The Role and Function of Board Committees

Overview

Committees allow credit union boards of directors to be more productive and effective in their duties. This course helps boards understand how to use committees to perform their necessary work without crossing the line between governance and management. It also identifies the various roles and functions of various types of committees. In addition, the course provides information on conflict resolution and consensus building that can teach directors how to voice dissenting opinions but still reach a consensus that is in the best interest of the credit union.

Learning Objectives

After taking this course, participants should be able to:

- Understand the advantages that a committee structure provides to the board of directors.
- Identify the structural components of a board committee.
- Understand the key functions of a board committee.
- Identify various types of committees and understand their purpose, including the requirements related to the supervisory (or audit) committee.
- Use basic conflict resolution techniques to achieve consensus.

Target Audience: Credit union board members

Study Time: 2 hours

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Chapter 1: Why Are Committees Necessary?

Committees have gotten a bad rap in the business world for supposedly wasting time and resources while ultimately achieving poor results. This is a long-held belief that many well-respected individuals have espoused over the past several decades. Many would agree with the viewpoint of legendary humorist Will Rogers, who quipped in 1928: “Outside of traffic, there is nothing that has held this country back as much as committees.” British automotive designer Sir Alec Issigonis expressed a similarly disparaging view of committees in the mid-20th century when he said: “A camel is a horse designed by committee.”

Are committees deserving of such criticism? Are they, in fact, responsible for designing more “camels” than “horses”? In other words, do committees get so bogged down in trying to consider every person’s point of view that they wind up achieving less-than-stellar results? In organizations governed by a board of
directors, committees actually can be used to lessen the likelihood of “camel”
decisions. Consider the fact that committees have fewer members than full boards.
Typically, there are 3 to 5 individuals on a committee, whereas the full board has 5
to 15 directors. As a result, committees are less likely to suffer from fractured
opinions that can lead to ill-advised compromises and ineffective decision making.
Credit union boards can decrease the “camels” in their organization if they employ
committees properly.

The Advantages of Committees

Committees have several advantages that make them a useful tool for an
organization’s board of directors:

1. They help the board identify and set priorities on key issues and set a more
definitive timetable for action.
2. They allow for more detailed, closer examination of key issues.
3. They allow the board to delegate projects to small working groups, increasing
the likelihood that the projects will get done.
4. They allow a more equitable distribution of workload, since committee
assignments can be dispersed evenly among board members.
5. They allow individual directors to make a fuller, more meaningful contribution
to the board.
6. They make the full board meeting shorter and more productive by allowing
preliminary discussions and research to take place in a committee setting.

Structural Considerations

Committees need to have some sort of structure to be effective. For example, they
need to have a manageable size, a hierarchy of leadership and a methodology for
reporting to the board. Here are some structural aspects to consider. (Please note
that the supervisory committee, also known as the audit committee, has certain
requirements dictated by law with regard to size, leadership, committee
composition and duties. These will be discussed in a later chapter.)

Size of the committee

Typically, three to five individuals are the optimal number. The committee works
best if there is a diversity of opinions and expertise represented by its members, so
a minimum of three individuals would seem to be required. However, a certain
redundancy of opinions and effort can be present when a committee gets larger
than five individuals. Committees are formed to gain efficiency. If the committee
grows too large, that efficiency is lost.

Leadership of the committee

All committees should have a chair (some also may see fit to have a secretary).
These officers can be appointed by the board chair or chosen by a vote of the
committee itself.
Composition of the committee

Composition depends on the size of the committee. It’s best to have at least two board members on a committee, perhaps as many as three or four. The committee also may include a staff member whose expertise relates directly to the type of committee it is (e.g., the vice president of finance on the finance committee).

Frequency of meetings

This will depend on the type and function of a committee. Committees that are working on urgent matters (e.g., hiring a CEO, buying property) may need to meet twice a month and also convene via telephone. Committees that work on ongoing projects such as strategic planning and governance issues can meet less frequently—perhaps every two or three months.

Reporting to the board

Committee chairs may be required to report to the board at every board meeting or may only be required to report when something specific needs to be discussed. Keeping in mind that committees are meant to be a time-saving mechanism, committee chairs should condense and summarize what has been discussed in committee meetings to make most efficient use of the full board’s time. Committees may find it appropriate to provide written material to the board, especially in the event of a major decision, such as a property purchase or a construction project update.

Skill Sets of Committee Members

There are some advantages to having skill sets that match the tasks for which a committee is responsible. For instance, an individual with accounting and auditing experience is well suited to the supervisory or audit committee. For most committees, however, the most important skills that a director can bring to the table are a willingness to learn about the subject at hand by reading, listening and calling on outside experts. The committee member needs to know what types of questions to ask to get to the essence of the issues the committee is exploring. Because committees are group efforts, skills in communication and managing conflict and group dynamics can be very valuable.

Certainly, it benefits all committee members and directors in general to have a broad understanding of financial issues and governance responsibilities. Having skill sets that are relevant to the subject matter of the committee may be more important in a smaller credit union, where committees take more of a “hands-on” approach. In larger credit unions, such skill sets are less necessary in the individual committee member. There are some instances where a direct skill set may be a disadvantage—such as a real estate agent serving on a property committee. The appearance of having a vested interest, even if the director does not act upon that interest, is best avoided.
The Function of Committees

Committee functions vary depending upon the type of committee. Here are some of the most common functions. Keep in mind that not all committees have all functions and that some committees, such as the supervisory or audit committee, have specific, well-delineated functions that are not mentioned here but will be covered elsewhere in the course.

1. To consider issues that are too complex or time consuming for the full board to undertake in the collective.
2. To gather information on important issues facing the credit union and then to synthesize and summarize that information for the full board.
3. To review current policies of the credit union and board, specifically to see if they are working as needed or if they need to be improved or updated.
4. To plan strategically for the future of the credit union.
5. To report its activities to the full board on a regular basis.
6. To make appropriate recommendations to the full board.

It’s important to note that committees do not have authority over management. That authority comes strictly from the full board. In most cases, board committees don’t make final decisions or put matters to a vote. Rather, they work more to reach a consensus and make recommendations to the board. This does not mean that committees cannot have dissenting opinions, but the goal is to reach agreement on what the committee should recommend to the board. We will learn more about conflict resolution and consensus building in Chapter 4.

Checkpoints

1. Committees have several advantages, including identifying and setting priorities on key issues; allowing for closer examination of key issues; allowing the board to delegate projects to small working groups; providing a more equitable distribution of workload; allowing individual directors to make a fuller contribution; and making board meetings shorter and more productive.

2. Committees typically have three to five individuals, which is large enough to provide diversity of opinion and small enough to be efficient.

3. For most committees, the most important skills that a director can bring to the table are a willingness to learn about the subject at hand and knowing what types of questions to ask.

4. Among the functions of the committee are: to consider issues that are too complex or time consuming for the full board to consider; to gather, analyze and summarize information for the full board; to review current policies of the credit union to see if they need to be improved; to plan strategically for the future of the credit union; to report activities to the full board on a regular basis; and to make recommendations to the full board.
Chapter 2: Types of Committees

Some directors may find themselves serving on a committee and wonder to themselves: “Why do we even have this committee?” They’ll find that the answer is: “Because we’ve always had it.” In this competitive industry, where the effective deployment of resources is more important than ever, that answer is no longer good enough. If your board has no good answer to the question “Why do we have this committee?” the best course of action could quite simply be to throw out those committees that are no longer working for you and start all over with a brand new committee structure. There is one committee you must be sure to have because it is required by law. That committee is the supervisory committee, also known as the audit committee. Other committees should be compatible to the requirements of the board of directors.

Doing the Work of the Board

Keep in mind that board committees are exactly that—board committees formed to do the work of the board, not the work of staff. In fact, the board governance policies put in place by your credit union (see the DEC course, “Board Governance: An Overview,” for further details) should quite clearly delineate the distinctions between the role of the board and the role of management.

We said in Chapter 1 that the formation of committees allows boards to delegate tasks to working groups. Be very careful that the work these groups are doing stays within the realm of governance—specifically, setting policies and providing strategic direction and oversight—and does not stray into the work of management, such as determining where to place new ATMs or writing the copy for the latest marketing campaign. It is important to keep in mind that the board and all the committees to which it delegates responsibilities are there to oversee, not to manage.

Some boards set up their committee structure to mirror the structure of the credit union. For example, because there is a finance department, the board sets up a finance committee. Because there is an HR department, the board sets up an HR committee. Because there is a PR department, the board sets up a PR committee. This is where the danger of confusing governance with management comes into play.

Boards should ask the question: Is there any good reason for the board to have a PR or marketing committee? If the credit union has hired a public relations or marketing professional, that individual will know far more about the PR or marketing required for the credit union than almost any volunteer director serving on a committee. Even if the volunteer has a PR or marketing background, is it fair to the staff professional to have the volunteer committee member second-guess or intercede? This is where the complaint of a board micro-managing could have some validity. Directors who adhere to the standards of board governance will recognize this and be more concerned with the marketing results (e.g., did the campaign allow us to reach our goals?) versus the specifics of the marketing campaign (e.g., did the marketing department use green in the brochure as the board suggested?).
One caveat here: The size of the credit union may have an impact about just how much work a committee actually does and whether it might cross into the management realm. A $500 million or $1 billion credit union has a full staff that encompasses such functions as PR and marketing. A $10 million or $20 million credit union mostly likely will not have these capabilities on staff. That’s when the concept of a hands-on board of directors becomes more acceptable, even to the point where a marketing and/or PR committee may be necessary to formulate a marketing plan that would be created by an on-staff professional at larger credit unions.

A more effective strategy for setting up board committees is to connect them to key strategies of the credit union. For instance, if member growth is a key strategy, then it might be appropriate to establish a committee on member growth. Because it is a key strategy, it might be appropriate to create a staff position—Vice President of Member Relations—which would be responsible for carrying out the tasks associated with aiding member growth, such as implementation of a member relationship management initiative. Then the paid executive could serve as the staff liaison on the committee in which member growth is considered.

**Types of Board Committees**

At the outset of this chapter, we noted that a credit union board may wish to take a fresh look at its committee structure and throw out those committees that are no longer working in favor of a new committee structure that most closely aligns to what the board feels it needs to accomplish.

Some boards have a strategy of forming two types of committees: standing committees that will be around for the long haul and ad hoc committees formed for a finite time to serve a temporary purpose such as buying property or hiring a CEO. However, it’s possible to accomplish these temporary tasks by rolling those duties into the existing committee structure. Some committees take on a temporary task that is compatible with its overall purpose. For example, the strategic planning committee may take on the task of buying property for future expansion of the credit union.

Let’s look now at a number of different types of committees that the credit union may wish to consider. Only one of these committees, the supervisory/audit committee, is required by law. Not all of these committees are needed for any one credit union. In fact, the credit union board will typically get more accomplished by limiting itself to three or four key committees that proactively are getting things done rather than nine committees that have limited responsibility and rarely bring their goals to fruition. Remember the words of Will Rogers (quoted in Chapter 1), and don’t let too much committee “traffic” hold your credit union back.

**Supervisory/Audit Committee**
This committee is responsible for, among other things, ensuring that an annual audit is conducted and that member accounts are verified every two years. Additional responsibilities include ensuring that appropriate internal controls have been established and are maintained. The NCUA Rules and Regulations and applicable state laws spell out the requirements for this committee. We will address these requirements in great depth in the next chapter.

**Governance Committee**

The governance committee ensures that the board has effective board policies, structures and roles in place. Of late, more credit unions are using the governance committee to handle the duties that were once the responsibility of the nominating committee. In that capacity, it is the committee’s responsibility to recruit and nominate qualified individuals to serve on the board of directors. The committee also is responsible for the orientation and development of directors so that they can be effective members of the board. The CUES manual, *Succession Planning Essentials: Helping Credit Unions Prepare for Tomorrow*, can be a resource for this committee in accomplishing that task.

**CEO Assessment and Compensation Committee**

This committee is responsible for reviewing the performance and recommending adequate compensation for the CEO. The *CUES Executive Compensation Survey* suggests that this committee be responsible for developing the CEO’s entire compensation program, including base pay, bonus or incentive pay, retirement plans and other deferred compensation agreements, and executive benefits and perks. The survey also recommends that any complex or potentially controversial actions related to executive compensation (e.g., employment agreements, incentive arrangements and retirement plans) be reviewed by the full board before final approval by the committee. Another duty that is logically given to this committee is the responsibility for developing and maintaining the CEO succession plan.

**Strategic Planning Committee**

This committee is responsible for overseeing the key strategic direction of the credit union. It takes on broad issues that will have an impact on the future of the credit union, such as: expansion strategies for the credit union, which may include growth through merger and/or the addition of new branch offices; strategies regarding the adoption of new technology; and strategies related to entering new markets, such as business services or investment planning.

As mentioned earlier in the chapter, boards can establish ad hoc committees to deal with specific issues, such as a merger committee or a property acquisition committee, but for boards that prefer a more streamlined committee structure, these types of issues can be handled quite effectively under the broader umbrella of the strategic planning committee.

**The Shifting Use of Some Board Committees**
Some board committees were used more regularly in the past than they are today. These committees played more of a role when credit unions were just starting out or their size was fairly small. As credit unions have grown larger and more complex, these committees have played a lesser role or, in some instances, their duties have been taken over by credit union staff. We mention them here because some credit unions still use them, either because they continue to serve their function or, more rarely, just out of habit. Credit union boards may wish to evaluate if other committees would serve the purposes of the board more effectively.

**Executive Committee**

Typically, this committee is composed of the chair, vice chair, secretary and CEO. Credit union boards have used executive committees as a means of rendering more timely decisions by empowering the committee to make decisions that were required quickly between board meetings. The executive committee would be particularly useful in the event that decision making was needed to meet a specific timetable. For instance, if the credit union were purchasing property, this committee could make decisions provided the decisions were within guidelines set by the full board (in terms of not exceeding costs, as an example). However, some credit unions are moving away from having such a committee, since technology has given the board more options for collective decision making. Boards are able to convene by conference call or even online in case an urgent vote is needed.

**Asset/Liability Management Committee**

The ALM committee monitors the compliance of the credit union with its ALM policies. There was a time when it was more likely for a credit union to have mostly board members on this committee. However, today this committee is more likely to consist entirely of senior staff members of the credit union or, at the very least, tilt more heavily to staff involvement. For instance, there might be four senior managers on the committee and one board representative.

**Finance Committee**

What might be considered finance committee responsibilities can be accomplished by the supervisory or audit committee, which is required by law, and also by the ALM committee. However, those who maintain a finance committee may find it useful in the nuts-and-bolts planning that the board undertakes—for instance, setting budgets and helping the board understand the financial impact of its strategic goals and policies.

**Credit Committee**

The purpose of the credit committee is to evaluate the creditworthiness of loan applicants and to grant loans according to the credit union’s policy and procedures. If the credit union’s bylaws provide for a credit committee, the board of directors may appoint the committee’s members or the members may elect them. The credit
committee must consist of an odd number of members and must include no more than one loan officer. As spelled out by the Federal Credit Union Act, the credit committee shall hold meetings at least once a month to consider applications for loans or lines of credit.

Today, many credit unions have discontinued the use of a credit committee because they have fully staffed loan departments with professional loan officers to handle those duties.

**Nominating Committee**

As mentioned previously, the nominating committee has been disbanded at many credit unions in favor of the governance committee. Those nominating committees that still exist typically concern themselves narrowly with issues of recruiting, nominating and holding elections for new directors as well as issues of board orientation and director development.

**Some Key Strategies**

Here are some key strategies for creating more effective committees.

1. If possible, give every board member a committee assignment. This will enhance their contribution to the board.
2. Provide committee members with a clear description of what the committee does. Make sure the description stays clear of management functions.
3. Put less-experienced directors on a committee with more-experienced directors.
4. Have staff representation on committees as appropriate. In some instances, such as the CEO assessment and compensation committee, staff representation is not appropriate. The staff person should be upper management, such as a vice president, who can bring insights and information that will help the committee do its work.
5. Rotate committee assignments. Don’t put the same person on the same committee year after year. Mix it up to avoid stagnation.
6. Regularly review your committee structure to determine that it is still fulfilling the board’s needs. This is typically done after the annual election and as part of the first strategic planning session.

**Checkpoints**

1. *Board committees do the work of the board, not the work of the staff.* The board governance policies put in place by your credit union should quite clearly delineate the distinctions between the role of the board and the role of management.

2. *Some boards set up their committee structure to mirror the structure of the credit union.* A more effective strategy for setting up board committees is to connect them to key strategies of the credit union.
3. The governance committee ensures that the board has effective board policies, structures and roles in place. Of late, more credit unions are using the governance committee to handle the duties that were once the responsibility of the nominating committee.

4. The strategic planning committee is responsible for overseeing the key strategic direction of the credit union. It takes on broad issues that will have an impact on the future of the credit union.

5. Some boards have an executive committee, which is empowered to make decisions between board meetings. Some credit unions are moving away from having such a committee, since it is easier to convene the full board by phone or online if a vote is needed.

6. Some key strategies for creating effective committees include: giving every board member a committee assignment; providing a clear description of each committee, putting less-experienced directors on committees with more-experienced ones; having staff representation on committees as appropriate; rotating committee assignments; and regularly reviewing the committee structure.

Chapter 3: The Role of the Supervisory/Audit Committee

This chapter provides more details about the supervisory committee, known at some federally insured state-chartered credit unions as the audit committee. The supervisory/audit committee is the only committee required by law. Specific regulations govern how this committee is set up and for what duties it is responsible.

This chapter focuses on several of the highlights from the NCUA Rules and Regulations governing the supervisory committee. Board members should consult the NCUA Rules and Regulations for more specifics as well as the “Supervisory Committee Guide for Federal Credit Unions,” both available for download at the NCUA Web site (www.ncua.gov).

One of the primary responsibilities of the supervisory committee is obtaining an annual audit of the credit union, according to its charter type and asset size, and conducting a verification of members’ accounts every two years.

As specified in Section 111(b) of the Federal Credit Union Act, the board of directors appoints the supervisory committee. For some federally insured state-chartered credit unions, the audit committee is the equivalent of the supervisory committee. For the purposes of this chapter, we will use the term supervisory committee. State-chartered credit unions should refer to appropriate state states or regulations to determine any specific requirements that may vary from what is presented here.

Who Can Serve
Here are some requirements regarding the size and term of the supervisory committee.

- The committee must consist of three to five members.
- Committee members serve terms of between one and three years.
- The board of directors appoints the supervisory committee members, determining the number of members and the length of their terms.
- Terms can be staggered so that there is continuity from year to year, but all terms must be of the same length.
- Supervisory committee members must be a member of the credit union and must be bondable by the credit union’s surety bond.
- One member of the committee may be a director (other than a compensated officer). Employees and credit committee members are not eligible for the supervisory committee.
- Persons on the committee should select a chair and a secretary. If desired, this can be the same person.

Having a board member serve on the supervisory committee has the advantage of offering better communication with the board about the committee’s activities. Another option is to have a member of the supervisory committee (most logically, the chair) attend board meetings.

Who is best suited to serve on the supervisory committee? It is best to appoint individuals who have knowledge of auditing, accounting and bookkeeping, since the key responsibilities are carrying out the audit and member account verification. They also should be able to understand financial statements and the laws that govern the credit union. Members of the committee also must be independent, objective and free from influences in conducting their work.

**Primary Responsibilities**

The supervisory committee has two main goals:

1. To ensure that management’s financial reporting objectives have been met, and
2. To ensure that management practices and procedures safeguard members’ assets.

To fulfill these goals, the committee has the following responsibilities:

- Ensure that internal controls are established and maintained to achieve the credit union’s financial reporting objectives.
- Ensure that the credit union’s accounting records and financial reports are promptly and accurately prepared.
- Ensure that the relevant plans, policies and control procedures established by the board of directors are properly administered.
- Ensure that policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing and fraud.
• Ensure that the credit union adheres to the measurement and filing requirements for reports filed with the NCUA Board.
• Fulfill the annual audit requirement, either by performing the audit itself or contracting with a qualified third party, and then reporting the results of the audit to the board of directors and the membership at the annual meeting.
• Verify or cause to be verified members’ passbooks and accounts against the records of the credit union every two years.
• Ensure that the credit union avoids impositions of sanctions for failure to comply with requirements.

The Audit Requirement

The audit must occur once every calendar year and must cover the period elapsed since the previous audit. Audit requirements are dictated by the size of the credit union, as follows:

**Federally insured, federally chartered and state-chartered credit unions of $500 million or more in assets:** Obtain an annual audit of financial statements performed in accordance with Generally Accepted Audit Standards (GAAS) by an independent person who is licensed in the state or jurisdiction in which the credit union is principally located.

**Federally chartered credit unions with assets less than $500 million but greater than $10 million:** Obtain an annual financial audit or one of three other options—a balance sheet audit; a report on examination of internal control over call reporting under attestation standards; or an audit that meets the minimum requirements described in “Supervisory Committee Guide for Federal Credit Unions” published by the NCUA.

**Federally chartered credit unions of less than $10 million:** Obtain an audit using the same three options as stated previously.

**State-chartered credit unions of less than $500 million:** Obtain either an annual supervisory committee audit or an audit as prescribed by the state or jurisdiction where the credit union is principally located, whichever is more stringent.

Audits may be conducted by an independent accountant licensed by the state or the jurisdiction in which the credit union is located; an independent qualified credit union auditor; or the supervisory committee itself, an internal auditor hired by the committee, or a designated representative.

If using an external auditor for the audit, the supervisory committee must hire that individual, but the board must authorize and approve the expense.

**Verification of Accounts**
Another key duty of the supervisory committee is the verification of members’ accounts every two years. The verification determines that each member’s account balance is accurately stated. The committee can conduct either a positive or negative verification. With a positive verification, members have to respond whether their accounts are correct or not. With a negative verification, they only need to reply if the account is incorrect.

Obviously, positive verification is more costly and time consuming, but it is more reliable. Positive verification may be desired if it’s a small credit union, if internal controls are weak or if there are serious problems within the credit union that must be rectified. It’s also possible to use a combination of positive and negative verification, using the positive verification on relatively large accounts or those with unusual activity.

**Additional Duties**

Also as designated by NCUA Rules and Regulations, the supervisory committee has the power to suspend any board member, executive officer or credit committee member. However, this must be done by unanimous vote of the committee. A special members’ meeting must then be held between 7 and 14 days of the suspension, at which time the suspended individual will have an opportunity to offer a defense and the members will have the opportunity to act upon the suspension. Conversely, a member of the supervisory committee may be suspended by a majority vote of the board of directors.

Extensive information about the supervisory committee’s duties and responsibilities is provided in the NCUA’s “Supervisory Committee Guide,” downloadable at the NCUA Web site, [www.ncua.gov/GuidesManuals/Index.htm](http://www.ncua.gov/GuidesManuals/Index.htm).

**Checkpoints**

1. *The supervisory committee (or audit committee) is the only committee required by law.*

2. *The supervisory committee must consist of three to five members who serve terms of between one and three years.*

3. *It is best to appoint individuals to the supervisory committee who have knowledge of auditing, accounting and bookkeeping, since the key responsibilities are carrying out the audit and member account verification.*

4. *Among the key responsibilities of the supervisory committee is to ensure that internal controls are established and maintained to achieve the credit union’s financial reporting objectives.*

5. *The supervisory committee is responsible for obtaining an audit every calendar year and verifying member accounts once every two years.*
Chapter 4: Conflict Resolution and Consensus Building

At the end of Chapter 2, we mentioned that committees work to reach a consensus so they can make recommendations to the full board. The assumption is that the committee will have discussed various options for any given matter and then arrived at the best solution to present to the board. That raises the question, “In whose opinion is it the best solution?” What if there is disagreement or conflicting opinions at the committee level? How can a consensus be reached if there is conflict?

Removing conflict from the committee setting is not the way to achieve the best solution or to build consensus. In fact, it is virtually impossible to remove conflict from group dynamics. Conflicts happen. They are a natural part of any group or system. What’s more, conflict is actually desirable because it helps generate discussion and allows groups to consider various alternatives before arriving at the best solution.

So, if conflict is desirable, why do some organizations, boards or committees suffer ill effects when conflicts occur? Some experts indicate that problems arise because of the way groups handle conflict. They suggest that conflict can be lessened if members of the group work to communicate effectively with one another, learn to negotiate with one another and treat each other’s opinions with respect.

However, a greater difficulty is the fact that conflict is viewed as a negative. Some individuals stop confronting an issue because they are concerned about causing conflict. They may be afraid of hurting other people’s feelings or of becoming vulnerable themselves when raising an alternative view that conflicts with the views of others in the group. The result may be that they give less than their all to the group dynamic, and instead of the best solution, a mediocre solution or compromise occurs.

Even more damaging, however, is the fact that the conflict never went really away. It’s still there, under the surface, and it may re-emerge at a time when the group should be working effectively to solve a challenging problem. Taking steps to address the conflict is a better approach to enhance the effectiveness of your committee.

Steps for Resolving Conflict

Board committees can take several steps to address conflict and resolve it or use it to the group’s advantage.

1. Define the issues.

In a group setting, many individuals think they have a clear understanding of what the issues are in a conflict situation, but that’s not always the case. In fact, many times the individuals in the group don’t even agree on what the issues are or what
the key issues really mean. If the group as a whole can more clearly define the issues, the committee has a better chance of solving the problems.

Similarly, groups may misidentify the cause of conflict. They may think that conflict is a personality issue or difference of opinion when in fact it can be a poor meeting structure that does not allow for vigorous debate and discussion. Identifying the root cause and addressing it directly can ultimately lead to more productive and meaningful meetings.

2. Determine “Who’s in charge?”

Many groups avoid answering that question because they realize people may become uncomfortable when they discover that they are not in charge. However, knowing who’s in charge brings clarity and a sense of structure to the group setting. Committees can be more effective when everyone involved knows his or her role. At one level, in the committee setting, the answer of “Who’s in charge” can be simply answered as: the committee chair. In the full board meeting, the answer is: the board chair. Therefore, all committees should be sure to appoint a chair, but realize that in the board setting, that position is superseded by the person who was selected to chair the board.

The “Who’s in charge” question goes beyond title, however. Every group develops its own sense of whose opinions get more weight, whose expertise is valued more, and whose suggestions can be ignored without some kind of “penalty.” In most cases, these dynamics are obvious and easily managed, but in other cases the unspoken battles about control and decision making can undermine a group’s effectiveness. Successful committees learn to recognize these dynamics and deal with them head on.

3. Hear all points of view.

One way to address and resolve conflict is to let opposing views be heard. Give all the members of the group a chance to understand points of view that are different from their own. Even if committee members present a point of view that does not prevail, at least they know that they were heard and understood.

People who never get the chance to explain their point of view and have it considered by the group frequently provide less than full support for the ultimate decision. What’s worse is they may subconsciously sabotage a decision in which they failed to have a say. They may stop showing up for meetings or develop other priorities beyond their work on the board, thus suddenly becoming “too busy” to help with the work of the committee.

Allowing all opinions to be heard means arriving at a clearer, better-supported recommendation for the board. The committee chair can report to the board, “We’re recommending this course of action, and here is why, and here’s why we are not recommending the other course of action.”
4. Develop a sense of trust.

Trust is an imperative component to facilitate discussion and the sharing of opinions. Without trust, committee members never feel that they can be vulnerable with each other. They will be reticent about giving opinions that they fear will not be accepted by the group, and thus a thorough discussion on the topic at hand is thwarted. Perhaps the very solution the group could have rallied behind will never be heard at all. Lack of trust is sometimes difficult to spot, but it always makes completing the work of the committee more difficult. Trust is built slowly, primarily by people following through on commitments (and being open to being held accountable when they are not), but it can also be built in very simple ways, like allowing committee members time to simply get to know each other and learn new things about each other.

5. Eliminate destructive conflict.

It’s not necessary to shy away from having people on the committee who regularly disagree with one another. However, it can be difficult to conduct committee business when two people do not like one another and have difficulty putting aside their interpersonal conflicts in the interest of the committee. Such destructive conflict is frequently difficult to resolve and ultimately diminishes the committee’s productivity.

The chair should do whatever possible to minimize destructive conflict by having a committee structure that allows for respectful airing of opinions and keeps committee meetings focused on the topic at hand. Generally speaking, conflict can be a positive in that it allows more potential solutions to be considered. However, that is predicated on the assumption that all conflict is handled well. If committee members substantively disagree on the issues, the resulting conflict can be managed. If two members personally disagree and cannot set those conflicts aside, committee meetings can become a nightmare.

It’s imperative that the committee chair has crystal-clear expectations for all the members of the committee and set out expectations for acceptable behavior and discussions during a meeting. If those expectations cannot be met, the best solution may be to reassign one or both of the individuals to other, separate committees.

6. Reach consensus.

Successful conflict resolution is wholly dependent upon how the conflict is managed. If discussion is limited—if you don’t give everyone the opportunity to voice his or her opinion and to be acknowledged by the group—then you will never reach a consensus that everyone in the group supports.

Committees should strive for consensus to make clear, well-thought-out recommendations to the full board. Many people equate the word consensus with the idea that everyone in the group must be in complete and total agreement. This
is not true. Consensus can still be achieved even if members of the group hold underlying different points of view. The key to consensus is that the ultimate decision makes sense in the context of the various points of view that were considered.

Conflict can be constructive in ultimately allowing the group to reach a decision that considers all points of view. The goal is to reach a consensus that is characterized by a high level of shared understanding, paired with a level of commitment that allows everyone to be supportive of the decision that is ultimately reached.

**Checkpoints**

1. *Conflict is actually desirable because it helps generate discussion and allows groups to consider various alternatives before arriving at the best solution.*

2. *Among the steps for resolving conflict are defining the issues, determining who’s in charge, hearing all points of view, developing a sense of trust, eliminating destructive conflict, and reaching consensus.*

3. *Allowing all opinions to be heard means arriving at a clearer, better-supported recommendation for the board.*

4. *The chair should do whatever possible to minimize destructive conflict by having a committee structure and culture that allows for respectful airing of opinions and keeps committee meetings focused on the topic at hand.*

5. *Successful conflict resolution is wholly dependent upon how the conflict is managed when there is a disagreement.*

**Conclusion**

This course is intended to help directors understand the role and function of various types of committees and encourage them to take a closer look at their own current board structure. Many of today’s credit union boards have streamlined the number of committees and/or updated them to reflect their current needs. Continuing to maintain committees just because “we’ve always had them” is no longer a valid reason. The role of the committee is to make the board more productive and effective.

In addition, the course discusses the importance of conflict resolution and consensus building in the board committee setting. The object is not to eliminate conflict, but to encourage the airing of varying points of view to arrive at the best-considered decision that the committee wholly understands and supports.