

CREDIT UNION TIMES

Q&A Session Focuses on Director Best Practices

On-Site Coverage: 28th Annual National Directors Convention

By [Jim Rubenstein](#)

August 10, 2005

LAS VEGAS - From the size of credit union boards to barring CEOs from private meetings, for three hours CU directors got a chance to share their 'best practice' experiences in a rapid fire Q&A session during last week's National Directors Convention. In a warm-up conference workshop on the first day of the NDC gathering, more than 250 CU directors traded internal policies, procedures and experiences on a diverse range of governance topics with speaker/moderator Tim Harrington, a CPA and head of a Tucson, Ariz. consulting firm. "Now how many of you vote by e-mail?" asked Harrington with a smattering of hands going up followed by a lengthy discussion of differing policies whether state or federal charter. The questioners joined by Harrington honed in on recently-issued NCUA interpretations of the practice. Commented one delegate, "the policy is that if one director chooses not to vote by e-mail" then the electronic balloting is called off entirely. Harrington urged directors to consult with attorneys to determine applicable state law. And so it went during the day with audience members focusing, in particular, on board structure. In another show of hands, the majority said the average board has seven to nine members, but there were those in the ballroom that had as many as 11 and as few as five. It is wise, suggested Harrington, that boards meet privately without the CEO present at least three times a year as a means "of relieving pressure" on board members who might be more willing to sound off without the CEO in the room. Still, he said boards in setting up meetings without the CEO present should seek to assure CEOs their sessions are part of a natural process of checks and balances and hence the CEO should not be made to feel threatened wondering, "Do I have my job next week? He also said it is perfectly proper for CU boards to judge and compensate a CEO based on how well he or she fulfills goals in the strategic plan and that can be on specific targets for the loan or mortgage portfolios. "What do you do about board members who rely on insiders?" asked someone from the floor, referring to senior management under the CEO who has close and long-term working ties with directors. Harrington conceded they can be difficult to assess, but it is up to individual directors not to let their influence impact overall judgment on the direction of the CU since the CEO remains the key contact employee for the board. "The role is to govern, not to operate the credit union," stressed Harrington adding that the board "is where all authority resides until some of it is delegated to others." Harrington also urged boards to "evaluate their performance" at least once a year perhaps in off-site settings keeping in mind "they can be expensive." He said the self-evaluations are important in forcing unproductive or troublesome directors off the board. He also urged several attendees in the audience to include senior management in some director meetings to give perspective to ongoing activities in the CU. It was noted that some CEOs discourage underling participation, but attendees felt otherwise except on certain HR matters and CEO compensation, to name two areas. The strategic planning session needs to be done "once a quarter" by directors, said Harrington noting also he dislikes term limits on boards. The result can be that a good working group of productive directors must suddenly quit leaving an unhealthy vacuum, he said. There was also a show of hands on the length of board meetings with most opting for two or two and a half hours as the optimum. Meetings that stretch for hours demonstrate control by directors with personal agendas or a lack of leadership discipline, he said. -jrubenscut@aol.com

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