

A large, five-armed orange starfish is positioned in the upper left quadrant of the slide. The background is a vibrant blue with a wavy, rippling pattern that resembles water. The text 'Volunteer Leadership Institute - Hawaii' is written in a bold, black, sans-serif font, stacked vertically on the left side of the slide.

Volunteer Leadership Institute - Hawaii

WHAT'S NEXT FOR BOARDS OF DIRECTORS

Amy Hillman, PhD

*Professor and Rusty Lyon Chair of Strategy
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Learning Objectives

1. Participants will be enabled with new tools to benchmark their boards against governance best practices.
2. Participants will learn about a strategic mindset around the role of boards as a competitive advantage for organizations and the role of individual directors' human and social capital enabling effective governance.

WHAT'S NEXT FOR BOARDS OF DIRECTORS?

Amy Hillman, PhD
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THE ROLE OF BOARDS

Directors as Fiduciaries

- Board is there to monitor management on behalf of the members/owners
- When management's self-interest conflicts with the best interests of members, boards intervene
- Auditing risk, ratifying strategy
- Hire/Fire, evaluating, rewarding CEO/President
- Ensuring succession

Directors as a Strategic Asset

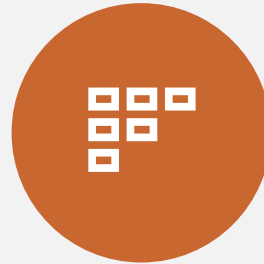
“**Board capital**”—the collective human and social capital of your board, enables:

- Advice, expertise, counsel
- Legitimacy, reputation
- Connections to resources critical to the CU's success
- Strategic sounding board
- Diversity enables strategic problem solving

GOVERNANCE PRACTICES AND BOARD COMPOSITION RESEARCH



GOVERNANCE PRACTICES
ARE ASSOCIATED WITH
STRONGER FINANCIAL
PERFORMANCE.



GOVERNANCE
PRACTICES ARE
ASSOCIATED WITH
STRONGER
STAKEHOLDER
PERFORMANCE.



BOARD COMPOSITION IS
ASSOCIATED WITH BETTER
DECISION MAKING AND
PERFORMANCE.

BOARDS SELF-GOVERN THEMSELVES

- 2024 Survey of Credit Union governance practices
- Conducted amongst Filene's membership
- 85 unique credit unions
- Comparing governance best practices to current
- 89% of Respondents CEO/President

HOW LARGE
IS YOUR CU
BY ASSETS?

Less than \$100M	11%
\$100M-499M	16%
\$500M-999M	19%
\$1B-9.9B	48%
More than \$10B	6%

	Less than \$1B	More than \$1B	All Respondents
Federal	55%	33%	44%
State	45%	67%	56%

WHAT TYPE OF CHARTER DOES YOUR CU HAVE?

	Less than \$1B	More than \$1B	All Respondents
Average	7.8	8.9	8.4
Minimum	5	5	5
Maximum	13	13	13

HOW MANY DIRECTORS ARE ON YOUR
BOARD EXCLUDING THE CEO/PRESIDENT?

	Less than \$1B	More than \$1B	All Respondents
Women	35%	36%	35%
Underrepresented	27%	31%	29%
LGBTQ	3%	3%	3%

HOW MANY DIRECTORS EXCLUDING THE
CEO/PRESIDENT ARE
WOMEN/UNDERREPRESENTED/LGBTQ?

	Less than \$1B	More than \$1B	All Respondents
29 or younger	0%	1%	1%
30-49	23%	20%	20%
50-69	55%	58%	58%
70 or older	22%	22%	22%

**HOW MANY DIRECTORS (OTHER THAN
CEO/PRESIDENT) ARE IN EACH AGE
BRACKET?**

	Less than \$1B	More than \$1B	All Respondents
No	93%	98%	95%
Yes	8%	2%	5%

DO YOU HAVE ANY DIRECTORS OTHER THAN THE CEO/PRESIDENT WHO ARE CURRENT OR RETIRED CU EXECUTIVES?

	Less than \$1B	More than \$1B	All Respondents
No	95%	91%	93%
Yes	5%	9%	7%

**IS THE CEO/PRESIDENT A VOTING
MEMBER OF YOUR BOARD?**

	Less than \$1B	More than \$1B	All Respondents
No	10%	2%	6%
Yes	90%	98%	94%

DO YOU FEEL THERE IS A CLEAR
DELINEATION BETWEEN THE CEO'S AND
THE BOARD'S RESPONSIBILITIES?

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
Audit committee	43%	60%	52%
Compensation committee	30%	62%	47%
Nomination/governance committee	80%	91%	86%
Executive committee	63%	62%	62%
Finance committee	28%	51%	40%
Risk committee	15%	36%	26%
Human resources committee	18%	11%	14%
Operations committee	3%	4%	4%
Communications and marketing committee	8%	2%	5%
Business development committee	0%	0%	0%

**WHAT STANDING COMMITTEES DO YOU
HAVE?**

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
Compliance	75%	84%	80%
Credit union industry overview/trends	93%	93%	93%
Deep dive into your credit union	63%	78%	71%
Financial acumen	78%	76%	76%
Governance/board best practices	73%	78%	75%
Other (please specify)	13%	16%	14%

**WHAT KIND OF EDUCATION IS
PROVIDED/REQUIRED FOR YOUR BOARD?**

	Less than \$1B	More than \$1B	All Respondents
No	88%	64%	75%
Yes	13%	36%	25%
Average limit (years)	4.8	12.6	10.7

DO YOU HAVE TERM LIMITS FOR DIRECTORS?

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
No	100%	91%	95%
Yes	0%	9%	5%
Average age	NA	73.8	73.8

**DO YOU HAVE A REQUIRED RETIREMENT
AGE FOR DIRECTORS?**

	Less than \$1B	More than \$1B	All Respondents
No	33%	22%	27%
Supervisory	55%	62%	59%
Advisory	18%	22%	20%
Other (please list all)	5%	18%	12%

**DO YOU HAVE ANY OTHER BOARDS?
(SELECT ALL)**

	Less than \$1B	More than \$1B	All Respondents
Face-to- face	10.1	8.6	9.3
Virtually	5.7	4.7	5.1

**ON AVERAGE, HOW MANY TIMES PER
YEAR DOES YOUR BOARD MEET?**

	Less than \$1B	More than \$1B	All Respondents
An hour or shorter	20%	2%	11%
1.5-2 hours	68%	69%	68%
2.5-3 hours	8%	20%	14%
3.5-4 hours	3%	9%	6%
Longer than 4 hours	3%	0%	1%

HOW LONG IS THE TYPICAL BOARD MEETING?

	Less than \$1B	More than \$1B	All Respondents
CEO	93%	89%	91%
Board Chair	58%	76%	67%
Directors	0%	4%	2%
Other	20%	16%	18%

WHO SETS THE MEETING AGENDA?

	Less than \$1B	More than \$1B	All Respondents
No. Fewer than half my directors come prepared for board meetings.	8%	4%	6%
Somewhat. Most of my directors come prepared for board meetings.	75%	40%	56%
Yes. All my directors are prepared for each meeting.	18%	56%	38%

OVERALL, DO YOU FEEL YOUR DIRECTORS COME TO MEETINGS PREPARED?

Less than \$1B	More than \$1B	All Respondents
47%	45%	46%

APPROXIMATELY WHAT PERCENTAGE OF
BOARD TIME IS DEVOTED TO THE FUTURE?

Less than \$1B	More than \$1B	All Respondents
69%	62%	66%

**WHAT PERCENTAGE OF TIME WOULD
YOU LIKE TO SPEND ON THE FUTURE?**

	LESS THAN \$1B	MORE THAN \$1B	ALL RESPONDENTS
Every board meeting	13%	20%	16%
Sometimes	60%	73%	67%
Never	28%	7%	16%

**HOW OFTEN DOES YOUR BOARD MEET IN
EXECUTIVE SESSION WITHOUT THE
CEO/PRESIDENT?**

	Less than \$1B	More than \$1B	All Respondents
We don't benchmark our board makeup.	33%	20%	26%
Demographics of current members	33%	24%	28%
Demographics of community population (members and non-members)	18%	38%	28%
Geography of credit union locations	38%	22%	29%
Skills needed for the credit union	50%	71%	61%

WHAT DO YOU BENCHMARK THE MAKEUP OF YOUR BOARD AGAINST? (SELECT ALL)

	Less than \$1B	More than \$1B	All Respondents
Mirroring member or population demographics	58%	60%	59%
Mirroring credit union geography	45%	29%	36%
Bringing unique perspectives	83%	73%	78%
Filling gaps in skillsets or knowledge base	93%	93%	93%
Other (please specify)	18%	18%	18%

WHAT CRITERIA DO YOU CONSIDER WHEN SELECTING A NEW DIRECTOR? (SELECT ALL)

	Less than \$1B	More than \$1B	All Respondents
CEO	68%	56%	61%
Board chair	60%	60%	60%
Existing board members	75%	71%	73%
Credit union executives	30%	22%	26%
Nominating committee	65%	80%	73%
External headhunters	0%	11%	6%
Other (please specify)	10%	9%	9%

WHO IS INVOLVED IN IDENTIFYING & SELECTING NEW DIRECTORS? (SELECT ALL)

	Less than \$1B	More than \$1B	All Respondents
No	68%	36%	51%
Yes	33%	64%	49%

IS MENTORING A COMPONENT OF NEW DIRECTOR ONBOARDING?

	Less than \$1B	More than \$1B	All Respondents
Once a year	28%	38%	33%
Every few years	18%	22%	20%
Never	55%	40%	47%


HOW OFTEN IS YOUR BOARD EVALUATED?

	Less than \$1B	More than \$1B	All Respondents
Self-assessment	89%	93%	91%
Peer evaluation	6%	48%	31%
By CU executives	11%	4%	7%
External experts	11%	7%	9%

**HOW IS THE BOARD EVALUATED?
(SELECT ALL)**

	Less than \$1B	More than \$1B	All Respondents
No	60%	47%	53%
Yes	40%	53%	47%

**DO YOU THINK YOUR CURRENT BOARD
EVALUATION PROCESS IS EFFECTIVE?**



BOARD ASSESSMENT PROCESS

- 1) Develop a matrix of important attributes for the CU board.
- 2) Use these attributes for annual self-assessment and individual director development goals for the following year: Education investments to follow.
- 3) As vacancies occur, use matrix to examine what will be lost at the board level.
- 4) Use the matrix to guide new director selection.
- 5) Revisit the matrix annually or semi-annually to reaffirm and guide assessment and development plans.

EXAMPLE ATTRIBUTE MATRIX

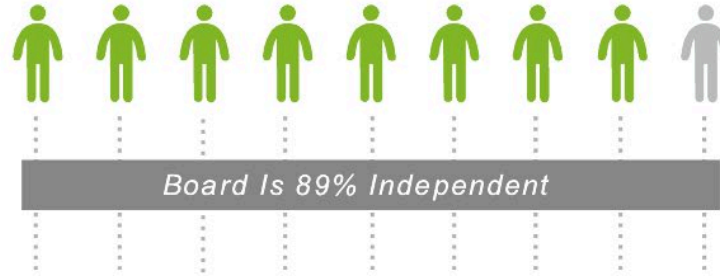
- Member Demographics (Current/Community)
- Financial Services or Functional Expertise
- Risk Management, IT, Cyber, Digital Technology Expertise
- Regulated Industry/Legal Expertise
- Business Leadership Expertise
- Ties to Members/Business Development
- Board Expertise

Director Name & Member Since	Member Demographics: Age, Race/Ethnicity, Gender	Connections to Members/ Business Development	Financial Services Industry or Finance Function Exp.	Risk Management, Information Security, Cyber Exp.	Regulated Industry/ Government/ Legal Exp.	Digital Technology Exp.	Business Leadership Experience	Board Experience
Joe, 2001	75, B, M	★	★				★	★
Sandy, 2015	50, W, F			★				
Sarah, 2008	67, L, F			★				★
John, 2010	45, W, M	★	★		★			
Laura, 1995	65, W, F	★				★	★	
Miguel, 2001	60, L, M			★			★	
Linda, 2020	71, B, F	★	★					

Average Age



Independence



Gender and Ethnic Diversity



Diversity of Skills, Experience and Qualifications



Automotive
Retail
11%



Capital
Markets
56%



CEO Experience
78%



Data Security
Oversight
56%



Enterprise Risk
Management
78%



Investor
Relations
67%



International
Diversification
67%



M&A / Divestiture
78%



Operations
BPI/BPO
56%



Strategy
100%



CEO Succession
78%



Technology /
Technologist
44%

	Less than \$1B	More than \$1B	All Respondents
More than once a year	5%	9%	7%
Once a year	83%	91%	87%
Every few years	5%	0%	2%
Never	8%	0%	4%

**HOW OFTEN DO YOU EVALUATE THE
CEO/PRESIDENT?**

	Less than \$1B	More than \$1B	All Respondents
No	38%	20%	28%
Yes	63%	80%	72%

IS THERE AN ANNUAL REVIEW OF
SUCCESSION PLANNING (OUTSIDE OF
EMERGENCY SUCCESSION?)

BOARDS ARE SELF-GOVERNING

Boards must fulfil their fiduciary responsibilities.

- Are our directors competent, prepared, and engaged?
- Do we have the necessary skills to evaluate CU risk, performance, strategy, and direction?
- Are we independent objective outsiders? (conflict of interest, friendship ties, stale)

Boards can be a strategic assets.

- Do we have the diversity of thought, demographics, experience, and network for today and the future?
- Do we regularly assess who's on the board, what we need to develop and invest in education to do so?
- Do we balance continuity/learning curve with new insights (do you have staggered terms, term limits, and criteria for selecting new directors?)

SELF-GOVERNANCE AREAS FOR IMPROVEMENT

- Clear Responsibility Matrix
- Board Terms: Staggered
- Board Term Limits/Retirement Age
 - (Can be Informal)
- Emeritus & Associate Directors
- Annual Board Assessment tied to Attribute Matrix, Education, New Director Selection
- Executive Sessions Every Meeting
- Annual CEO Evaluation, Review of Emergency and Long-Term Succession
- Board Succession Planning
- Norms of Boardroom Engagement

THANK YOU!

Amy Hillman, PhD

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