

# **The Directors Role When Complaints are Filed Against Senior Management**



Credit Union National Association

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Allegations of misconduct by senior management are matters of grave importance to any credit union. Management misconduct can threaten the integrity of an organization, ruin reputations and cost the credit union financially and in other ways. Responding quickly and professionally to an allegation of misconduct will help your credit union get the facts, make a determination and take corrective action before it spins out of control and causes irreparable damage.

## Objectives

By the end of this course you will be able to:

- Identify the role of the Board of Directors, management and the Human Resources department in the investigation process.
- Conduct and/or supervising an effective investigation of senior management.
- Employ a professional investigator.
- Evaluate the final report and corrective actions.

### ABC Credit Union Example

To illustrate the investigation and handling of cases of alleged misconduct, consider the story of an incident at ABC Credit Union.

The credit union has a five person management team which is led by CEO Jill Fletcher, a newly appointed CEO who has been with ABC for a little over three months. In one of her first decisions as CEO, Jill eliminates the position of Executive Vice President of Administration, a job held by Gary Thompson, the only non-Caucasian member of the executive management team. Jill re-assigned Gary to a new position called Vice President of Operations. She also reduced the number of people reporting to Gary, but did not reduce his salary. She did not consult with Gary before making the change. As for the other Executive V.P.'s, their roles and responsibilities remained the same.

When Gary learned about the change, he wasn't very happy. One of the first things he did was to visit with his long-time friend, the director of Human Resources. He asked his friend if he thought race or gender had anything to do with the CEO's decision. His friend in HR said he didn't think so, but that he should consider taking it up with a member of the Board.

A short time later, Gary followed the HR Directors advice and arranged to meet Bill, a member of the board, for lunch. Gary told Bill about the change in his position and his displeasure with the demotion. He added his concerns that his race or gender may have played a part in the CEO's decision. Bill said he was unaware of the change but would inquire about it at the next board meeting. He also said that in the meantime, he would advise the Chairman about the change and about Gary's concerns.

Using this example, could it indeed be a case of misconduct? Do Gary's concerns constitute a complaint? And finally, who has responsibility for investigating?



## Credit Union Management Structure

According to the Federal Credit Union Act and most state credit union laws, the authority structure is as follows:

- The Board has the general direction and control of the credit union. It is the Board of Directors who resides at the top of the pyramid setting the general direction and exercising control of the credit union.
- The CEO or President is hired by the Board and oversees the day-to-day business of the credit union and management team.
- The Management team supervises the staff.

## Responsibility for Investigating Misconduct

Since the Board oversees the CEO and the CEO supervises management, responsibility for investigating misconduct should proceed as follows:

- The Board of Directors oversees allegations made about the President/CEO.
- The CEO investigates and resolves issues relating to senior management
- Managers/supervisors review staff claims or complaints.

The Board can and should rely on their management team to resolve complaints at lower levels of the organization. At the same time, the Board can request follow-up information at any time when a complaint has been brought to its attention to be certain that the issue has been resolved in a satisfactory manner.

