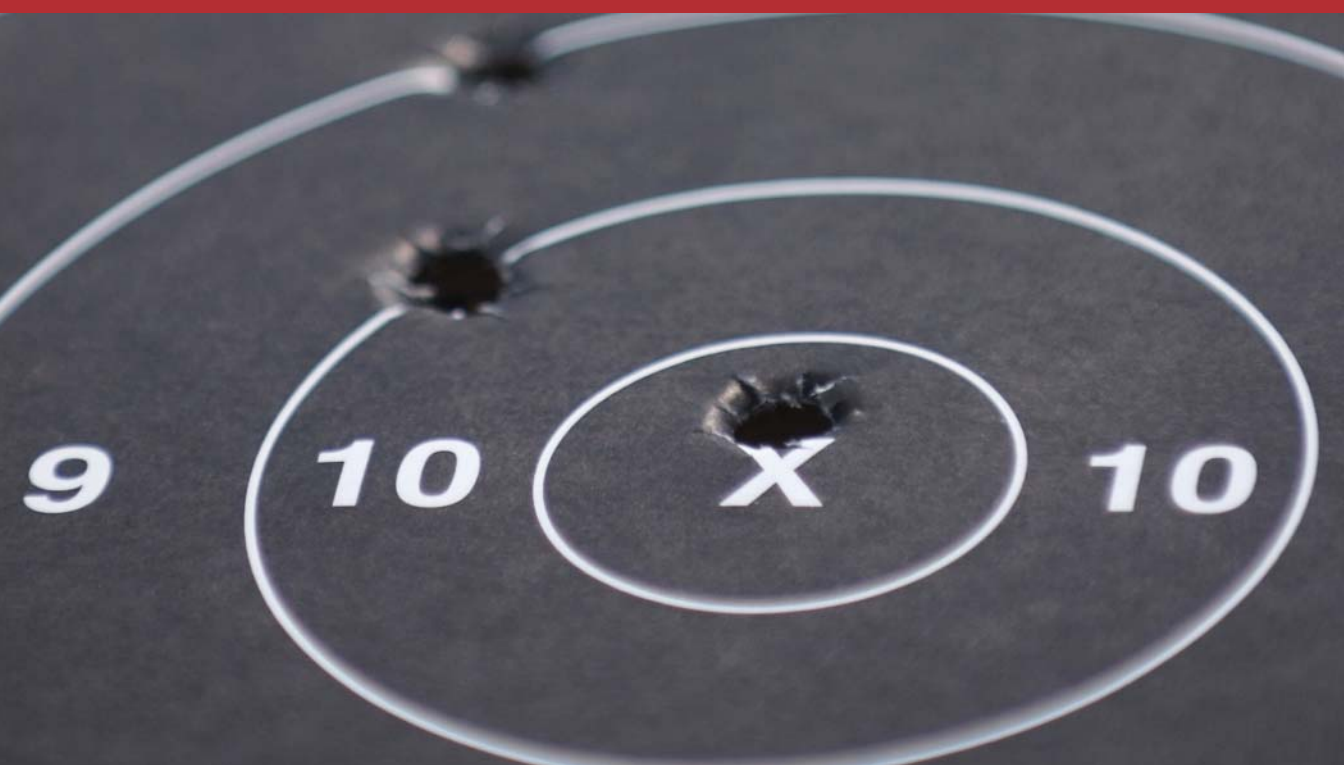


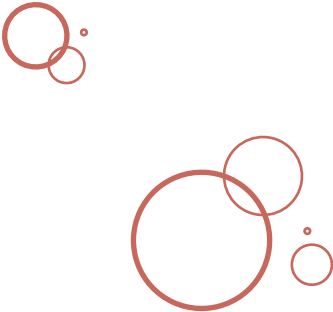
Tracking the Relationship between Credit Union Governance and Performance

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RESEARCH INSTITUTE





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*Progress is the constant
replacing of the best there
is with something still better!*

— ***Edward A. Filene***

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process.

The Filene Research Institute is a 501(c)(3) not-for-profit research organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance. Through independent research and innovation programs the Institute examines issues vital to the future of credit unions.

Ideas grow through thoughtful and scientific analysis of top-priority consumer, public policy, and credit union competitive issues. Researchers are given considerable latitude in their exploration and studies of these high-priority issues.

The Institute is governed by an Administrative Board made up of the credit union industry's top leaders. Research topics and priorities are set by the Research Council, a select group of credit union CEOs, and the Filene Research Fellows, a blue ribbon panel of academic experts. Innovation programs are developed in part by Filene i³, an assembly of credit union executives screened for entrepreneurial competencies.

The name of the Institute honors Edward A. Filene, the “father of the U.S. credit union movement.” Filene was an innovative leader who relied on insightful research and analysis when encouraging credit union development.

Since its founding in 1989, the Institute has worked with over one hundred academic institutions and published hundreds of research studies. The entire research library is available online at www.filene.org.



The researchers would like to thank David Comrie and Professor Tim Rowley of the Clarkson Centre for Business Ethics and Board Effectiveness for their guidance on this research.



The Filene Research Institute would like to thank the Credit Union Executives Society (CUES) for its generous support of this and other important governance research.

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by Ben Rogers,
Research Director

In Garrison Keillor's fictional town of Lake Wobegon, "all the women are strong, all the men are good looking, and all the children are above average." Keillor puts a folksy spin on a perplexing phenomenon called *illusory superiority*, in which a majority of people tend to judge themselves as better than average, when in mathematical fact, only 50% can be. You see it in drivers, 80% of whom claim to be above average in one famous experiment.¹ You see it in high-achieving students: 87% of Stanford MBA students rated their academic performance to be in the top two quartiles.² And, apparently, credit union directors are not immune.

When asked to self-judge the quality of their governance and the strength of their credit union's performance, the directors who considered their governance practices good also said that their credit unions performed well. But when the directors who claimed good practices were matched with their actual returns on assets (ROAs) over seven years, there was no statistical correlation to above-average ROAs. Well-meaning, but illusory, superiority. This research was commissioned to uncover concrete connections between good governance and good financial performance. But the world of credit union leadership proved messier than that.

What Is the Research About?

Volunteer credit union boards display a broad range of competence and engagement. This research aimed to identify any relationship between good governance and good financial performance. That connection might be elusive, but the research does identify several best practices that allow credit union leaders to improve both governance and, hopefully, performance. This report expands on two recent Filene governance reports: *The Board's Role in Credit Union Mergers* and *Recruitment and Selection Practices at Credit Union Boards*.

Using in-depth interviews and survey tools, the researchers plumbed credit union board practices in key areas, including the following: time allocation, decision-making processes, board composition, director selection, board performance measures, and credit union performance measures.

What Did the Researchers Discover?

Just because the researchers found few precise correlations between board practices and financial performance doesn't mean directors should despair. The study does provide several useful insights.

Time management and meeting inertia are hard to overcome. Credit union directors mirror the feelings of their counterparts on publicly held boards in saying their boards need to spend more time on strategy and risk management, and less time on operational matters and routine items.

Most directors agree that attracting and retaining younger, more diverse directors with a broader base of backgrounds is a priority. Yet, many respondents feel challenged to find qualified volunteers who are willing to commit. Unfortunately, many boards seem to be adopting a wait-and-see attitude rather than emphasizing more rigorous recruiting practices like evergreen lists. Several interviewees stressed that it is hard to remove underperforming directors—even when their terms are up—for fear of hurt feelings.

There is a significant and complex “distance” between governance and performance in any organization, including credit unions. The distance comprises different approaches to the board’s role and the fundamental fact that even good practices cannot compensate for having the wrong people on the board.

What Are the Credit Union Implications?

Credit union boards must overcome illusory superiority with a blunt assessment of their place in their markets and of what kinds of directors they will need in order to improve that place during the next five years of regulatory commotion, constricted credit margins, and changes in consumer demand. This research shows several areas ripe for improvement:

- *Time management.* Effective meeting management is a challenge, and boards seem to have only a vague sense of how their meeting time is spent. To improve, boards must know how their time is currently spent and then prioritize agendas to spend more time on strategy.
- *Director evaluations.* A dearth of board introspection means board chairs and other directors need to be proactive in formally evaluating their own contributions. They should consider implementing annual board effectiveness surveys, formal peer feedback, formal reviews of the chair, and feedback from management.
- *Continuing education.* One way to encourage better governance is to demand individual improvement. Surveyed directors who ranked their boards in the top decile of governance performance *all* had formal continuing-education policies, while those in the lowest decile rarely did.

- *CEO evaluations.* The board/CEO link drives financial performance. The only governance practice that yielded a strong positive correlation with actual credit union ROA performance was whether boards felt they had an effective CEO evaluation in place.

Lake Wobegon is a tempting place to live. After all, it is a friendly, collegial town where it's much more comfortable to assume one is doing well than to take a hard look. But as market forces continue to buffet credit unions, boards can no longer afford to delay introspection and hard choices. Above average demands much more.



Jesse Chen

Jesse Chen is the project manager at the Clarkson Centre for Business Ethics and Board Effectiveness (CCBE) at the Rotman School of Management, University of Toronto. Jesse has worked closely with institutional advisors in promoting good governance and has conducted considerable research and analysis of corporate governance and executive compensation practices in Canada, the United States, and the United Kingdom. He has worked as an executive compensation consultant at an independent consulting firm in Toronto, consulting on executive compensation issues in a wide range of industries, including asset management, oil and gas, mining, real estate, and transportation. Jesse received his BBA in finance from the University of Toronto.



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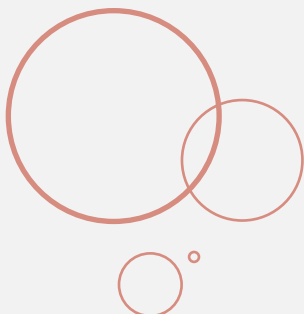


CHAPTER 1

Introduction and Methodology



Using in-depth interviews and surveying, the researchers set out to discover best practices of credit union boards that match up good governance with good financial performance. In-depth feedback from credit union directors and a small number of CEOs makes up this report.





While the boards of publicly traded financial services corporations continue to face ever-increasing scrutiny from regulators, investors, and analysts, credit union boards have often been expected to fend for themselves when identifying and implementing best governance practices. Many high-quality, customized resources are now available through the U.S. credit union community to help equip boards and managers to optimize the oversight of their operations and protect value for their members. We undertook this study within this context of self-improvement and identified three core research objectives: (1) to understand the key strengths of U.S. credit union boards and board members, and how effective boards leverage these strengths, (2) to identify common gaps in board effectiveness that may be impeding successful execution of board responsibilities, and (3) to determine whether a correlation can be found between effective governance and strong credit union organizational performance. Insights from our study are detailed in this report.

Methodology

In the winter of 2010, 433 credit union directors from diverse sectors and membership types completed a survey developed by the Filene Research Institute and the CCBE. Data from this survey were analyzed to identify trends in credit union governance and organizational performance. The survey asked participants to provide qualitative and quantitative feedback on their experiences as a director in the following key areas:

- Board demographics.
- Time allocation.
- Organizational performance.
- Board processes
 - CEO oversight.
 - Human resources.
 - Mission.
 - Board effectiveness.

- Decision making.
- Chair effectiveness.
- Continuing education.

Prior to designing the survey, we conducted five preliminary interviews. Interview participants comprised two chairs and three CEOs representing three credit unions. The experiences of these five participants formed the baseline from which our survey questions were designed. The credit union board members who participated in the survey are representative of varied asset sizes, type, and geographical locations. An aggregate 433 usable survey responses were collected, of which a random sample of 150 responses (the “sample”) was used for the report analysis. The sample was taken as a weighted average across the five asset-size ranges. Participants from each asset size were randomly selected, with the exception of the CEOs. Because only eight CEOs participated in the survey, all of them were included in the analysis. Upon closing the survey in April 2010, we conducted follow-up interviews with 18 of the interview participants to provide additional insight into the quality of the data obtained from the survey. Throughout this report, meaningful opinions offered by CEOs and additional insights gathered from interviews are directly quoted where appropriate.

Data Collection and Analysis

An online survey questionnaire, pretested with credit union practitioners, was used to collect data from directors about factors affecting board effectiveness in U.S. credit unions.

To objectively analyze survey responses, numeric values and scores were assigned to certain survey data points. For example, we applied scoring frameworks to participants’ assessments of board effectiveness and financial performance in order to generally compare board effectiveness against participants’ perceptions of their credit union’s financial performance. Additionally, seven years of credit union ROA data dating back to 2003 were used to observe correlations between actual (as opposed to perceived) organizational performance and good governance in credit unions. For detailed information on these methodologies, please refer to the appendix.

Figure 1: Survey Sample by Asset Size

	# of credit unions	Percent
\$25 million (M) or less	11	7
\$25M–\$75M	20	13
\$75M–\$200M	27	18
\$200M–\$500M	33	22
\$500M or greater	59	40
Total	150	100

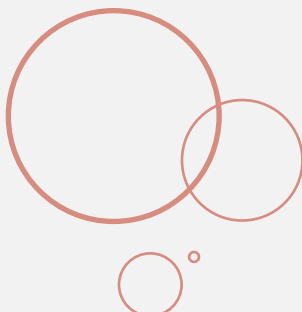


CHAPTER 2

Board Effectiveness Trends



The researchers examined time allocation, board composition, and financial services expertise. They found a pattern of credit union directors who want to improve their performance but are caught in inconsistent time-management habits and are striving to identify and attract replacements with the right characteristics and expertise.





Time Allocation

Credit union boards are struggling to optimize their board meeting agendas. In many cases, board members feel that a significant adjustment in time allocation is needed to maximize the effectiveness of their meetings. In particular, survey participants believe their boards need to spend more time on strategy and risk management, and less time on operational matters and routine items. This trend also holds true for directors on public boards. In a recent survey conducted by PricewaterhouseCoopers and the CCBE on current challenges facing public Canadian boards and their impact on board evolution, respondents indicated a very similar gap between actual and desired time allocation.³ Over the past decade, this has remained a common and high-priority concern for the boards and directors we have studied.

In our survey, credit union directors were asked how much time is spent addressing these key agenda items at board meetings (see Figure 2).

When asked what their boards could do to realign board agendas to maximize meeting effectiveness, directors were in favor of spending more time on forward-looking agenda items (see Figure 3) and less time on backward-looking agenda items (see Figure 4).⁴ Specifically, many respondents expressed that their respective boards are trying to decrease time spent on operational issues—acknowledging that such a change will take time, but it is happening. Although several directors expressed that they feel their board is on the right track in terms of optimizing their use of time, many acknowledged that

Figure 2: Key Board Agenda Items

Forward-looking/Strategic	Performance	Backward-looking
Strategy Member relations Risk management Executive compensation Human resources	Organizational performance	Compliance/Oversight Operations Routine items

Figure 3: Where Time Allocation Should Be Increased

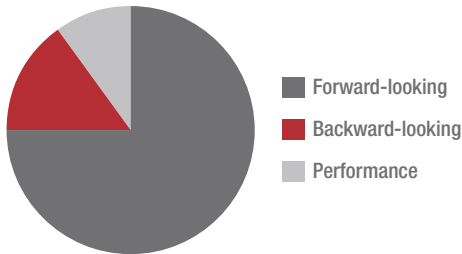
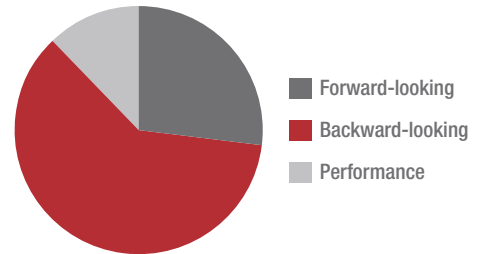


Figure 4: Where Time Allocation Should Be Decreased



improvements can and should be made. One respondent said, “We could do better. We could spend more time on strategy and member outreach.”

There was strong agreement among participants that monitoring organizational performance should be a priority at board meetings. Approximately 70% of respondents indicated that the majority of board time should be spent monitoring organizational performance.

Participants were given the option to write in other board matters that they thought should receive more attention. Among these written responses, the following were most common:

- Succession planning.
- Growth alternatives.
- Policy.

It is apparent that time allocation is an issue and that certain board agenda items need to be realigned to maximize board effectiveness. Directors have expressed that they want to spend more time on strategy and that routine and compliance board matters are important but seem to be taking over board meetings. If credit union boards want to be more demanding of their directors, boards must ensure measures are put in place to maximize meeting effectiveness. The following are three suggestions to help with this initiative:

- *Ensure all directors consent to the agenda outside of board meetings.* This procedure gives board members the opportunity to provide feedback, and it ultimately achieves alignment between meeting agendas and the board’s expectations.
- *Schedule all forward-looking (strategic) agenda items at the beginning of board meetings.* Allotting more time for strategic discussions at board meetings is often not sufficient. In many cases, strategy is left until the end of the meeting, after all the “routine”

agenda items have been covered, leaving insufficient time for full strategic discourse. Scheduling strategic discussions for the beginning of meetings helps overcome this potential obstacle.

- *Record and track actual time spent on each board agenda item.* Measuring the time spent on each agenda item helps boards plan and adjust for future meetings. Directors interviewed for this report struggled to identify how much time was being spent on different tasks, making it difficult to propose and measure adjustments. A record of the actual (rather than perceived) allocation of time can be used as a benchmark for upcoming agendas.

Board Composition

In general, credit union boards have expressed that an ideal board composition should reflect their membership base. In addition to

considering demographic minorities and geographic representation on their boards, directors have expressed the need for younger board members and members with legal/compliance and financial services expertise.

The average survey participant sits on two boards and specifically sits on an average of one credit union board. Eighty-five percent of directors responded that they have been on at least one board in each of the past five years.

Almost 90% of participants believe they have the right number of members on their respective boards (at an average of approximately eight members per board). Larger credit unions (asset size of \$500 million [M] or greater) tend to have slightly larger boards (10 members).

Age of Board Members

Many directors acknowledged that their board is aging, but even so, respondents believe that their directors are representative of the credit union’s member base in terms of age. Having said that, there were several directors who said their board is in need of younger directors. One director in particular said, “We have a real issue with bringing in younger board members.” While he acknowledged that seasoned, older directors like him bring great institutional knowledge to the

Figure 5: Board Composition: Board Experience

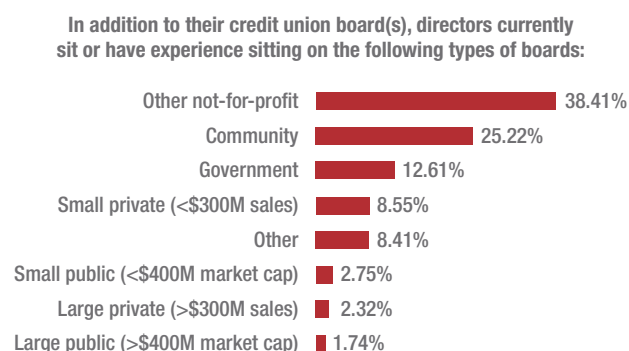


Figure 6: Board Size: Number of Current Directors on Boards

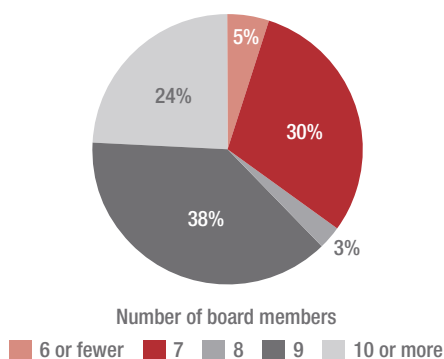
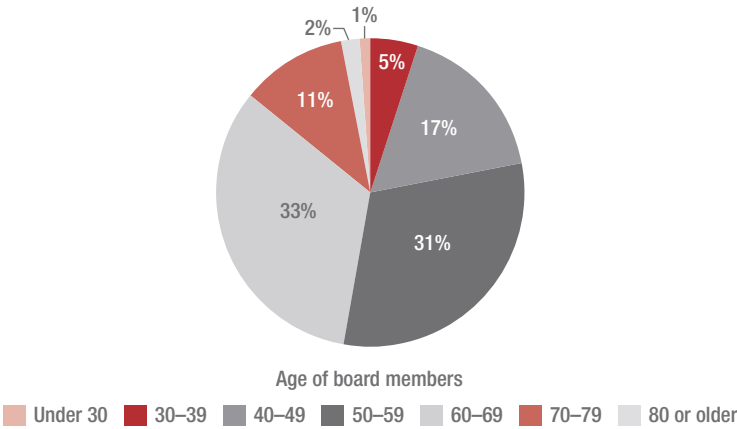


Figure 7: Percent of Board Members by Age Category

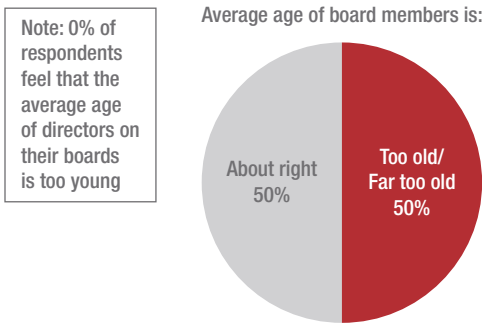


board, he also fears that the board is missing “great new ideas” that younger directors would provide—especially in cases where the credit union has an increasingly younger membership base.

The average size of credit union boards is eight members. We asked respondents to categorize their board members into age brackets (see Figure 7). On average, three directors per board fell into the 60–69 age bracket, three fell into the 50–59 age bracket, and two fell into the 40–49 age bracket. The average age of the sample of survey respondents was 61.

Larger credit unions tend to have an older average director age, with the asset-size classification of \$200M–\$500M having an average director age of 62.

Figure 8: Average Age of Board Members



Half the respondents feel that the average age of their board members is about right, while the other half feel that the average age is too old and that the board is in need of younger directors (see Figure 8). Credit union boards should seek directors who understand the needs of their members (see the following section, “Expertise across Functional Areas”). We found that directors want the age demographic of their board to be representative of their membership. A potential downside to having an age mismatch between the board and its members is that directors will be incompletely different financial stages of their lives. To better serve their membership, boards need to assess whether they can provide innovative insights and opportunities to satisfy the needs of new and younger members. They need to do this while

preserving the insights of seasoned board members who presumably understand the needs of older members.

The desire to build a board composed of directors who understand member needs can present a conflict of interest. The ideal candidate may not exist within the current membership, but at the same time, boards are apprehensive to recruit outside directors because boards fear that nonmembers may not understand member needs. Boards can overcome this apprehension by introducing a formalized orientation process (see Figure 9 for a best-practice example of an

Figure 9: Orientation

Under its mandate, the Governance Committee is responsible for developing and implementing the orientation for all board members. Nexen's orientation program for new directors includes:

- Information on the role of the board and each of its committees.
- Company and industry information.
- The contribution individual directors are expected to make.

New directors attend a one-day session of management presentations, including specific information of Nexen's operations; reserves; strategic plan; risk management; governance; health, safety, environment, and social responsibility; human resources; and integrity and corporate values. All directors have a standing invitation to attend committee meetings, and new directors are requested to attend one full set of committee meetings to understand each committee's oversight responsibilities and that of the board overall.

Source: Nexen Inc., 2010 proxy circular, 85.

orientation program). The orientation program can be centered around familiarizing the nonmember director with the credit union's membership, strategy, and historical performance. Implementing an orientation program enables a board to mitigate the risk of expanding the pool of candidates outside its current membership.

Expertise across Functional Areas

Overall, 40% of respondents feel that they have too few directors with legal/compliance and risk management expertise on their board. One director said, "We do not have much legal expertise on the board, but the board feels very comfortable with its access to legal expertise."

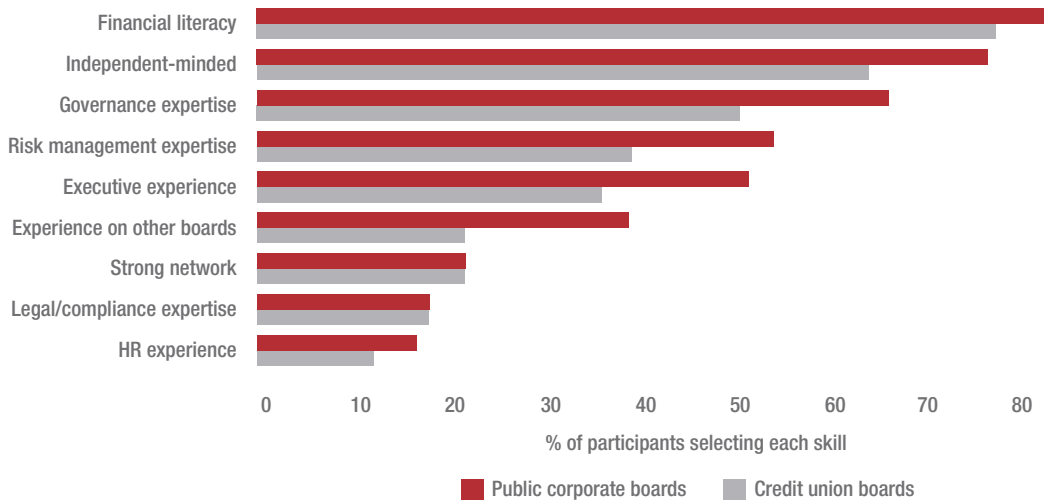
Boards currently rely on the CEO or a compliance officer for compliance matters. One CEO added that "from a compliance standpoint, we rely on management. I don't think it's as critical to have a compliance resource on the board." But one director of a large credit union countered with a more fundamental concern:

There is a suggestion that boards are exceedingly dependent upon their CEO for their interpretation of organizational performance. While it is great that there is this high reverence for the CEO, it also poses a risk that the board could be intentionally or unintentionally misled. For those boards without significant financial expertise, the risk can be high. The board has only one employee, the CEO, and the board needs to be equipped with directors who have the capability to assess the CEO's performance independent of what it is told by its employee. That requires a substantial set of skills.

It should be noted that 88% of CEOs (versus 51% of non-CEO directors) marked "Governance expertise" in their top five skills. "Independent-minded" and "Understands member needs" were also chosen most often in the top five skills by CEOs. Further, none of the CEOs selected "HR experience" or "Legal/compliance expertise."

Overall, directors and CEOs alike believe "Understands member needs" and "Independent-minded" are the most important board skills and also agree that legal and HR experience are of low priority. This can be viewed as a potential conflict because some directors feel that their board is lacking legal/compliance expertise. However, they do not see it as a high priority when recruiting directors, because the board usually relies on management or a compliance officer for such matters. Further, financial services expertise is lacking on several

Figure 10: Most Important Skills: Public Corporate Boards vs. Credit Union Boards



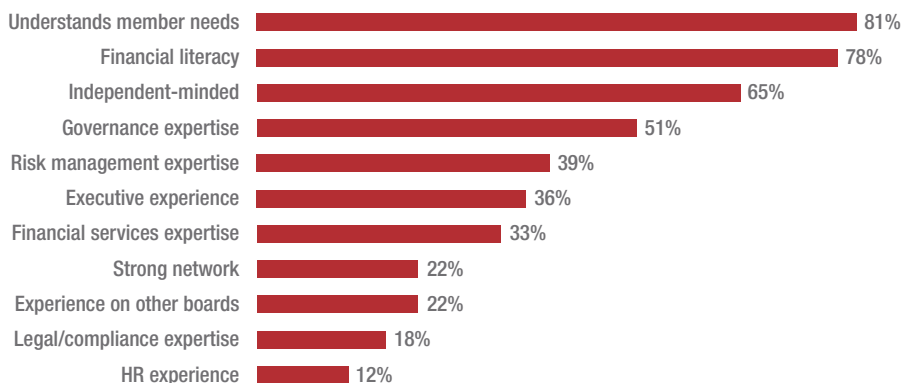
Source: "Clarkson Centre–PricewaterhouseCoopers 2009 Directors Survey in collaboration with the Institute of Corporate Directors," 2009.

boards, but those same boards, at their peril, do not see it as an immediate concern. Complacency breeds risk.

It is apparent that public corporate directors have identified the same traits and skills that credit union directors value the most on an effective board. Note the similarities between the skill set of an ideal board on credit unions and the skill set of an ideal board on public corporations (see Figure 10).⁵

The top four rated skills in Figure 11 are associated with the ability to make informed decisions and formulate useful ideas, whereas the bottom rated characteristics are more related to prior board

Figure 11: Most Important Skills for an Effective Credit Union Board



or professional experience and track record. The ability to sit in a boardroom and make sound decisions is what is sought after among credit union boards. This may indicate that credit union boards need to focus less on professional backgrounds than on decision making and communication capabilities when selecting new board members. One important exception to this rule may be board members with experience in the financial services sector.

Many effective boards use a customized skills matrix to help monitor the need for specific skills. This tool shows the essential skills needed at the board level and which current board members meet each skill requirement. This allows boards to visually measure areas of strength, weakness, and redundancy with respect to the board members' capabilities. We believe a skills matrix is a highly effective and low-maintenance tool that can help target board member recruitment and continuing education. A best-practice disclosure of a skills matrix is shown in Figure 12. This matrix details the skills and experience each director contributes to the board and can easily be modified to reflect the priorities of a credit union board.

Other Skills of an Effective Board Member

Respondents were also given the opportunity to describe other skills they believe an effective board member should possess. Most of

Figure 12: Board of Directors Matrix

Skills and experience	Linda Bammann	John Cassaday	Gail Cook-Bennett	Donald Guloien	Thomas d'Aquino	Richard DeWolfe	Robert Dineen	Pierre Ducros	Scott Hand	Robert Harding	Luther Helms	Thomas Kierans	Lorna Marsden	John Palmer	Hugh Sloan	Gordon Thiesen
Senior executive ¹	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other directorships ²	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public sector ³			✓		✓							✓	✓	✓	✓	✓
Financial experience	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk management experience	✓		✓			✓			✓	✓		✓		✓		
Global financial services executive, knowledge of investment management	✓		✓	✓						✓	✓	✓				✓
Non-Canadian (Asia, U.S. operations/governance)	✓	✓		✓	✓	✓	✓		✓	✓	✓			✓	✓	
Information technology						✓		✓								
Marketing		✓		✓		✓					✓				✓	

¹ Any senior officer or chair of the board of a major organization.

² Director of a major organization (public, private, nonprofit).

³ Including a Crown Corporation, educational institution, or any nonpublic, nonprivate organization.

the skills mentioned are related to communication and/or decision making:

- Ability to compromise intelligently.
- Ability to openly express opinions.
- Ability to respect others on board.
- Critical thinking.
- Dedicated to mission statement.
- Effective communicator.
- Have a credit union philosophy.
- Problem-solving ability.
- Sufficient time to devote to the board.

Financial Services Expertise

Our preliminary interviews indicated that a lack of financial services expertise at the board level presents a serious problem for some credit unions. For example, SEG and TIP charter credit unions often draw board members and management from their member base, and as a result have no industry-specific experience at the top of the organization. In our survey, 71% of respondents believe their board has the appropriate number of members with financial services experience, while 22% feel they have too few board members with financial services experience. In follow-up interviews, approximately one in two directors feels there is insufficient financial services experience on the board, but 50% of such respondents also feel that a lack of financial expertise on their board is not necessarily a cause for concern. One interviewee agreed that their organization lacks financial expertise at the board level but added, “I don’t perceive it as a problem. All [directors] have worked in managerial positions. Many have gained [financial services] expertise by osmosis. Our board is nearly 100% complete in doing the relevant CUNA training modules.” In other words, credit union boards feel they are able to bridge the gap in financial services expertise with managerial experience and continuing education.

There is significant disagreement between surveyed CEOs and board members on the need for financial services expertise at the board level. Eighty-eight percent of CEO respondents indicated that their boards do not have sufficient financial services expertise. Only 22% of board members said the same. Yet, despite their differing organizational priorities, credit unions operate in an increasingly competitive financial services marketplace and are regulated in much the same way as banks. If a board is without directors who know that market, it is at a strategic disadvantage for which credit union passion cannot compensate.

Combined with the insights we gained from our preliminary interviews, we believe that this gap may present an important problem. To illustrate this problem, we present the following hypothetical example:

A TIP charter credit union represents a nonfinancial industry and has just hired its first CEO from outside its member base. This new CEO has significant management experience in the financial services sector. The board—comprising only directors from the credit union’s member base—is very confident in the new CEO. The CEO, however, struggles to get constructive feedback/pushback from the board, as board members feel that the CEO is the expert and defer to his expertise.

We present this example as one potential explanation for the gap between CEOs and board members regarding the need for additional financial services expertise at the board level. With a sample of only eight CEOs, these trends are not statistically significant. However, we do feel that credit union boards need to better engage with their management on this matter and emphasize financial services expertise in their recruiting. At the very least, it also means that credit union boards should demand that current directors receive more in-depth financial training. The board needs to be composed of directors who are highly capable of assessing the CEO’s performance independent of influence from management.



CHAPTER 3

Board Recruiting and Renewal



One of the most significant challenges facing credit union boards is attracting capable volunteers who are willing to commit sufficient time. While many boards feel that their rate of turnover is sufficient, few feel confident that they have access to and are successful in attracting the right replacements.





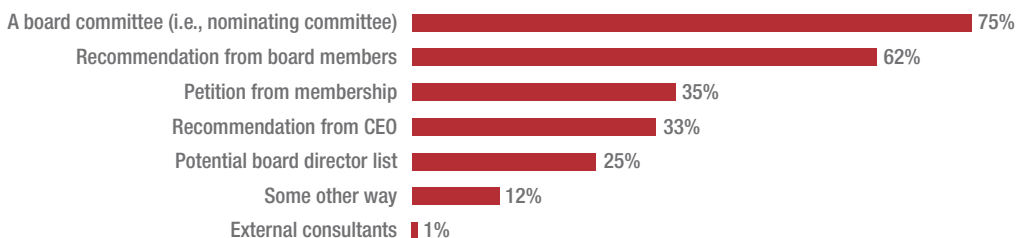
The survey asked participants to describe the processes their boards use to identify and recruit new board members. Three-quarters of the boards have a formal board committee with nominating responsibilities, but many of them still rely on recommendations from existing directors. Only 25% of credit union boards currently use an evergreen list of potential directors to ensure proper succession planning at the board level.

Of the respondents who selected other ways of identifying new directors, the most prevalent sources mentioned were the following:

- Associate directors.
- Moving supervisory committees to the board.
- Advertising (most notably, posting ads in newsletters).

Identification and recruitment of new board members relies heavily on word of mouth and/or a nominating committee often composed of long-tenured directors. In addition, other best-practice models (e.g., evergreen director list) are infrequently used. Our preliminary interviews indicated that credit unions often have difficulty identifying potential candidates from outside their member base, partly as a result of these factors. Moreover, survey data show that only 25% of boards currently have director term limits. The combined result of these issues is that credit union board profiles (e.g., demographics,

Figure 13: Processes/Sources Used by Boards to Identify New Directors



professional expertise) are difficult for boards to adjust. This conclusion coincides with the findings from a previous Filene Research Institute report published in 2005.⁶ In that report, Professor William Brown sought to determine how credit unions recruit and select board members. He reported that board recruitment relied heavily on word of mouth and using a nominating committee often dominated by existing board members. He also found that credit union boards had very few strategies in place to ensure diversity of new board members and that only 15% of boards at the time reported having director term limits. Thus the natural conclusion he arrived at was that “the board recruitment function yields candidates who are a lot like current directors.”

When comparing director recruitment practices at credit unions with those at public corporations, it is apparent that credit union and public corporation boards share many of the same methods.⁷ However, credit unions face certain challenges when it comes to recruiting, as they often recruit directors who are existing members, and they are limited to those who are willing and able to volunteer their time. One director mentioned simply that there are “no policies in place to ensure turnover because, to this point, it’s been more of a problem getting willing and capable volunteers to serve on the board. It’s much harder to find qualified people who are willing to serve.” Additionally, the impression given throughout the interviews was that even if the board profiled an ideal director, it would not necessarily contribute to a successful recruitment process, because he or she may not exist in the candidate pool.

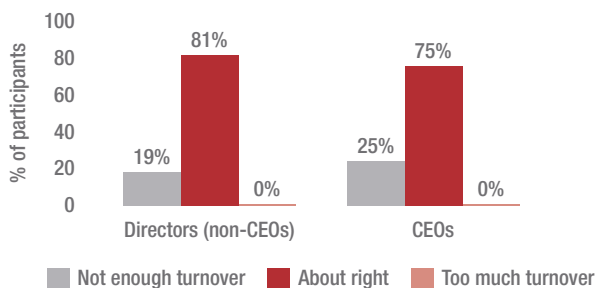
Recruitment of Directors inside and outside the Membership Base

Of the 58 credit unions that have 75% or more of directors from their original sponsor company, 42 (72%) believe they still have adequate diversity, and 34 (59%) look both inside and outside their member base when recruiting directors. In other words, these boards believe that members representing sponsor companies are the best candidates for the board.

Board Turnover

An overwhelming majority of directors believe there is sufficient turnover on their boards (see Figure 14). However, several directors believe there is a need for more board turnover and indicated that a long-tenured board is not

Figure 14: Respondents’ Descriptions of Board Turnover in the Past Five Years



necessarily a cause for immediate concern. No directors from the sample of 150 feel there is too much turnover.

In preliminary interviews, directors and CEOs indicated that a lack of director turnover and limited scope for identifying new directors often lead to a board composed of older, long-tenured members. We revisited this statement in our follow-up interviews; participants were asked whether the aforementioned statement defines their boards.

When participants indicated that there was indeed too little board member turnover, it was usually the result of difficulty identifying and retaining talented young board members. As a result, the historical and institutional knowledge

gained through a long-tenured board was seen as an acceptable trade-off. One director in particular mentioned, “We’re seeing a lot of turnover in our most promising young directors. It’s

hard to get a new director to the phase where they have an intuitive sense of how the credit union is functioning.” That difficulty does not, however, obviate the imperative to attract and train new directors. If recruiting is hard now, it will be even harder when current board members are all five years older.

Of the respondents who said there was not a lack of turnover, we asked how their boards ensured turnover. Approximately 25% of these respondents said their boards have term limits, but the majority mentioned they did not have any formal policies in place.

The vast majority of respondents believe that the turnover they experience on their respective boards is about right, and none feel that there is too much turnover on their boards. However, the findings from our interviews suggest that there is too much turnover among young directors and that there is also the tendency for directors to

put personal relationships ahead of board needs. As one director said, “We don’t vote people out because we feel like their feelings would be hurt.” It is clear that some directors are not willing to put in the tough work to oust their peers, for fear of

damaging relationships. Yet this goes against directors’ responsibilities as fiduciaries and against the oft-cited responsibility to put members’ needs first. Board chairs bear the responsibility for designing fair and transparent processes for evaluating individual director performance (see “Board Evaluations” in Chapter 4).

Our interviews suggest that there is too much turnover among young directors and that there is a tendency for directors to put personal relationships ahead of board needs.

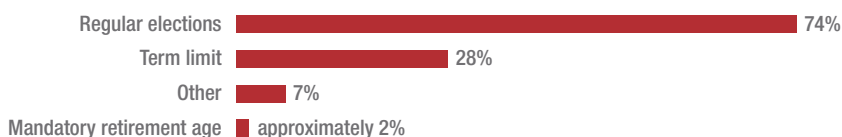
Formal renewal policies are overdue at many credit unions. Among the participants (85%) whose boards do not have renewal policies in place, 87% agree that implementing regular elections would benefit their board.

Board Renewal

More than half of the boards surveyed do not have a director renewal policy in place. If such a policy was not in place on their boards,

directors were also asked whether they felt certain renewal policies would be beneficial.

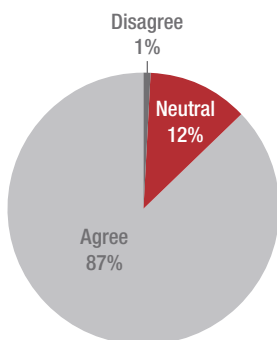
Figure 15: Breakdown of 61 Credit Unions with Board Renewal Policies in Place



Only 45% of participants reported they have some form of director renewal policy in place. Of the boards with a renewal policy, less than 2% have a mandatory retirement

Figure 16: Director Response to Implementing a Regular Election Policy

I feel that the board ought to have a regular election policy



age policy in place, while 28% have a term limit policy in place. The most prevalent policy used by credit union boards by far is holding regular elections.

Among the participants (85%) whose boards do not have renewal policies in place, 87% agree that implementing regular elections would benefit their board. The other renewal policies suggested (term limits, retirement age) were not nearly as popular (see Figures 16–18). One optimistic participant provided the following comment regarding term limits: “I don’t think there’s a need for term limits. Members figure out when directors need to leave. Directors themselves recognize when they’re not contributing.” This assumes voting members have access to information about individual director performance, a practice that is not commonplace in credit unions. Several other interviewees lamented that there are few easy ways to remove noncontributing directors.

Figure 17: Director Response to Implementing a Term Limit Policy

I feel that the board ought to have a term limit policy

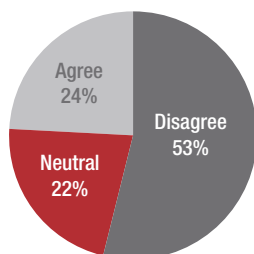
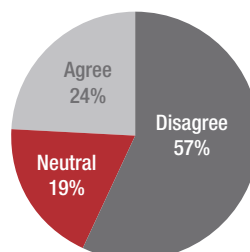


Figure 18: Director Response to Implementing a Mandatory Retirement Age Policy

I feel that the board ought to have a mandatory retirement age policy

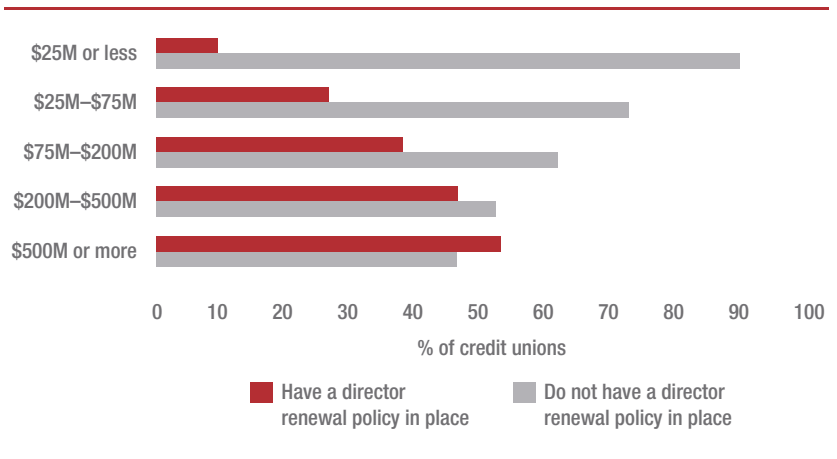


Renewal Policies of Credit Unions Broken Down by Asset Size

Larger credit unions (by asset size) are more likely to have a director renewal policy in place (see Figure 19).

As of fiscal 2008, approximately 99% of public boards listed on the Canadian S&P/TSX Composite Index⁸ had an annual election policy in place, compared with 30% of credit union boards in the sample

Figure 19: Prevalence of Director Renewal Policies in Credit Unions Categorized by Asset Size



DEMOCRATIC FIX: ONE CREDIT UNION REQUIRES MORE CANDIDATES

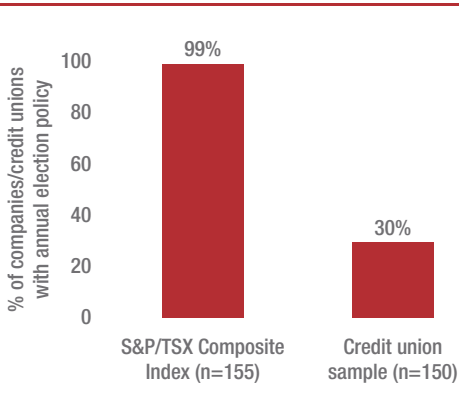
One large credit union interviewed has a simple democratic system for ensuring consistent board renewal: The nominating committee is required to provide enough candidates for all of the open seats, plus one. This includes incumbents, so if a given election cycle offers three available seats, there must be four candidates for the slots.

Candidates must provide a short biography and a separate short statement about what they would do if elected (or reelected). This information is mailed to members and available online and at ATMs

where members may vote during the election period. This nominating system is in response to a perceived long-term problem at the board, says one director:

At last board evaluation, one member brought this up: The board is made up of too many old men. But that represents the membership fairly well. We have a scary prospect; we have a lot of people with long service. But with turnover, next year there will be only one person with more than 10 years on the board.

Figure 20: Adoption of Annual Election Policy



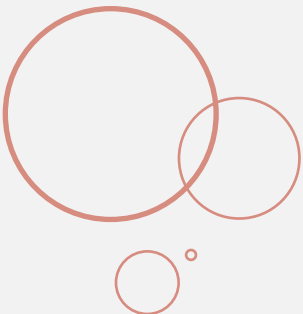
(see Figure 20). The average annual turnover rate on these public boards, which have an average size of 10 directors, is 16%. We are not recommending that any specific turnover rate is optimal for every organization; however, for a credit union board with an average size of eight directors, this would mean replacement of at least one board member on average per year. Although over 80% of respondents feel that the turnover rate on their boards is acceptable, implementing renewal policies enables a board to assess and change its composition while engaging its members through voting.



CHAPTER 4

Board Processes

Every board is different, but standardized processes can help smooth the governance process. Formal CEO oversight, director performance reviews, continuing education, and strong chair practices all contribute to a well-functioning board.





CEO Oversight

Survey participants generally agree that CEO oversight is healthy on their respective boards. Approximately 80% of directors agree that their board has an effective CEO evaluation process in place. Moreover, over 90% of directors said their board is not afraid to challenge the CEO and/or management when appropriate.

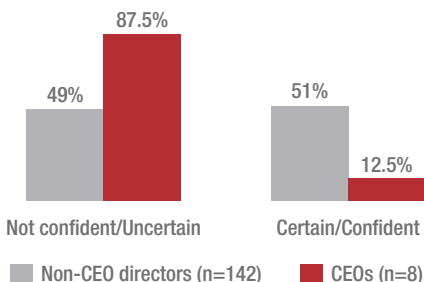
Mission and Strategy

Exceptional credit union boards, in collaboration with the CEO, develop and advance a clear mission that they use as a platform on which to base strategic decisions. Across our entire sample, participants believe they have a well-defined mission that enables the board to take the needs of the community into account when making decisions.

Directors are split on whether adequate measures are in place to assess and monitor board effectiveness, whereas the majority of CEOs feel that such measures are lacking.

Credit union boards also say they recognize when it is strategically essential for their credit union to change course and are confident that they can help oversee the necessary transformation.

Figure 21: Confidence of Board Effectiveness Evaluation Processes



Board Effectiveness

Our findings highlight director confidence in the overall ability of their boards to add value to their respective credit unions. Underlying this confidence is overall board chair effectiveness and a prevalence of continuing-education opportunities for board members.

Board Evaluations

Directors and CEOs differ in their viewpoints with respect to board and director evaluations. In general, directors are split on whether adequate measures are in place to assess and monitor board effectiveness, whereas the majority of CEOs feel that such measures are lacking (see Figure 21).

Given the discrepancy between how directors and CEOs in our sample perceive the effectiveness of evaluation processes on credit union boards, there is a lot of room for improvement. The following are some recommendations on how boards can bolster the effectiveness of their board evaluation processes:

- Have CEOs and directors allocate some time every year to collaboratively discuss board evaluations.
- Make directors and chairs comfortable with the idea of being evaluated by making it a formal procedure—this is meant to be a nonthreatening, board-enhancing experience for all parties involved. The objective is to engage board members in the process of maximizing the effectiveness of the board.
- Start benchmarking the board’s evaluation processes against best/leading-edge practices. An example of a best-practice board evaluation process is shown in Figure 22. Specifically, the disclosure example describes the process for reviewing performance of the board, its committees, and individual directors. The process also details the purpose and functionalities of each of the assessment tools in the evaluation process. Such processes include the following:
 - An annual board effectiveness survey.
 - An annual director peer feedback survey.
 - Performance assessment of the chairman of the board (questionnaire format).
 - 360° evaluation by management: Management assesses full board.

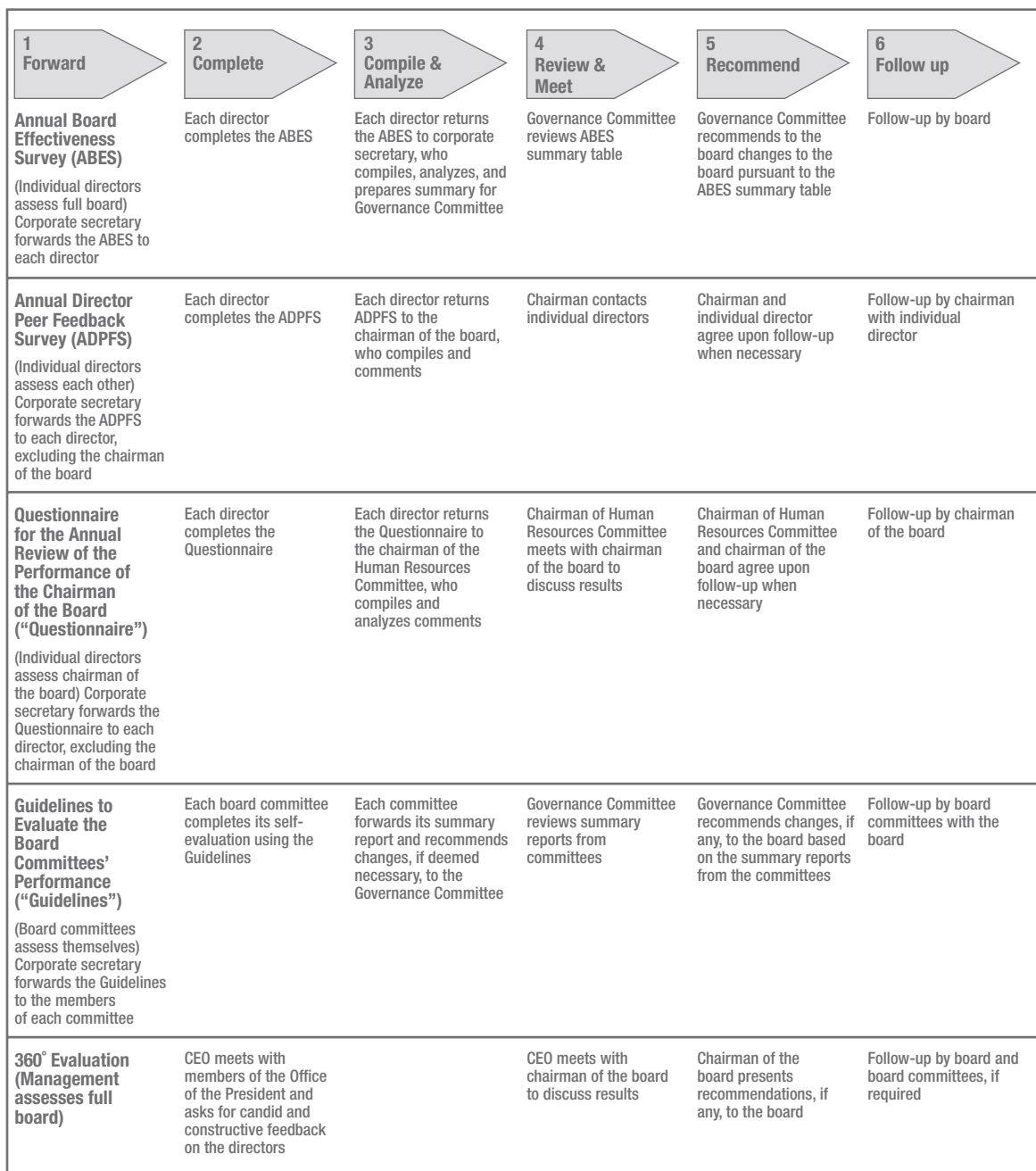
Board Chair Effectiveness

A board looks to its chair to act as a reliable interface between the board and management, as well as to set agendas and facilitate effective discussions. On public boards, the following characteristics have been cited the most as contributing to chair effectiveness⁹:

- Patient listener.
- Leadership, but must view himself or herself as a leader among equals.
- Strong understanding of the business.
- Willing to take time to get to know each director’s strengths and weaknesses.

Approximately 90% of all respondents agree that the chair’s role is well defined on their board and that the chair ensures that the board comes to a decision on all agenda items. Further, 83% of participants agree that boardroom discussions are always well controlled.

Figure 22: Directors Assessment Process



Source: SNC Lavalin Group Inc., 2009 proxy circular, 44.

It should be noted that directors on Canadian public boards also indicated significant confidence in the effectiveness of their chairs and boardroom decision-making processes.¹⁰ This was true among the majority of Canadian boards regardless of size or industry.

Continuing Education

The professional expertise and experience that directors bring are important, but not necessarily sufficient for effective governance. Through continuing board education, exceptional credit union boards can further deepen their industry-related knowledge regarding financial institutions in general, as well as peer-group practices. Ongoing education can also be used as a tool to help credit union boards avoid common obstacles that have been difficult to navigate in the past.

Over 66% of survey participants said they have a continuing-education policy in place on their boards. Ninety-eight percent of participants indicated that their boards are strongly encouraged to participate in continuing-education opportunities. Specifically, third-party education programs and reading materials are the most common continuing-education opportunities.

As a governance best practice, credit union boards need to increasingly adopt formal continuing-education processes or policies on their boards. Continuing education enables directors to keep abreast of changing governance, economic, and performance issues that boards will face in the context of their credit union.

Of the credit unions that do not have a formal continuing-education policy in place, over 80% of respondents agree that their boards ought to have one in place and would also be receptive to undertaking continuing-education initiatives. This is one of the simplest near-term improvements for boards that worry about their directors' levels of financial, HR, or compliance expertise.

In our follow-up interviews, when directors were asked to make a wish list of general practices, structures, and policies for their board to implement, over a third of responses included implementing mandatory continuing-education processes. Some specific processes mentioned included taking courses or attending conferences. Compliance with formal continuing-education requirements provides another simple way that boards and chairmen can measure individual directors' commitment.

Directors were receptive to the idea of implementing a formal continuing-education process. The reality is that credit union boards are composed of directors who are volunteering their time. Although continuing education can be a requisite for directors, it also increases the time they devote to the board. As a governance best practice, credit union boards increasingly need to adopt formal continuing-education processes or policies on their boards. Continuing education enables directors to keep abreast of changing

governance, economic, and performance issues that boards will face in the context of their credit union. To facilitate the adoption of continuing-education processes, boards must be sensitive to directors' time. It is also recommended that boards assess directors' skill sets and focus continuing education on areas that need strengthening. Some other areas of focus might include developing decision-making skills such as learning about member needs and financial literacy—skills that help directors make informed decisions and formulate ideas in the boardroom.

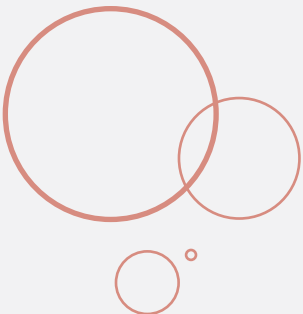


CHAPTER 5

Organizational Performance in Credit Unions



This research does not find the hoped-for hard connections between good governance practices and superior financial performance. Nevertheless, some mechanisms, like continuing-education mandates and a strong CEO evaluation process, seem to help.





The core objective of this study was to attempt to identify trends linking board effectiveness and organizational performance in U.S. credit unions. In our analysis, we measured board effectiveness through survey responses and interviews, benchmarking against widely accepted best practices where possible. We measured performance two ways:

- Subjectively by asking participants for their personal assessment of organizational performance.
- Objectively using financial performance data.

We used these data to assess the strength of statistical relationships between board effectiveness and performance from several different perspectives.

In 10 years of monitoring board effectiveness in large Canadian corporations, the Clarkson Centre for Board Effectiveness has found little statistical correlation between good governance and good performance. Although this seems to suggest that good governance and good performance are not linked in any way, there is a significant and complex “distance” between governance and performance in any organization. There are many characteristics of this gap, some of which are unique from company to company. These commonly include the following:

- *Board role:* The role of most effective boards is separate from operational performance. The best practice for most organizations is for boards to provide oversight of key areas (e.g., strategy, risk, management, and financials), while implementation and innovations are driven by managers.
- *Good governance is not one-size-fits-all:* Although certain structures and behaviors have been studied and presented as best practices (e.g., formal board and director evaluations), there is no single governance ethos suitable for all companies, thus making it difficult to compare large numbers of organizations on an “apples to apples” basis.

- *Good governance is dependent on good people:* Even the best structures are most effective when populated by great people. Although we are able to assess and compare structures with a high degree of reliability, it is much more difficult to assess whether a board and management team have the best possible people in place.

As a result, statistical correlations alone are not sufficient to prove or disprove true relationships between board effectiveness and organizational performance. Taking this into consideration, we performed a thorough analysis of governance and performance across our sample, resulting in several valuable insights.

Current Credit Union Organizational Performance

Most credit unions in the sample use some financial return measure such as ROA and consider management effectiveness and successful

risk management when measuring the potential or performance of their credit union. The use of the Net Promoter Score (a customer loyalty metric) was least often mentioned as a factor taken into consideration when

The more subjective (or harder to measure) items of member satisfaction and member retention/satisfaction are where most directors feel they outperform their peers.

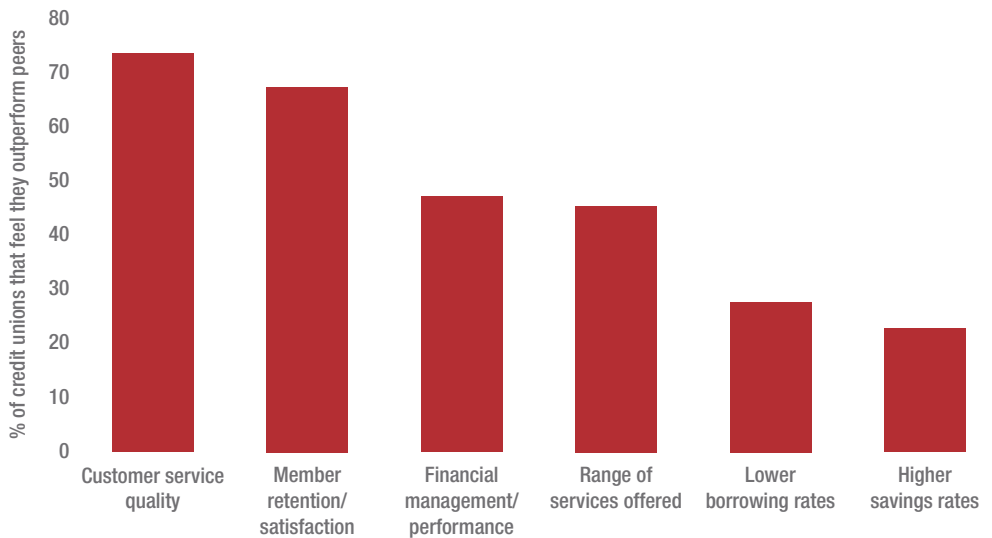
measuring success on boards. It should be noted that the majority of CEOs feel that board effectiveness was not taken into consideration to measure the organizational performance of their credit unions as opposed to a much less significant percentage of directors who felt the same.

Participants were also asked to gauge their organizational performance against that of their peers over the last 12 months on the basis of the following service criteria:

- Customer service quality.
- Lower borrowing rates.
- Higher savings rates.
- Financial management/performance.
- Member retention/satisfaction.
- Range of services offered.

On a year-over-year basis, over 65% of credit unions felt that their “Customer service quality” and “Member retention/satisfaction” were superior to that of their peers, and approximately 50% of credit unions felt that “Financial management/performance” was superior to that of their peers (see Figure 23). However, only 25% of CEO

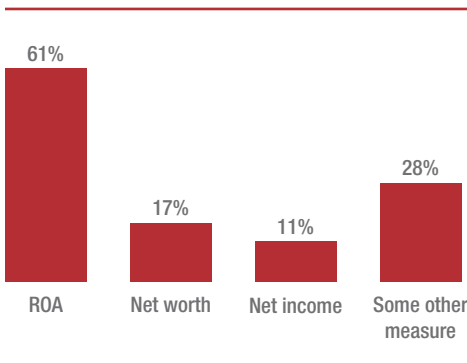
Figure 23: Credit Union Performance against Peers across Service Areas



respondents indicated that their financial management/performance outperformed that of their peers.

The “Lake Wobegon effect” seems to emerge in directors’ characterizations of their credit unions’ member service and satisfaction. The Lake Wobegon effect—known academically as *illusory superiority*—is so named after the fictional town where “all the children are above average.” Interestingly, the most demonstrable measures of credit union performance—loan and deposit pricing—are where respondents feel they performed worst. At the same time, the more subjective (or harder to measure) items of member satisfaction and member retention/satisfaction are where most directors feel they outperform their peers.

Figure 24: Credit Union Performance Measures



Financial Return Measures

In the follow-up interviews, when directors were asked which specific performance metrics are used to measure financial performance in their credit unions, ROA was the most prevalent, with net worth and net income also coming up often in responses.

Performance Benchmarks

Eighty-two percent of respondents said their credit union’s performance is measured against both internal benchmarks and peers as opposed to the 18% of respondents who stated

All of the credit unions that yielded a top decile governance score have some form of continuing-education policy in place, whereas in the bottom decile governance scorers, only 11% have a continuing-education policy in place.

they measure performance against either internal benchmarks or peers on their own.

Respondents were also given the opportunity to describe other criteria that they thought

differentiated their credit union from peers. Of those directors who responded with other criteria, the following were most prevalent:

- Technological/Internet service delivery.
- Trust and soundness.
- Reputation.

Correlation between Governance and Perceived Organizational Performance

To measure the statistical relationships between board governance behaviors and performance measures, we created an index framework that we applied to survey responses, resulting in governance and performance “scores” (please refer to the appendix for details on the scoring methodology). Please note that performance in this exercise was measured subjectively by asking participants for their personal assessment of their credit union’s performance and, hence, is labeled as “perceived” performance.

When looking at perceived performance versus governance, the statistical analysis shows a 65% linkage between good governance and performance. In other words, a strong majority of those who rated their governance as good also rated their credit union’s performance as good.

Further, credit unions that yielded a governance score in the top decile (90th percentile) also yielded an average perceived performance score that was in the 80th percentile of all performance scores. Conversely, credit unions that yielded a governance score in the

bottom decile (10th percentile) had an average perceived performance score that was in the bottom 4% of all performance scores. Moreover, it should be noted that good governance appears to be positively corre-

The only governance practice that yielded a strong positive correlation with actual credit union ROA performance was whether boards felt they had an effective CEO evaluation in place.

lated with having a continuing-education policy in place. All (100%) of the credit unions that yielded a top decile governance score have some form of continuing-education policy in place, whereas in the bottom decile governance scorers, only 11% have a continuing-education policy in place. Thus, governance is positively correlated with perceived performance in that credit unions that felt they performed better than their peers also yielded higher governance scores.

Noncorrelation between Governance and Actual Credit Union Financial Performance (ROA)

To gather additional insights into whether board effectiveness and organizational performance are linked, performance was also measured objectively using financial performance data. In this statistical analysis, board governance practices were measured against actual performance of credit unions on the basis of ROA figures dating back seven years (2003–2009 inclusive). To be more specific, statistical relationships were correlated from participants who (1) indicated that their credit union's performance is benchmarked against peers and (2) indicated that their credit union measures performance against peers with some financial measure (e.g., ROA). Of all the measured relationships, the only governance practice that yielded a strong positive correlation with actual credit union ROA performance was whether boards felt they had an effective CEO evaluation in place. In other words, boards that felt they had a strong CEO evaluation in place were more likely to yield stronger ROA performance. But having said that, all the other measured results appear to be random. Given that there is little statistical correlation between governance and actual performance, credit union governance and actual performance are not positively correlated.

Despite not finding strong correlations between governance and actual credit union performance (as measured by ROA), this is not to say that good board practices do not drive good credit union financial performance, or vice versa. Statistical correlations alone are not sufficient to absolutely prove or disprove causation.

The survey results suggest that credit union success is mainly driven by customer service quality and membership retention and satisfaction. There is a strong correlation between governance and perceived performance, signifying that those credit unions that felt they performed better than their peers also yielded higher governance scores in this study. Thus, good governance for credit unions is related to good perceived performance. But when credit union governance practices were measured against actual credit union financial performance on the basis of ROA data, no correlation was found.



CHAPTER 6

Conclusion

There is no single solution to effective board governance. Yet, this research indicates that conscientious credit union boards should examine how they spend their meeting time, how they nurture and train for skills, and whom they recruit to fill vacancies and run in elections. Doing so does not guarantee solid financial performance, but it will help in the long run.





Over the past 10 years, boards of publicly traded corporations have faced ever-increasing scrutiny as a result of high-profile scandals and massive market uncertainty. The result has been a slow and steady trend toward adoption of best practices in board effectiveness and strategic oversight. Although credit union boards do not face the same expectations from external stakeholders, they, along with management, have taken responsibility to implement many of the same best practices as their corporate cousins in the financial services sector.

Board members repeatedly indicated that it is difficult to attract qualified younger directors, given the time required to serve effectively as a volunteer. Currently the only compensation available to most directors is the psychic well-being that stems from pro bono service, community prestige, and, in some cases, perquisites like travel for continuing education. Talented potential board members, while attracted by the first two, may actually be disinclined by the third. For many professionals, required board travel adds to already busy personal and professional commitments. As a further research question, it would be valuable to assess the pros and cons of compensating board members as a means to make board service more attractive to valuable, but oversubscribed, individuals.

While this study has generated several interesting trends, they all illustrate a single overarching imperative: The role of a credit union board is to focus on the future. Credit union boards need to focus their efforts on several key areas:

- *Board member skills:* Focus needs to be placed on board members with knowledge of the member base, governance expertise, and strategic vision.
- *Meeting time allocation:* Board time is more effectively spent on strategy, executive compensation, and risk management than on compliance and operations.
- *Continuing education:* Nearly all participants either currently participate in continuing education or want to do so in the future in order to align their skills with the needs of the board.

- *Board member renewal:* Credit union boards benefit from implementing processes that facilitate successful identification and recruitment of new and effective board members.

The recommendations we have made throughout this report are only examples of steps that boards can take to align with the objective of monitoring the future. From our experience in examining public corporate boards, we have found that there is no single solution to building an effective board. However, acknowledging the need to implement governance best practices and taking a proactive approach is a great first step toward improving board effectiveness.

Scoring Methodology

Using the data from the survey, we created 33 variables for each credit union, which reflect the 11 key activity areas directors are involved in. The variables range from time allocation to organizational performance of the credit union. Points were allocated to each participant's assessment of the 33 variables (see Figure 25) to generally compare board effectiveness against financial performance.

To determine the strength of the relationships between various governance activities and credit union performance, we calculated the correlation coefficient between each of the data variables and the performance variables. In addition, seven years of credit union ROA data dating back to 2003 were also used to observe correlations between actual (as opposed to perceived) credit union performance and good governance. Correlation coefficients can take on values from -1.0 to 1.0 . Positive numbers indicate a positive relationship between board activity and credit union performance. Conversely, negative numbers represent a negative relationship. The larger the absolute number—that is, the closer the correlation coefficient is to 1.0 or -1.0 —the stronger the relationship. A correlation coefficient of zero indicates no relationship between the measured variables.

Figure 25: Data Variables and Point Allocation

Key area	Board data variable	Point allocation
Time allocation	The average time directors spend per month on board matters	5
	How time is allocated to board agenda items	10
Board composition	Board expertise across functional areas	3
	Board believes their board has an appropriate diversity of skills and backgrounds	5
	When identifying new members, the board considers new candidates from both inside and outside its historic member base	5
	Average age of board members	5
	Average age of board members relative to the average age of its member base	3
	How directors would describe board turnover in the last 5 years	3
CEO oversight	Board has an effective CEO evaluation process in place	5
	Board has an effective CEO succession plan in place	5
	During discussions, the CEO often plays the role of defending his/her recommendations	5
	The board is not afraid to challenge the CEO/management when appropriate	5
Human resources	The board is kept up to date on current HR issues facing the credit union	5
	The board has an effective plan for the succession of board members	5
	Directors are confident that the board will remain effectively staffed if one or more board members leave suddenly	5

Figure 25: Data Variables and Point Allocation (continued)

Key area	Board data variable	Point allocation
Mission	The board has defined a clear, well-articulated, and relevant mission	5
	The board takes community and member needs into account when making decisions	5
	The board recognizes when it is strategically essential for the credit union to change course, and helps oversee the transformation	5
Board effectiveness	The board has one or more processes in place to monitor its own effectiveness as a whole	5
	The board has a formal process to evaluate the effectiveness of its individual members	5
	In general, the board is able to add value to the organization	5
Decision making	The board handles conflict productively	5
	Directors know what the board expects of them as a director	5
	Board meetings are constructive and engaging; directors feel like they are getting things done	5
Chair effectiveness	The role of the Chair is well defined	5
	The Chair ensures that the board comes to decisions on all agenda items	5
	Boardroom discussions are always well controlled	5
Committee effectiveness	The board has the right committee structure to effectively focus on specialized matters	5
	The board delegates work to committees appropriately	5
Continuing education	Does the board have a continuing education policy in place	5
	Does the board have formal director education requirements	5
	The board encourages all board members to participate in continuing education as directors	5
Organizational performance	<p>How directors rated their credit union's performance over the past 12 months compared to similar credit unions in each of the following areas:</p> <ul style="list-style-type: none"> • Member service quality • Member retention/satisfaction • Lower borrowing rates • Higher savings rates • Financial management/performance • Range of services offered 	30

1. Iain A. McCormick, Frank H. Walkey, and Dianne E. Green, “Comparative Perceptions of Driver Ability—A Confirmation and Expansion,” *Accident Analysis & Prevention* 18, no. 3 (1986): 205–208.
2. “It’s Academic,” *Stanford GSB Reporter*, April 24, 2000, 14-S.
3. “Clarkson Centre–PricewaterhouseCoopers 2009 Directors Survey in collaboration with the Institute of Corporate Directors,” 2009.
4. Figure 3 represents the aggregate number of responses that indicated directors want to increase time allocated to the key board agenda items that make up each category. Figure 4 represents the aggregate number of responses that indicated directors want to decrease time allocated across the same categories.
5. In Figures 10 and 11, participants were asked to select the five skills they value most in an effective board. In Figure 11, credit union directors were given an additional option not asked of public boards: “Understands member needs” (81%).
6. William A. Brown, *Recruitment and Selection Practices at Credit Union Boards* (Madison, WI: Filene Research Institute, 2005), 2.
7. “Clarkson Centre–PricewaterhouseCoopers 2009 Directors Survey in collaboration with the Institute of Corporate Directors,” 2009.
8. Data gathered from Clarkson Centre Governance Database, 2010.
9. “Clarkson Centre–PricewaterhouseCoopers 2009 Directors Survey in collaboration with the Institute of Corporate Directors,” 2009.
10. “Clarkson Centre–PricewaterhouseCoopers 2009 Directors Survey in collaboration with the Institute of Corporate Directors,” 2009.



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