Credit Union Board Self-Assessment:
A Research Study
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**About the Authors**

**Berit M. Lakey, PhD**, is a senior consultant with BoardSource, the premier resource for practical information, tools and best practices, training, and leadership development for board members of nonprofit organizations worldwide.

During her 25 years in consulting, training, communications, and nonprofit management, Berit has acquired unique insights into the complex nature of nonprofit organizations. She’s filled such diverse roles as teacher, staff administrator, executive director, and board member. She’s worked with health and human services organizations as well as foundations and associations, including the National Association of Community Health Centers, Women Organized Against Rape, and the Philadelphia Child Guidance Clinic. She also served as an adjunct assistant professor in the graduate school at the University of Maryland.

At BoardSource, Berit provides individualized board consulting and training, conducts workshops for board members and board consultants, and takes special responsibilities for the BoardSource board self-assessment program.

Berit holds a master’s degree in organizational development and a doctorate in human and organizational systems from the Fielding Graduate Institute in Santa Barbara, California. She received her bachelor’s degree in sociology from Midland Lutheran College.

**George Hofheimer, CAE** is the Vice President of Professional Development and Product Research at the Credit Union Executives Society (CUES), a professional development association for credit union CEOs, senior executives and directors, worldwide.

Prior to joining CUES in 1998, George worked for a number of years in the former Soviet Union as an advisor to a wide range of public and private clients in the fields of privatization, small business development and executive training.

At CUES, George is responsible for all of the organization’s educational offerings, new products and services development and credit union research. He has also been a contributing author to CUES’ series of strategic management texts and is a frequent presenter on credit union technology, governance and planning topics.

George holds a master’s degree in business administration and bachelor’s degree in business administration from the University of Wisconsin-Madison. He is married to Carrie Sachse and has two boys Huck, 9 and Milo, 3.
Today, North America hosts thousands of credit unions and millions of credit union members. These numbers illustrate the increasingly important role that credit unions play in society and consumer finance. Credit union members who wish to borrow money to buy a car or send their child to college enjoy the benefits of a well-run organization. In the long run, member satisfaction depends on the credit union having a strong board that is diligent in its fiduciary duties and strategic guidance.

The board of a credit union carries the ultimate responsibility for the organization’s governance. As the credit union’s governing body, the board is entrusted with the authority to establish major policies and is accountable for the credit union’s actions. As the credit union’s legal and moral “guardian,” the board is responsible for safeguarding its current and future welfare. In our current environment of corporate scandals and decreasing public trust in institutional leaders, it is more important than ever that each credit union board find ways in which to hold itself more accountable for its performance.

One of the most significant ways in which a board can strengthen its performance as a governing body is to periodically assess its own performance. A self-assessment gives the board an opportunity to step back from its everyday business and reflect on how well it is meeting its responsibilities. Self-assessment is, however, designed to be a future oriented activity more than a judgment on past performance, to re-evaluate both the “what” and the “how” of the board’s work. Past practices of structuring the work of the board and of dividing responsibilities between the board, the chief executive, and staff, may no longer serve as well as it once did. Not only may the credit union have grown in size and complexity, but so may the life situations of its board members have changed. Increasingly, boards are realizing that they have to focus more of their attention on long-term, strategic issues rather than on short-term, administrative concerns.

A board self-assessment provides an opportunity to make sure that all members of the board have the same understanding of the respective roles assigned to board and...
management. It also encourages the board to consider whether it could serve the credit union’s interests more effectively by changing the way in which it operates. In the financial services environment where change is rapid and often unpredictable, no leadership group can afford simply to “keep on keeping on.” Adjustments need to be made as conditions change and new challenges emerge.

A board self-assessment will, if properly conducted, benefit not only the board and its members, but also the CEO and ultimately the credit union and the communities in which it operates. Some of the specific benefits of a board self-assessment include:

- Refreshing the board’s understanding of its roles and responsibilities;
- Identifying areas of board operation that will need improvement;
- Shaping the future structure and operations of the board;
- Developing a shared understanding of what constitutes effective governance;
- Enabling the board and CEO to work more effectively as a governance team.

Any board self-assessment process should start with the board being introduced to the idea and deciding to undertake the assessment. Getting board member buy-in is crucial for an effective outcome. The board should understand what information will be collected from whom and by whom, as well as how the results will be shared with the board. Eventually it will be up to the board to determine which steps to take following the self-assessment.

A board self-assessment will not only identify areas where the board is doing well or where it would benefit from making improvements, but should lead to the creation of a board development action plan. Such a plan would outline specific steps that will be taken, assign responsibility for follow-through and specify the time-frame for implementation.
In 1991 the National Center for Nonprofit Boards (NCNB), now known as BoardSource, published *Self-Assessment for Nonprofit Governing Boards*. Having been used by hundreds of nonprofit organization seeking to improve the effectiveness of their governance system, the tool later became the model for the Credit Union Executives Society (CUES) credit union board self-assessment tool. While many of the responsibilities of credit union boards parallel those of other nonprofit boards, there is a large enough distinction between credit unions and other nonprofit organizations that a self-assessment instrument would be needed that is focused specifically on the challenges and issues of credit union governance. Accordingly, in the year 2000, with input from CUES, NCNB developed *Self-Assessment for Credit Union Boards*.

The self-assessment questionnaire asks directors to rate their satisfaction with the board’s performance in ten general areas of responsibility as well as with their own performance as directors. These areas are:

1. Determine the credit union’s mission, vision, and purpose
2. Engage in strategic planning
3. Ensure effective fiscal management
4. Approve and monitor the credit union’s financial services
5. Enhance the credit union’s government relations and advocacy programs
6. Understand the relationship between board, staff and CEO
7. Select, educate and orient new board members
8. Organize the board to operate efficiently
9. Ensure sound risk management policies
10. Engage in regular board self-assessment

The scale used in the questionnaire runs from 1 (very dissatisfied) to 4 (very satisfied). The option of answering “not sure” is also provided. Additionally, in each area of board responsibility directors are invited to offer comments about their perceptions and suggestions for improvement. At the end of the questionnaire three open ended questions are asked about ways in which the board might strengthen its performance and about what issues the board ought to focus on in the years ahead.
Boards have undoubtedly used a variety of tools and processes for assessing their performance. Some have designed their own, others have used questionnaires designed by or for other organizations or by consultants working with them. Some have asked outside experts to assess their performance while others have relied primarily on their own member input. Some have used interviews instead of or in addition to a questionnaire. One of the reasons why CUES chose the NCNB approach was the tool's combined educational and information collection functions. It creates a shared perspective among members of a credit union board concerning the board’s responsibilities and operations while asking each of them to indicate their own level of satisfaction with the board’s performance. Information collected from board members can easily be supplemented with consultant interviews and/or document reviews and observation. BoardSource’s experience indicates that the greatest benefit is derived from engaging an outside consultant to review assessment results and to facilitate the board’s discussion and action planning.

What follows in the next sections of this paper is a report on a study of responses from 35 credit union boards of directors, each of whom used the questionnaire described above, *Self-Assessments for Credit Union Boards*, and each of whom engaged the services of either CUES or BoardSource to administer their self-assessments. The report covers responses from 291 board members representing a fairly wide spectrum of credit union asset sizes, fields of membership, and experiences.

These credit unions furnished CUES and BoardSource permission to utilize their raw data for the purpose of general analysis of results for the education of the larger North American credit union movement. Complete anonymity was promised to these credit unions therefore we can not divulge participating credit unions or any other information which would jeopardize their anonymity.

The study was conducted for the following purposes:

- to gain knowledge about credit union governance issues;
- to provide information for credit union leaders that will assist them in supporting a continuous improvement perspective among their board members; and
- to encourage the emergence of board self-assessment as standard practice in the credit union movement.
This report is organized into four sections:

- **Section 1** provides a general overview of the board self-assessment responses and reports on the areas of high and low satisfaction.
- **Section 2** delves deeper into each board responsibility area and comments on areas of high and low satisfaction.
- **Section 3** explores themes in the open-ended questions presented in the self-assessment questionnaire.
- **Section 4** offers a variety of conclusions, recommendations and resources for your credit union as it considers conducting its own self-assessment.

We hope you find the research useful in your quest for creating a more effective governing board at your credit union.
Self-assessment is one of the most honest and practical ways to understand how a group of disparate individuals feels about their performance. As stated in the previous section, 291 such individuals have given CUES and BoardSource permission to report on their satisfaction levels in the ten basic responsibility areas of credit union board governance.

These 291 board members were asked to rate their level of satisfaction on a wide variety of board performance indicators on a scale of 1 to 4 (1 being very dissatisfied, 2 being dissatisfied, 3 being satisfied, and 4 being very satisfied).

Responses are summarized in this report as average scores for each responsibility area. An average score above 3 indicates satisfaction, and a score below 3 indicates a lack of satisfaction. The higher the score, the more satisfaction; the lower the score, the less satisfaction.

What follows is a brief analysis of the highest areas of board satisfaction and the lowest areas of board satisfaction.

**Satisfaction**
Credit union directors feel highly satisfied in the traditional credit union governance functions of ensuring effective fiscal management and risk management. This is not surprising considering the conservative outlook of most credit unions and the relatively heavy regulation in the industry. Additionally, respondents felt satisfied with their ability to determine and communicate the credit union’s mission and purpose. The highest levels of satisfaction were recorded in response to questions about the following issues:

- The board receiving periodic financial reports on the credit union that enable directors to make informed and prudent decisions. (3.76)
- The board having budgeted enough to conduct an annual planning/leadership retreat. (3.72)
• The supervisory committee performing the annual audit. (3.71)

• The board giving the CEO enough authority to manage and lead the credit union successfully. (3.71)

• Board members are provided educational opportunities to enhance their leadership skills. (3.61)

**Dissatisfaction**

Areas of broad dissatisfaction centered on the organizational capabilities of the board and their ability to monitor the credit union’s service offerings. Regarding the organizational capabilities of the board, respondents expressed dissatisfaction in the areas of self-assessment, committee structure/usefulness, selection/orientation of new board members and limits on length of board service. These areas of dissatisfaction are not unexpected due to the longevity of many credit union board members and the historical lack of attention to governance as a strategic function. The highest levels of dissatisfaction (excluding the self-assessment responsibility area) were found in the following areas:

• The policies for length of board service and rotation of board members are designed to ensure a constant infusion of new board members. (2.42)

• An agreed-upon CEO succession plan being in place. (2.65)

• The board providing new board members with a comprehensive orientation to board responsibilities, the credit union’s services and procedures. (2.65)

• The board having an effective process to nominate and select new board members. (2.79)

• The board knowing the strengths and weaknesses of each major service. (2.83)
Graphical Interpretation

The graph on the following page entitled “Board Responsibility Areas” plots each major board responsibility on a scattergram. The x-axis is the satisfaction rating and the y-axis is the alignment rating. The horizontal red line represents the average alignment score for all responsibility areas and the vertical red line represents the average satisfaction score for all responsibility areas. Breaking the graph into four quadrants allows you to see four distinct responses:

“*We don’t do a good job and we don’t agree*” is the section where satisfaction levels are lower than the average for all self-assessment responses and respondents generally are not aligned in their dissatisfaction. You will notice there are a good deal of responses in this area of the graph.

“*We don’t do a good job and we know this to be true*” is the section where satisfaction levels are lower than the average for all self-assessment responses and respondents generally are aligned in their dissatisfaction. You will notice there are relatively few responses in this area of the graph.

“*We do a good job, but we don’t agree*” is the section where responses were above the average for all self-assessment responses, but respondents generally are not aligned with their satisfaction. You will notice there are relatively few responses in this area of the graph.

“*We do a good job and we agree*” is the section where responses were above the average for all self-assessment responses and respondents generally are aligned in their satisfaction. You will notice there are a great deal of responses in this area of the graph.

The correlation between satisfaction and alignment is .88, which indicates a VERY HIGH relationship between these two scores. Essentially this means if respondents felt satisfied with the board’s performance in a specific area, almost everyone categorically across all credit union boards concurred with the high level of satisfaction. Conversely, if respondents felt dissatisfied in a responsibility area, a group of respondents were satisfied and another group was dissatisfied. Practically speaking this speaks to the fact that

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1. Aligned is the standard deviation of all questionnaire responses. The average standard deviation is .72, therefore a score below .72 indicates a higher degree of alignment than average and a score above .72 indicates a lower degree of alignment.
the credit unions BoardSource and CUES surveyed are distinct institutions which have unique challenges in comparison to other credit unions. These scores also may imply overconfidence in areas of high satisfaction and the proper amount of friction/discomfort in the areas of dissatisfaction.

<table>
<thead>
<tr>
<th>Responsibility Area</th>
<th>Avg. CU Scores</th>
<th>Ranking (1–10)</th>
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<tbody>
<tr>
<td>Responsibility 1 - Determine the Credit Union’s Mission and Purpose</td>
<td>3.37</td>
<td>4</td>
</tr>
<tr>
<td>Responsibility 2 - Engage in Strategic Planning</td>
<td>3.33</td>
<td>5</td>
</tr>
<tr>
<td>Responsibility 3 - Ensure Effective Fiscal Management</td>
<td>3.62</td>
<td>1</td>
</tr>
<tr>
<td>Responsibility 4 - Approve and Monitor the Credit Union’s Financial Services</td>
<td>3.17</td>
<td>8</td>
</tr>
<tr>
<td>Responsibility 5 - Enhance the Credit Union’s Government Relations and Advocacy Programs</td>
<td>3.30</td>
<td>6</td>
</tr>
<tr>
<td>Responsibility 6 - CEO/Board/Staff Relationship</td>
<td>3.39</td>
<td>3</td>
</tr>
<tr>
<td>Responsibility 7 - Carefully Select, Educate and Orient New Board Members</td>
<td>2.93</td>
<td>9</td>
</tr>
<tr>
<td>Responsibility 8 - Organize the Board to Operate Efficiently</td>
<td>3.18</td>
<td>7</td>
</tr>
<tr>
<td>Responsibility 9 - Ensure Sound Risk Management Policies</td>
<td>3.49</td>
<td>2</td>
</tr>
<tr>
<td>Responsibility 10 - Engage in Regular Board Self-Assessment</td>
<td>2.54</td>
<td>10</td>
</tr>
<tr>
<td>Individual Self Assessment</td>
<td>3.49</td>
<td>NA</td>
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The average scores highlighted in this section are useful for understanding the broad areas of satisfaction and dissatisfaction within this sample; however, a closer analysis of board responsibility areas is essential to fully understand where specific areas of dissatisfaction and satisfaction lie. In the next section, we will look at each major responsibility area in greater detail.