

Board/CEO Relations

V405

FOURTH EDITION

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Preface

The Volunteer Achievement Program (VAP) is a training program for credit union volunteers. The program is divided into six learning tracks—Board of Directors, Credit Committee, Supervisory Committee, Credit Union Services, Credit Union Technology, and Credit Union Leadership. There are seven levels of recognition in the program:

1. To be eligible for a basic VAP certificate and pin, you must successfully complete all six modules (core and required) in the learning track you have chosen. Recognition is also granted for the Credit Union Technology and Credit Union Leadership learning tracks. You will receive a special certificate for completing the three required modules in each track. Note that core modules are recommended but not required as part of the Technology and Leadership tracks.
2. To be eligible for the *Edward A. Filene Award*, the second level of recognition, you must complete an additional six modules. These can include the required modules in other tracks or the optional modules.
3. To be eligible for the *Friedrich W. Raiffeisen Award*, the third level of recognition, you must complete 18 modules. These can include the required modules in other tracks or the optional modules.
4. To be eligible for the *Roy F. Bergengren Award*, the fourth level of recognition, you must complete 24 modules.
5. To be eligible for the *Alphonse Desjardins Award*, the fifth level of recognition, you must complete 30 modules.
6. To be eligible for the *Louise Herring Award*, the sixth level of recognition, you must complete 36 modules.
7. To be eligible for the *Dora Maxwell Award*, the seventh level of recognition, you must complete 42 modules.

This module is one of the optional modules.

About These Modules

The VAP modules are not intended to provide legal advice, and we do not guarantee the information is appropriate for all state-chartered credit unions. If you have legal or policy questions, contact your credit union president or your credit union league.

How to Use This Module

If you are sight-impaired and choose to have this module read to you, we suggest that a spouse, partner, friend, or volunteer from your credit union or credit union league assist you. You can also check with your local library regarding reader services available in your community.

If you are participating in a seminar, your instructor will get you started. If you are completing this module through correspondence study, please follow this procedure:

1. Read the module opening objectives to get an idea of what's ahead.
2. Read the text.
3. When you have read the text and completed the activities, take the competency test.

Competency Test Instructions

Each module in the program has a competency test of 20 multiple choice questions. Only one answer per question is correct. To successfully complete the module, you must correctly answer at least 16 questions. You can refer to the text as you take the test, but the test must be completed individually.

If you are participating in a seminar, your instructor will provide directions. If you are completing this module through correspondence study, please follow this procedure:

1. Locate the test in the final appendix of the text.
2. Find a quiet place where you can work undisturbed and at your own pace.
3. Record your answers on the scannable answer sheet that was mailed to you along with the text. Follow the instructions on this sheet for marking answers.
4. Complete the identification section on the answer sheet and make sure you have marked an answer for each question. Only one answer is correct.
5. Mail the answer sheet to CUNA.

You may also take your VAP exam online. Register for online exams at www.training.cuna.org. Click on "eLearning," then on "Self-Study Certificate Programs."

Certificate Tracks

Certificate Tracks	Track Modules
Basic Certificate & Pin Complete these fundamental courses plus one of learning tracks below	<ul style="list-style-type: none"> History and Philosophy (V01) Financial Reports (V02) Managing Risk (V03)
<ul style="list-style-type: none"> • Board of Directors • Credit Committee / Lending • Supervisory Committee • Credit Union Services 	<ul style="list-style-type: none"> Board of Directors: Duties and Responsibilities (V100) Board Policies (V101) Planning (V102) Credit Committee: Duties and Responsibilities (V200) Loan Granting (V201) Collections (V202) Supervisory Committee: Duties and Responsibilities (V300) Auditing 1 (V301) Auditing 2 (V302) Introduction to Mortgage Lending (V600) Online Policies and Internet Use (V601) Offering Credit Union Youth Programs (V602)
Technology Certificate & Pin	<ul style="list-style-type: none"> Credit Union Technology (V500) Planning for Technology (V501) Electronic Fraud and Security (V502)
Credit Union Leadership Certificate & Pin	<ul style="list-style-type: none"> Strategic Credit Union Leadership (V700) Directing Effective Teams (V701) Maximizing Board Performance (V702)
	<ul style="list-style-type: none"> Marketing (V403) Strategic Planning (V404) Board / CEO Relations (V405) Directors' Liability (V406) Bankruptcy (V407) Financial Management (V409) Credit Union Examinations (V410) Board Reports (V411) Developing, Writing, and Implementing Policies (V412) Marketing to Generations and Target Groups (V413) Recruiting, Orienting, and Retaining Board Members (V414) Asset-Liability Management for Directors (V415) Understanding Regulations (V416) CEO Performance Appraisal and Goal Setting (V417) Business Recovery Plans and Policies (V418) CEO Compensation (V419) Growth Strategies: Pathways to Success (V420) Political Involvement (V421) CEO and Board Succession Planning (V422) Member Business Lending (V423) Investment Essentials for Directors (V424) Budgeting Basics for Directors (V425)

Complete 12 Courses: Edward Filene Certificate and Pin*

Complete 18 Courses: Friedrich Raiffeisen Certificate and Pin*

Complete 24 Courses: Roy F. Bergengren Certificate and Pin*

Complete 30 Courses: Alphonse Desjardins Certificate and Pin*

Complete 36 Courses: Louise Herring Certificate and Pin*

Complete 42 Courses: Dora Maxwell Certificate and Pin*

*Quantity-Based Certificates. Courses can be taken in any order.

Introduction

Credit union volunteers take on many roles when they join the board of directors. They are responsible for ensuring the credit union's financial stability. They become representatives of fellow members and they are ambassadors for the credit union in the community. A critical responsibility is the board's oversight of the president/CEO. The board sets policy and depends on the president/CEO to execute it. The board is charged with:

- Recruiting executive candidates;
- Hiring an executive with the experience and know-how to take the credit union in the direction the board has charted;
- Participating in regular structured reviews of the executive's performance; and
- Developing a compensation package to reward and retain an effective executive.

This text provides an overview of those responsibilities. At their best, relationships between credit union boards and chief executives are positive and productive. This successful orientation results from well-defined roles, open and clear communications, mutual trust, and a shared commitment to members' financial security. A careful balance of roles and responsibilities should be clearly established between directors and the CEO.

The board of directors has power delegated from member-owners under the credit union charter and enabling legislation. You, the directors, are collectively, finally, and irrevocably

Module Objectives

Upon completion of this module, you will be able to:

- 1.** Understand the roles of the board of directors and top management in guiding the credit union;
- 2.** Develop a job description for use in selecting, monitoring, and evaluating a president or chief executive officer (CEO);
- 3.** Hire a competent CEO;
- 4.** Compensate the CEO based on performance measurements and criteria; and
- 5.** Create an environment for communication and mutual understanding.

responsible to the members for what happens to the credit union. An important part of this responsibility lies in your relationship with the president/CEO. The board and chief executive must work together as a cohesive unit toward the same goals. The strength of your credit union—and the industry as a whole—depends on this relationship. The job description the board creates for the president/CEO, the recruitment and hiring process, ongoing performance evaluations, and the compensation plan all encourage a strong relationship.

This text complements other courses in the Volunteer Achievement Program. For example, *V100 Board of Directors*:

Duties and Responsibilities outlines what is required of the board by law. The emphasis in that text is on legal and regulatory considerations, while this course describes elements needed to build a strong working relationship with your president/CEO. Another course, *V417 CEO Performance*

Appraisal and Goal Setting, is a more in-depth examination of concepts introduced here.

**Note: Since titles vary among credit unions, the terms “president,” “chief executive officer (CEO),” and “manager” are used throughout the text.*