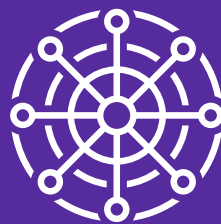


1 Shaping Your Board to Be a Strategic Asset



CENTER FOR
**LEADERSHIP,
STRATEGY &
GOVERNANCE**

BEST PRACTICES

Boards of directors can fulfill more than just a fiduciary requirement. Boards can be an asset helping the credit union advance its strategy and achieve its mission. To ensure this is the case, credit union leaders need to think critically about crafting a portfolio of directors that reflects where the credit union is today and, importantly, where they want to be tomorrow.



AUTHOR
Amy Hillman
Professor, W. P. Carey
Management &
Entrepreneurship
Arizona State
University

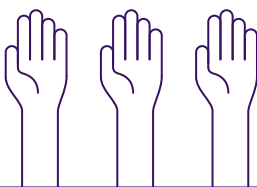
WHAT DOES YOUR BOARD CURRENTLY LOOK LIKE?

ANNUAL BENCHMARKING is critical to ensure you have the **skills, expertise, networks, legitimacy, and connections** to reflect your current and prospective membership base.

26% of credit unions **never benchmark** their boards at all.

THINKING ABOUT HOW TO MAKE SPACE FOR NEW PERSPECTIVES ON YOUR BOARD?

Most credit union boards are volunteer boards, which makes telling a director “We need a fresh perspective” hard.



TERM LIMITS
Most credit union leaders would agree that they will not be well served by having the same directors for 20 years.

ONLY 25% of credit unions have term limits.

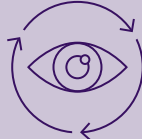


RETIREMENT AGE
Credit union directors skew much older than members; while roughly 50% of members are younger than 50, only 22% of directors fall into that age group.

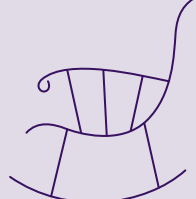
ONLY 5% of credit unions have retirement ages.

Credit unions should be thoughtful about how they renew their boards, balancing **experience** with **fresh perspectives**, through **staggered election of new directors**.

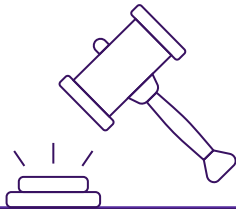
Assuming 3-year terms, a **3 or 4 term limit balances the benefit of experience with fresh perspectives.**



Credit unions should **target a 70 year old retirement age for directors.**



Limited by regulation?
That doesn't mean you're stuck.



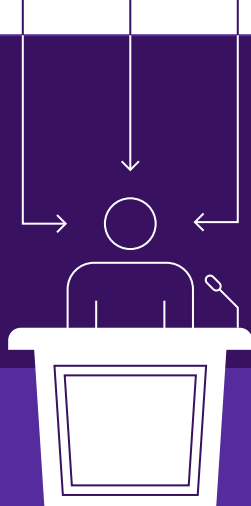
Boards can **informally commit to renewal** in their “principles of engagement” and regularly discuss it so that every director has an end in sight.



What's good for directors is also good for the board chair.



Board leadership should also have term limits and a retirement age.



READY TO BRING IN A NEW DIRECTOR?

Think about the future board you need, rather than the current board you have.



Create a **living framework to ensure purposeful selection of new directors**, considering:

- ☒ Diversity of thought
- ☒ Experience
- ☒ Connections
- ☒ Demography

Who is involved in recruitment and selection?

Heavy reliance on current directors' networks for recruitment can be problematic, causing a lack of diversity of thought, a reticence to call out director underperformance, and a low likelihood of reflecting your full membership base.

To ensure the strongest candidates, **100% of public companies use external recruiters** to source directors.

ONLY 6% of credit unions involve external recruiters.

Consider an external recruiter in addition to the important internal voices when finding and selecting new directors.



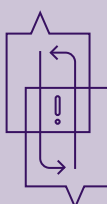
THINKING TO THE FUTURE?

Board succession is something you should plan for.



Form advisory or supervisory boards to invest in potential future board members.

Losing a valuable director to term limits or retirement age? Allow them to continue to advise in a less formal manner.



ABOUT THE DATA

43

question survey on board practices



Respondents from

85

U.S. credit unions



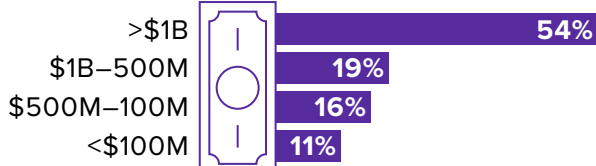
89%

CEOs/presidents

11%

other executives

ASSETS



44%

federally chartered



56%

state chartered

EXPLORE MORE INSIGHTS IN OUR WEEKLY INFOGRAPHIC SERIES

1

Shaping Your Board to Be a Strategic Asset

2

Making Your Boards More Effective

3

The CEO and the Board

4

Optimizing Board Meetings

**Filene
Research
Institute**