

# CHALLENGE THE STATUS QUO

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WRITTEN FOR CREDIT UNIONS AND OTHER NON PROFITS

## Term Limits: Is It Time to Consider Them Again?

Life is good. It's not a perfect world but if it were, every board would have no weak links. Instead, boards use strategies for overcoming their weakest links: a strong governance committee, regular board and director performance reviews, and a candid and trusting relationship between them and the executive. Absent those, setting term limits may be a way to go.

Said that way, it is clear that term limits can be a way to push off the board a director who exemplifies the term, "dead wood."

Many boards have them: they offer no ideas, they vote seemingly without studying the issues, they often abstain from voting, they don't contribute to discussions and debates—we can't explain why they're there.

Another way to look at term limits is that more members with varying perspectives, perceptions and experiences will be evident in the boardroom over time. Even the best performing directors we will ever meet can become stale or less

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## Model language: Director Continuing Education

We all know that the fiduciary duty of care encompasses a fiduciary's duty to be knowledgeable about certain aspects of an organization's operations. Staff fiduciaries need more detail than volunteer board members. However, volunteer board members need an overview of anything for which it hopes to hold the Executive accountable.

A Board should have policies, governance policies, that make the educational requirement clear to their volunteer directors. If you do not have such written into policies now, here are ideas you can use.

In a policy that describes expectations from individual directors, include, "Directors seek opportunities to increase their knowledge and skills to advance their effectiveness

and benefit the credit union. In order for an incumbent to qualify for future nominations, the incumbent will have a record of continuing education," and lay out specifics. For example, "Attend at least one outside and out-of-town educational event in each three-year term of office. An educational event is a workshop, seminar, or conference including presentations by subject-matter experts."

Instruct an appropriate committee (i.e. Board Development, Board Governance, or Executive Committee), "Keep track of directors' information and training needs and recommend reading resources (books, newsletters, Magazines, Journals, eZines, and blogs) and education (workshops, online

### ITEMS IN THIS ISSUE:

- ◆ Term Limits
- ◆ Model education policy language

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*This eZine's title, "Challenge the Status Quo," reminds us all that one of our roles as leader's is to assure that our organizations are doing are the right things. As times change, ours ways must change.*

### Term Limits?

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and less interested over time, but do not take themselves off the board for a variety of reasons.

Credit unions have experienced more natural turnover in recent year compared to the last decades of the 20<sup>th</sup> Century. Maybe that obviates term limits.

Just to be clear, term limits I can support include 3, 3-year terms for directors, and two consecutive years in positions of Chair, Vice-Chair, Treasurer and Secretary. There may be unique conditions for extending offer terms.

Here are common reasons for not instituting director term limits:

- Abridging members' voting rights
- Loss of historical perspective
- Maybe you have other reasons.

Here are some good reasons to institute director term limits:

- Keep directors from "burning out"
- Maintaining a supply of fresh perspectives and energy

Sharing governance duties with a greater variety of members

Providing the board with perspectives and experiences relevant to the current era

In my early days as an examiner and as Florida's CU Administrator, I studied problem and failed credit unions. A common theme was a long-tenured board; director term limits seemed a natural solution in that context.

Today, setting term limits is only one of several strategies a board can

institute to keep itself at the top of its game. Regular board and director performance reviews, continuous education, a recruiting/preparation method like an advisory board, and a director emeritus program round out other strategies. If you have another that is working for your CU, please share it with us by posting a comment on my blog.

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Guidelines, rules, and principles to live by are just words – unless you actually live by them. To be the trusted and respected leader whom others will want to follow, you must...practice what you preach.

~Eric Harvey

### Strategic Issues for Board Meetings

Based on the challenges facing financial institutions decades ahead—in the next generation—how should the makeup of the board be different from today?

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