

Governance (Human Resources)

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Executive Summary

People provide the guidance, labour and expertise that are critical to the success of an institution. Consequently, it is important that the credit union set minimum standards for the quality of human resources, and undertake practices to ensure resources meet or exceed those standards.

The responsibility for the management of human resources rests initially with the board, which must ensure that the credit union is being managed by a qualified and competent general manager (or a chief executive officer, or a treasurer, depending upon the credit union). This can be achieved through a thorough recruiting process and an annual review of the general manager's performance. (For the remainder of this chapter, the term general manager will be used to denote the highest ranking officer of the credit union, whether it be a treasurer, chief executive officer, or the general manager).

The quality and competency of staff must also be managed. This function is normally delegated to the general manager, but should be supervised by the board.

Finally, to complete the process, the board should regularly assess its own performance, to ensure it is providing the credit union with the guidance and leadership necessary for it to prosper.

Quality of Management

The board of directors is responsible for ensuring that day to day operations of the credit union are in the care of qualified management. This involves appointing a qualified and competent general manager to run the credit union, and reviewing that person's performance annually.

Appointing a Qualified General Manager

The key to finding the right person for the job of general manager is understanding what the credit union needs. This can be facilitated through the preparation of a job description. A thoroughly prepared job description will clarify the:

- duties and responsibilities of the position;
- knowledge and experience, personal skills and attributes required for the position.

In selecting the appropriate candidate, it is important for the board to match the skill sets of the individual to the needs of the credit union. For instance, if the credit union has been suffering from chronic decreases in membership and deposits, then they may require a general manager with sales and marketing experience.

The assistance of leagues or other external organizations is recommended to assist in the process of recruiting a qualified, competent individual for the key position.

Reviewing the General Manager's Performance

A formal written review of the general manager's performance should be undertaken annually by the board. The performance evaluation should be written and objective. A review is most effective when it is based on criteria or goals established at the beginning of the year. These criteria, which should be agreed upon by both the board and the general manager, can include;

- achievement of priorities and objectives set out in the annual business plan;
- clear measures of performance, established at the beginning of the year;
- the general manager's compliance with regulatory requirements and board policy.

The review process may be enhanced through the use of a questionnaire, which incorporates the above factors as part of the assessment criteria. A rating system applied to each question, which can be easily tabulated and analyzed, will assist in the evaluation. Leagues may be consulted for standardized forms, if desired.

Either the board, or a sub committee of the board could be given responsibility for the general manager's evaluation. If a sub-committee is responsible, it must be required to report the results and recommendations to the board. In either case, the results of the review should be documented in a report, which should be approved by the board.

The results of the assessment should be shared with the general manager, in order to provide him or her with helpful feedback. The purpose of this should be to reinforce positive behaviour and/or change the general manager's behaviour and improve his or her performance. The review should be followed up with support, either in the form of coaching or training. (Refer to Schedule 3.1 on page 3-6 for a summary of management and staff training programs provided specifically for Ontario credit unions.)

Remuneration

The board should also annually review and approve the general manager's remuneration, preferably upon completion of the performance review. The salary level should be competitive and reflect both the manager's scope of responsibility in terms of the credit union's asset size as well as the general manager's success in meeting objective performance criteria mutually agreed upon by the board and the general manager.

Replacing Management

If the board becomes dissatisfied with the performance of the general manager, it should address the matter directly. Whenever the hiring of a new general manager is required due to questionable activity, (i.e. fraud is suspected, poor loan performance was experienced), the board should ensure that some type of exit audit is conducted on the departing general manager. The board should determine how best this may be performed (i.e. through external auditors or a league).

Staff Performance

The credit union should ensure that it employs people who are skilled and competent in their job function. While the ultimate responsibility for this rests with the board, it is practical to delegate this function to management, with the board retaining a supervisory role.

The following recommended activities can assist management in maintaining high quality and competency among staff:

- Set job descriptions for each position which can be used to establish expectations of staff, and as a basis for evaluating performance.
- Annually evaluate the performance of each staff member - based on the results of the review, the supervisor and staff member can prepare a development plan, aimed at improving skills and expertise.
- Establish minimum skills requirements for each position, to ensure that candidates have the necessary training to carry out functions. (Refer to Schedule 3.1 on the following page for more details regarding training).
- Establish fair and progressive human resources practices - actual and perceived equity in the workplace can improve performance, morale, and cooperation - practices are most effective when committed to written policies.

The general manager should provide an annual report to the board on the general quality and competency of senior management and/or staff where appropriate. The report should at minimum include;

- a breakdown of human resources, by functional or operational area;
- an assessment or opinion on the quality and competency of the staff within each functional or operational area;
- steps or actions to be taken by management, where the quality and competency in a functional or operational area is considered insufficient to carry out functions properly.

Management and Staff Training

Training is an effective tool for improving the skills and knowledge of both staff and management. Board policy or operational procedures should address access to training for staff and management. Accessibility should be based upon a balance between the need for training, and the availability of resources to provide training.

Schedule 3.1 below provides a summary of the management and staff training programs offered by organizations within the credit union system. Credit unions can also consider training programs or professional education outside the system.

Schedule 3.1 Management and Staff Training	
Association/Organization	Program
Credit Union Institute of Canada (CUIC)	Provides professional development programs in conjunction with Dalhousie University leading to accreditation. Consists of existing college/university courses, plus credit union specific courses at a university level.
The Credit Union Managers Association (CUMA)	An association of credit union managers formed to promote excellence in credit union management through training, information sharing and conferences. Hosts biannual forums on management skills and relevant issues.
Credit Union Central of Ontario	Offers a variety of programs for all levels of staff encompassing lending, sales, management, member relations, financial planning and more.
La Fédération des caisses populaires de l'Ontario	Offers various courses on topics of interest to directors, managers and staff. The "Répertoire et calendrier des activités de formation" is published semi-annually and serves as a complete reference tool.
Credit Union Professionals' Association (CUPA)	Hosts an annual forum on lending skills.

Board Performance

Board Self-Evaluations

The board of directors of a credit union shoulders the ultimate responsibility of ensuring that the institution is operated in a safe and sound manner. To accomplish this objective, the board's effectiveness must be evaluated on a regular basis so that identified weaknesses may be improved upon. It is suggested that this process be completed on an annual basis, as a part of the business planning process.

The board should evaluate its aggregate performance, in terms of:

- the performance of major board responsibilities (identified in DICO By-law No. 5, and outlined in schedule 3.2 below);
- the achievement of the goals and objectives set out in the annual business plan;
- the management relations and communications;
- the effectiveness of the board's structure (size, independence, committees) and process (effective meetings, conflict resolution).

Schedule 3.2 BOARD'S RESPONSIBILITIES
<ul style="list-style-type: none"> • Review and approve, policies and the business plan on an annual basis. • Ensure that qualified and competent management is appointed to implement appropriate risk measurement techniques and risk management procedures. • Monitor performance to ensure adherence to the policies and the business plan. • Oversee member and community relations.

There are different means of evaluating the performance of the board. In conducting a review, the following recommendations are suggested:

- The board, where feasible, obtains external expertise from their league or from human resource consultants to assist them with their review.
- A review of the board's performance is based on objective criteria (such as those identified above).
- The review is of the board's performance as a whole, and not on the performance of individual directors.
- The results of the review are used to effect change and improve performance.
- The results of the review are documented for future reference.

Director Self-Assessment

A board may consider evaluation of the performance of individual directors. Where such an assessment is undertaken, it should be for the specific purpose of obtaining positive feedback and improving individual skills. The review should also be based on a self-assessment by each individual director. Under such a review, it is highly recommended that external assistance be obtained, either through a league or a human resources professional.

Board Independence

An important element of the board's performance is its ability to act independently from management. This is necessary if boards are to be effective in the function of monitoring the performance of management, and in ensuring members' interests remain paramount. Independence of the board can be fostered through the following steps:

- the board does not get involved in the day-to-day operation of the credit union;
- the board ensures that management views are questioned and tested;
- the board can meet on a regular basis without management present.

Board Tenure

A system of rotation or tenure of directors involves limiting the number of consecutive years a member can serve on the board. This will ensure broader representation of credit union membership on the board. It is recommended that the maximum term for a director be set out in the board policy on Corporate Governance. The policy could also provide for a time period after which the director can seek reappointment.

Compensation for Directors

Depending on the policies of the credit union, directors may receive reasonable monetary compensation for their contributions; either by way of a year-end honorarium, or payment on a monthly basis for their board meeting attendance. Monthly compensation should not be paid in advance of meeting attendance. The amount of compensation to be dispensed to directors should be disclosed to the membership at the annual meeting and reported annually in accordance with the Income Tax Act.

Director Training

The board should encourage ongoing education and budget for directors' attendance at appropriate training seminars to ensure that a capable and effective board exists to direct the organization. Appropriate compensation should be made available if such training conflicts with the directors' working hours. Directors' educational expenses should be reviewed by the audit committee. Schedule 3.3 on the following page provides a summary of director training programs offered by the credit union system.

When new directors are elected, the board and management should arrange an orientation session for the new directors to be introduced to:

- roles and responsibilities of directors;
- the legislative framework for credit unions;
- the Standards of Sound Business and Financial Practice;
- the role of committees and management;
- an overview of credit union operations.

For further information on the roles and responsibilities of a credit union director, readers should refer to DICO's Handbook on Sound Business and Financial Practices for Ontario's Credit Unions and Caisses Populaires (the Director's Handbook).

Schedule 3.3 DIRECTOR TRAINING PROGRAMS	
Association/Organization	Programs
The Credit Union Directors Achievement Program (CUDA)	A national program of education and orientation specifically designed for directors of credit unions. Training is sponsored by Ontario Central and CUSOURCE Credit Union Knowledge Network, the national learning organization for the credit union sector.
Credit Union Directors of Ontario (CUDO)	Organizes an annual Directors' Forum which focuses on current topics and issues specific to credit union directors. Usually held in November each year.
Credit Union Central of Ontario and Level Five Strategic Partners	Offer various courses designed for credit union directors and committee members. Topics include Roles and Responsibilities, Legislation, Financial Management and Analysis, Strategic Planning, Credit, Audit and many more.
La Fédération des caisses populaires de l'Ontario	Offers various courses on topics of interest to directors, managers and staff. The "Répertoire et calendrier des activités de formation" is published semi-annually and serves as a complete reference tool.
L'Alliance des caisses populaires de l'Ontario limitée	Offers a one day training session to all new board members to review the roles and responsibilities of directors and committee members.