

Build a strategic governance dashboard

Develop questions that measure the board's progress toward future growth.

As board members, we're aware of the importance of strategic dashboards: metrics that gauge a credit union's progress toward strategic goals. We track metrics on growth, profits, market share, and more.

What about measuring advancement as a board? How might your board determine that it's growing strategically in line with your credit union?

Here are some questions that allow your board to measure both quantitatively and qualitatively the ways it can elevate its value to members, the CEO, fellow directors, and future generations of board leadership.

Board meetings

» **Are directors prepared** for board meetings and able to use the time for material discussions? Are directors' questions focused on clarification of results rather than opinion or disagreement?

» **Is the agenda** built around input the CEO needs from the board, and decisions that require a board vote? Are you prepared for a potential mixed vote to give the CEO direction for opportunity and execution?

» **Does the board** send one message to the CEO, allowing her or him to focus on the most important matters of consensus from the board?

Engagement

» **Does the board** chair serve as a facilitator for discussions and look for themes that represent the

board's interests? Does the chair lead conversations without bias or a personal agenda?

» **Do all directors** participate in discussions, and does the board realize that the individual opinions of each director don't add up to an equal list of tasks for the CEO to execute?

» **Is there consistent** attendance, focus, and participation from each director? Do you consider board members' level of engagement when they stand for reelection?

“**BUILDING A GOVERNANCE DASHBOARD** of success allows your board to concentrate on strategic matters of **OPPORTUNITY, INVESTMENT, DIRECTION, LEGACY, AND RELEVANCES.**”

Jeff RENDEL

Development

» **Does the board** seek strategic insights from management to understand trends in financial services and their effect on the credit union? Do you hold occasional discussions with management on topics of interest to the board?

» **Have directors** identified gaps in their own knowledge, and do they seek education to improve their understanding of strategies? Do you have a dedicated budget for ongoing development?

» **Do directors** engage in industry events for education and networking opportunities?

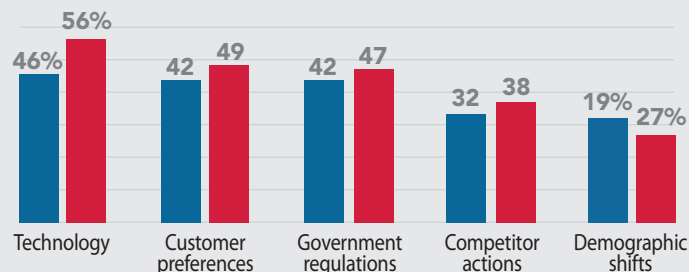
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QUICK TAKE for your next board meeting

The need for reinvention

Future success requires companies to transform and change. According to PwC's Global CEO Survey, 45% of leaders believe their companies won't survive more than a decade if they don't change. CEOs expect changes associated with technology, customer preferences, and demographics to have a large impact on the way organizations create, deliver, and capture values.

Trends driving transformation



Source: PwC, 2024

» **Is ongoing learning** a requirement for each board member?

Recruitment

» **Has your board** identified timelines of future service for directors, and the potential board seats that may open? Do you use the supervisory committee as a starting point to find board members to serve the credit union?

» **Have you identified** a future pipeline of candidates for the nominating committee, and do the candidates bring the skills and demographic mix that create value for the future? Has the board makeup evolved with the composition of membership?

» **Does the board** work with management to identify potential board candidates? Who do your executives know that the nominating committee could interview and evaluate?

Board/CEO relationship

» **Have the board** and CEO approved a few strategic areas of focus for leadership with well-defined metrics? Do you dedicate part of the board meeting agenda each quarter to strategic updates and discussion?

» **Does the board** exhibit a commitment to the future, focusing dialogue on future initiatives and direction

rather than past operating results? Does the chair steer conversations away from operations and toward refinements necessary for strategic progress?

» **Has the board** approved a timely CEO succession plan? Does it work with the CEO on inducements for retention (e.g., salary, bonuses, long-term compensation, professional development)? Have you discussed with the CEO what he or she needs to continue executing at a high level?

As your credit union grows, governance and long-term strategic focus become more important. Building a governance dashboard of success allows your board to concentrate on strategic matters of opportunity, investment, direction, legacy, and relevance.

Review these questions and determine which matter most to your board and its commitment to excellence. Treat those questions like strategic objectives and measures for your board.

Focus on them relentlessly until you succeed. Continue to review this dashboard, adding new objectives and measures that allow the board to learn, lead, and evolve alongside your credit union.

JEFF RENDEL is president at *Rising Above Enterprises*. Contact him at jeff@jeffrendel.com.

A singular calling

At the state capitol and in the board room, Ed Price puts service first.

Ed Price has always believed in serving his community.

Price, who retired after a career in manufacturing, is in his seventh year as a state senator after serving six years in the Louisiana House of Representatives. He's also been a board member at \$149 million asset Wymar Federal Credit Union in Geismar, La., for the past 28 years.

"The one thing I want to do is provide service to my constituency," Price says. "At the credit union, we're always trying to help our membership. I bring that same attitude with me to the capitol. Whether on the credit union board or in the legislature, serving people is my key focus."

Price joined the Wymar Federal board because he saw an opportunity to use innovative ideas to help people.

One of those ideas is a new Louisiana law that allows credit unions to offer prize-linked savings. Price authored the legislation that was enacted into law. Credit unions in the state can now reward their members for saving with a raffle ticket that offers a chance to win cash or other prizes.

"These promotional raffles give everybody an equal chance at a prize," Price says. "It's been very

successful. One of the things I'm most proud of in my tenure in the legislature is working with the Louisiana Credit Union League to pass this bill. It brings members into credit unions, and credit unions in our area have done well with prize-linked savings."

Price credits his ability to see all sides of an issue and maintain balance for his success as both a legislator and a board member.

"There's a balancing act with the Louisiana Bankers Association and the Louisiana Credit Union League," he says. "When I'm around the capitol and hear things happening, I can bring that back to the credit union and say, 'here's what we've got to start considering.'"

Price encourages other credit union board members to advocate for ideas that will improve the credit union environment.

"At Wymar Federal, we maintain a relationship with our membership and provide services that benefit them," he says. "Advocating for those services makes good sense."

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Serving people is my key focus.

Ed Price

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Traits of top supervisory committees

Ask probing questions and get the most out of your audits.

The best supervisory committee members push for answers to complex questions even if they're not financial experts, says Tim Harrington, president at TEAM Resources.

Harrington, who addressed the 2023 Supervisory Committee & Internal Audit Conference in Las Vegas, offers best practices and other insights for supervisory committee members.

Credit Union Directors Newsletter:

What are some traits of effective supervisory committee members?

Tim Harrington: It's about whether they can ask a question if something doesn't look or seem right and stay with it until they get an answer they can understand.

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If supervisory committee members aren't aware of their job responsibilities, internal controls can weaken.

Tim Harrington

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It's important to be persistent and to not be swayed because most supervisory committee members aren't professional auditors or have strong financial backgrounds. They're tasked with making sure financial statements are reasonable and that internal controls exist.

It's not about knowledge, it's about finding the right allies and partners—certified public accountants and internal auditors—and be able to ask questions.

Most of the time the issues that arise are errors or misunderstandings. If someone doesn't want you to know the answer, they'll do all kinds of things to obfuscate the situation and make it hard to understand. That's why persistence is so important.

Q: How can credit unions gauge the effectiveness of their supervisory committees?

A: We have a good handle on board evaluations, but we struggle with supervisory committees because it's a different process. Some important measures are how well they manage the relationship with the outside audit firm, and whether they go through an evaluation process to see if management is working well with them. If not, they need to find out why.

The audit is expensive, and if you don't get all the value out of it, it's like paying for an insurance policy you'll never use. If you work that relationship well and go through the audit checklists and questionnaires with management and the auditors, you'll gain a lot of value and knowledge.

Q: How can credit unions improve their supervisory committees?

A: Organize your year. Boards have a governance calendar that details everything that will happen during the year.

A supervisory committee should have a governance calendar, which is what we'd call an audit plan. As credit unions get bigger, their third-party providers do more and more. Even so, the supervisory committee should have an idea of what it's going to do during every meeting.

Q: Are there signs that indicate a supervisory committee isn't up to snuff??

A: The supervisory committee makes sure internal controls exist, but they aren't internal control experts. They need a third party to do that for them.

You'll sometimes find weaknesses in internal controls that become persistent. Auditors will identify weaknesses, but there's no one in-house pushing to fix them.

If supervisory committee members aren't aware of their job responsibilities, internal controls can weaken.

Resources



▶ **Board of Directors & Supervisory Committee Conference, April 15-18, Newport, R.I.**



▶ **Credit Union Board School, May 6-10, New Orleans**



▶ **World Credit Union Conference, July 21-24, Boston**



▶ **Congressional Caucus, Sept. 8-11, Washington, D.C.**

Future success requires CEO succession planning

Ensure you have the talent needed to achieve your credit union's strategic goals.

Nothing succeeds like success, as the saying goes. For credit unions seeking to secure their future, nothing succeeds like ensuring a smooth CEO succession.

Hiring a CEO is one of the biggest challenges facing credit union boards, says Kevin Smith, consultant/publisher at TEAM Resources. "It's also the most important work of the board—and it takes longer than anyone thinks."

When the long-term CEO at Oxford Federal Credit Union in Mexico, Maine, announced his retirement in November 2020, he and the board initially looked internally to gauge interest for the CEO position.

After determining that leadership team members were fulfilled in their current roles, Oxford Federal added an executive vice president (EVP) position, says Joann Bisson, who took over the helm of the \$310 million asset credit union in February 2023. "We stressed that the EVP wouldn't be the heir apparent, but it would be a good opportunity for the board and the individual to work together."

"Being able to preview a potential candidate is invaluable," adds David Leclerc, board chair. "In addition to the feedback from our prior CEO, the year that our EVP worked with the credit union gave us

the opportunity to measure how she fit in with our culture and to see the chemistry develop within the management team."

The board acknowledged that the EVP shouldn't necessarily be the automatic choice for CEO, but ultimately appreciated the chance to appoint someone "they knew from day-to-day experience as opposed to having to interpret competence and character during a few limited interviews," he says.

In August 2022, Devon Lyon joined \$790 million asset Central One Federal Credit Union in Shrewsbury, Mass., as CEO. Only the third CEO in the credit union's 70-year history, Lyon was selected after a nationwide search.

The process was robust, Lyon says, and included multiple interviews, a strategic plan project, and a lengthy conversation with the search firm's consultant, a retired CEO who asked specific strategic and tactical questions.

The CEO and board should discuss the succession process regularly, Lyon says.

"It's important for both sides to know if there are potential internal candidates, or if the credit union needs to look outside," he says. "Have a plan, and make it a regular topic of conversation. The tenure of the CEO and their retirement plans will determine the steps and frequency of having these discussions."

"Have a plan, and make it a regular topic of conversation."

Devon Lyon

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EDITORIAL STAFF

MICHELLE WILLITS // publisher, mwillits@americascreditunions.org

BILL MERRICK // deputy editor, bmerrick@americascreditunions.org

JENNIFER PLAGER // managing editor, jplager@americascreditunions.org

DESIGN AND PRODUCTION STAFF

CARRIE DOYLE // senior publications & digital design specialist, cdoyle@americascreditunions.org

CONTACT INFORMATION

EDITORIAL // 608-231-4290