Credit Union
Directors
NEWSLETTER

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Grow your governance

Professional and personal development are key to board modernization.

Many credit union board members fit a specific mold, stay for the long haul, and share similar backgrounds. While that might have sufficed in previous years, it threatens to stall progress and stifle fresh viewpoints.

In recent years, there's been a lot of momentum around shaking up legacy boardrooms and making them more diverse. A diverse board introduces a wide range of viewpoints, paving the way for well-informed decisions.

Recognizing the need for diversity won't cut it. Fundamental transformation comes from action.

Diversity goes beyond ethnicity and gender. It spans socioeconomic backgrounds, ages, and thinking styles. Fostering diversity within your board requires planning, intention, and purpose. The board must spearhead it.

Defining an engaged board

While revamping the board might seem like a weighty endeavor, it's an essential step toward realizing the transformational benefits of an involved board.

My take on how a well-functioning, engaged board operates in a healthy boardroom might surprise you. As a fly on the wall, you might find an assortment of unrelated questions, sidebar conversations, and personal anecdotes occurring simultaneously.

You'd hear reminders to stay "board level" and maneuver away from distracting rabbit holes. This stems from the presence of trust within the culture, which gives individuals the confidence to ask questions and share openly.

Interest in a topic triggers dialogue, which sometimes leads to tangents. However, you can steer these conversations back to center. When boards have this feeling of trust and belonging, behaviors you might otherwise consider unprofessional will emerge, and it's gloriously productive in its messiness.

> "**THE GOAL** is to propel the organization toward a more **VIBRANT** and **FUTURE-FOCUSED TRAJECTORY.**"
>
> Mina WORTHINGTON

On the flip side, when unengaged board members come to your meeting unprepared, they'll generally stay silent. A board that consistently greenlights every CEO-proposed initiative without raising concerns or fostering discussion falls short of its responsibilities.

Then there's the issue of a board that excessively delves into operational details, yet no one intervenes to steer the conversation back on track.

Create meaningful change

How do CEOs get their boards to embrace meaningful governance change?

First and foremost, a culture of trust must exist. Without a high degree of comfort, your board won't have the vulnerability and self-awareness to admit they need change, and you can't help them transform their approach to governance.

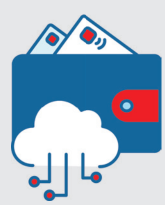
» continued

QUICK TAKE for your next board meeting

Debit and digital wallets

When making purchases, consumers' most popular payment method is debit, according to Fiserv. Consumers used debit for 79% of online purchases and 80% of in-store purchases. Debit also drives digital wallet use.

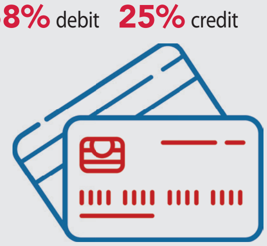
Digital wallets' primary payment method



64% of consumers used digital wallets online in the past month

Primary payment method in digital wallets

58% debit **25%** credit **17%** other



Source: Fiserv, 2023

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To truly embrace varied viewpoints and drive innovation, leaders must consider the steps required to navigate change successfully. The goal is to propel the organization toward a more vibrant and future-focused trajectory.

At its core, a board member's role is to foster members' well-being by overseeing the CEO, crafting a vetting process for new board members, and shaping the governance structure. Your board chair should lead the charge in delving into deeper discussions.

They should investigate whether the board falls into groupthink patterns, or if there are healthy opportunities for individual thinking. How diverse are the perspectives? Does robust debate take place? How much time does the board dedicate to thought-provoking strategic talks?

When board members identify these gaps through self-assessment, the result is increased buy-in and commitment, fostering the drive for change.

Individually, board members should scrutinize their combined strengths, meeting content, and strategic discussions to compare the current and desired future board state. This assessment reveals the gaps.

Start by assessing whether the board has the necessary technical expertise. Next, evaluate individual competencies to pinpoint missing skill sets.

You can then determine the best approach to close those gaps, whether through training or introducing new members. Bottom line, board members must be the agents of change.

Embrace a new governance structure

Leaders must recognize the effort needed for the board to embrace a fresh governance approach.

In our credit union's case, we engaged external parties to facilitate and document board discussions, which paved the way for management to craft an action plan. We implemented term limits for all board members and expanded competency requirements. We created a development path, including education, for each board member.

The Board Governance Committee meets monthly to review current governance practices. It covers topics stemming from the board's interactions and decides what the board should explore.

Ultimately, governance changes require board members to desire personal and professional development. In a room where people are motivated and inspired to be their best, those who wish to "cash it in" will become uncomfortable and feel out of place.

A strong board culture with good governance practices will attract and retain those who thrive within it—while those who don't will often peacefully move along.

MINA WORTHINGTON *is president/CEO at $858 million asset Solarity Credit Union in Yakima, Wash.*

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4 steps of the data journey

Use data to power action and achieve results.

Credit unions collect a lot of data.

By itself, the data isn't useful. But analyzing data can provide a wealth of information credit unions can use to make informed decisions that impact the organization's service.

"Credit unions have tons of data on members, and it's a great asset," says Vicki Potter, senior data and analytics consultant at TruStage.

During the 2023 Credit Union Board Roundtable in Chicago, Potter offered tips on how credit unions can use the data they collect to achieve desired outcomes.

The data journey involves four steps:

1. Data governance. Create definitions that are consistent across the organization. Also, consider what data you need, where it's stored, and its quality.

2. Business intelligence. Create reports and dashboards to make the data consumable and meaningful. This will allow you to establish current state.

3. Forecast. At this stage, you'll be able to identify trends and patterns through visuals. Consider different ways visuals present information to those who need to interpret it.

4. Predictive. Determine next steps and what will happen. Has the data produced the expected results? Do you need to make any tweaks? Keep the model and data current.

Potter recommends starting with small data projects. These will provide insights that will allow the credit union to identify trends and act sooner than with a complicated project.

"Data needs to power the action," Potter says. "It's a process. It's a cycle. Data is just data until you do something with it."

> **Data is just data until you do something with it.**
>
> **Vicki Potter**

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Build a better board-CEO relationship

Shared values and trust are essential to top-performing credit unions.

Developing an effective board-CEO relationship sets up credit unions for success, says John Hirabayashi, CEO at $2.7 billion asset Community First Credit Union of Florida in Jacksonville.

Achieving that goal takes significant effort, he says.

The success of the relationship falls largely on the CEO, says Theresa Trimble, CEO at FRB Federal Credit Union in Washington, D.C. She has seen both sides, serving on the board at the $127 million asset credit union before becoming CEO.

"Directors have a huge responsibility," she says. "It's an important role, and yet they're unpaid, this isn't their only job, and they may have only passing knowledge of finance. It makes for an interesting dynamic."

> "The board and CEO need clear, shared expectations of each role.
>
> Theresa Trimble"

With that in mind, Trimble says the board and CEO need clear, shared expectations of each role. At the same time, CEOs must keep in mind that expectations can change depending on factors such as field of membership, asset size, and technological advances.

Trimble reminds leaders that:

» **Trust** is essential.
» **CEOs** need to converse with board members, not set edicts.
» **Open lines** of communication are essential.

Moderating a CUNA CEO Council virtual roundtable with Trimble, Hirabayashi offers six ways to improve board-CEO relationships:

1. Have a shared purpose and values. A credit union's purpose, values, mission, and beliefs "frame how we treat one another and how we operate," Hirabayashi says. "When you bring on a new board member, you show them your purpose and values, and ask, 'How does this sound to you?' If it's a good fit for them, it's a good cultural fit for the organization."

2. Keep board committees to a minimum. Board members shouldn't get too far into the details of credit union operations. Community First only has executive and audit committees, using ad hoc committees or task forces when needed.

3. Develop effective meeting agendas. Fill board meetings with topics directors care about. Community First places many items on consent agendas, only diving deeper into topics when a director wants to discuss them further. The credit union also sets aside 30 minutes of every meeting to discuss a strategic issue.

4. Prioritize strategic planning. Rather than having one board planning session per year, Community First makes strategic planning a year-round process. The credit union revisits the strategic plan and priorities from January through April.

Leadership meets with the board in April, holds strategic implementation sessions in late spring, and conducts strategic sprints, budgeting, and ongoing implementation from July through December.

5. Engage the board. Ask board members how they feel about the credit union's direction, and explore a strategic topic each month. Administer a governance assessment to evaluate how the board is operating, and budget for educational and networking opportunities.

6. Build and sustain a quality board. Rather than holding open elections for new board members, Hirabayashi prefers nomination committees that appoint skilled people to fill open seats.

Credit unions can also implement term limits to prevent directors from staying on the board too long. Plus, a diverse community advisory council can keep the board fresh, advocating for the credit union and acting as a sounding board in the community.

Resources

Credit Union Board of Directors Conference: Punta Cana, Dominican Republic, Jan. 14-17, 2024: *cuna.org/bodc*

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

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

CUNA Councils: *cunacouncils.org*

Increase membership in a down economy

How mergers and member experience impact member attraction and retention.

Credit unions have historically gained members by offering low rates, affordable products, and individualized service. How does that change during a down market?

A CUNA CEO Council white paper examines how credit unions can navigate economic downturns and increase membership by attracting young consumers, improving the member experience, and examining opportunities for mergers.

Mergers have long been a key strategy for credit union growth, says Sam Brownell, founder/CEO at CUCollaborate. However, the white paper acknowledges that mergers aren't always easy.

"Credit unions need to approach mergers with caution," Brownell says. "Members of smaller credit unions most often benefit, but strategic changes within a credit union are as likely to improve members' lives as mergers."

Four key factors to consider:

1. Define outcomes the credit union expects to gain. What are the key performance indicators, benchmarks, and timelines? Are there alternatives to merging? Defining the expected outcomes will be helpful when the credit union seeks a merger partner.

2. Know that organizational and cultural fit matter. "Start with market and membership, and organizational identity, vision, and purpose," says Taylor Nelms, senior director of market insights and advisory services at Filene Research Institute. "Then, think about leadership approach and how to align management and communication expectations, technology, and workflow processes."

3. Take a multi-stakeholder approach. Map out the potential impacts to all stakeholders while providing transparent and strategic communication.

4. Choose merger partners wisely, and conduct thorough due diligence. Mergers don't guarantee success. Organizational and cultural fit are critical to success, and require significant due diligence.

Mergers aren't the only option, says Teri Robinson, CEO at $107 million asset Ironworkers USA Federal Credit Union in Portland, Ore. Many institutions could survive by better serving their unique fields of membership,

"Get the members excited," she says. "Members take a lot of pride in having their own credit union. Lean into members' pride, and embody what your field of membership is about. Tailor your products and services specifically to meet members' needs. It's critical to make sure we're making the right decisions to make it sustainable for them now and the future."

To attract young members, the white paper suggests credit unions should offer relevant, products and services. These include credit-building programs, budgeting tools, and child care support.

"Credit unions should promote people-helping-people philosophy and how much they're involved with and donate to local communities," says Amanda Swanson, Cornerstone Advisors' senior director for delivery channels. "Be authentic. Younger generations are looking for experiences and connection. Building on authenticity and relating to people versus the ivory tower approach will benefit credit unions."

> **"Lean into members' pride, and embody what your field of membership is about."**
>
> **Teri Robinson**

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