

3.2 Assembling an Effective Team

(excerpt from BCFSA's Governance Guidelines Sept. 2013)

PRINCIPLE

A credit union's success is determined by its talent and its culture. Talent is a function of education, skill and experience, and culture is a function of values and behaviors. Talent and culture at the Board, management and staff levels reinforce each other to develop a strong credit union.

STANDARDS

- 1. The Board ensures that the talent and the culture of the credit union support its risk appetite and the achievement of its strategic plan. The Board fulfills this responsibility through the:**
 - recruitment, development, compensation and evaluation of the Board;
 - recruitment, selection, development, compensation and supervision of the Chief Executive Officer (CEO);
 - selection and oversight of other senior staff with oversight responsibilities; and
 - development of succession plans.
- 2. A Board is deliberate in its own recruitment, development and succession planning by considering:**
 - skills and experience that are most relevant to advancing the credit union's business model and strategic plan and to controlling its risks;
 - personal attributes, values and behaviors that will make the Board functional;
 - leadership requirements of the Board, such as the Board and committee chairs;
 - diversity of backgrounds, perspectives and problem solving approaches needed to be most effective;
 - willingness and ability of the Board to think and act independently;
 - degree to which the Board composition reflects the credit union's members and its community; and
 - regularly evaluating the skills and qualities of the Board relative to the strategy and risk appetite of the credit union.
- 3. The Board takes an active role in the director recruitment process by:**
 - identifying required and desirable skills, experience and personal attributes that are directly aligned to the credit union's strategic plan and to its needs for risk oversight;
 - ensuring candidates with the necessary skills and qualities are actively recruited;

- establishing a transparent and independent evaluation process to compare candidates to the necessary skills and qualities;
- communicating both the necessary skills and qualities and the evaluation process to members clearly and in advance of the election process; and
- recommending any number of candidates to vacant positions so long as each candidate meets the requirements established and disclosed by the Board.

4. Each director is expected to:

- be financially literate as demonstrated by his or her ability to understand and interpret the credit union's financial performance and the relationship between its strategic plan and financial outcomes;
- understand risk as demonstrated by his or her ability to identify and describe the range of risks the credit union is exposed to and how each is controlled;
- understand the cooperative business model and its unique strengths and limitations, particularly as it applies to financial services;
- understand the business of delivering financial services, the opportunities and risks, and the competitive forces and industry trends;
- demonstrate integrity by acting ethically, respecting confidentiality and the solidarity of Board decisions, disclosing perceived conflicts of interest and acting in the best interest of the credit union and its members at all times;
- be familiar with the regulations and legal framework under which the credit union operates; and
- think critically and independently, as demonstrated by his or her willingness to ask questions and challenge assumptions.
- Where a director does not meet a supervisory expectation, the director and Board should develop a plan for the director to receive the relevant training and education to meet expectations in a reasonable amount of time.

5. The Board, as a whole, is expected to:

- possess specific skills and experience in those areas of strategic importance to the credit union's business model, strategic plan and risk profile (i.e. credit, insurance, wealth management, technology, marketing);
- have specific financial skills and experience in the area of accounting, preparation of financial statements or audit;
- have current and relevant knowledge of, or experience in, the markets and businesses that the credit union serves or seeks to serve;
- recognize when it needs additional expertise or third party advice; and
- operate as a highly functioning team, demonstrating the willingness and ability to deliberate on key decisions, challenge each other constructively, reach consensus wherever possible and support Board decisions.

6. The Board Chair and each committee chair are expected to:

- possess the facilitation and leadership skills to ensure the Board carries out its responsibilities effectively and management is held to account;
- set meeting agendas, determine information flow, chair meetings and in-camera sessions effectively, manage meeting schedules, coach and develop and lead by example;
- in the case of the Board Chair, act as the primary liaison between the Board and the CEO;
- in the case of committee chairs, act as the primary liaison between the Board and the committee; and
- support succession planning for their own position.

7. The Board approves standards for ethical and sound business conduct for itself, as well as the employees of the credit union. The standards provide guidance in the areas of confidentiality, integrity and responsibility at the individual and credit union levels and include provisions that provide for fair treatment of members by the credit union, its intermediaries and its partners.

8. The role of the CEO is critical to good governance; the Board relies on the CEO and management team to prepare and present information in a way that enables the Board to exercise sound judgment and make thoughtful decisions.

A good CEO brings forward the right issues at the right time with enough information and analysis to allow the Board to exercise its judgment and make sound decisions. A good CEO empowers the Board to do its job well.

Selecting a CEO is one of the Board's most crucial decisions and it should consider the same attributes essential to Board recruitment as well as:

- ability for the Board and CEO to build mutual trust;
- development of an environment where the Board is comfortable and encouraged to challenge and probe the CEO and management; and
- confidence to support the CEO and management in its decisions.

9. The Board is responsible for attracting, selecting, compensating and retaining a CEO that can implement its strategic plan. The Board is also responsible for supervising the CEO and should set out goals, objectives and performance metrics that the CEO is responsible for meeting, and complete a performance evaluation at least annually. This includes:

- establishing overall CEO compensation, which is reviewed and approved annually, concurrent with the CEO's performance evaluation and adjusted for risks; and

- having in place a Board-approved succession plan that accounts for both the planned and unplanned departure of the CEO or other key persons in the credit union.

10. The Board exercises oversight of the selection and compensation of other key executive positions, particularly those with direct reporting relationships to the Board such as independent oversight functions, compliance and internal audit.

11. The Board exercises oversight of the overall compensation program in place in the credit union and pays particular attention to any variable or incentive compensation programs used by the credit union. The Board ensures compensation programs are aligned with the credit union's risk appetite and strategic plan and do not incent behaviors or outcomes that are not in the interest of the credit union or its members. The Board can direct an independent review of the compensation of material risk takers within the credit union.

12. The Board has in place policies and procedures, and a supporting budget under its control, to address its own performance, development and succession, including:

- expectations of Board members;
- meaningful orientation and education requirements that reinforce the strategy, business model and key risks of the credit union;
- continuing education requirements;
- standards for attendance and performance of directors;
- regular and meaningful performance evaluation at the Board, committee and individual level with an improvement action plan regularly tracked;
- defined terms for directors;
- a director compensation policy; and
- any independent reviews.