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## Good Governance: Not Your Grandfather's Board of Directors

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*Five suggestions to refine your election process and strengthen your board*

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Remember 1988? That's the year General Motors released its slogan, "Not your father's Oldsmobile"—a campaign meant to refresh the luxury car's brand and show how fresh it was. The campaign failed and so did Oldsmobile, proving that a new campaign with old thinking doesn't work. About 10 years later, Apple was struggling; then Steve Jobs returned to the helm, encouraging everyone—from designers to decision makers—to step back and rethink their processes, systems, structure and purpose. Soon after, Apple launched its "Think Different" campaign, with Jobs famously saying, "Those who are crazy enough to think they can change the world usually do." Today, Forbes Global 2000 places Apple at the top of its global list of most profitable companies.



Lately, I've been wondering...is our process of choosing credit unions' boards of directors stuck in 1988? Do we need to think differently?

I have the privilege of serving credit unions in both professional and volunteer roles. For the past seven years, I've served on the board of \$1.1 billion Firefly Credit Union in Minneapolis/St. Paul, currently as board chair. And since 2005, I've been a member of the executive team of MEMBERS Development Company, a collaborative research and development credit union service organization owned by many of the nation's top-tier credit unions.

Serving on Firefly CU's board has helped me understand the financial, technological and competitive issues with which MDC's owners struggle and has given me a better understanding of the company's R&D needs. At MDC, working with credit unions that share many common concerns gives context to the issues my own credit union faces.

My seven years on Firefly CU's board and 12 years in the industry have taught me a great deal as I've observed and evaluated various processes and structures. Below are some suggestions for stronger, more effective boards based on my experience:

• **Refine board elections.** Wait, what? Yes, you read correctly! I fully agree that “democratic member control” is a foundational principle for any cooperative, but so is informed decision-making. At Firefly CU, sadly, we’ve found that fewer than 5 percent of our membership tends to vote in officer elections (a common lament). And of those, most have no idea who a candidate is or why he or she is qualified for the job. Often, if a nominee is an incumbent, members just check the box. Instead of a handful of members randomly selecting a name, consider putting the power of electing board volunteers in the hands of those who understand the role best—your board. At Firefly CU, we changed our bylaws to empower our nominating committee to identify, interview and recommend the most capable candidates. Members still vote, but they do so from a slate of well-qualified contenders. Since we made the change, Firefly CU has seen much greater depth and strength among our volunteer directors.

Trust that your board understands better than rank-and-file members which candidates are best qualified to serve.

• **Clarify board qualifications and expectations.** The board should identify and communicate the explicit responsibilities of serving as a director, including regulatory requirements. Board members must be able to read and interpret financial statements, as well as key ratios, and they must understand their fiduciary responsibilities. They should be well-prepared before meetings, carefully reviewing board materials, jotting down questions and noting areas of concern. Directors also should understand that board meetings aren’t perfunctory. Attendance must be mandatory, with consequences for missing without a valid reason.

• **Answer key questions.** Before developing a slate of nominees, the nominating committee should consider: Are there certain skills missing from the current board roster that we should strive to fill? Do board members represent the demographics of our members? What is the track record of candidates running for another term? Do they frequently miss meetings, arrive late or ask questions that reveal a lack of preparation? What feedback has the board received that should be considered? Are appropriate knowledge requirements set?

• **Define an effective director.** While a healthy mix of age and gender is ideal, these aren’t the most important criteria for an effective director. I often hear CEOs complain that board members are mostly retired, unwilling to learn new technologies and disengaged from their credit union’s key demographics. It’s critical that volunteers be passionate about the credit union’s success, interested in current market and economic issues, and willing to put in the time and effort to be effective.

• **Don’t rely on term limits.** Many boards use term limits to remove unqualified or disengaged directors. The board is responsible for recruiting qualified candidates and for having the difficult conversations to ask ineffective directors to step aside. While term limits can provide fresh perspectives, they also can work against your organization if it means you must release motivated, effective directors. If we had taken that action at Firefly CU, it would have meant eliminating two of our most knowledgeable and engaged directors, leaving a huge leadership hole on our board.

Since incorporating these suggestions into our new process in 2014, Firefly CU’s board has evolved into a diverse, engaged, financially knowledgeable group of volunteers. The average age of our board has dropped 13 years to 46 in the last three years. Echoing Steve Jobs, I encourage our credit union community to “think different” about board service and how the membership can be best served. Years before Jobs and other 21st century thinkers, Albert Einstein cautioned, “The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking.”

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