

## Building Blocks Of A High-Functioning Board

By c. myers corporation

Often there are not comprehensive plans in place to recruit, develop and assess credit union boards. This is a shame considering that volunteers are a cornerstone of the credit union industry.

To put this in perspective, think about the comprehensive plans that are often in place for hiring credit union employees. For example, credit unions usually have a documented process for hiring a new teller. Everything is outlined, such as the desired skill set and characteristics they should bring to the credit union in order to be hired. After being hired, the new teller goes through a well-thought out series of orientation and training exercises, followed by hands-on experience. Over the course of that teller's tenure with the credit union they receive regular check-ins, assessments and refresher training. A lot of work goes into helping a teller be successful.

The role a teller plays is very important, but it clearly does not hold the strategic and fiduciary responsibility of a board member. We understand that board members volunteer their time, so recruiting, developing and assessments come with a different type of sensitivity. However, that does not change the need to have a comprehensive process in place.

The world is changing rapidly. The recent recession started with a bang and ended with a whimper. As a result, many credit unions are faced with shrinking margins and uncertain business models. In addition, all face increasing regulatory burdens, an uncertain rate environment and a rapid evolution in consumer behavior. Because of this, it is imperative for volunteers, as is expected with management teams, to continue to develop so that they make the necessary tough decisions, timely. This can best be accomplished with a high-functioning board.

A high-functioning board is better equipped to respond effectively to the ever-changing external forces a credit union faces. This enables the credit union to more easily remain relevant to their target markets. A few characteristics of a high-functioning board include:

- Balancing the diverse needs of the credit union's target market with the credit union's long-term viability
- Thinks strategically as a team and is willing to ask and answer hard strategic questions and support the actions that must be taken
- Uses the credit union's strategy (not emotion) as a decision filter
- Is collaborative and proactively fosters constructive communication with their CEO
- Is self-assessing
- Holds itself and individual members accountable
- Constantly recruits

Low-functioning boards, by comparison, can be a drain on resources and can hinder progress. A low-functioning board can unwittingly sabotage a credit union's success by focusing on the wrong issues.

By **not** constantly striving to have a high-functioning board, a credit union could be sacrificing the best interests of its member-owners. When going through this process it is imperative to create an environment that promotes frank discussions during which people are willing to address tough, uncomfortable topics, respectfully. There are a number of ways to get the discussion started. Following are just a few building blocks to consider.

### **Board Chair Leadership**

Building a high-functioning board takes time, commitment and patience. Preferably, the board chair and/or the governance committee take the lead in this process. However, the conversation can start with any board member.

The conversation will be more effective if the board chair is open to this process. Ideally the board chair is effective at:

- Cultivating strong leadership—great leaders are always self-improving and display a willingness to get better. The chair is the “CEO” of the board and must keep in mind that the rest of the board looks to their example.
- Promoting a collaborative environment with open and respectful dialogue—this is not a dictatorship. High-functioning board chairs promote active participation within the board so that everyone has a voice and everyone has a hand in decisions. The greatest part of a collaborative environment is maintaining the board's willingness to speak up and be heard without fear of repercussions. Without open and respectful dialogue, a credit union could be missing out on beneficial ideas. This does not mean every decision requires a unanimous vote, but it does mean that the chair is looking for consensus. Consensus is defined as a general agreement, one that is supported by all, even if it is not their personal first or even second choice. Once consensus is reached, participants support the conclusion as if they themselves wrote it. This is what an effective chair strives to achieve.
- Carefully selecting agenda topics and managing board discussions so they stay strategic—a high-functioning chair understands that the nitty-gritty details are the domain of management. A board can easily lose sight of this and get caught in the weeds. If a board is in the weeds, it is extremely difficult to think strategically. In reality, the chair is vital in keeping board conversations at a strategic level so that the board's time is productive.
- Holding board members accountable—this can be awkward, considering the board is made up of volunteers. However, the board is tasked with making major decisions that can impact the lives of many. Think of the millions of dollars in net worth member-owners are entrusting to the board. Not to mention employees and their families, who are relying on the long-term viability of the credit union. Therefore, it is vital that the chair holds the board accountable for things like coming prepared to meetings, understanding the issues, performing appropriate due diligence before voting and setting personal agendas aside.

- Ensuring productive and thorough discussion takes place before making decisions. This helps to avoid complacency and falling back on the “this is how we’ve always done it” train of thought or conceding to the dominant voice in the room. It takes a conscious effort by the chair.

### **Brainstorm, Clarify, Prioritize**

**Brainstorm without judgment.** The next step is to understand and develop a list of high-functioning board characteristics that are necessary for a credit union to remain relevant and be successful. We recommend that the board work together to create this list. It should reflect the credit union’s needs in order to remain relevant, not just an ideal list of traits. This may require pre-work for each board member, such as research within, as well as outside the financial services industry, to gain a better understanding of characteristics of high-functioning boards. The research should only be used to stimulate discussion. There is no template. It is critical that the board ultimately develop and agree, based on the credit union’s unique strategic direction and target markets.

**Gain clarity.** Once the list is complete, clarify, clarify and clarify. Start to dig into the meaning of each idea. But do so, again, without judgment. At this point it is only important to gain clarity on the meaning of the idea so that participants are clear when asked to begin prioritizing.

For instance, what if your board says a high-functioning characteristic is diversity. What does that mean? Does the board mean diversity of ethnicities? Diversity of age? Diversity of male versus female members? Diversity of life experience? Or, the ability to represent the diverse needs of the credit union’s target market? Simply selecting “diversity” as a characteristic could lead to confusion of purpose and conflicting expectations.

For the list of items brainstormed, ask the person who contributed the idea to explain *why* they are suggesting it. Their analysis of what is needed could lead to more ideas. Once a list is created and clarity is achieved, always ask, “*What is our list missing?*” While it may be uncomfortable for management, the board might consider soliciting feedback from the management team as a means of adding a different perspective to the mix.

**Prioritize.** The list will likely be too long and cumbersome, making it virtually impossible to use effectively. So, like everything else in life, participants must prioritize what is most important for the credit union. The prioritization helps the board to focus conversations and improvements on the things that matter most to the credit union. It also helps the board stay on the same page, which is essential in maintaining a high-functioning board and making strategic decisions.

### **Self-Assess**

Now that a list of prioritized characteristics for a high-functioning board has been created, it is time for the board to perform some self-assessments. Where does the board rank in comparison to the top priorities? This conversation risks being emotional, so once again it is critical to create the appropriate environment for frank, respectful discussions.

Before completing a self-assessment, each board member should agree to be absolutely honest and to constructively criticize when necessary. We recommend assessing both the board, as a

whole, and then each board member individually. This process does not need to be painful, but it is necessary in order to set a baseline for improvement.

Self-assessing should not end with this exercise, either. Boards that perform regular self-assessments are able to spot if they are going off track or if new areas need attention.

### **Identify/Prioritize Gaps And Make A Plan To Improve**

The board should review the results of the self-assessment. In the areas considered top priority characteristics, the board should analyze where gaps are found. These are the areas where the board may be weak but wants to be strong. If the list of gaps gets too long, prioritize the list so the board can tackle it from the top priority down.

The board should then create a plan for accomplishing the needed improvements. The plan should include realistic objectives, priorities, deadlines and—most important—regular check-ins to assess progress. When the plan is completed, it is up to the board to begin implementing it.

### **Inspect What You Expect**

On an ongoing basis, the board will need to consistently monitor their progress. It is human nature to fall back on old habits. Everyone is susceptible to this. But high-functioning boards make it a priority to *inspect* what they expect. This is no different than the teller who has been with the credit union for a while now. Management has a process in place to check in with the teller, review progress and discuss what is strong or what needs work. This keeps the teller accountable and benefits his or her ability to grow within the organization.

The board can use a similar process to inspect its growth as a high-functioning team. Doing so would create a culture of accountability, where forward momentum is maintained and encouraged.

### **Volunteers Are A Cornerstone**

A board provides a cornerstone for the credit union by setting the strategic tone of the organization from which decisions are made. The credit union's member-owners—and staff—are counting on the board to make the necessary decisions, timely, to ensure the long-term viability of the credit union. With this onus on their shoulders, it is in the credit union's best interest to work as a high-functioning board—the type of board member-owners deserve.

### **About c. myers**

Since 1991, we have partnered exclusively with credit unions. Our philosophy is based on helping our clients ask the right, and often tough, questions in order to create a solid foundation that links strategy and desired financial performance. We've worked with about 25% of the credit unions over \$100 million in assets and 50% over \$1 billion providing strategic planning, process improvement, A/LM, interest rate risk and budgeting services. If you would like to discuss this article, please feel free to contact us at 800.238.7475 or [www.cmyers.com/contact/](http://www.cmyers.com/contact/).

