other accountable. This can be tricky.

What's the solution? Write down everything that shouldn't need to be said: the behaviors people think should be common sense.

This is about setting expectations in a more formal way. Written down, it becomes part of the formal governance policy for the board. It establishes a clear set of rules for decorum and performance.

Some examples:

»Directors will prepare for board meetings and credit union business by completing any prereading or analysis, and preparing substantive questions.

»Directors will actively engage with credit union business and participate in discussions and

processes to the best of their ability.

»Directors will treat each other and credit union staff with respect. Harsh language, bullying, or angry outbursts won't be tolerated. Discussions and debate will be accomplished via civil discourse. We can disagree without being disagreeable.

»Directors will be courteous and respectful of the time and efforts of colleagues on the board and credit union staff. Any inquiries made to a board member via electronic communication or telephone should be acknowledged, if not answered, within 48 hours.

"THE WORK of credit unions, and hence the board, has gotten TOO COMPLEX and fast paced to allow for slack and MISUNDERSTANDINGS."

Kevin SMITH

This isn't an exhaustive list. It's just a sample of what boards generally hope will be common practice and achieved in the boardroom, but often isn't.

The last example about response times sometimes raises peoples' ire—which is all the more reason to include it. Responses to this are often about the fact that board members are volunteers, and that this isn't a full-time job. This view can undermine the seriousness of the board's work, and foster an informal culture in the boardroom.

Despite directors' voluntary status and part-time

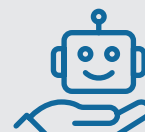
QUICK TAKE for your next board meeting

The potential of generative AI

Nearly 80% of executives have a high or significant level of trust that their organizations could leverage generative artificial intelligence (AI) for future offerings and operations. However, most still believe we need more education and preparation before using the new technology, according to "The Possibilities and Realities of Generative AI," a survey from IDC.

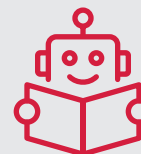
Preparing for generative AI

90% of executives understand the merits and potential of generative AI



30% are "extremely prepared and ready" to leverage generative AI today

86% say more governance is needed to ensure quality and integrity of insights



Source: IDC, 2023

approach, this is real work.

The work of credit unions, and hence the board, has gotten too complex and fast paced to allow for slack and misunderstandings. It's all the more reason to make sure expectations are clear.

There is great value in writing down these expectations. Doing so provides clarity and reduces multiple interpretations.

The very nature of documenting these expectations as governance policy requires a vote from the board to ratify. This means the board must discuss and approve the approach.

Now it'll be on record that this is what the board agreed to, and it serves as a valuable tool if anyone goes astray. This also sets clear expectations for new

members and allows them to see the written and established rules of the culture.

Too often, boardrooms take an ad hoc approach that lets culture and expectations float in the ether, which has no teeth for accountability.

It's easy to ignore steps like this and see them as unnecessary. However, the stakes are higher for credit union boards now than they've ever been. Using tools like this ensures clarity, wards off conflict, and moves a group with no boss toward high performance and accountability.

KEVIN SMITH is a consultant and publisher at *TEAM Resources*. Contact him at ksmith@forteamresources.com.

Prepare for artificial intelligence

Take time to learn about AI and create necessary policies.

Books and movies have long explored artificial intelligence (AI) and its impact on humanity.

Future works may have even more to consider with the explosion of generative AI through platforms such as ChatGPT, which OpenAI launched in November 2022. Even so, this isn't science fiction.

"It's happening right now," Joey Rudisill, chief information officer at \$517 million asset Central Willamette Credit Union in Albany, Ore., says of generative AI's code framework that allows it to write code and improve upon itself. "This is a revolutionary technology. I have to remind myself I'm not living in a science fiction movie. We all have a lot to learn. No one knows exactly how it will unfold."

While the current AI landscape is evolving, credit union leaders should educate themselves about AI so they can make informed decisions. This includes exploring policies.

Idrees Rafiq, Cornerstone Resources' vice president of information security and risk management consulting, wrote a guide for creating AI policies. He suggests starting with an introduction that defines AI, the credit union's intended use of the technology, and the purpose and scope of the policy.

An example might be:

"At [credit union], we recognize the potential of AI to transform the financial industry and many others. This security policy establishes the guidelines and principles for the secure and responsible use of generative AI. Generative AI technologies, such as deep learning models and large language models, have the potential to provide innovative solutions, but also introduce security risks. This policy aims to ensure the protection of sensitive data, maintain the integrity of systems, and mitigate potential security threats associated with generative AI."

From there, Rafiq says the policy should:

- »**Outline** main objectives.
- »**Define** who has access and under what circumstances.
- »**Define** the governance structure.
- »**Identify** compliance with legal requirements.
- »**Highlight** the importance of responsible and ethical use.
- »**Explain** how to maintain values and mitigate risks.
- »**Define** procedures for responding to AI-related incidents.
- »**Emphasize** the need for employee training.
- »**Ensure** regular assessment of AI systems' accuracy, efficiency, error rates, and so on.
- »**Establish** guidelines for protecting user data.
- »**Guarantee** the AI decision-making process is transparent to users and stakeholders.

"We all have a lot to learn. No one knows exactly how it will unfold."

Joey Rudisill



GROW
your business.

And your relationships.

As a business, you want to grow the bottom line—for you as well as for your members. At TruStage™ we can help. With nearly a century of strength and expertise, our insurance, investment, and technology solutions will help you generate new revenue streams. And grow beyond.

Learn more at www.trustage.com/learn-more

Confidence at every stage

Insurance | Investments | Technology



TruStage™ is the marketing name for TruStage Financial Group, Inc. its subsidiaries and affiliates.

CORP-5613521.1-0423-0525



“Great for both new supervisory committee members and long-time ‘old hands.’”

Dan DeGroot
Supervisory Committee Member
SESLOC FCU

**DEC 4-6, 2023
LAS VEGAS**



Discover new ideas, hot topics for supervisory committee members

CUNA Supervisory Committee & Internal Audit CONFERENCE

When your supervisory committee members and internal auditors attend, they'll:

- Learn about trends and topics currently affecting the industry to help make decisions in the constantly changing regulatory landscape
- Network with supervisory committee members from across the nation
- Recertify their CCUSC, CCUB or CCUIA designation if needed

2023-2024 CUNA Environmental Scan is available in these formats:



PDF: comprehensive report; combines industry insights with expert analysis



PowerPoint: complements the full PDF report; provides clear representation of data and report



Streaming Video: complements the full report and adds analysis, insights, context and background



Invaluable insights on trends that affect credit unions

CUNA

Environmental Scan

Prepare for your strategic planning with the best industry trend information available. CUNA Environmental Scan (E-Scan) provides crucial analysis for navigating challenges and seizing opportunities.

Organized into 10 trend-based chapters, CUNA E-Scan outlines actionable insights from industry experts and practitioners, so you can keep your credit union ready to meet member needs.

Next-generation leadership

Diversity, education, and people skills provide value for new CEOs.

A new breed of credit union leaders is driven by a wave of cultural and technological influences that seem to reshape the future each day.

Three CEOs, each of whom have started their new roles this year, shared insights into the trends and influences shaping their journeys during a panel discussion at Discovery2023 from TruStage.

Diversity, equity, and inclusion (DEI) is one factor affecting today's credit union leaders.

"DEI is good business because our members want to do business with people who look like them," says Nathan Cox, president/CEO at \$360 million asset InRoads Credit Union in St. Helens, Ore.

"It's important that we can relate to our members no matter what community they come from," he says. "Look at DEI not just as a (human resources) issue but as a general business issue credit unions can use as a competitive advantage."

“

Look at DEI not just as a (human resources) issue but as a general business issue credit unions can use as a competitive advantage.

Nathan Cox

”

Shonna Shearson, president/CEO at \$545 million asset First U.S. Community Credit Union in Sacramento, Calif., agrees. She says DEI goes beyond "the right thing to do" in building an organization's culture.

"We've certainly seen the bottom-line effects," she says. "Life is a lot more interesting when you have diversity around you."

Margie Salazar, president/CEO at \$1.5 billion asset FirstLight Federal Credit

Union in El Paso, Texas, notes it's also important for credit union boards to be aware of DEI.

"The board must ensure they represent our community," she says. "Our nominating committee has made a point of ensuring that we're recruiting candidates from all of the communities we serve."

The board must also consider the skills required to oversee a modern-day financial institution, Salazar adds.

"The competitive environment is changing so much," she says. "Expectations have been raised for credit unions, so we're raising the expectations for our board members and the skills and qualifications we're looking for."

The CEOs agree organizations must provide opportunities for employees to grow within their chosen career paths.

Salazar, who started as a teller, shares her approach to professional development.

"I put together a development plan and told myself that for the next two years I'm going to focus on this," she says. "I had people within the organization who provided guidance and mentored me to help me accomplish those goals."

"After two years, I set new development goals, and that eventually led me to the position where I am today," Salazar continues.

Great leaders almost always stir things up and change the status quo. The panelists agree that leaders must bring new perspectives and gain the confidence of all stakeholders in their organizations.

Cox uses himself as an example. As a new CEO, he came from another region to provide "a fresh set of eyes" and bring a new vision to the credit union.

"Being an authentic and empathetic leader, and building trust are the critical pieces," he says.

"Letting people see you as authentic will allow them to be authentic, and it will foster great working relationships."

Resources



- ▶ **Supervisory Committee & Internal Audit Conference: Las Vegas, Dec. 4-6:**
cuna.org/sciac



- ▶ **Board and committee solutions:** cuna.org/board



- ▶ **CUNA Board Community:**
community.cuna.org



- ▶ **CUNA News Podcast:**
news.cuna.org/podcasts

Communicate expectations to ease CEO transition

The board must be transparent when a new CEO takes over.

When hiring a CEO, the board oversees the selection process, vets candidates, and ultimately selects the person best suited to lead the credit union.

During the first weeks on the job, the new CEO has a long list of priorities: meet the staff, learn the organization, consider changes to make, and demonstrate the type of leader they'll be.

The board can ease the transition with one step: clearly communicate what it expects from the CEO.

"It's important that the board provide clear direction on what they expect. It's the CEO's job to go out there and execute," says Doug Fagan, president/CEO at \$695 million asset Partner Colorado Credit Union in Arvada, Colo.

Fagan was one of three credit union CEOs to join the CUNA News Podcast to discuss their career journeys and what they've learned along the way. All three stressed the importance of developing a

healthy relationship with the board.

"Understand the criticality of the relationship and partnership between the board and the CEO, and how valuable it can be when leveraged well and maximized," says Darius Wise, president/CEO at \$350 million asset Red Rocks Credit Union in Littleton, Colo.

In addition to nurturing the relationship with the new leader, the board must develop clear and consistent communication with the CEO. Consider how communication will occur. Will the CEO speak with the board chair, who will then disperse information to the rest of the board? Or will the CEO speak to all board members individually when needed?

Together, expectations and communication are two areas where the board can make the new CEO's transition smoother.

"You need to have clear and honest direction from your board of directors, and a clear line of communication," Fagan says.

STATEMENT OF OWNERSHIP, MANAGEMENT, AND CIRCULATION

Title of publication: Credit Union Directors Newsletter

Frequency of issue: Monthly

Location of office of publication: 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930, Dane County

Location of the headquarters or general business office of the publisher: 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930, Dane County

Publisher: Michelle Willits, Credit Union National Association, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930

Editor: Bill Merrick, Credit Union National Association, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930

Owner: Credit Union National Association, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930, Dane County

Known bondholders, mortgagees, and other security holders owning or holding 1% or more of total amount of bonds, mortgages, or other securities: None

I certify the above statements are true and complete—Michelle Willits, publisher, 10/1/2023

	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
A. Total printed (Net press run)	775	724
B1. Paid/requested outside-county	668	654
B2. Paid in-county	0	0
B3. Sales through dealers, vendors and counter sales	0	0
B4. Other classes mailed	0	0
C. Total paid distribution	668	654
D1. Free outside-county	0	0
D2. Free in-county	0	0
D3. Other classes mailed	0	0
D4. Free outside the mail	106	70
E. Total free distribution	106	70
F. Total distribution	775	724
G. Copies not distributed	0	0
H. TOTAL	775	724
I. Percent paid	86%	90%
a. Paid electronic copies	93	79
b. Total paid print + paid electronic	761	733
c. Total print dist. + paid electronic	868	803
d. Percent paid (print & electronic)	87%	91%

CREDIT UNION DIRECTORS NEWSLETTER

(ISSN 1058-1561) is published monthly for \$100 per year by the Credit Union National Association, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930 (Multiple-copy discounts available.) Also available as a downloadable PDF for an annual subscription rate of \$773. Periodical postage paid at Madison, Wis.

POSTMASTER

Send address changes to CREDIT UNION DIRECTORS NEWSLETTER, 4703 Madison Yards Way, Suite 300, Madison, WI 53705-2930. Advertising is accepted only from reputable firms, but inclusion of advertising does not imply endorsement by the newsletter or CUNA Inc.

© 2023 Credit Union National Association Inc. All rights reserved.

EDITORIAL STAFF

MICHELLE WILLITS // publisher, mwillits@cuna.coop

BILL MERRICK // deputy editor, bmerrick@cuna.coop

JENNIFER PLAGER // managing editor, jplager@cuna.coop

DESIGN AND PRODUCTION STAFF

CARRIE DOYLE // senior publications & digital design specialist, cdoyle@cuna.coop

CONTACT INFORMATION

EDITORIAL // 608-231-4076

SUBSCRIPTIONS // 800-356-9655, or cuna.org/directors