

A starfish is positioned in the upper left quadrant of the slide, set against a background of clear, rippling blue water. The starfish is a light orange-brown color with a textured surface. The water background is a vibrant blue with light-colored ripples and reflections, creating a sense of depth and movement. The overall aesthetic is clean and natural.

Volunteer Leadership Institute - Hawaii

BATTLE GROUND VS. COMMON GROUND: HOW DO WE SYNCHRONIZE & HARMONIZE THE BOD & SC/AC?

Roger Jones

Founder & Partner, Hauser Jones & Sas, PLLC

Learning Objectives

1. Develop an understanding of each other's stipulated roles and responsibilities for better empathy and acceptance.
2. Identify the five structural factors that lead to confusion and discord among board and committee members.
3. Take away valuable tools to eliminate battles and Instead build common ground.

Hauser
Jones & Sas

CERTIFIED PUBLIC ACCOUNTANTS
& TRUSTED ADVISORS

Battle Ground vs. Common Ground?

Synchronizing & Harmonizing the Board and Supervisory
Committee to Enhance Corporate Governance



Roger Jones



- Founding partner of Hauser Jones & Sas PLLC (now Opsahl Dawson)
- 30+ years of expertise in accounting, credit union strategy and risk management
- Engaging speaker and teacher on governance, accounting, internal audit, compliance and taxation
- Active supporter of the VLI Conference, and other Credit Union groups like the GoWest Credit Union Association and the GoWest Foundation.
- Firm specializes in elite audit, tax, and compliance services for credit unions in the Western U.S.





ANI WINTERS
PHOTOGRAPHY

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Why Governance Matters



It's Foundational

THE BEST IN SEATTLE HAVE MERGED

RAINY DAY
CRAWL SPACE & BASEMENT

+

MATVEY
FOUNDATION REPAIR INC.

WE ARE NOW Groundworks®



Crawl Space Repair >

When it comes to the health of your home's crawl space, there are many factors and problem signs at work. Knowing what the signs are could help you indicate that it's time for repairs.



Basement Waterproofing >

Curious about wet basement repair? Groundworks provides local residential and commercial basement waterproofing services. We offer free inspections!

Corporate Governance in Credit Unions

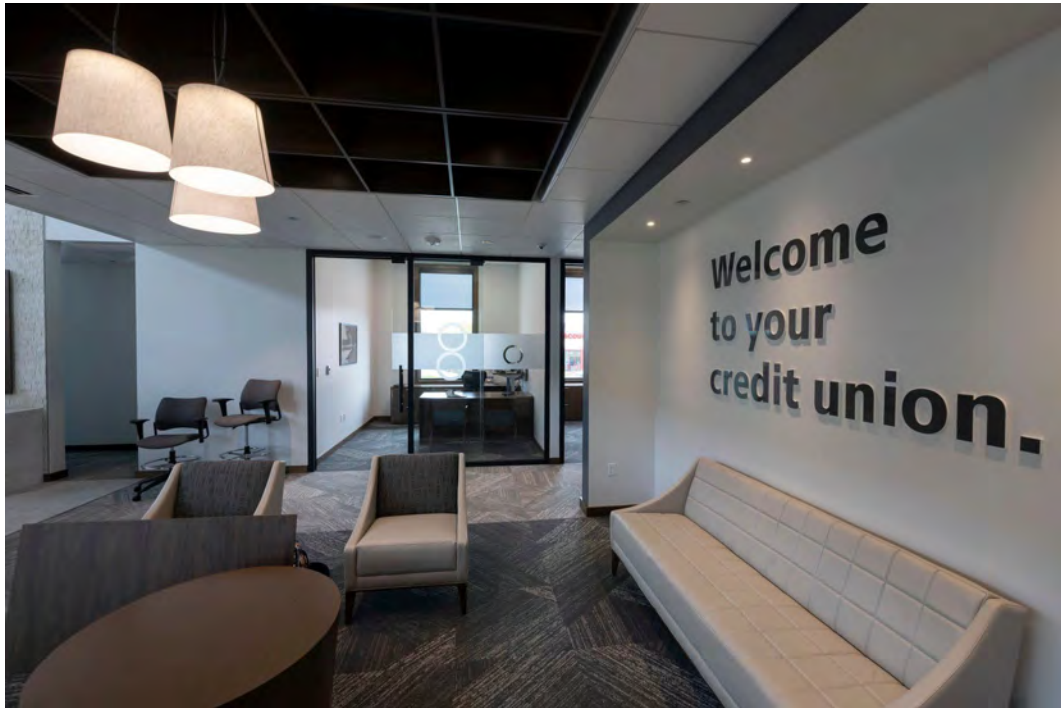
Definition: Framework of rules and processes for directing and controlling the credit union.

Key Elements:

- **Board Leadership:** Elected by members to set policies and ensure accountability.
- **Member Focus:** Transparency and service to member-owners.
- **Regulatory Compliance:** Adherence to laws and best practices.
- **Risk Management:** Safeguarding assets and ensuring sustainability.



Interconnected Relationships



Why Governance Matters?

1. Ensures Member Trust
2. Protects Member Assets
3. Enhances Operational Efficiency
4. Promotes Regulatory Compliance
5. Drives Long-Term Success



Ensures Member Trust

Promotes transparency and accountability to member owners:

- Open and clear communication with members about decisions, policies, and performance.
- Regular updates on the financial health and strategic direction of the credit union.

Builds confidence in the credit union's leadership and decisions:

- Strong leadership provides direction, stability, and trust.
- Transparent decision-making processes help members understand how and why decisions are made.



Protects Member Assets

Strengthens risk management practices:

- Comprehensive risk management frameworks ensure potential risks are identified, assessed, and mitigated.
- Regular audits and evaluations to monitor financial health.

Safeguards financial stability and sustainability:

- Focus on maintaining liquidity and strong capital reserves.
- Practices and policies that protect the credit union's ability to serve members over the long term.



Enhances Operational Efficiency

Streamlines decision -making with clear policies and oversight:

- Established guidelines and procedures ensure quick and efficient decisions that align with the credit union's goals.
- Clear oversight mechanisms track decisions to ensure they are in line with best practices.

Encourages ethical and effective management practices:

- Emphasis on leadership and employee accountability, ensuring ethical behavior at all levels.
- Continuous improvement in operational processes to drive productivity and effectiveness.



Promotes Regulatory Compliance

Ensures adherence to laws, regulations, and industry standards:

- Proactive measures to ensure compliance with financial regulations and industry best practices.
- Ongoing training for staff on changing laws and regulations.

Reduces risks of penalties and reputational damage:

- Mitigates the risk of financial penalties through strong compliance protocols.
- Protects the credit union's reputation by avoiding compliance violations.



Drives Long-Term Success

Aligns the credit union's actions with its mission and values:

- Strategic decisions are made with the goal of supporting the credit union's mission to serve members.
- Long-term planning and decisions that reflect the core values and goals of the organization.

Supports growth while maintaining a member -focused approach:

- Sustainable growth strategies focus on expanding services and reaching more members while keeping the needs of existing members at the forefront.
- Balance between growth and the commitment to member service.



Conflicts

Internal conflicts and disagreements:

- Resolving interpersonal conflicts, differing opinions, and power struggles within teams or between departments.
- Managing high-stakes situations that could negatively impact morale and collaboration.

Leadership challenges in conflict resolution:

- Ensuring leadership addresses conflicts promptly and effectively to avoid escalation.
- Fostering open communication channels for early conflict resolution.



Misalignment

Strategic misalignment with goals:

- Difficulty aligning team efforts with organizational goals, leading to confusion or inefficiency.
- Ensuring all departments and employees understand and work towards a shared vision.

Misalignment between leadership and employees:

- Differences between executive leadership's priorities and employees' daily needs or concerns.
- Bridging the gap between short-term performance objectives and long-term strategic vision.



What You'll Learn Today

1

Understand the distinct roles and responsibilities of the Board and Supervisory Committee.

2

Identify the five structural factors contributing to confusion and discord.

3

Gain practical tools to transform conflict into collaboration.





The Board and Supervisory Committee: Roles Defined

Board of Directors



STRATEGIC PLANNING
AND OVERSIGHT



POLICY DEVELOPMENT



FIDUCIARY
RESPONSIBILITY



General Duties of Directors

The final rule contains the following six key provisions:

1. The board of directors is responsible for the general direction and control. The board may delegate operational functions to management, but not the responsibility for the credit union's direction.
2. A director must carry out his or her duties in good faith.
3. A director must administer affairs fairly and impartially and without discrimination.
4. A director must have a working familiarity with basic finance and accounting practices , including the ability to read and understand the financial statements
5. A director must direct operations in conformity with NCUA's Rules and Regulations, other applicable laws, and sound business practices.
6. A director may rely on information prepared or presented by employees or consultants the director reasonably believes to be reliable and competent and who merit confidence in the functions performed.

NCUA Regulation Section 701.4



Strategic Planning and Oversight

Setting the Vision and Direction:

- The board plays a critical role in defining the long-term vision and goals of the organization.
- Collaborates with leadership to develop and review strategic plans that align with the mission and values.

Monitoring Organizational Performance:

- Ensures that the organization is on track to achieve its strategic objectives.
- Regularly reviews key performance indicators (KPIs), financial performance, and progress toward strategic goals.

Providing Guidance and Leadership:

- Offers advice and insight based on their collective expertise and experience.
- Helps navigate challenges and opportunities that arise in the execution of the strategic plan.





- **Collaborates with leadership** to develop and review strategic plans that align with the mission and values.

Policy Development

Establishing Organizational Policies:

- The board is responsible for creating and approving policies that guide the organization's operations and decision-making.
- Policies should cover areas such as governance, ethics, risk management, and compliance.

Ensuring Effective Governance Practices:

- Ensures policies support transparency, accountability, and ethical conduct at all levels of the organization.
- Reviews and updates policies as needed to adapt to changing legal, regulatory, or business environments.

Delegating Authority and Responsibilities:

- Provides clear delegation of authority to executive management while ensuring adequate oversight and accountability.
- Establishes policies that define the roles and responsibilities of senior leadership and the board.



- Provides clear **delegation of authority** to executive management while ensuring adequate oversight and accountability.



"He calls it 'delegating authority' - I call it 'passing the buck'."

Fiduciary Responsibility

Duty of Care:

- The board must act in the best interests of the organization, using reasonable care and diligence in decision-making.
- Ensures that financial and operational decisions align with the organization's mission and protect member assets.

Duty of Loyalty:

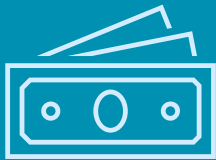
- Board members must prioritize the organization's interests over personal or external interests.
- Avoids conflicts of interest and ensures full transparency in board activities and decisions.

Duty of Obedience:

- Board members are obligated to ensure that the organization adheres to its mission, legal requirements, and governance structures.
- Ensures compliance with all applicable laws, regulations, and organizational bylaws.



Supervisory Committee



OVERSIGHT OF
FINANCIAL AND
OPERATIONAL INTEGRITY



MONITORING REGULATORY
COMPLIANCE



AUDIT COORDINATION

NCUA Regulations in 12 CFR Section 715.3



Oversight of Financial and Operational Integrity

Ensuring Accurate Financial Reporting:

- Monitors financial statements to ensure they reflect the organization's true financial position.
- Reviews internal controls and accounting practices to identify areas for improvement or potential risks.

Evaluating Operational Effectiveness:

- Assesses whether the organization's operational practices are efficient and in line with its goals and mission.
- Provides recommendations to improve processes and enhance operational performance.

Protection Against Fraud and Mismanagement:

- Works to ensure that safeguards are in place to prevent financial mismanagement or fraudulent activities.
- Reviews internal audits and financial reports to detect any discrepancies or weaknesses in financial controls.



Monitoring Regulatory Compliance

Ensuring Adherence to Laws and Regulations:

- Ensures that the organization complies with all relevant financial, legal, and regulatory requirements.
- Reviews changes in regulations to ensure the organization's practices remain up-to-date and compliant.

Risk Management:

- Identifies compliance risks and works with management to develop strategies for mitigating these risks.
- Oversees the implementation of policies that address regulatory changes or new legal requirements.

Reporting to the Board:

- Provides regular reports to the board on compliance status, including any areas of concern or required actions.
- Ensures transparency in the committee's findings and recommendations regarding compliance.



Audit Coordination

Internal and External Audit Oversight:

- Coordinates the internal audit process to ensure thorough and independent evaluation of financial and operational practices.
- Works with external auditors to ensure they have access to necessary information and resources for an accurate audit.

Reviewing Audit Results:

- The committee reviews audit reports and management responses to ensure that identified issues are addressed promptly and effectively.
- Assesses the adequacy of actions taken to resolve audit findings and improve financial controls.

Recommendations for Improvements:

- Based on audit results, the committee recommends improvements in financial management, internal controls, and compliance practices.
- Ensures that corrective actions are implemented, and that the organization learns from audit findings.



CEO/Management

Everything Else



Board:

Sets Vision, Strategy, & Policy – Provides Oversight

CEO:

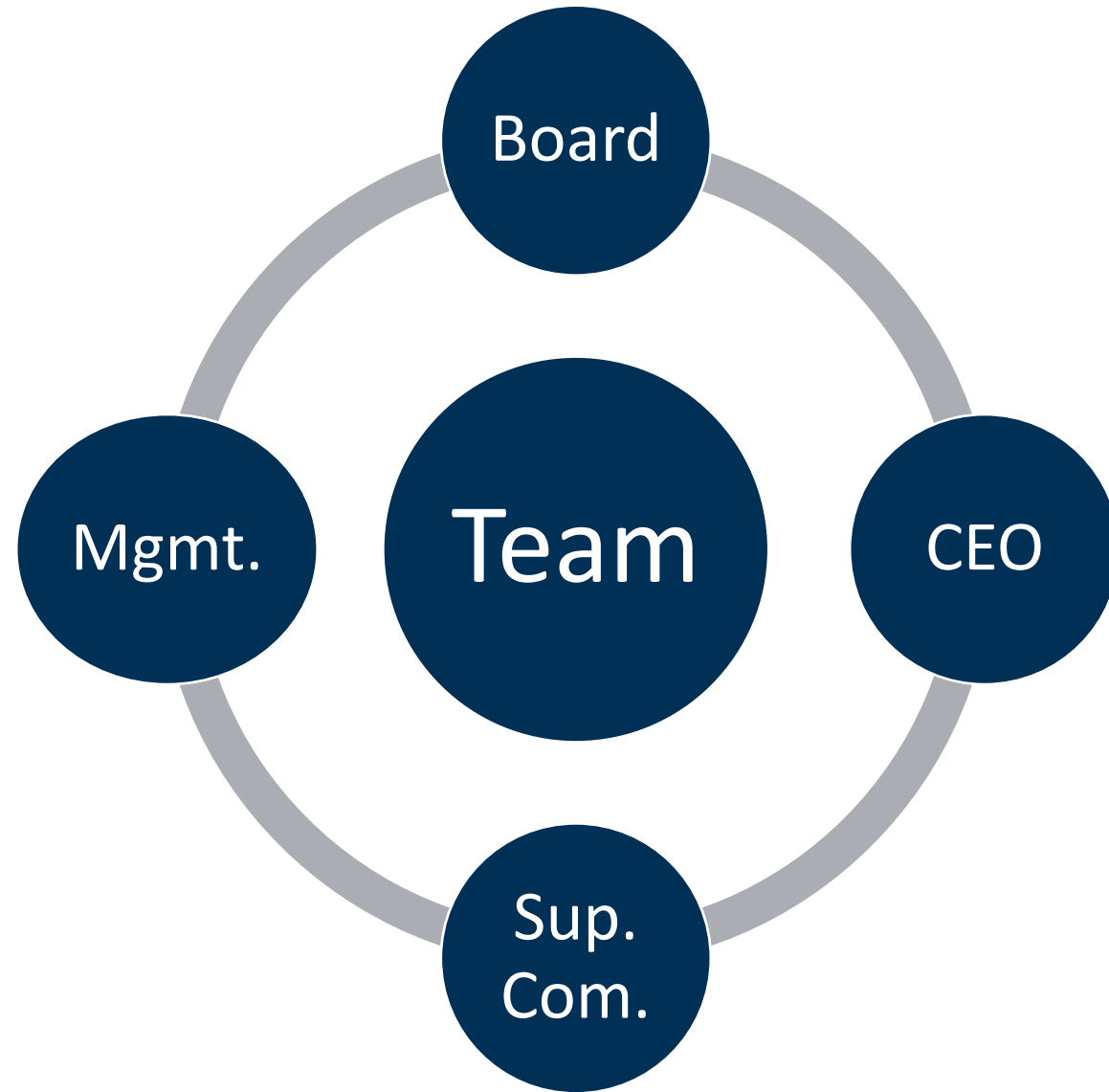
Consults with Board & Accountable to Execute the Board's Plan

Management:

Responsible to carry out directives.

Sup. Committee

Informed of everything, provides independent oversight.





RACI **MATRIX**

RACI Framework

- ✓ Responsible Party
- ✓ Accountable Person
- ✓ Consulted
- ✓ Informed



RACI
Framework
For
Corporate
Governance

✓ Responsible Party

*Those Who Do the Work to
Complete the Task*

Management



RACI Framework For Corporate Governance

✓ Accountable Person

*The person ultimately
answerable for the correct
completion of the task*

CEO



RACI
Framework
For
Corporate
Governance

✓ Consulted

*Those Whose Opinions are
Sought, often Subject Matter
Experts*

Board of Directors



RACI
Framework
For
Corporate
Governance

✓ Informed

*Those who are kept up -to -
date on progress*

Supervisory Committee



Independent Governance Assessments



BOARD OF DIRECTORS



What are the Credit Union's Strengths in Governance?

Top Strengths in Credit Union Governance

- ✓ Regular validation and reporting of risk measures.
- ✓ Informed, involved and experienced Sup. Committee
- ✓ Board chair listens and actively seeks feedback
- ✓ Clearly stated strategic plan, mission, vision.
- ✓ Routine, accurate performance reporting
- ✓ Board is prepared for the meeting
- ✓ Strong Sup. Committee Charter
- ✓ Accurate forecasting, budget to actual measurement
- ✓ Efficient board meetings
- ✓ SC is informed and reviews all audit results
- ✓ Board and executive management vocally support internal/external audit function.
- ✓ Articulated roles & responsibilities
- ✓ Written charters.
- ✓ Thorough Self-Assessments or Outside Assessments
- ✓ Consultation is among priority values.





What are the CU's Weaknesses in Governance?

Top Weaknesses in Credit Union Governance

- ✓ Board does not fully empower the CEO
- ✓ Supervisory committee is inactive, ineffective
- ✓ R.M. Tools are not fully operational
- ✓ Board over-relies on CEO for vision, direction, policy
- ✓ Cannot make difficult choices
- ✓ Board reporting lacks substantive information.
- ✓ Policy violations are not reported to the Board.
- ✓ No Written Succession Plan
- ✓ Limited performance review and analysis.
- ✓ Board is unprepared for meetings or does not attend.
- ✓ Internal audit function is undermined, undervalued.
- ✓ Risk models are “check the box” variety.
- ✓ CEO as a monarchy





**What are the Top 2
Opportunities to
Improve Governance.**

Top Two Areas for Improvement

1. Further Empower SC Oversight

1. Adopt a Curious Culture
2. Improve Efficiency
3. Improve the Charter/Budget
4. Circulate all Audits/Results
5. Improve the Quality of Risk Mgmt.
Tools

2. Prioritize Self-reflection on Governance

1. Talk about it more.
2. Measure it.
3. Refine it.
4. Train Successors





The Communication Barriers existing in credit unions.

What Communication Barriers?

- ✓ Few Scheduled Meetings
- ✓ Intentional *Fog of Information*
- ✓ Personal biases
- ✓ Inadequate Skills Training





Other conflicts in the credit union

What Leads to Battle Ground Conflicts?

- ✓ 1. Overlapping roles
- ✓ 2. Lack of clear boundaries
- ✓ 3. Miscommunication
- ✓ 4. Unsettled Differences
- ✓ 5. Inadequate training



Battle Ground Stress



Common Battle Ground Areas

Strategy

Policy

People

Regulatory Criticisms

Roles & Responsibilities



Recent Battle Ground – *Strategic Issues*

- “Hard-money” lending – *credit risk*
- Asset structures - Long-duration assets – *Liquidity risk*
- Large denomination, wholesale and/or brokered deposits – *Hot Money*
- Nontraditional Investment Products – *Chasing Yield*
- Asset Size and Other KPI's



Recent Battle Ground – *Roles & Responsibilities*

Board overrides CEO hiring decisions

Concealment of important information

Board abdicates strategy, vision, mission to CEO and Mgmt.

SC Oversight is Undermined or Otherwise Ineffective

CEO disregards (or overrides) Board KPI objectives



Other Common Conflicts

Branch Expansion

Mergers and Acquisitions

Loan Product Types and Underwriting Standards

Investment Products

Technology investments

Personnel Decisions



Challenges of Discord



REDUCED ORGANIZATIONAL
EFFICIENCY



EROSION OF TRUST AND
MORALE



POTENTIAL RISKS TO
REGULATORY COMPLIANCE



From Battle Ground to Common Ground

Conflict resolution techniques:

- Active listening
- Mediation strategies
- Consensus-building exercises
- Implementing governance charters
- Ongoing education and training



First Steps to Common Ground

- Am I following governance standards?
- Refer to existing Policy & Procedure
- Identify the risk tools and measure outcomes.
- Stress test outcomes.
- Consultation - Independent review.

Getting to Common Ground

- Proactive Dialogue
- ***Ask Open Ended Questions***
- Remember Your Own Role & Responsibilities.
- Respect Authority Domains
- ***Align Toward Shared Goals***
- Use Conflict Resolution Strategies
- Adopt Structured Meetings
- Foster Collaborative Culture
- ***Empathy & Acceptance***



1. Empathy & Acceptance



2. Ask Open-Ended Questions To Understand Different Perspectives



3. Seek Alignment of Shared Goals

Pull out the Strategic Plan

Explain Why We Take This Position.

What Does this Strategy Do for our Shared Goals?

Do our risk management tools support this Goal?



Key Steps to Harmonize Your Governance Teams



Reflect on your roles and responsibilities frequently.



Schedule regular joint meetings and workshops.



Create channels for open communication and feedback.



Commit to continuous improvement and learning.



From Battle Ground to Common Ground

Recap of key points

- ✓ It Takes All of Us – Our mature selves.
- ✓ Conflict Is Inevitable
- ✓ Embrace collaboration tools

Take these tools back to your credit union and implement change.





Questions?



Thank You!

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