

Best Practices for High Performing Boards

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High Performing Board Conversation

- Strategic decision
- Components
- Process to Benchmark
- Start a plan!



Increased Scrutiny

Every credit union should be lead
by an effective and high-performing
board which is collectively
responsible for the success of the
members.



Board-CEO Relationship

- Increased scrutiny and demand between the CEO and Board in effective governance of the credit union.
- Declining average tenure of CEOs.
- CEOs more demanding of boards for the sake of safety and soundness.
- Boards need to efficiently fulfill in governance responsibilities.

Strategic Decision

Do you want to be seen and respected as
a high performing Board?

What Board identity is needed for your credit union?



Definition of High Performing Board

- ✓ Clarity of role and focus
- ✓ Competent and effective Chair
- ✓ Balanced board
- ✓ Culture of trust, respect, and dignity



Sample Diagnostic Questions

- What do the stakeholders expect from the credit union and the board in its oversight role?
- What does the CEO expect from the board in terms of governance, decision making, strategic oversight and succession planning?
- How does your Chair define quality participation of the board?
- How does your Chair define quality participation of the CEO?





Element

- ✓ Common set of goals and tasks
- ✓ Rigorous strategic debate
- ✓ Fresh perspectives
- ✓ Effective monitoring
- ✓ Quality succession planning process



Elements

- ✓ Ensures the governance framework adds value to the organization.
- ✓ Appropriate and relevant attention to strategy, governance, performance, risk, and merger/acquisition opportunities.
- ✓ Models the credit union values and mission and protects reputation.



Characteristics

- Clear role definition of board members, chair, and committee members.
- Establish and maintain relevant and quality processes to provide consistency and excellence.



Processes

- Transparent agenda that focuses on:
 - Financial Position
 - Strategic Issues
 - Human Capital Issues
 - Board Education



Practices

- Agenda
 - Should allow for real time issues
 - Flexible to take care of new issues



Practices

- ✓ More than just filling open positions.
- ✓ Current and future boards require financial expertise in the room in several or all board members.
- ✓ Representative of membership.



People: Chair

- Benchmarks performance
- Individual and collective
- Lead commitment to grow, change, and develop



People: Chair

- Preparedness of board
 - Constantly assess knowledge base of board members
 - Introduce hypothetical scenarios to challenge group
- Annual Calendar
 - Focus on big picture items
 - Advance preparation for strategic planning



Culture

- ✓ Board culture supports credit union culture
- ✓ Candid cross board communication
- ✓ Constructive assessments
- ✓ Leverage strengths
- ✓ Effective chemistry
- ✓ Challenge if culture ineffective



Commitment

- ✓ Degree of commitment.
- ✓ Choice to be in the room.
- ✓ Choice on how to be in the room



Customize Board Benchmark and Plan

- Evaluate recruitment practices (tomorrow's session)
- Evaluate relationship with CEO (tomorrow's session)
- 360 Degree Stakeholder Interview/Assessment
- Diagnostic Question
- Board Alignment Assessment



Sample Diagnostic Questions

- ✓ What do the stakeholders expect from the board in its oversight role?
- ✓ What does the CEO expect from the board in terms of governance, decision making, strategic oversight and succession planning?
- ✓ How does your Chair define quality participation of the board?
- ✓ How does your Chair define quality participation of the CEO?

Sample Diagnostic Questions

- ✓ How does the Nomination Committee assess the competencies and skills of potential new board members?
- ✓ What process does the board use to go beyond the “like me” and “usual suspects” recruitment processes?

Sample Diagnostic Questions

- ✓ What are the well-defined boundaries between the board and executive team?
- ✓ Does the board have the strength, resilience and depth of expertise to guide the credit union through another financial crises?
- ✓ What is your plan in case the CEO unexpectedly resigns?



Sample Diagnostic Questions

- ✓ How does your CEO define quality participation of the board in the strategic leadership of the credit union?
- ✓ Are the board's policies, procedures, and practices effective and rigorous?
- ✓ Does the board use its experience and expertise to help drive credit union performance?

Sample Diagnostic Questions

- ✓ Are the board's policies, procedures, and practices effective and rigorous?
- ✓ Does the board use its experience and expertise to help drive company performance?
- ✓ How does the Nomination Committee assess the competencies and skills of potential new board members?
- ✓ What process does the board use to go beyond the “like me” and “usual suspects” recruitment processes?

Sample Diagnostic Questions

- ✓ How is value created in the board room?
- ✓ How does the time element of the board member align with the time element of senior management?
- ✓ How healthy is strategic debate?

Sample Diagnostic Questions

- ✓ What is the appropriate level of interaction between the board and CEO?
- ✓ What are appropriate board committees (charters, goals, etc.)?
- ✓ How well is board equipped to move credit union to the next level?
- ✓ Are you willing to let go if the board (or board member) is not equipped?

Composition

- More than just filling open positions
- Current and future boards require financial expertise in the room in several or all board members
- Representative of membership



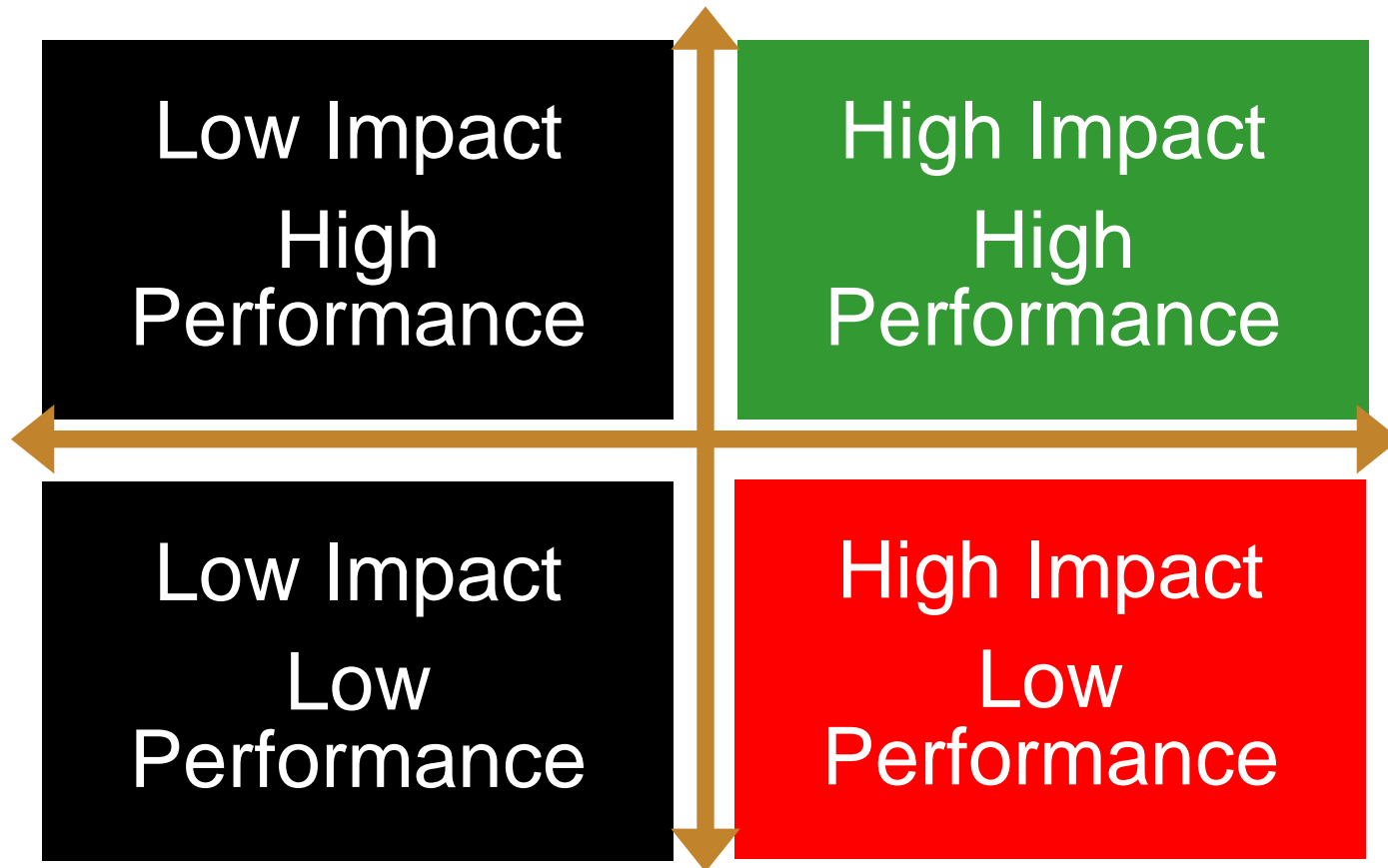
Case Study: Two Assessments

- Board Alignment
- Board Personal Mastery

All responses anonymous and confidential.



Board Alignment Assessment



Eight Board Room Business Disciplines

1. Board Composition
2. CEO Compensation / Oversight
3. Strategic Planning
4. Board Procedures
5. Board Interaction
6. Board Information
7. Board Committees
8. Board & CEO Effectiveness



Strategic Performance Index = 59

Impact	Category	Performance
1	Strategic Planning	64%
2	Board Interaction	54%
3	Board & CEO Effectiveness	65%
4	Board Composition	45%
5	CEO Compensation/Oversight	73%
6	Board Information	63%
7	Board Procedures	61%
8	Board Committees	53%



QuadRed SPI = 59

Impact	Category	Performance
1	Strategic Planning	64%
2	Board Interaction	54%
3	Board & CEO Effectiveness	65%
4	Board Composition	45%
5	CEO Compensation/Oversight	73%
6	Board Information	63%
7	Board Procedures	61%
8	Board Committees	53%



Board Composition: In the **RED** Zone

The board composition appropriately reflects the diversity of the membership: **0% agreed**

The board has determined clear policies and criteria for selecting new members: **40% agreed**

I am satisfied with the process we use for nominating new directors: **20% agreed**



Board Information Disciplines in the **RED** Zone.

0% fully agreed

The quality of Board information materials is excellent.

Information and reports from committees are received in ample time for adequate preparation for Board meetings.

The board provides a timely, comprehensive orientation for mentoring new Directors.



Strategic Planning in the GREEN and RED Zones

The CEO has a Strategic Plan approved by the board.

80% agreed

The CEO utilizes Board members' skills and experience in crafting the strategic plan. **0% fully agreed**

The board devotes an appropriate amount of time discussing strategy at board meetings. **0% agreed**



Board Interaction in the **RED** Zone

Board members resolve conflict with trust and respect.

0% fully agreed.

Board members in the minority support the majority decision when consensus is not achieved.

0% fully agreed.



Personal Mastery

	Average								
1 Goal Orientation	7.6	5.3	5.3	8.3	9.3	8.3	8.7	7.7	
2 Planning/Organizing	6.6	4.3	8	6.7	8.3	6	4.7	8.3	
3 Self-Management	6.4	3	8.7	7.7	6.3	9.3	1	9	
4 Diplomacy	6.1	7.7	8.3	6.3	2.3	5.3	6	6.7	
5 Written Comm.	6.1	8.7	0.7	7.3	7.3	7.3	6.3	5	
6 Continuous Learning	6.1	6	6.7	3	9	7.3	8.3	2.3	
7 Teamwork	6.1	7.3	5.3	6	5.3	3.3	7.3	8	
8 Leadership	6.0	3	3	6.3	6.3	7	9.3	7.3	
9 Management	5.9	4	2	7.3	6.3	6	8.7	6.7	
10 Employee Dev./Coaching	5.8	4.7	8	6.3	4.7	5	8	4	
11 Customer Service	5.8	4.7	8	4.3	4.7	5	6.7	7.3	
12 Flexibility	5.7	5	7.3	2.7	6.7	6	7	5	
13 Creativity/Innovation	5.5	4	5.7	4	9.3	5.3	5.3	4.7	
14 Personal Effectiveness	5.1	4.3	5	5	5.7	5	4	6.7	
15 Analytical Problem Solving	5.0	7	0.3	6	6.7	5.7	6.3	3.3	
16 Presenting	5.0	6	0.3	4.3	8.3	3.7	8.3	4.3	
17 Persuasion	4.9	5	1.7	5	3.3	7	5.7	6.3	
18 Conflict Management	4.4	4.7	2.3	5	2.7	5.7	5	5.7	
19 Negotiation	4.1	9	2	5.3	3	4	3.7	2	
20 Interpersonal Skills	4.0	0	0.7	7	0	2.3	9	9.3	
21 Empathy	3.6	3.3	6.7	0	4.3	2	5	3.7	
22 Decision Making	3.3	2.3	0	6.7	3.3	3	3.3	4.7	
23 Futuristic Thinking	3.0	2.7	1	4.3	2.3	4	7	0	

Board Dashboard **RED ZONE**

Conflict Management	4.4
Negotiation	4.1
Interpersonal Skills	4.0
Empathy	3.6
Decision-Making	3.3
Futuristic Thinking	3.0



Board Dashboard **STRENGTHS**

Goal Orientation	7.6
Planning/Organizing	6.6
Self-Management	6.4
Diplomacy	6.1



Simple Process

- Create a vision statement for the board
- Define what that means to the board in terms of Composition, Strategic planning, Board-CEO relationship, etc.
- Memorialize the agreed to vision of the future.
- Benchmark.
- Select or two places to start and Go!



Thank You

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