



The State of Credit Union Governance, 2018

Five Data-Driven Recommendations
for Future Success

By Michael G. Daigneault, Esq., CCD
and Jennie Boden
Quantum Governance, L3C



We wish to note that we are not providing legal services or offering legal advice of any kind.

Copyright 2018, Quantum Governance, L3C and CUES

Published by CUES.

All rights reserved. This report is a benefit for CUES Members, CUES Directors Members, and Center for Credit Union Board Excellence members who may reproduce its contents for use at their individual credit union. Any other use or reproduction in whole or part without written permission of CUES or Quantum Governance is prohibited.

The views presented in this manual are those of the authors. They do not necessarily represent CUES' views.

Published by:



Credit Union Executives Society (CUES)
5510 Research Park Drive
Madison, WI 53711
Tel: 800.252.2664
Email: cues@cues.org
cues.org



Quantum Governance, L3C
9409 Old Courthouse Road
Vienna, VA 22182
Tel: 703.242.2016
Email: michael@quantumgovernance.net
jennie@quantumgovernance.net
gisele@quantumgovernance.net
quantumgovernance.net

Thanks and Acknowledgments

Through our strategic partnership with the CUES, Quantum Governance has had the opportunity to survey thousands of credit union leaders—board members, supervisory committee members, CEOs and senior staff—throughout the past five years. We have learned a great deal in doing so—both about credit unions and about how valuable a great strategic partner can be. The folks at CUES remain the best partners and colleagues we could ask for. From funding initiatives like this credit union governance study, to sponsoring our participation in webinars, articles and conferences, we count our lucky stars for a partnership that’s deep and wide. Your team is clever, committed, candid and cool. You are a great pleasure to work with. Each and every one of you.

A very special thanks and acknowledgment also goes to the thousands of credit union leaders who have participated in our surveys over the years. We are indebted to you all for the ideas you have given to us—as well as the insights you are now sharing with your credit union colleagues. This report is for you. We humbly hope it helps you learn and grow at least in some small measure, as you have helped us to do by leaps and bounds.

A huge thanks to Jeff Meyer and James Swartz, our partners and statisticians, who led the way, shined the light and crunched the numbers....and then crunched them again. You patiently took our calls and answered our emails and ensured we were always asking the right questions. Thank you. Thank you. Thank you.

To Alessandra Daigneault who reminds us daily what it means to be tough-minded yet full of compassion, bottom-line oriented while remaining open and flexible. Thank you for supporting new learning, growth and our dreams, all with an eye to our collective, ultimate success.

To Shannon Zayas, our True North. You keep us grounded and remain calm in the midst of the storm. You, too, crunched the numbers and asked the hard questions, ever-steadfast to a solid process that took us all the way through to the end.

To Caitlin Curran Hatch with her quick mind and sharp wit. Thank you for your willingness to lend your time, talents and always on-point thoughts to this project and the many credit union clients with which you have worked. Your abilities are a vital yin to our yang.

Thank you, finally, to Gisèle Manole, the newest member of our Quantum Governance team, for your willingness to jump in with both feet, pick up the pieces and run. The process began with your research and diligent work, and we’re sure it won’t end anytime soon.

Sincerely,

Michael G. Daigneault, Esq., CCD and Jennie Boden
Quantum Governance, L3C
January 2018



TABLE OF CONTENTS

6	Executive Summary	
6	Methodology & Demographics	
11	The Survey	
16	Overall Findings	
20	Findings by Survey Section	
20	Vision, Mission & Strategy	
25	Board Structure & Composition	
28	Fiduciary Oversight	
31	Governance & Leadership	
35	Supervisory Committee	
38	Recommendations	
39	List of Figures	
41	About the Team	
43	Appendix: Governance and Nominations Committee Charter	



Executive Summary

We've been regularly surveying credit union board members, supervisory committee¹ members, CEOs and senior staff² for the past five years. And for as many years as we've been surveying them, we've dreamed about the notion of pulling together a "state of the state" of credit union governance report—both to forward our own understanding of what we are seeing in terms of broad trends in the field, but also so that we can share the combined results with you, our friends, colleagues and clients in the credit union community.

This report is the culmination of that dream, and we are pleased to share its findings, as well as five central recommendations that emanate from them. We hope that you will be challenged by both—to increase the focus on effectiveness of governance and leadership at your credit union—all toward the betterment of your credit union and its members.

Methodology and Demographics Overview

This report is a summary of data collected by Quantum Governance, through three types of governance assessments, from 70 U.S.-based credit unions from December 2012 through August 2017, located in 31 states. The credit unions range in asset size from \$38.5 million to \$4.9 billion, with nearly 60% of the respondents reporting assets of \$1 billion or greater. Seventy-five percent (75%) of respondents are board members, followed by 12% senior staff, 7% supervisory committee members and 5% CEOs.

The tool that was used to obtain the data is organized into five key survey sections: 1) Vision, Mission & Strategy; 2) Board Structure & Composition; 3) Fiduciary Oversight; 4) Governance & Leadership; and 5) Supervisory Committee.

¹For the purposes of this report, we use the term supervisory committee. However, we are aware that a number of credit unions use the term audit committee.

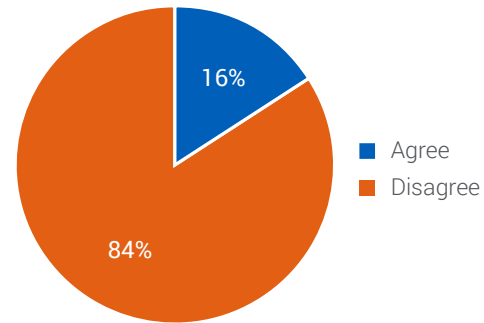
²For the purposes of this report, the term senior staff refers to members of a credit union's executive management team, excluding the CEO.

Key Findings

We identify six key findings in total.

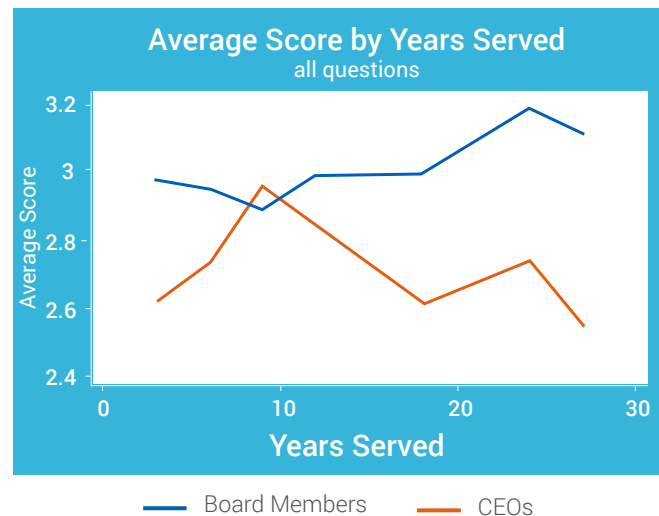
1 Board Members and CEOs Frequently Differ on Their Perceptions Regarding Governance. Board members and CEOs differ on 84%³ of the survey's key questions,⁴ agreeing on only 16% of the survey's key questions (with the exception of the Supervisory Committee survey section, where there is more agreement).

Figure 1 Agreement/Disagreement Between the Board and CEO, All Survey Sections with the Exception of Supervisory Committee



2 Board Member and CEO Perceptions Diverge Based on Tenure. Board members who have served on their boards for a long period of time have more positive view concerning governance than those board members who have less tenure. Conversely, CEOs with longer tenures tend to be more negative than CEOs with shorter tenures.

Figure 2 Average Score by Years Served—All Questions



3 Bigger Really May Be Better. For 18 of the 21 key questions asked, board members and CEOs of credit unions with assets of \$1 billion or greater had **statistically and significantly** higher survey scores overall,^{5,6} than those credit unions with assets ranging from \$500 million to \$999 million. That is, larger credit unions tend to rate their governance practices higher than those of smaller credit unions.

³Please note that percentages throughout the report are rounded up to the nearest decimal; therefore, figures may not total 100%.

⁴The governance survey contains 47 questions overall; however, we identify 21 questions as "key questions," meaning they are identified as most fundamental to good governance.

⁵The higher the scores on the survey, the more positive views of the credit union's governance overall. The highest possible score was 4.

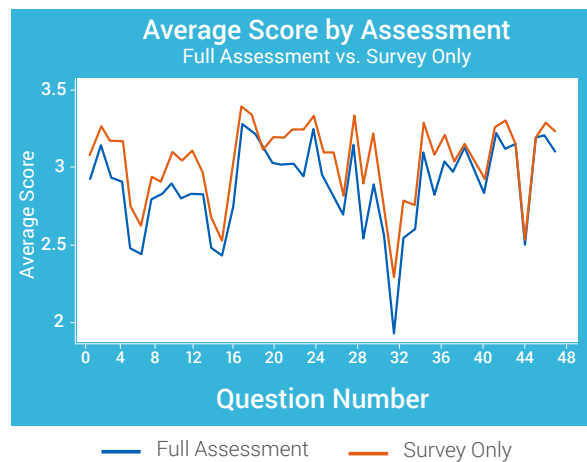
⁶The mean score for board members were higher than the mean scores for CEOs on all 21 of the key questions. Due to the variance of the mean scores, we can state that 18 of the 21 key questions were statistically significantly higher for board members as compared to CEOs using a p-value of 0.05.

Figure 3 Average Score by Asset Size—Key Questions for Board Members and CEOs



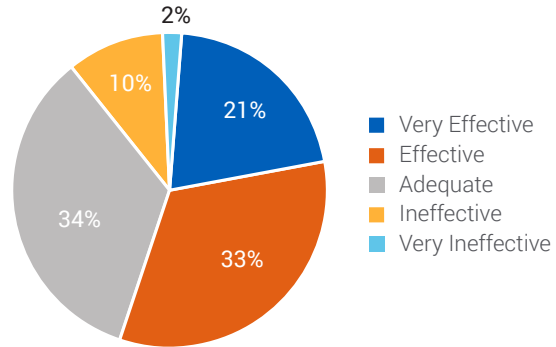
4 Credit Unions That Don't Undertake a More Comprehensive Assessment May Receive a Skewed Perception. Those credit unions that participated in a survey-only assessment, opting not to include interviews, a document review and a retreat as a part of their assessments, tend to have more positive scores in many of the areas assessed. While the exact reasons for this more positive viewpoint are unknown, it is a finding that is of genuine concern as it is simply not helpful to receive a "rosier" view of the credit union's governance efforts. Such a skewed—overly positive—viewpoint could cause some credit unions not to take corrective actions when, in fact, some action may be prudent.

Figure 4 Average Score by Assessment Type—All Questions



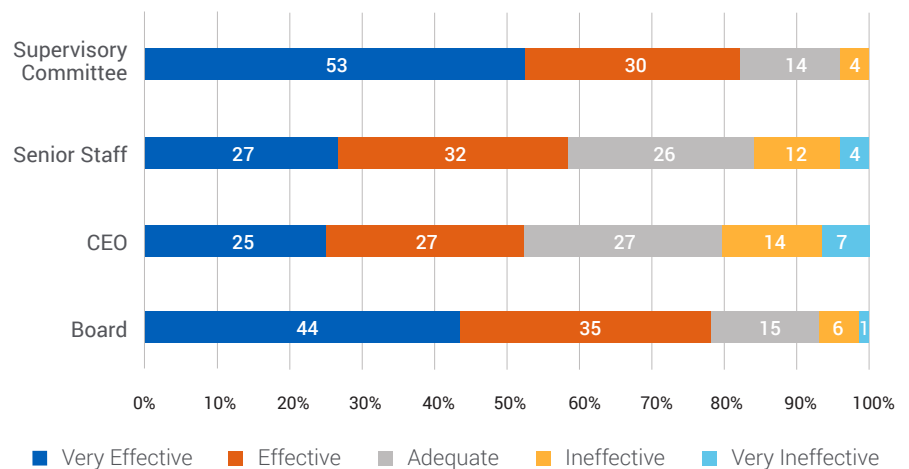
5 Respondents are Concerned About Recruiting Future Board Members. Survey participants expressed concern with the board's effectiveness in attracting the right people to serve on the board in the future, with a full 46% of respondents describing their effectiveness in finding, recruiting and nominating new talent as only adequate or less than adequate.

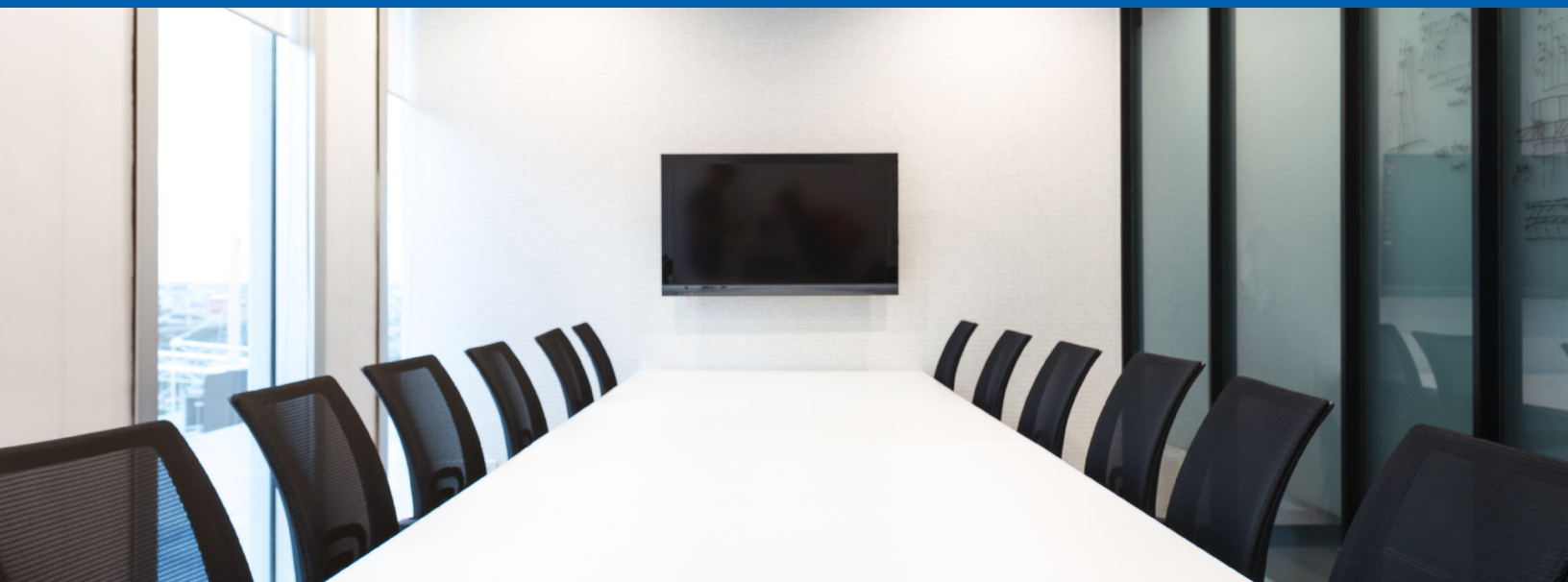
Figure 5 *Attracting The Right People To Serve On The Board—Overall*



6 CEOs and Senior Staff Perceive Lower Levels of Trust. Just 27% of senior staff and 25% of CEOs reported their boards were very effective at building a leadership culture of trust, compared to 53% of supervisory committee members and 44% of board members.

Figure 6 *Building a Leadership Culture of Trust—by Position*





Recommendations

With our key findings, as well as additional findings offered in the full report that follows, we offer five core recommendations to strengthen governance policies and practices at your credit union:

- 1. Prioritize Governance Excellence at Your Credit Union.** If you haven't been taking governance seriously at your credit union, it's time to do so. And if you have been, it's time to kick it up a notch. Whether you're functioning at Governance 101 or 601, it's time to find out what Governance 201 or 701 looks like for your credit union. While many of the results in this report give cause for us to stand up and cheer, there are also many causes for concern.
- 2. Eliminate any Perception Gaps Between Your Board, Supervisory Committee and Senior Staff.** If we know one thing, it's this: gaps between the board and senior staff will eventually be destructive. We highly recommend a strong, constructive partnership between the board, supervisory committee and the senior staff—all working collectively to govern and lead the credit union. There were so many gaps in perceptions between these positions throughout the report it surprised even us, and it should definitely concern you.
- 3. Ensure You Have a Plan for Board (and Committee) Rejuvenation.** While it may sound like a positive finding—the longer a board member serves, the more positive his or her perception is—it does concern us. Are long-serving board members losing their ability to “ask the hard questions?” At the same time, the number of potential board members among us—if we look strictly at the census numbers—is shrinking. Ensure your credit union has a viable plan for leadership continuity. It is one of the most critical responsibilities a board holds.
- 4. Focus on Your Credit Union's Leadership Culture** While you may be spending countless hours ensuring your board members have the requisite training; your committee structure is in place and operating well; and your plan for board rejuvenation is fully up-to-date, don't forget about building a positive board culture. It takes time and conscious cultivation to ensure a positive outcome.
- 5. Charter a Governance and Nominations Committee...Fast.** Over the years, nominations committees have morphed—first into board development committees and now into what is considered best practice governance and nominations committees. If your credit union doesn't have one, it's behind the curve, and you need to get one, fast. Today's governance and nominations committee is chartered to address: board roles and responsibilities; composition; knowledge and learning; effectiveness and leadership. We believe this recommendation is so important a sample *Governance and Nominations Committee Charter* has been provided as an appendix to this report.

The Survey



Overview

The data contained in this report were collected by Quantum Governance between December 2012 and August 2017 as a result of governance assessments conducted by Quantum Governance on behalf of 70 credit union clients located in 31 states. The credit unions range in asset size from \$38.5 million to \$4.9 billion.

The data was collected online via a third-party survey tool, SurveyGizmo, and through three different types of governance assessments:⁷

1. **Survey-Only Assessments**, where clients participated in an online, quantitative survey⁸ only.
2. **Mini Assessments**, where clients participated in the same online, quantitative survey; a limited number of interviews, generally with the board chair and CEO; a high-level review of key governance documents; and a retreat.⁹
3. **Full Assessments**, where clients participated in the same online, quantitative survey; in-depth interviews with board members and the CEO, and often times additional members of the senior staff; a review of central governance documents, including bylaws, board meeting minutes, committee charters; and a retreat.¹⁰

The Survey Tool

Quantum Governance's governance assessment survey is organized into five key survey sections: 1) Vision, Mission & Strategy; 2) Board Structure & Composition; 3) Fiduciary Oversight; 4) Governance & Leadership; and 5) Supervisory Committee. Each of the five survey sections includes multiple choice questions derived from good governance and best practices in the field. The responses to all survey questions are directional on a five point Likert¹¹ scale. The survey asked a series of questions testing the board's effectiveness using a five-point scale with 0 being "Very Ineffective;" 1 being "Effective;" 2 being "Adequate;" 3 being "Effective;" and 4 being "Very Effective." The survey also includes seven narrative questions which have not been analyzed as a part of this report.

Collecting the Data

Individual links to complete the survey through an online survey tool, SurveyGizmo, are sent via email to board members, supervisory committee members, CEOs and senior staff. Upon receipt of the link, the respondents were asked to complete the survey within approximately two weeks' time. Not all credit unions opted to include any and all members of their supervisory committee and senior staff, and some credit unions only opted to include their board members in the process.

Compiling the Data

Data from the survey respondents was exported from SurveyGizmo into Microsoft Excel and compiled by credit union, with the following information tracked: credit union name; respondent's role; asset size; and the year the assessment was conducted.

To ensure data integrity, aggregated survey results exported from SurveyGizmo for this report were compared to data originally reported to each individual credit union.

⁷ Differences in findings between these three different types of assessments will be discussed further in this report.

⁸ Please note that the underlying model for this survey has not changed from 2012 to 2017; however, we have made some minor modifications to the question set in terms of language only.

⁹ Please note that we use the word retreat, here suggesting that the assessments results were presented typically in a special meeting of the board. There were some occasions however, when an expanded agenda during a regularly-scheduled board meeting was developed to allow for the presentation of the results. Retreats often included the participation of the credit union's CEO and members of the senior staff.

¹⁰ On occasions, other methodologies may also have been employed for full assessments, including, but not limited to, focus groups and board meeting observations.

¹¹ A Likert scale is the most widely used approach for survey research because it allows respondents the ability to choose to which degree they agree or disagree with the survey question. The Likert scale generally offers the survey respondent five or seven choices, with the middle choice being a neutral response, neither agreeing or disagreeing.



Analyzing the Data

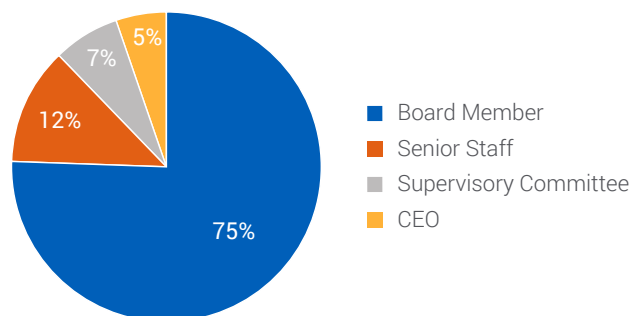
In situations where a credit union responded to the survey for multiple years, the most recent year's data were used for the analysis. The exception to this rule was the use of a previous survey if there were significantly more missing responses in the most recent year as compared to the previous year. This occurred with only four of the 70 credit unions in the analysis.

When comparing responses between board members and CEOs, an ordinal logistic mixed effects model was used to determine whether the differences were statistically significant. An ordinal logistic model was used because the survey responses were on a five-point scale. A mixed effects model controls for the fact that responses of members on the same board or senior staff within the same credit union are not independent of each other. If the non-independence is not controlled for, some non-significant differences could be assessed as significant leading to false positives. A significance level of $p < .05$ was used to determine statistical significance. Please note that percentages throughout the report are rounded up to the nearest decimal; therefore, figures may not total 100%.

Percentage of Respondents by Position

Seventy-five percent (75%) of respondents were board members, followed by 12% senior staff, 7% supervisory committee members and 5% CEOs.

Figure 7 Percentage of Respondents—by Position



Years Served by Position

Position	Average Years Served	Minimum Years Served	Maximum Years Served
CEO	13	1	38
Board Member	12	1	50
Supervisory Committee	9	1	35
Senior Staff	8	1	35

Figure 8 Years Served—by Position

Age by Position

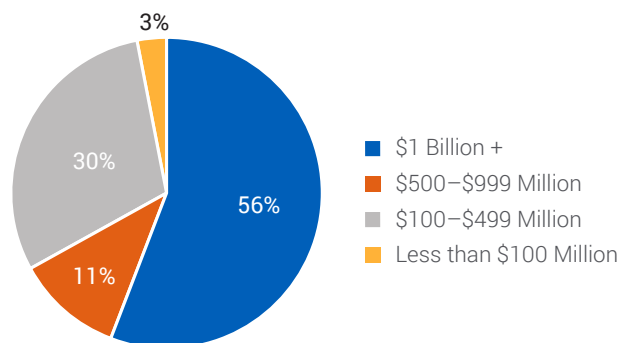
Position	Average Age	Minimum Age	Maximum Age
Board Member	60	27	93
Supervisory Committee	61	32	85
CEO	55	37	71
Senior Staff	52	29	71

Figure 9 Age—by Position

Asset Size

Nearly 60% of the credit unions in the dataset have assets of \$1 billion or greater.

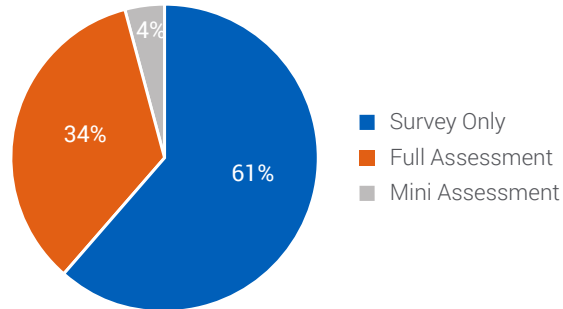
Figure 10 Asset Size—All Credit Unions in the Dataset



Assessment Type

(See Overview Above)

Figure 11 Assessment Type¹²—
All Credit Unions in the Dataset



Credit Union Location

State	%	State	%	State	%
California	12	Illinois	3	Kansas	1
Texas	10	Indiana	3	Maryland	1
Michigan	6	Kentucky	3	New Mexico	1
Virginia	6	Washington	3	Oregon	1
Alabama	5	North Carolina	2	Pennsylvania	1
Missouri	5	Oklahoma	2	Rhode Island	1
New Jersey	5	Washington, DC	2	South Carolina	1
New York	5	Wisconsin	2	Tennessee	1
Massachusetts	4	Colorado	1	West Virginia	1
Minnesota	4	Connecticut	1	Wyoming	1
Arizona	3				

Figure 12 Credit Union Location

¹²Survey-only assessments are those assessments where clients participated in an online, quantitative survey only; mini assessments are those where clients participated in the same online, quantitative survey; a limited number of interviews, generally with the board chair and CEO; a high-level review of key governance documents; and a retreat; and full assessments are those where clients participated in the same online, quantitative survey; in-depth interviews with board members and the CEO, and often times additional members of the senior staff; a review of central governance documents, including bylaws, board meeting minutes, committee charters; and a retreat.



Overall Findings

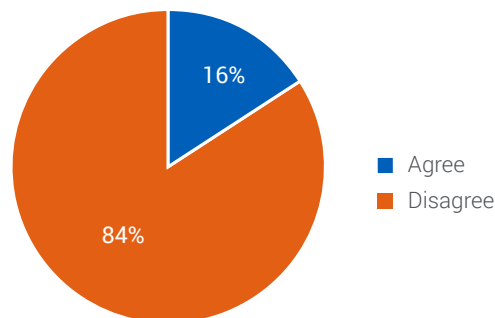
The survey was originally organized and designed to address the central features of governance in today's credit unions. Similarly, we have chosen to organize this report in alignment with the governance survey to aid in the reader's understanding of the data. We begin, however, with four, overall findings which set the stage for the more detailed findings of this report.

Board and supervisory committee members generally have more positive views of the credit union's governance than CEOs and senior staff.

Overall Findings

1 Board Members and CEOs Differ in Their Perceptions Regarding Governance. Excluding the supervisory committee survey section questions, board and supervisory committee members generally have more positive views of the credit union's governance overall,¹³ than CEOs and senior staff. In particular, board members and CEOs differ on 84% of the questions overall, agreeing on only 16% of the survey questions (again, with the exception of the supervisory committee survey section, where there is more agreement).

Figure 13 Agreement/Disagreement Between the Board and CEO, All Survey Sections with the Exception of Supervisory Committee



¹³ This finding includes most, but not all, of the questions from the Vision, Mission & Strategy; Board Structure & Composition; Fiduciary Oversight and Governance & Leadership survey sections.

These differences may have a significant impact on governance at your credit union, given the ideal model positions governance as a three-legged stool, with all three partners—your board, supervisory committee and your CEO and his/her senior staff—working in balanced, constructive partnership¹⁴ with each other.

Figure 14 Credit Union Governance: The 3-Legged Stool

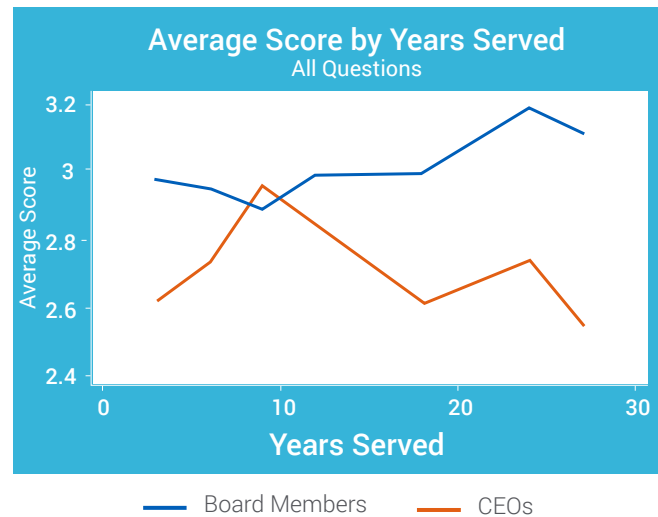


When a constructive partnership is not in place and functioning properly, the results can include: 1) An imbalance of authority with one of the partners exerting too much control or authority; 2) A lack of clarity about roles and responsibilities; 3) Over- or under-communicating at the board, supervisory committee and CEO/senior staff levels; 4) A lack of a shared understanding about the credit union’s vision and/or priorities and more.

2 Board Member and CEO Perceptions Diverge Based on Tenure. We noted with great interest that board members who have served on their boards for a long period of time have more positive views than those board members who have less tenure. Conversely, CEOs with longer tenures tend to be more negative than CEOs with shorter tenures.

The board and CEO differences are most pronounced in the Board Structure & Composition, Fiduciary Oversight and Governance & Leadership survey sections. In particular, CEOs were more critical in the Governance & Leadership survey section than board members, with CEOs providing significantly lower ratings on all six key questions in this section.¹⁵

Figure 15 Average Score by Years Served—All Questions



¹⁴ A constructive partnership in the credit union context is the cooperative relationship between the credit union’s: 1) board, 2) CEO/senior staff and 3) supervisory committee where the three groups are working cooperatively together as a team. There may be times when the board takes the lead on a certain project or function, a time when the board delegates a project or function to either the supervisory committee or the CEO and senior staff or a time when they work cooperatively together to execute toward mission success.

¹⁵ The six key questions in the Governance & Leadership survey section are as follows: How effective is your credit union’s board at: 1) Building a leadership culture of trust; 2) Holding each other accountable; 3) Asking the hard questions that need to be asked; 4) Engaging all Board members in the work of the Board and 5) Making quality decisions. The remaining question is an overall question for this survey section: OVERALL, how effective is the board’s governance and leadership culture.

Both findings are significant. Given that board members of credit unions typically serve long terms, and many credit unions do not have or impose term limits, your board members who have long tenures may not be analyzing your credit union's governance policies and practices with a fresh, critical eye. Conversely, at the same time, if your credit union's CEO has been in place ten years or more, be mindful he or she may tend toward perceptions that are more critical. This may result in greater division between boards and their CEOs in the area of governance. As such, it may meaningfully impact the health and balance of the constructive partnership between board and CEO discussed previously. The 0.6 gap in perceptions that emerges is ultimately quite substantial and, in a very counterintuitive fashion, evidences significantly different governance viewpoints between the board and CEOs—particularly when they have worked together for many years.

3 Bigger Really may be “Better”. For 18 of the 21 key questions asked, board members and CEOs of credit unions with assets of \$1 billion or greater had **statistically and significantly** higher survey scores overall,^{16,17} than those credit unions with assets ranging from \$500 million to \$999 million. That is, larger credit unions tend to rate their governance practices higher than those of smaller credit unions.

Respondents from credit unions with less than \$100 million in assets represented less than 3% of the total respondents and were not statistically significant. Respondents from credit unions with \$100 to \$499 million in assets were statistically different from the \$500 to \$999 million in assets group for only 7 of the 21 key questions and, therefore, we have not presented them below. As compared to those credit unions with assets over \$1 billion, they were significantly different for just 3 questions. This is primarily due to the wide range of responses for those credit unions within the \$100 to \$499 million in assets group.

Figure 16 Average Score by Asset Size—Key Questions for Board Members and CEOs



¹⁶ The higher the scores on the survey, the more positive views of the credit union's governance overall.

¹⁷ The mean score for board members were higher than the mean scores for CEOs on all 21 of the key questions. Due to the variance of the mean scores, we can state that 18 of the 21 key questions were statistically significantly higher for board members as compared to CEOs using a p-value of 0.05.

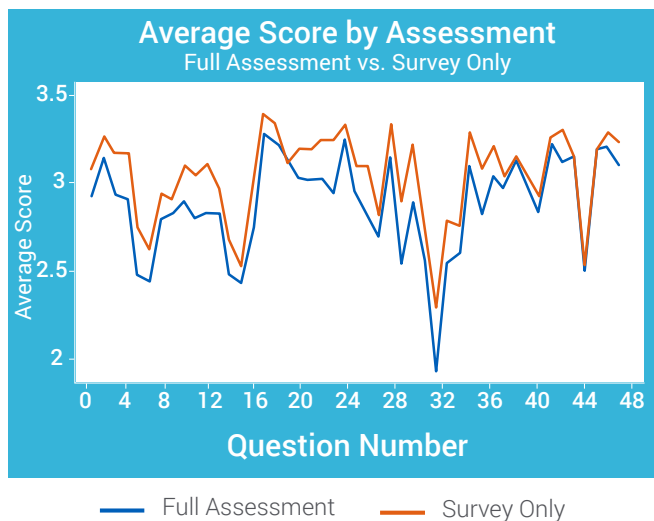


4 Credit Unions that Don't Undertake a More Comprehensive Assessment may Receive a Skewed Perception. Those credit unions that participated in survey-only assessments, opting not to include interviews, a document review and retreat as a part of their assessments, tend to have more positive scores in many of the areas we assessed. More specifically, boards that participated in the survey-only assessments, as compared with boards that participated in full assessments, tended to rate themselves higher in the area of Board Structure & Composition and, to a somewhat lesser extent, Vision, Mission & Strategy.

Results skewed toward the higher end of the scale may create an artificial sense of security on the part of some credit unions that “all is well” with their governance efforts. In reality, there may be some genuine weaknesses they should be identifying and effectively addressing.

Furthermore, those credit unions for which a more comprehensive assessment is conducted, benefit from having their survey results corroborated by the results from the qualitative data obtained through the interview and document review process, in constructive partnership with the senior staff.

Figure 17 Average Score by Assessment Type—All Questions



Findings by Survey Section

Explore results by survey section:

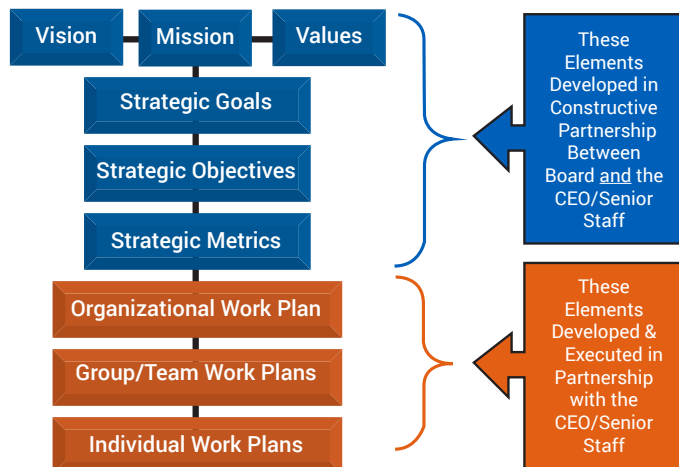
1. Vision, Mission & Strategy
2. Board Structure & Composition
3. Fiduciary Oversight
4. Governance & Leadership
5. Supervisory Committee



1 Vision, Mission & Strategy

One of your board's most important jobs is to help set the strategic vision for your credit union's future. This is critical because your credit union is a cooperative, driven by its mission and commitment to its members, and the board is the group of individuals ultimately responsible for ensuring the success of your credit union's mission.

Figure 18 Strategic Planning Elements

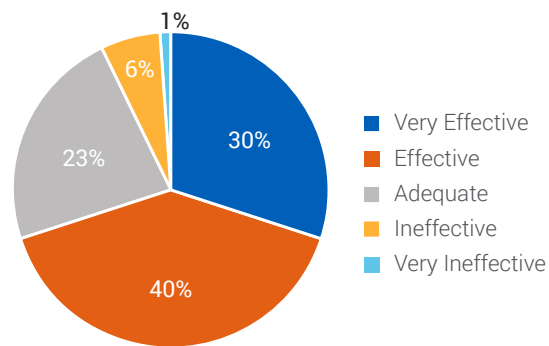


Within the corporate sector, strategic planning is generally driven by the CEO and his or her senior staff. The board's role is often limited to giving feedback and its blessing at the end of the strategic planning process. Within credit unions, best practice suggests your credit union's strategic plan should ideally be developed cooperatively in constructive partnership between the board, the CEO and his or her senior staff. We even recommend you include your supervisory committee in the process.

Once the top-level strategic plan framework is established, your CEO and senior staff should work further to develop organizational, group/team and individual work plans that support your credit union's strategic plan—all with an eye toward the strategic vision, mission success and benefit of your members.

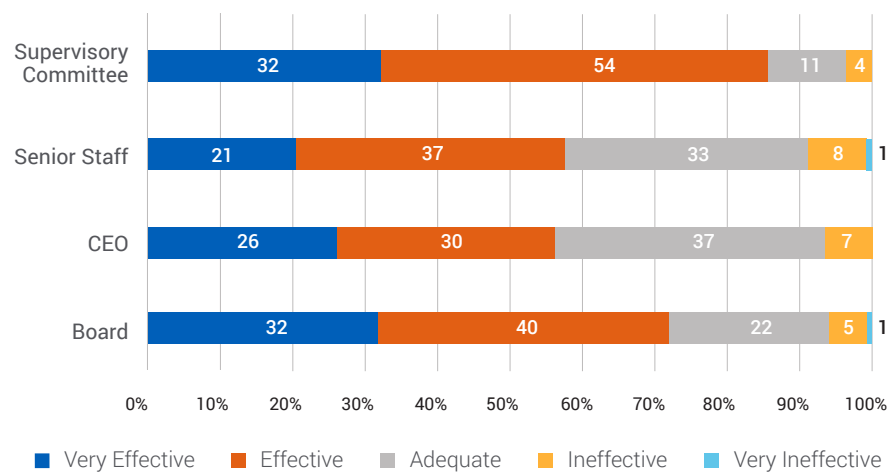
Overall, 70% of respondents report their boards are doing an effective or very effective job in helping to develop their credit union's vision, mission and strategy. This is certainly good news and yet, on some of the more detailed questions in this same section, the results were lower—sometimes dramatically so.

Figure 19 OVERALL, How Effective is the Board in Helping to Develop the Credit Union's Vision, Mission and Strategy



Here, in most of the other survey sections, we note a change in perceptions among the credit unions' volunteer leadership, with board and supervisory committee members reporting higher scores on the majority of the questions, than their CEO and senior staff counterparts. Thirty-two percent (32%) of board and supervisory committee members both rated their board's contribution to developing the credit union's vision, mission and strategy as very effective, compared to CEOs at 26% and senior staff at just 21%.

Figure 20 OVERALL, How Effective is the Board in Helping to Develop the Credit Union's Vision, Mission and Strategy—by Position



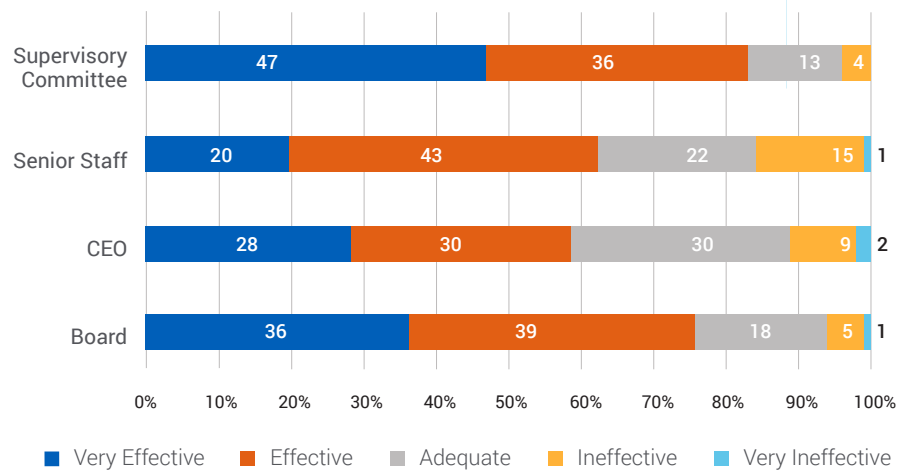
Setting the Credit Union's Vision and Mission

The foundation of your credit union's strategic plan should be your vision and mission statements.

Your credit union's vision statement should be the inspirational articulation of how you would like the world to be as a result of your efforts—the intended future state, impact or results of your credit union's purpose and of its work.

Thirty-six (36%) of the credit union board members that we surveyed perceive their boards as doing a very effective job at *articulating a compelling future vision for their credit unions*. This compares to 47% of supervisory committee members, but only 28% of CEOs and just 20% of senior staff.

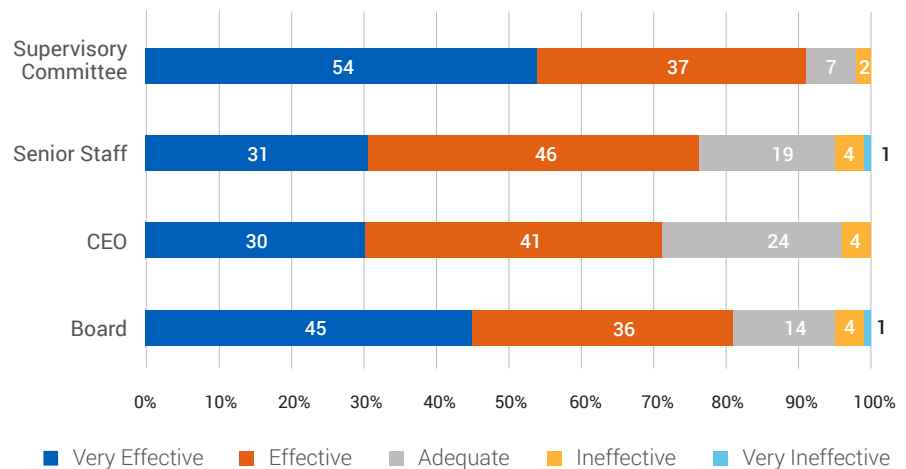
Figure 21 *Articulating a Compelling Future Vision for the Credit Union—by Position*



In support of your vision statement, your credit union's mission is the work it carries out to achieve that vision and, at the same time, it should be a statement which defines or helps to differentiate your credit union from others.

Supervisory committee members expressed a strong perception (54%) that the board is doing a very effective job at *articulating a clear mission statement*, followed by the board at 45%. The senior staff and CEO both remain significantly lower in their perception at 31% and 30%, respectively.

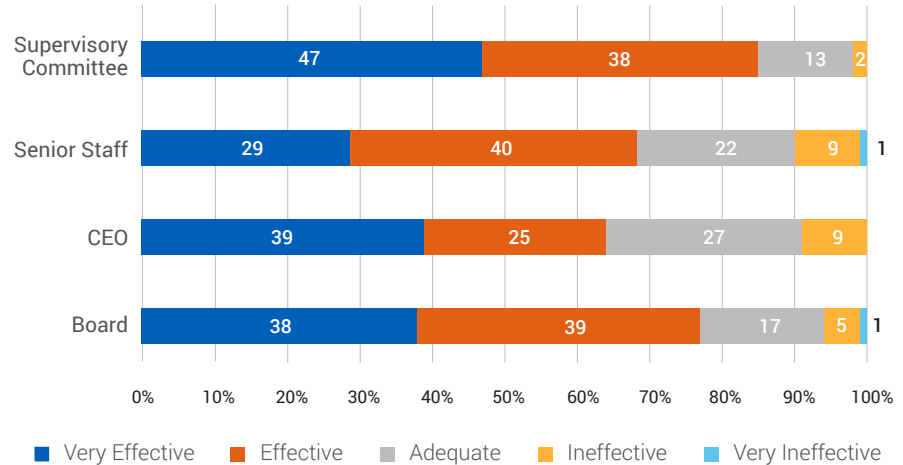
Figure 22 *Articulating a Clear Mission Statement—by Position*



Mission-Driven Decisions

When it comes to actualizing the credit union’s mission, the perceptions of its board and CEOs are in-line, with 39% of CEOs and 38% of board members reporting they perceive the board is very effective at *making “mission driven” decisions*. These results are bookended by the supervisory committee members at 47% and the senior staff at 29%.

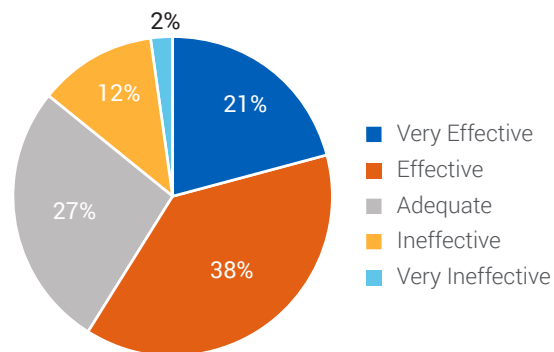
Figure 23 Making “Mission Driven” Decisions—by Position



The Committees’ Role in Strategic Planning

One area where credit union boards struggle is with fulfilling their committees’ role in strategic planning, specifically in clarifying the roles their committees play in helping to “forward” their strategic plan—and in holding committees accountable for that role.

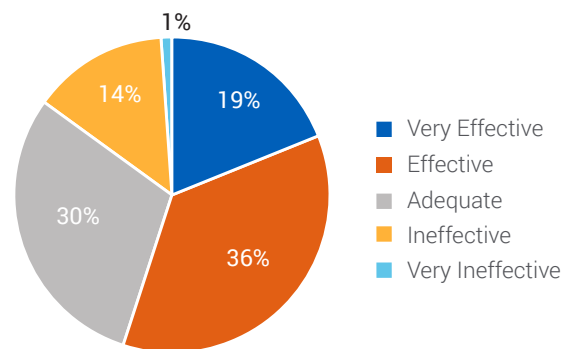
Figure 24 Clarifying the Role All Committees Play in Forwarding the Strategic Plan—Overall





Forty-one percent (41%) of all respondents reported their credit union boards are only adequate or less than adequate at *clarifying the role all committees play in forwarding the strategic plan*, and the number jumps to 45% when the discussion turns to holding those same committees accountable for fulfilling that role.

Figure 25 Holding Committees Accountable for Their Role in Forwarding the Strategic Plan—Overall



While many credit unions will report their board committees do not have a role to play in developing the strategic plan, that is not what is at play here. Your credit union’s board committees do have an important role to play in fulfilling the work of the board—in helping you and your board by researching, planning and recommending action to the full board. And it is imperative all this work be conducted in full alignment with and in support of your credit union’s strategic plan.

Remember...

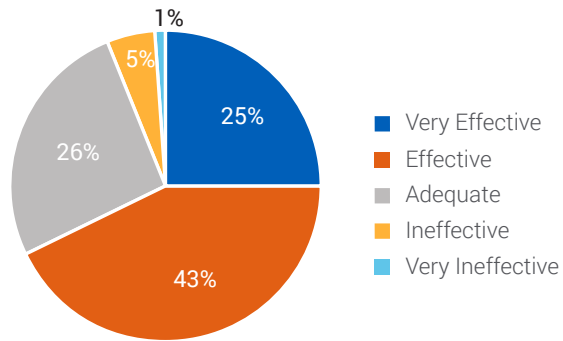
- One of your board’s most important jobs is to help set the strategic vision for your credit union’s future, in constructive partnership with your CEO and senior staff.
- Once the top-level strategic plan framework is established, your CEO and senior staff should work further to develop organizational, group/team and individual work plans that support your credit union’s strategic plan.
- The foundation of your credit union’s strategic plan should be your vision and mission statements. Your credit union’s vision statement should be the inspirational articulation of how you would like the world to be as a result of your efforts—the intended future state, impact or results of your credit union’s purpose and of its work. Your credit union’s mission statement is the work it carries out to achieve that vision and, at the same time, it should be a statement which defines or helps to differentiate it from others.
- Don’t forget your board’s committees do have an important role to play in actualizing your credit union’s strategic plan.

2 Board Structure & Composition

A board's structure and composition is fundamental to good governance. Think of it as the foundation upon which your board—and ultimately the governance of your credit union—is built. While this survey section focuses largely on recruiting and training board members, you should also consider the proper structure and functioning of the credit union's governance committees to be a central component of a healthy board structure.

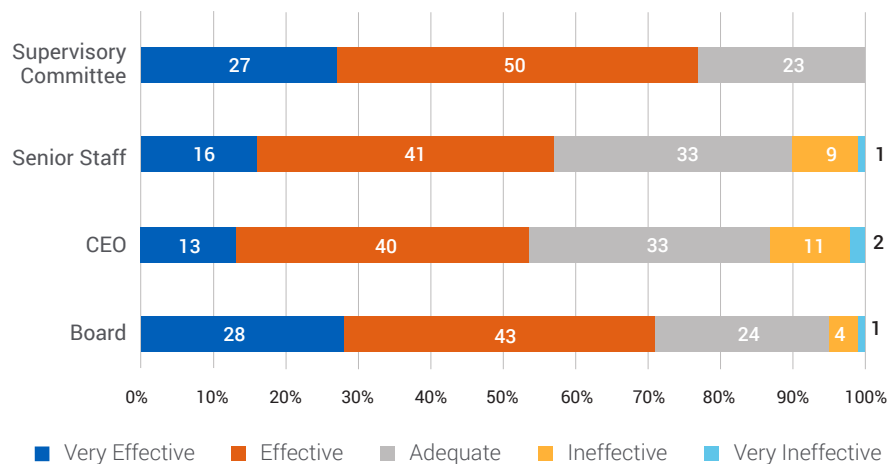
The good news is, overall, 68% of respondents reported they believe their board's current structure and composition to be either effective or very effective.

Figure 26 OVERALL, How Effective is the Board's Current Structure and Composition



There is, however, a rather marked perceptual shift between the board and supervisory committee members on one side and the CEO and senior staff on the other, with 28% of board members and 27% of supervisory committee members rating their board's structure and composition as very effective, compared to just 13% of CEOs and 16% of senior staff.

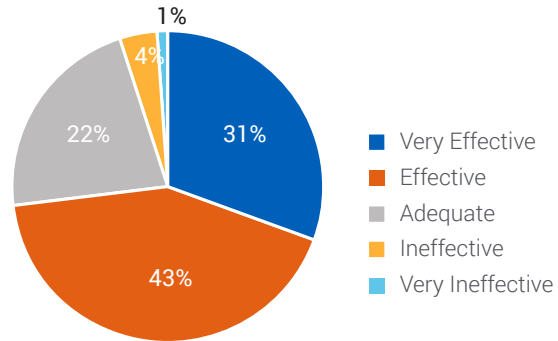
Figure 27 OVERALL, How Effective is the Board's Current Structure and Composition—by Position



Recruiting and Orienting New Board Members

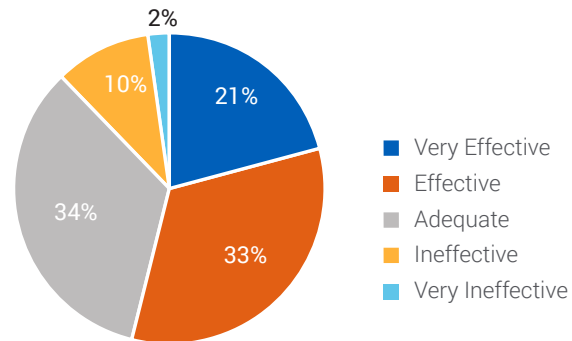
We address two areas related to credit union composition—specifically recruiting and orienting new board members. Overall, 74% of respondents reported their boards are effective or very effective at *having the right mix of skills/experience to accomplish its governance roles and responsibilities*. This means those surveyed are generally pleased with their current board members.

Figure 28 *Having the Right Mix of Skills/ Experience to Accomplish its Governance Roles and Responsibilities—Overall*



Survey participants do express concern, however, with the board’s effectiveness in *attracting the right people to serve on the board* in the future, with a full 46% of respondents describing their effectiveness in finding, recruiting and nominating new talent as only adequate or less than adequate.

Figure 29 *Attracting the Right People to Serve on the Board—Overall*

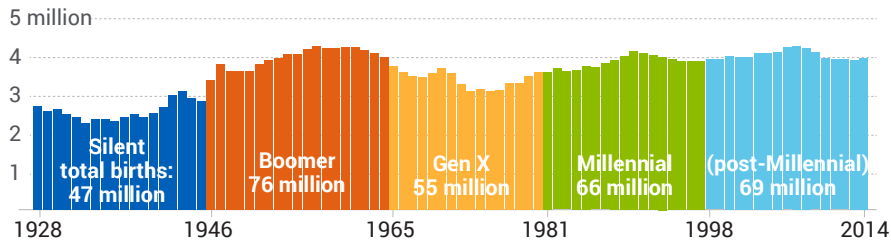


This is particularly critical given that the number of board members available over the course of the next few years is likely to shrink. The Boomer generation consists of 76 million people, and Generation X is estimated at 55 million, causing a lack of potential board members for a number of years until the Millennial generation begins to peak.¹⁸ (Fry, 2012) This means you and your board colleagues will be competing more and more for fewer and fewer potential board members.

“...the number of board members available over the course of the next few years is likely to shrink.”

Births Underlying Each Generation

Number of U.S. births by year and generation



Source: U.S. Dept. of Health and Human Services National Center for Health Statistics

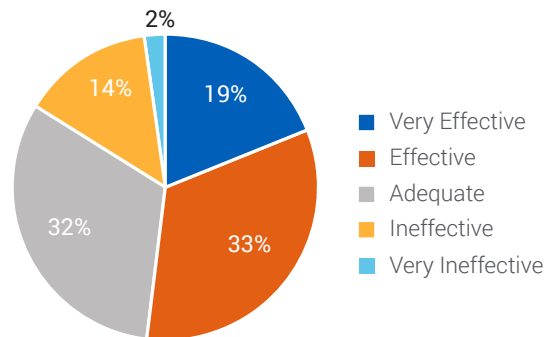
PEW RESEARCH CENTER

Figure 30 Births Underlying Each Generation

In his book *Generations: The Challenge of a Lifetime for Your Nonprofit*, Peter C. Brinckerhoff notes both members of Generation X and Millennials typically volunteer for different reasons and in different ways than the Boomer generation. Brinckerhoff goes on to say that historically, members of the Boomer generation committed to volunteerism in support of institutions, whereas younger generations volunteer in support of people and issues rather than organizations. They often prefer discreet projects rather than large commitments, and they can experience all volunteerism has to offer without having to commit to regular “face-time,” all of which goes against traditional board service.¹⁹ (Brinckerhoff, 2007)

Once you and your colleagues are successful and a new board member is in place, respondents express concern regarding their on-boarding programs, with nearly 50% describing their orientation process as only adequate or less than adequate. Further, only 19% of the respondents describe the process as very effective. This is of great concern: just as a board’s structure and composition serves as the foundation for good governance, so, too, does an on-boarding program serve as the foundation for a new board member’s service.

Figure 31 Utilizing an Effective Process to Orient New Board Members to the Work and Dynamics of the Board—Overall



¹⁸ Fry, Richard. (April 2016). Millennials overtake Baby Boomers as America’s largest generation. Retrieved from www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers.

¹⁹ Brinckerhoff, P. *Generations: The Challenge of a Lifetime for Your Nonprofit*. St. Paul: Fieldstone Alliance, 2007.

Remember...

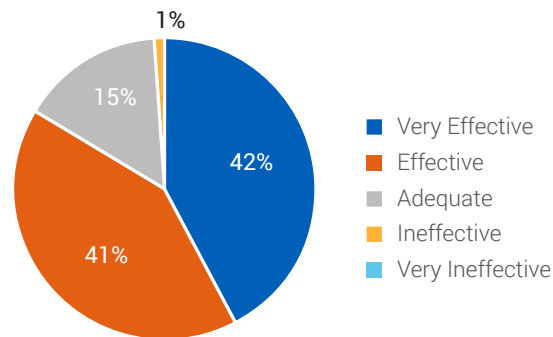
- Your board's composition, structure and functioning is fundamental to effective credit union governance.
- The number of potential board members will shrink, as the population contracts. The time to think about board rejuvenation is now!
- Don't forget to ensure you have an effective board on-boarding program in place—ready to get your new board members up to speed once their term begins.

3 Fiduciary Oversight

As a leader of your credit union, one of your central responsibilities is to monitor the credit union's performance and results, and this includes financial indicators like return on average assets, gross margin, loan-to-share ratios and more. You know these measures. You and your board colleagues likely track them closely, and this is not surprising given the financial mission and focus held by your credit union.

It's an area where most credit unions excel. In fact, 83% of all respondents report they believe their board is effective or very effective in fulfilling its fiduciary duties.

Figure 32 OVERALL, How Effective is the Board in Fulfilling its Fiduciary Duties

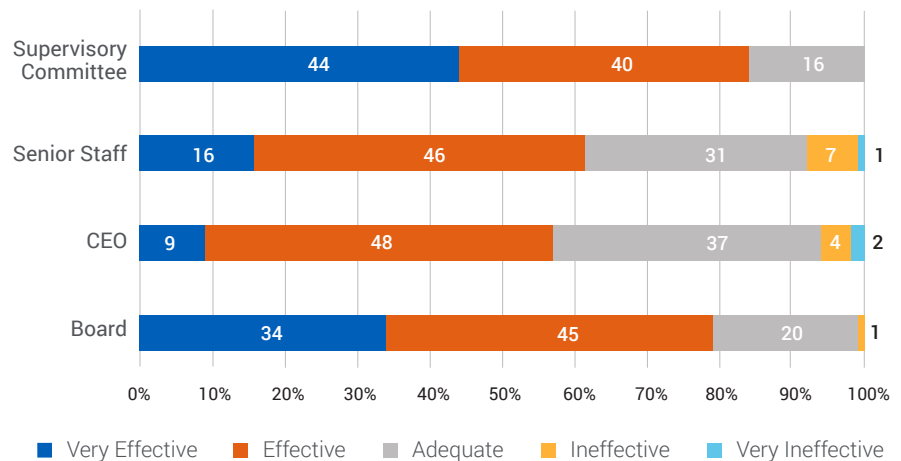


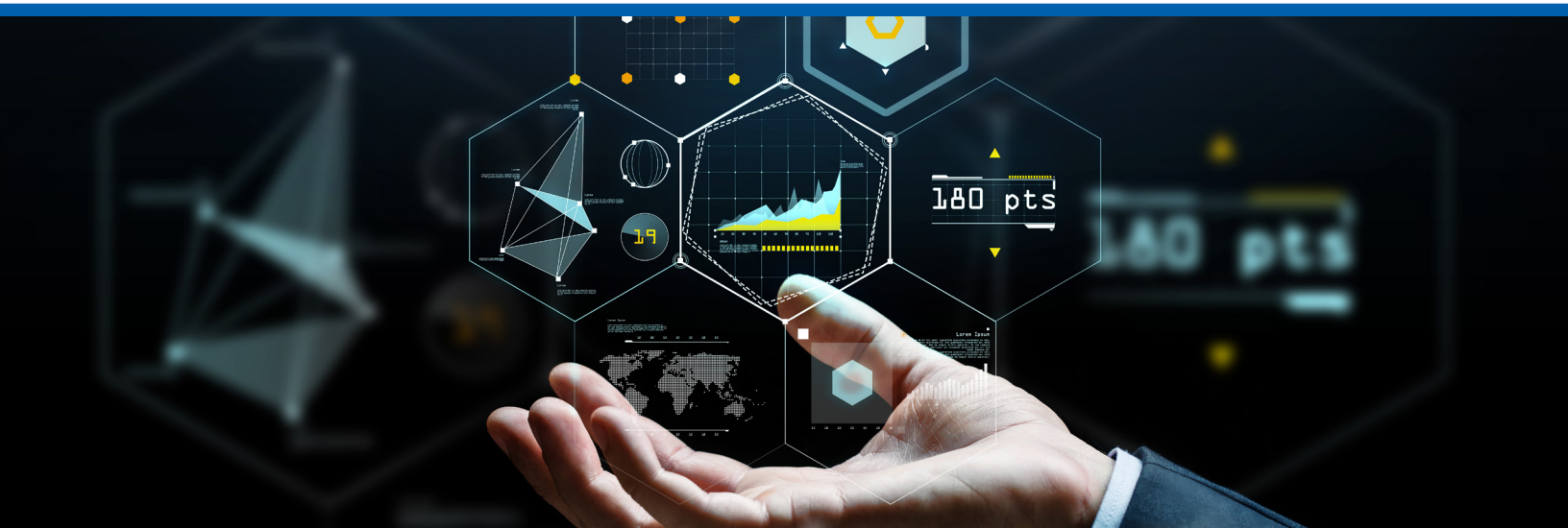
What is surprising are the differences between volunteer leaders and senior staff on fundamental questions in this important area of governance.

Understanding the Credit Union's Products and Services

Once again, there are stark differences between the credit union's board and supervisory committee members and senior staff, with 44% of the supervisory committee members and 34% of board members rating the board's *understanding [of] the credit union's products and services* as very effective, compared to 16% and 9% for the senior staff and CEO, respectively. These differences are of concern, given we would deem this area a basic responsibility of any board member.

Figure 33 Understanding the Credit Union's Products and Services—by Position

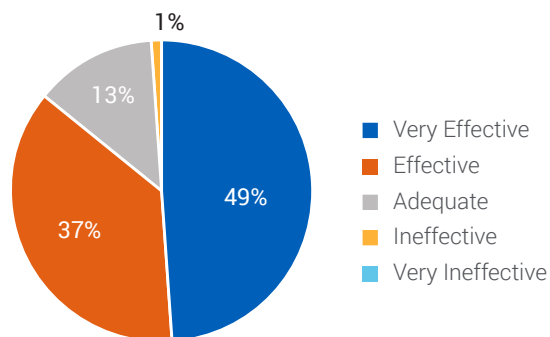




Being Knowledgeable About the Credit Union's Finances

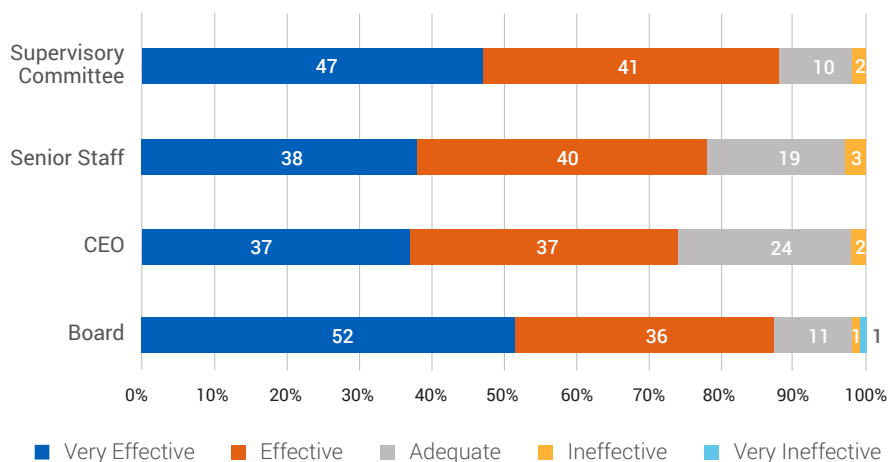
Another central responsibility is maintaining a fundamental understanding of your credit union's finances. The good news is 86% of respondents report the board is effective or very effective at *being knowledgeable about the credit union's finances*; however, there are differing perceptions based on an individual's position within the credit union.

Figure 34 *Being Knowledgeable About the Credit Union's Finances—Overall*



The split between board and supervisory committee members and the CEO and senior staff continues, with 52% of board members and 47% of supervisory committee members reporting the board is very effective at *being knowledgeable about the credit union's finances*, and the senior staff and CEO reporting nearly the same results at 38% and 37%, respectively.

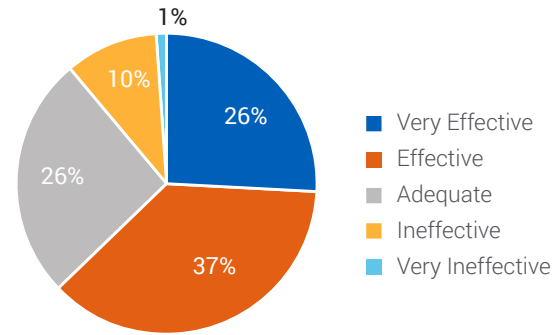
Figure 35 *Being Knowledgeable About the Credit Union's Finances—by Position*



Measuring the Credit Union's Impact

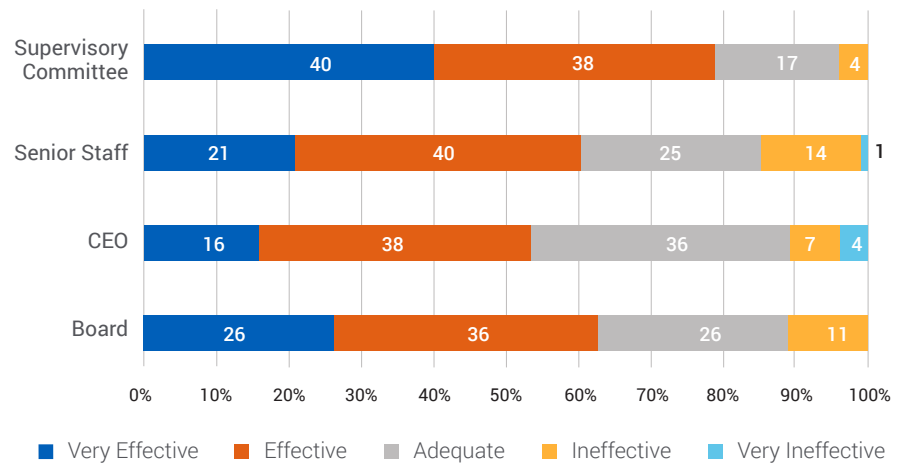
In the end, given the fact that credit unions are mission-driven and committed to fulfilling members' needs, measuring the impact of your services on your members remains central. Unfortunately, this is an area where most credit unions are falling short, with 37% of respondents noting that the board's efforts to measure *the impact of the credit union's services on members* is only adequate or less than adequate.

Figure 36 *Measuring the Impact of the Credit Union's Services on the Members—Overall*



The split between supervisory committee and board members, senior staff and CEOs continues, with 40% of supervisory committee members reporting the board is very effective in *measuring the impact of the credit union's services on members* compared to 26% of board members, 21% of senior staff and 16% of CEOs who believe the same.

Figure 37 *Measuring the Impact of the Credit Union's Services on the Members—by Position*



Remember...

- Fiduciary oversight is a central role and responsibility for all board members—and an area where credit union board members excel.
- The CEO and his or her senior staff are concerned board members are not fully briefed on the credit union's products and services—make sure you are!
- Many credit unions are falling short on measuring the impact of the credit union's services on its members. Having an impact on the lives of your members is the fundamental reason credit unions exist. Work to find an effective way to measure impact.

“To govern is to steer, direct and influence or persuade from a position of authority...governance deals with the legitimate distribution of authority...”

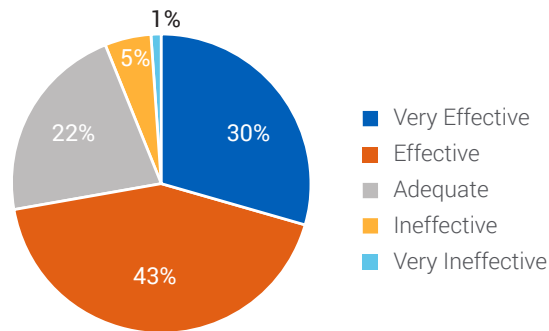
4 Governance & Leadership

To govern is to steer, direct and influence or persuade from a position of authority. As we have discussed earlier in this report, your credit union's governance system does not include only your board, it also includes the supervisory committee, as well as your CEO and his or her senior staff. Simply put, governance deals with the legitimate distribution of authority throughout a system—whether a country, corporation or your credit union.

Here, we will explore a number of questions related to governance and leadership. However, many of the questions relate directly to issues of governance culture—meaning they may be more difficult for you, as credit union leaders, to address.

Nearly 30% of respondents rated the board's governance and leadership culture as only adequate or less than adequate and just 30% rated it as very effective.

Figure 38 OVERALL, How Effective is the Board's Governance and Leadership Culture --Overall

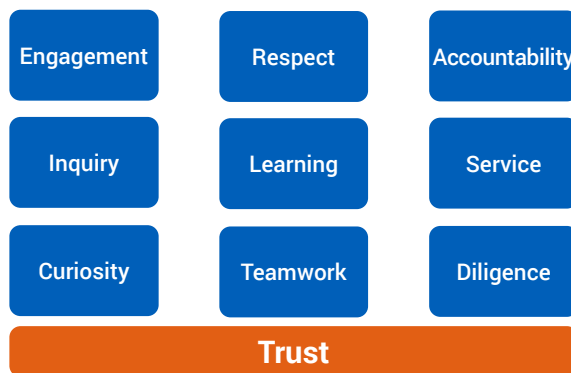


More specifically, we will examine five key questions. How effective is the credit union board at: 1) building a leadership culture of trust; 2) holding each other accountable; 3) asking the hard questions that need to be asked; 4) engaging all members in the work of the board; and 5) making quality decisions.

Building a Leadership Culture of Trust

There is perhaps no value more fundamental for effective teamwork than trust. At Quantum Governance, we outline 10 key values for a positive governance culture, and underlying nine of them is the value of trust. Supervisory committee and board members reported higher levels of trust than their CEO and senior staff counterparts, indicating a lack of trust may be resident at a number of credit unions.

Figure 39 Ten Elements of an Effective Board Culture



Fifty-three percent (53%) of supervisory committee members and 44% of board members reported their boards were very effective at *building a leadership culture of trust*, compared to just 27% of senior staff and 25% of CEOs.

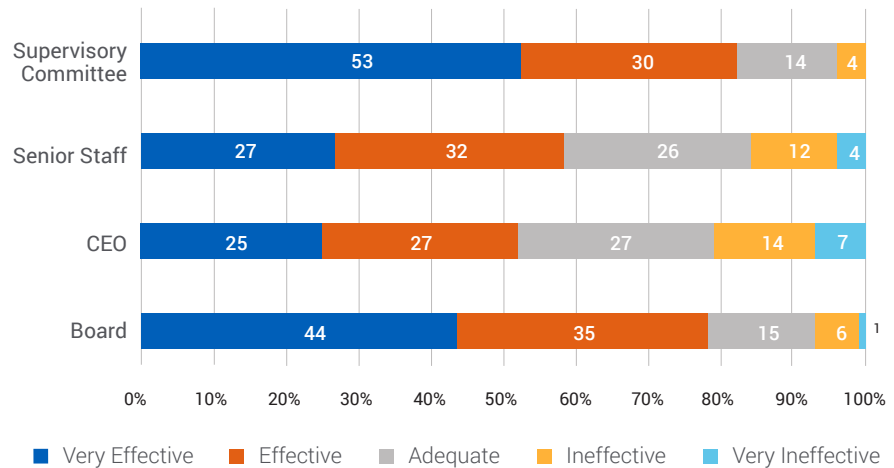


Figure 40 *Building a Leadership Culture of Trust—by Position*

Holding Each Other Accountable

Thirty-nine percent (39%) of respondents report the board is only adequate or less than adequate at *holding each other accountable*—a difficult, but critical role for board members to play, as they maintain the ultimate legal and governance responsibility for the credit union.

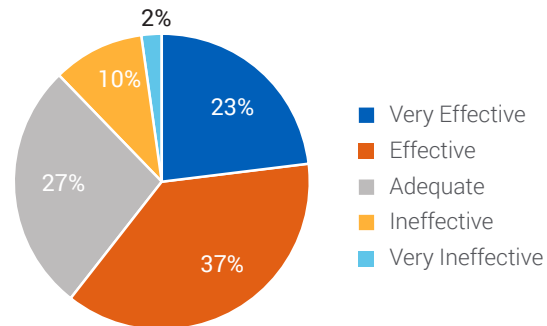
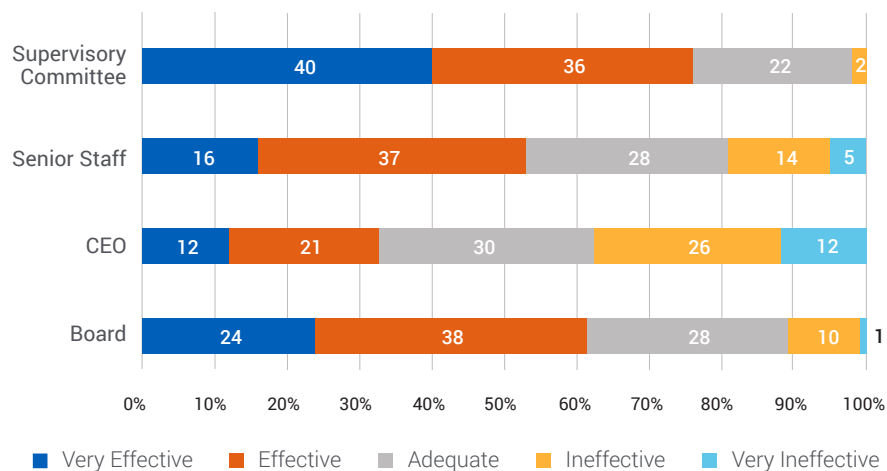


Figure 41 *Holding Each Other Accountable—Overall*

Although supervisory committee members believe there is a fair amount of accountability at the board level, there is greater agreement among the remaining positions that alignment is of concern. Forty percent (40%) of supervisory committee members believe the board is very effective at *holding each other accountable*, compared to only 24% of board members, 16% of senior staff and 12% of CEOs.



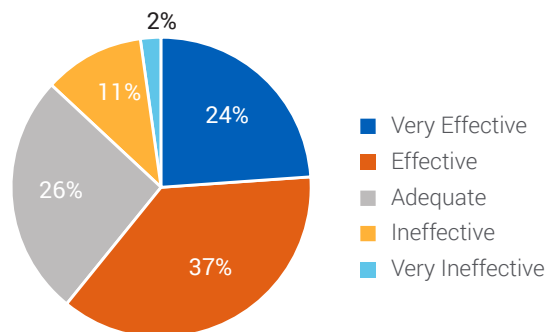
Figure 42 Holding Each Other Accountable—by Position



Asking the Hard Questions that Need to be Asked

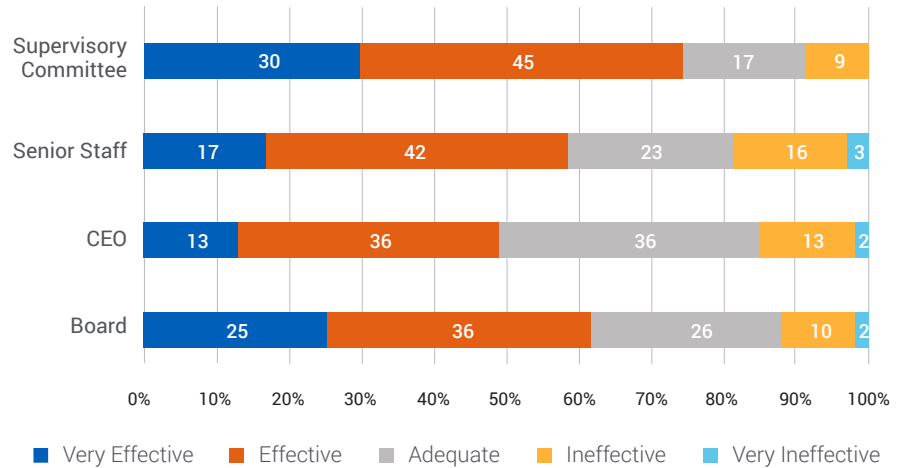
More than 1/3 of respondents report the board does only an adequate or less than adequate job of *asking the hard questions that need to be asked*. Perhaps given how closely tied this question is to the notion of accountability, it's not surprising the results of these two questions are similar.

Figure 43 Asking the Hard Questions that Need to Be Asked—Overall



Here, supervisory committee and board members return to alignment. Thirty percent (30%) of supervisory committee members and 25% of board members report the board is very effective at *asking the hard questions that need to be asked*, compared to just 17% of senior staff and 13% of CEOs.

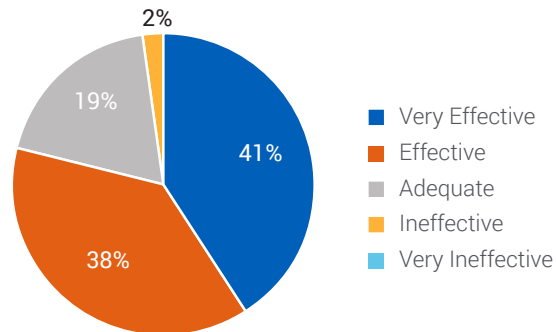
Figure 44 *Asking the Hard Questions that Need to be Asked—by Position*



Making Quality Decisions

Despite concerns related to accountability and asking the hard questions, respondents overall report a general belief their boards are *making quality decisions*, with 79% reporting they are effective or very effective in doing so.

Figure 45 *Making Quality Decisions—Overall*



Remember...

- To govern is to steer, direct and influence or persuade from a position of authority. It deals with the legitimate distribution of authority throughout a system—whether a country, corporation or your credit union.
- Effective credit union governance doesn't include only your board—your supervisory committee, CEO and senior staff all have roles to play.
- Trust serves as the underlying element of an effective governance culture. Ensure your credit union's board, supervisory committee, CEO and senior staff all understand this and are "walking the talk."
- Asking hard questions is perhaps one of the most important jobs a board has, along with holding themselves, the CEO and senior staff accountable. It's important the board is doing both.

5 Supervisory Committee

Supervisory committees are often overlooked as a central component of a credit union's governance structure. Their essential functions are to ensure that:

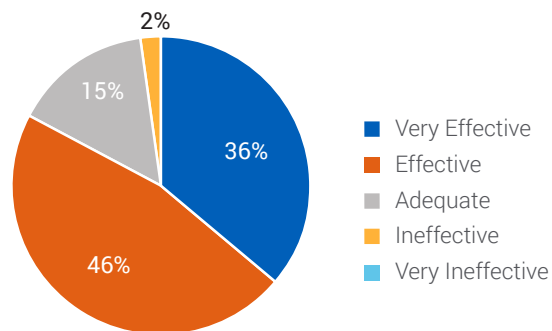
1. Management's financial reporting objectives have been met; and
2. Management practices and procedures safeguard members' assets.²⁰

"Supervisory committees are often overlooked as central to a credit union's governance structure."

But, it's also important to remember they are central committees in the theory of governance that undergirds credit unions. They have the power to suspend any board member, executive officer or credit committee member, and they act as an independent check and balance in the governance of the credit union. Additionally, many credit unions use their supervisory committees essentially as proving grounds for up and coming board members.²¹ For all of these reasons and more, they are a central component to your credit union's governance structure, and they can have an important impact on the governance of your credit union.

Eighty-two percent (82%) of all respondents reported they believe, overall, their supervisory committee is effective or very effective. Like the high scores in the Fiduciary Oversight section, these strong scores tie back to the focus credit unions have on fiduciary oversight and financial matters.

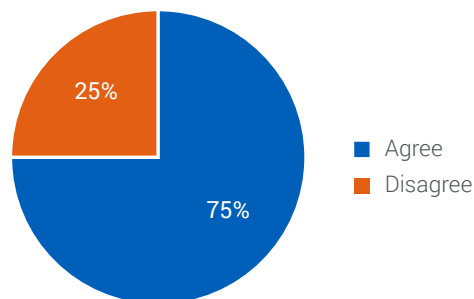
Figure 46 OVERALL, How Effective is the Supervisory Committee



A Higher Level of Agreement

Unlike the overall differences seen between board members and CEOs in the other survey sections, on most of the survey questions in the Supervisory Committee section, there is more agreement between board members and CEOs, with agreement on three²² out of the four key questions.

Figure 47 Agreement/Disagreement Between the Board and CEO, Supervisory Committee Survey Section



²⁰ National Credit Union Administration's "Supervisory Committee Guide for Federal Credit Unions," Section 4.1, www.ncua.gov/Legal/GuidesEtc/GuidesManuals/supcomm.pdf.

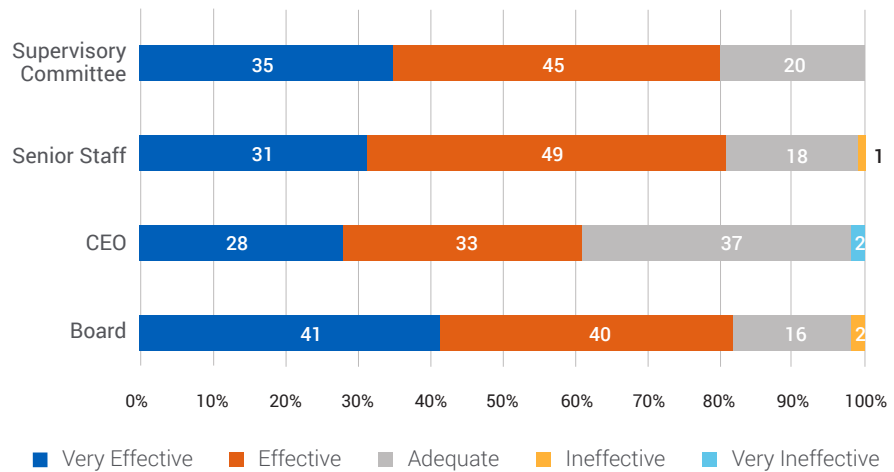
²¹ We would, however, express caution regarding this practice, given that the supervisory committee is intended to be a "check and balance" body, to some extent, for the board. Given this critical role, it may be difficult for supervisory committee members who may be hoping to be appointed to the board to fulfill their roles in this capacity. Further, do not assume the same skills that are needed on the supervisory committee translate directly to the board.

²² These three key questions include: 1) the relationship between the supervisory committee and the board; 2) the relationship between the supervisory committee and management; and 3) how effective is the supervisory committee.

Understanding Their Duties

Forty-one percent (41%) of board and 35% of supervisory committee members rate the supervisory committee members' understanding of their duties as very effective. The senior staff and the CEO put those same ratings at 31% and 28%, respectively.

Figure 48 *The Supervisory Committee Members' Understanding of Their Duties—by Position*



The findings relative to the supervisory committee members' duties are important to explore, as the duties of your supervisory committee may likely be evolving. Many supervisory committees today are being stretched to go beyond their traditional focus of helping to oversee the internal and external audit functions of a credit union. [\(Audit\)](#)

Figure 49 *The Role of Today's Supervisory or Audit Committee*



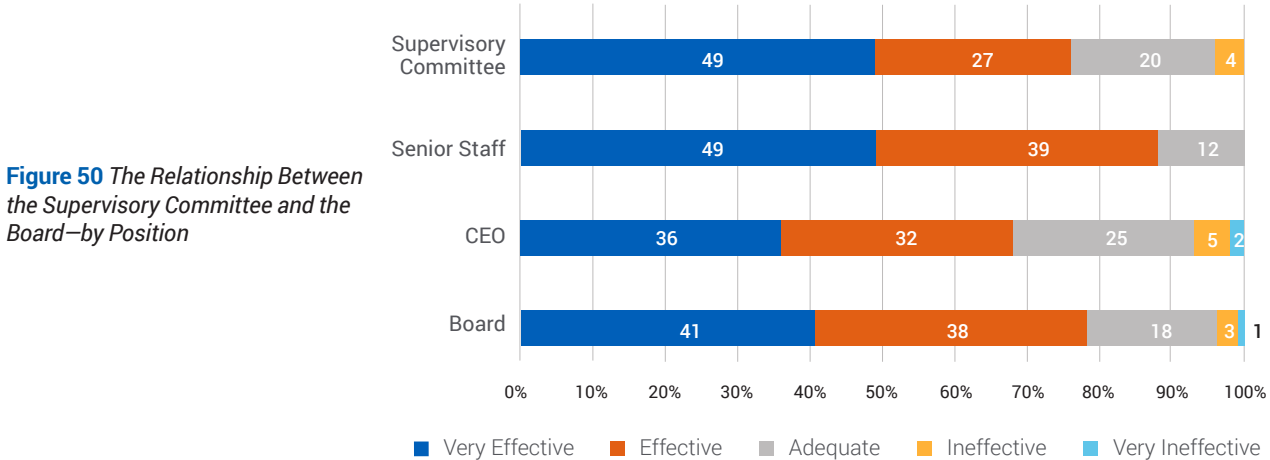
Supervisory committees are being asked to carry-out additional financial oversight functions, including: 1) verification of accounts; 2) receiving member complaints; 3) ensuring regulatory compliance; and 4) other critical oversight processes including—for some credit unions—the possible suspension of credit union board members. [\(Audit +\)](#)

And today, the most progressive credit unions are going even further—asking supervisory committees to expand the scope of their efforts to go beyond just financial risks. Some supervisory committees are taking a more active role in helping to encourage the credit union's enterprise risk management efforts—working in constructive partnership with senior staff (including the CEO and CFO)—to identify and mitigate key risks facing their credit unions, officers and credit committee members. [\(Enterprise Risk Management\)](#)

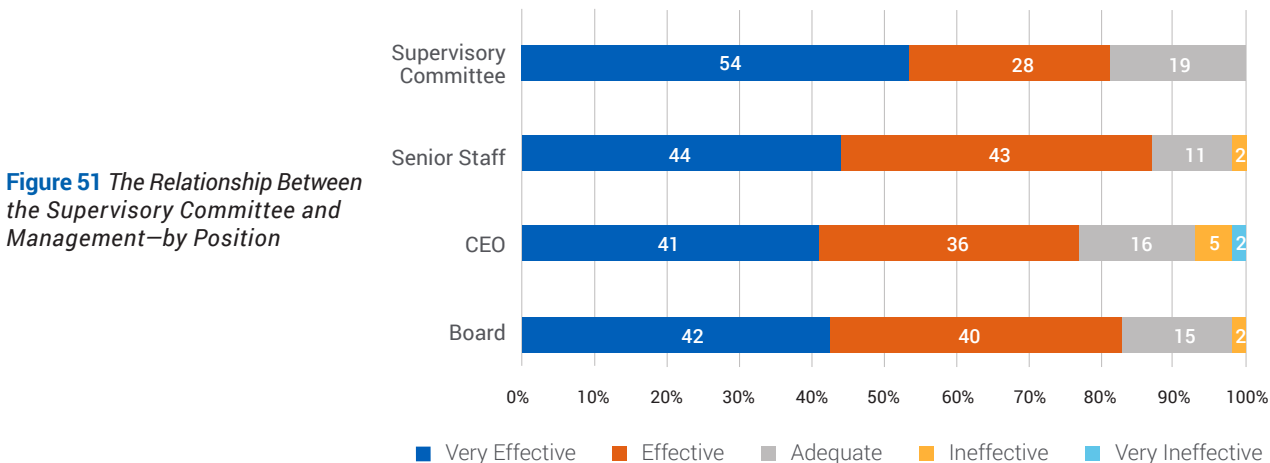
Managing Relationships

There are some deltas between the supervisory committee and the board and the supervisory committee and the CEO and his or her senior staff relative to the effectiveness of their relationships with each other—an important area impacting overall governance.

Supervisory committee members generally perceive their relationships with their partners as more positive than do their partners. Forty-nine percent (49%) of supervisory committee members rated their relationship with board members as very effective, compared to 41% of board members.



The differences in perception was even more striking when the question turns to the relationship between the supervisory committee and management, with 54% of supervisory committee members rating relationship as very effective versus 44% of senior staff and 41% of CEOs.



Remember...

- Your supervisory committee is a central partner to the board and CEO/senior staff in governing the credit union. Be sure you recognize their role as constructive partners and invite them openly and regularly to the table.
- Given the importance of this constructive partnership, ensure there is a clear understanding of the roles and relationships in this regard. Work to develop and maintain healthy relationships with all partners.
- You may want to consider expanding and changing roles for today's supervisory committee to go beyond **Audit** and **Audit +** to help oversee **Enterprise Risk Management** issues.



Recommendations

After reading this report, you may ask:

- Now what?
- What should our priorities be?
- What steps should we be taking to improve governance at our credit union?

We certainly don't want to suggest to you this study provides all the answers. Or, without knowing the particulars of your credit union, the in's and out's, the personalities, the strengths and the challenges, we can prescribe a detailed set of recommendations. We can't, and we shouldn't.

We do think, however, there are a number of overarching best practices every credit union should consider—and they emerge as priorities from the data.

1. **Prioritize Governance Excellence at Your Credit Union.**

If you haven't been taking governance seriously at your credit union, it's time to do so. And if you have been, it's time to kick it up a notch. Whether you're functioning at Governance 101 or 601, it's time to find out what Governance 201 or 701 looks like for your credit union. While many of the results in this report give cause for us to stand up and cheer, there are also many causes for concern.

2. **Eliminate any Perception Gaps Between your Board, Supervisory Committee and Senior Staff.**

If we know one thing, it's this: gaps between the board and senior staff will eventually be destructive. We highly recommend a strong, constructive partnership between the board, supervisory committee and the senior staff—all working collectively to govern and lead the credit union. There were so many gaps in perceptions between these positions throughout the report it surprised even us, and it should definitely concern you.

3. **Ensure You Have a Plan for Board (and Committee) Rejuvenation.**

While it may sound like a positive finding—the longer a board member serves, the more positive his or her perception is—it does concern us. Are long-serving board members losing their ability to “ask the hard questions?” At the same time, the number of potential board members among us—if we look strictly at the census numbers—is shrinking. Ensure your credit union has a viable plan for leadership continuity; it is one of the most critical responsibilities a board holds.

4. **Focus on Your Credit Union's Leadership Culture.**

While you may be spending countless hours ensuring your board members have the requisite training; your committee structure is in place and operating well; and your plan for board rejuvenation is fully up-to-date, don't forget about building a positive board culture. It takes time and conscious cultivation to ensure a positive outcome here.

5. **Charter a Governance and Nominations Committee...Fast.**

Over the years, nominations committees have morphed—first into board development committees and now into what is considered best practice governance and nominations committees. If your credit union doesn't have one, it's behind the curve, and you need to get one, fast. Today's governance and nominations committee is chartered to address: board roles and responsibilities; composition; knowledge and learning; effectiveness and leadership. We believe that this recommendation is so important, a sample Governance and Nominations Committee Charter has been provided as an appendix to this report.

LIST OF FIGURES

- Figure 1** Agreement/Disagreement Between the Board and CEO, All Survey Sections with the Exception of Supervisory Committee
- Figure 2** Average Score by Years Served—All Questions
- Figure 3** Average Score by Asset Size—Key Questions for Board Members and CEOs
- Figure 4** Average Score by Assessment Type- All Questions
- Figure 5** Attracting the Right People to Serve on the Board—Overall
- Figure 6** Building a Leadership Culture of Trust—by Position
- Figure 7** Percentage of Respondents—by Position
- Figure 8** Years Served—by Position
- Figure 9** Age—by Position
- Figure 10** Asset Size—All Credit Unions in the Dataset
- Figure 11** Assessment Type—All Credit Unions in the Dataset
- Figure 12** Credit Union Location
- Figure 13** Agreement/Disagreement Between the Board and CEO, All Survey Sections with the Exception of Supervisory Committee
- Figure 14** Credit Union Governance: The 3-Legged Stool
- Figure 15** Average Score by Years Served—All Questions
- Figure 16** Average Score by Asset Size—Key Questions for Board Members and CEOs

Figure 17	Average Score by Assessment Type—All Questions	Figure 34	Being Knowledgeable About the Credit Union's Finances—Overall
Figure 18	Strategic Planning Elements	Figure 35	Being Knowledgeable About the Credit Union's Finances—by Position
Figure 19	Overall, How Effective is the Board in Helping to Develop the Credit Union's Vision, Mission and Strategy	Figure 36	Measuring the Impact of the Credit Union's Services on the Members—Overall
Figure 20	Overall, How Effective is the Board in Helping to Develop the Credit Union's Vision, Mission and Strategy—by Position	Figure 37	Measuring the Impact of the Credit Union's Services on the Members—by Position
Figure 21	Overall, Articulating a Compelling Future Vision for the Credit Union—by Position	Figure 38	Overall, How Effective is the Board's Governance and Leadership Culture
Figure 22	Articulating a Clear Mission Statement—by Position	Figure 39	Ten Elements of an Effective Board Culture
Figure 23	Making "Mission Driven" Decisions—by Position	Figure 40	Building a Leadership Culture of Trust—by Position
Figure 24	Clarifying the Role All Committees Play in Forwarding the Strategic Plan—Overall	Figure 41	Holding Each Other Accountable—Overall
Figure 25	Holding Committees Accountable for Their Role in Forwarding the Strategic Plan—Overall	Figure 42	Holding Each Other Accountable—by Position
Figure 26	Overall, How Effective is the Board's Current Structure and Composition	Figure 43	Asking the Hard Questions That Need to be Asked—Overall
Figure 27	Overall, How Effective is the Board's Current Structure and Composition—by Position	Figure 44	Asking the Hard Questions That Need to be Asked—by Position
Figure 28	Having the Right Mix of Skills/Experience to Accomplish its Governance Roles and Responsibilities—Overall	Figure 45	Making Quality Decisions—Overall
Figure 29	Attracting the Right People to Serve on the Board—Overall	Figure 46	Overall, How Effective is the Supervisory Committee
Figure 30	Births Underlying Each Generation	Figure 47	Agreement/Disagreement Between the Board and CEO, Supervisory Committee Survey Section
Figure 31	Utilizing an Effective Process to Orient New Board Members to the Work and Dynamics of the Board—Overall	Figure 48	The Supervisory Committee Members' Understanding of their Duties—by Position
Figure 32	Overall, How Effective is the Board in Fulfilling its Fiduciary Duties	Figure 49	The Role of Today's Supervisory or Audit Committee
Figure 33	Understanding the Credit Union's Products and Services—by Position	Figure 50	The Relationship Between the Supervisory Committee and the Board—by Position
		Figure 51	The Relationship Between the Supervisory Committee and Management—by Position

About the Team

About Quantum Governance, L3C

Quantum Governance, LC3 is a low-profit, limited liability corporation dedicated to the public good. The firm was founded by Michael G. Daigneault and Alessandra Daigneault in 2012. Then, Michael and Alessandra joined forces to capitalize on their distinguished careers spanning more than 55 years collectively as a nationally-renowned trainer, consultant and motivational speaker and one of the brightest legal minds in corporate America, respectively. Driven by a strong commitment to impact organizations at the highest level, Quantum Governance focuses its work in the boardroom, with the board, CEO and other members of the senior staff—knowing these individuals have the greatest impact on organizational governance and strategic effectiveness. In the firm's short tenure, Quantum Governance has built a reputation as a leading consulting practice among credit unions, nonprofits, professional associations, security organizations, governmental entities, foundations and corporations. Today, the firm works with more than 100 clients located across the United States and internationally, including Bermuda, Guatemala, India, South Korea and the United Kingdom. Learn more at quantumgovernance.net.

About CUES

CUES is a Madison, Wisconsin-based, independent, not-for-profit, international membership association for credit union executives. Our mission is to educate and develop credit union CEOs, executives, directors and future leaders. Our offerings—from highly acclaimed institutes, to an array of online services and progressive strategic solutions—are the premier professional development programs in the industry today helping credit union leaders reach their greatest potential. Learn more at cues.org.

Michael G. Daigneault

Michael is the CEO of Quantum Governance, L3C. He brings more than 30 years of experience as a thought-provoking consultant, dynamic speaker and an engaging facilitator. Michael regularly works with the leadership of credit unions, nonprofits, foundations and corporations to improve the effectiveness of their governance and leadership efforts. He has provided governance direction, strategy and facilitation services to boards, executive committees and governance committees—as well as to senior executives worldwide. Michael is a three-time graduate of Georgetown University, holding a B.A. from the College of Arts & Sciences where he was the top graduate in Philosophy; and holds from the J.D. Law Center and a Master's Degree in Law from the Law Center. He was the first person to graduate from Georgetown University Law Center with a Masters in Law, with a concentration in Legal Ethics and Professional Responsibility.

Jeff Meyer

Jeff is a statistical consultant, author and instructor for *The Analysis Factor*. Jeff has an M.B.A. from Thunderbird School of Global Management and an M.P.A. with a focus on public policy from New York University Wagner School of Public Service.

James Swartz

James is a professor in the Jane Addams College of Social Work at the University of Illinois at Chicago (UIC). He attained his Ph.D. in clinical psychology from Northwestern University Feinberg School of Medicine and also holds an M.A. in behavioral research from Loyola University in Chicago. At UIC he teaches intermediate and beginning statistics to social work doctoral students and program evaluation to masters' students. His research interests include using advanced statistical methods to study substance abuse and mental illness in service of advising public health policy.

Jennie Boden

Jennie is the Managing Director of Strategic Relationships and Senior Consultant at Quantum Governance. She brings to the position more than 25 years of leadership and management experience in the nonprofit sector. She has held jobs ranging from executive assistant to executive director during the course of her career, and she currently serves as the point person for Quantum Governance's strategic relationship with CUES, as well as a senior consultant for credit union and nonprofit clients at Quantum Governance. Jennie received a B.A. from the University of California at Berkeley.

Shannon Zayas

Shannon is Quantum Governance's Operations & Survey Manager. She also works as a project coordinator for many of Quantum Governance's largest clients. She oversees the development, fielding and coordination of all Quantum Governance's surveys and data intake. Shannon graduated from Virginia Tech in 2001 with a B.S. in Finance and in 2004 with a M.S. in Accounting.

Gisèle Manole

Gisèle is the Director of Communications and Associate Consultant at Quantum Governance. Gisèle has spent the last 17 years developing her communications skills in New York working for the titans of media in the world of magazine publishing and digital communications. At Quantum Governance, Gisèle is in charge of outreach and communications, as well as supporting client work at the associate consultant level. She graduated from Villanova University in 1999 with a B.A. in English Literature and Political Science.

Appendix

[CU Name] Governance and Nominations Committee Charter

Courtesy of Quantum Governance, L3C

Prologue

The Board of Directors (Board) has determined that it is appropriate to form a Board Governance and Nominations Committee (Committee) that shall be a standing committee of the Board. The Committee will help ensure that the Board provides outstanding leadership and operates according to the most effective governance practices available.

The Committee is responsible for the ongoing review and recommendations concerning the governance of the credit union to enhance the leadership quality, effectiveness and strategic impact of the Board and all elements of the governance structure; and, to refresh and renew the Board through a thoughtful Board member nominations and development process. The role of the Committee is not to transcend the authority of the Board, but to help ensure that the Board and the credit union will be governed and led as effectively as possible. The Committee will accomplish this important charge by offering timely advice and recommendations to the credit union's leadership, as well as by:

1. Helping to find, nominate, "on-board" and further develop high-quality, capable and engaged Board, Committee and Task Force members
2. Helping to "on-board" and orient such individuals to the credit union and Board, Committee or Task Force service
3. Continuously working to engage such individuals in leading the credit union
4. Suggesting effective means of evaluating—and improving—the governance efforts of the Board, Committees, Task Forces and the Chief Executive Officer (CEO) as well as any other relevant elements of the credit union's governance structure and culture
5. Ensuring the Board and the credit union's overall governance are meeting (or exceeding) their potential

Meetings

The Committee shall meet as often as its efforts require, but no fewer than three times per year.

Members

Members of the Committee shall be elected by a majority vote of the Board annually for terms of one year after receipt of nominations from the Board Chair. Members of the Committee may be re-nominated for succeeding one-year terms.

There shall be at least three voting members of the Committee, and they shall serve one-year terms. The Committee shall include at least three sitting members of the Board, and it may also include one or two independent members (such as past members of the Board, credit union members, etc.). The Chair and CEO shall serve as non-voting, ex-officio members of the Committee.

Governance and Nominations Committee Chair

A Committee Chair shall be [Option A—"elected by the members of the Committee from amongst their Committee members"] or [Option B—"appointed by the Board Chair"]. In the absence of the Committee Chair, the members of the Committee can appoint a temporary Acting Chair to lead Committee meetings and transact such business as is necessary to fulfill the Committee's charge.

The Committee Chair will: 1) Attend Board meetings; 2) Advise the Board Chair and the Board on Board governance and leadership practices; 3) Establish the agenda for each Committee meeting; and 4) Lead and manage the Committee's affairs to foster exceptional Board practices in the best interests of the credit union and its members.

Role of the CEO

The CEO has an important role in the Committee's activities and success. It makes sense for the Committee to work closely with the CEO, but he or she should not control or unduly influence the Committee's recommendations or proceedings. The CEO will assist the Committee by helping to:

1. Identify the Board's current and future needs
2. Ensure the best composition of the Board by working to identify, suggest and retain effective Board members
3. Ensure effective Board agendas and meetings
4. Orient, educate and develop Board members
5. Keep the Board aware of key credit union issues, changes or trends

The Charge of the Committee

The Committee will primarily focus its efforts in six key areas:

1. Board Role and Responsibilities

- Lead the Board in regularly reviewing and updating the Board's members' statement of their legal duties, role and responsibilities
- Assist the Board in periodically updating and clarifying primary areas of focus for the Board, including the Board's overall meeting calendar and Board meeting agendas congruent with the credit union's strategic plan and fiduciary oversight responsibilities.
- Ensure elections and the credit union's governance are consistent with the Bylaws
- Regularly report to the Board on the Committee's deliberations, nominations and recommendations

2. Board Composition and Structure

- Develop a profile of the current Board, as well as a profile of the "ideal Board of the future," and actively assist the board to strategically evolve towards the ideal profile over time
- Lead in assessment of the current and anticipated needs for Board composition and structure—including developing all other committee and task force charters
- Identify, nominate and help to develop Board officers and Board members, as well as all Board committee and task force members

3. Board Knowledge and Development

- Design and assist the Board in implementing an overall on-boarding orientation and educational process
- Design, implement and oversee a formal process of orientation for new Board, committee and task force members before—or as soon as reasonably possible thereafter—their election or appointment.
- Design, implement and coordinate a robust and ongoing program of Board, committee and task force learning

4. Governance, Board and Committee Effectiveness

- Initiate a periodic assessment of the Board's performance—as well as the performance of Board committees and task forces. Propose, as appropriate, changes in structure, roles and responsibilities
- Provide strong advice and counsel to the Board Chair and other Board members on steps they may take to enhance the credit union's overall governance effectiveness
- Regularly review the credit union's practices regarding Board member participation, conflicts of interest, confidentiality, etc. and suggest improvements as needed
- Periodically review and update Board-level policy guidelines, procedures and practices

5. Future Board Leadership and CEO Succession

- Take the lead in the succession planning for Board officers, as well as recruitment and preparation for future board leaders and members
- Ensure there is an updated CEO succession plan in place at all times
- Help ensure Board leadership appropriately coordinates and transfers its governance practices, approach and philosophy with all other credit union governing bodies

6. Delegated Responsibilities

- Other responsibilities explicitly delegated to the Committee by the Board



CUES
POTENTIAL, REALIZED.™

**Quantum
Governance, L3c**
The Science and Art of Exceptional Governance

Tel: 800.252.2664 or 608.271.2664, ext. 340

Canada Tel: 604.559.4455

Email: cues@cues.org

cues.org

Tel: 703.242.2016

Email: michael@quantumgovernance.net

jennie@quantumgovernance.net

gisele@quantumgovernance.net

www.quantumgovernance.net