

Board Chair Concerns & Solutions

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BOARD CHAIR CONCERNS & SOLUTIONS

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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

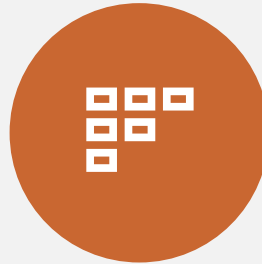
“Board capital”—the collective human and social capital of your board, enables:

- 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 Interviews from Credit Union CEOs about their Boards
- 2025 Interviews with 12 Credit Union Board Chairs and a 50+ time Interim Credit Union CEO
- What is needed to make Credit Union boards more effective through self-governance?
- Comparison to 2024 Survey Results of CU Governance

CHALLENGE I: MAINTAINING A STRATEGIC FOCUS AND RELATIONSHIP TO MANAGEMENT

- Oversight is key
- Requires a clear understanding of the role of boards versus management
- Requires competencies on the part of directors, not just financial acumen
 - “holding a CEO’s feet to the fire” “making sure you’ve selected the right leader, motivating them, and evaluating their performance”
 - “ideally all directors have been in an executive leadership role and business expertise”

Recommendation #1 BE CRYSTAL CLEAR ON THE ROLE OF THE BOARD AS A STRATEGIC PARTNER & REFLECT THAT EVERYWHERE

	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
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
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
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?

CHALLENGE 2: FINDING VOLUNTEERS WITH THE TIME AND EXPERTISE TO MEANINGFULLY CONTRIBUTE

- “The board are members with various backgrounds, but not financial institution experts”
- “With most information coming from management, are we becoming an echo chamber? Do we have the right skills, experience, and acumen around the table to effectively govern?”
- “board members need more time” “the board has the responsibility but not the knowledge”
- “how do we trust but verify”

Recommendation #2: INTENTIONALLY “DESIGN” WHAT YOU WANT ON YOUR BOARD, DEVELOP EXISTING DIRECTORS TOWARDS IT, SEARCH FOR NEW DIRECTORS BASED ON IT.

	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
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
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)

CHALLENGE 3: REPRESENTING THE VOICE OF THE MEMBER

- “we are member-centric first and foremost and are always advocating for the members’ perspective on the issues”
- “But....We’re stale and pale and male compared to our members”
- “we all say we want younger members, but it’s hard to understand the lived experience of younger generations”

Recommendation #3: QUESTION WHETHER YOU’RE REFLECTING THE VOICE OF THE MEMBER, GO BACK TO THAT INTENTIONAL DESIGN.

	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
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?

CHALLENGE 4: EVOLVING TO STAY RELEVANT

- “the board 20 years ago wouldn’t be appropriate today and if we achieve our strategic plan, we won’t be the right board in 10 years, so we need to stay relevant”
- “When I think about the newbies, I think about the questioners, asking us what we’ve stopped asking ourselves”
- “If we’re here to serve in the best interests of the members, we need to also recognize it may be in their best interests to step aside”


Recommendation # 4: BOARD SUCCESSION PLANNING IS IMPORTANT.

	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?



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 Demograp hics: Age, Race/Ethni city, 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	★	★					

CHALLENGE 5: BEING CHAIR

- “it falls t the chair to decide too often”
- “weeding out, sunseting or otherwise ‘moving along’ other directors is always on my mind”
- “tackling self-governance is so difficult. Newer people understand the need for term limits but voting them in is near impossible”
- “no one wants a dictator as a chair” but “work needs to get done”

Recommendation #5: BUILD TRUST. SET BOUNDARIES. TAKE A STAND WHEN NEEDED.

FINAL ADVICE FOR SELF-GOVERNANCE

1. Ensure a strategic focus.
2. Put controls in place to ensure board refreshment.
3. Formalize attributes your board members need to be more effective fiduciaries and a strategic asset.
4. Assess directors annually and invest in education accordingly.
5. Be strategic when filling spots on the board.
6. Don't assume that because things are going well today, they will be forever. Adopt standards of good governance before there's trouble.

THANK YOU!

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