

A Seat at the Table: Young Adult Directors and Board Advisors

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Credit union volunteers, particularly board members, are overwhelmingly older than 50. A recent Filene Research Institute study shows that 75% are past the half-century mark, while 25% are 49 or younger and only 6% are 39 or younger.¹ Attracting younger members and younger employees are proximate credit union goals. Attracting younger volunteers is a more ambitious and potentially more impactful strategy.

Recruiting an energetic 26-year-old to the board of directors just because she's young, however, is as arbitrary as removing a seasoned 62-year-old just because he's "old." Age discrimination is not the aim of this brief. Instead, credit unions whose boards have identified "building a younger membership" or some similar goal are well-served when they invite perspective from a younger cohort. They are even better served when that perspective entails a permanent voice and vote during strategic conversations. Boards can invite young adult perspective in a number of ways, including presentations from consultants, research from credit union staff, or broader research about the young adult market in general. This brief proposes a more audacious step: recruiting a talented young adult to serve as either an advisory volunteer or a full director.

Composition Strategy

No ideal board exists, but conscientious nominating committees regularly discuss board composition in their efforts to best understand membership and community needs.

"Exceptional credit union boards delegate recruitment, orientation, and ongoing education to a committee whose purview extends beyond nominations to board development. Along with the chief executive, they recruit candidates to strengthen board capacity in terms of expertise and group dynamics. Recruitment is continuous, with individual board members sharing responsibility for identifying and cultivating new candidates. They consciously and conscientiously inform candidates and new board members of their responsibilities and expectations."²



Every credit union draws from a different pool of potential volunteers depending on its field of membership. Here are several pools common to most communities to consider for new and younger volunteers:

- **Chambers of commerce.** The local business community is an especially fruitful field for credit unions with community charters. Participants by definition bring business experience to the group, and often they are looking to expand their networks. Consider

1 William A. Brown, *Recruitment and Selection Practices at Credit Union Boards* (Madison, WI: Filene Research Institute, 2005).

2 Les Silverman, *The Source¹² for Credit Unions: Twelve Principles of Governance That Power Exceptional Credit Union Boards* (Madison, WI: Filene Research Institute, 2007), p. 16.

also local chapters of service organizations where professionals often gather, such as Rotary International, Lions Clubs International, and Kiwanis International.

- **Existing select employee groups (SEGs).** While many credit unions already look to their SEGs and sponsor companies for volunteers, opportunities remain to look at younger professionals. Younger SEG professionals are often eager to undertake résumé-boosting activities early in their careers. They can also bring needed skills in accounting, marketing, or information technology.
- **Local campuses.** Young faculty members at universities, community colleges, and even high schools often carry the double advantage of advanced degrees and regular interaction with young adults. Like businesspeople, they may also be looking for ways to expand their networks.
- **Business school programs.** Not every credit union has field-of-membership access to a business school, but those that do have a particularly valuable opportunity to recruit aspiring young professionals.
- **Military bases.** Officers and noncommissioned officers represent one more group with leadership experience and an understanding of young adults' habits and needs.

We find a high correlation with satisfaction among boards that report that they are “involved in assessing the appropriate skills/characteristics required of board members.” This seems to be a pertinent task that board members are well suited to address. This effort should lead to better nominations and eventually to better boards.³

Credit union boards don't have to rearrange themselves to include young volunteers. Inviting a promising student or young professional to join the board as a nonvoting member means directors receive firsthand perspective on young adult needs during strategic planning. They can also groom potential future directors in a relatively low-impact way.

The Benefits of Self-Analysis

Adding a spot for a younger member doesn't necessarily entail reducing the board elsewhere or encouraging existing directors to exit. Rather than waiting for a contributing board member to retire or resign, credit unions with plans to serve young adults may consider expanding the board as part of that initiative. In the same way that progressive boards expand to make space for accounting or legal

3 Julie Siciliano, *Enhancing Board Satisfaction at Credit Unions* (Madison, WI: Filene Research Institute, 2004).

professionals, they can make space for different SEG representation, gender diversity, or young adult perspectives.

An academic study of *Fortune* 1000 firms has shown that boards that are more diverse (as measured by the inclusion of women and/or minorities) return more value to shareholders.⁴ While the corresponding argument for recruiting young adults to credit union boards of directors is imprecise, those findings do indicate that boards that seek to bring in otherwise qualified outsiders can expect to build long-term value.

Figure 1: Most Prevalent Credit Union Board Recruitment Practices

Networking with personal contacts, business associates, or credit union members	54%
Relying on existing committees (e.g., supervisory) or using associate/assistant nonvoting director	25%
Publicizing board openings in newsletters, on Web sites, or through flyers and postings at the credit union	13%
Giving the nominating committee an instrumental role in securing good board members	4%
Determining the needs of the board (i.e., skills, knowledge, or representation) and then seeking candidates to fill those needs	4%

Source: William A. Brown, *Recruitment and Selection Practices at Credit Union Boards* (Madison, WI: Filene Research Institute, 2005).

Young Adult Outreach at Other Nonprofit Boards

William Brown, a governance specialist at Texas A&M University, points to several boards he consults that have improved young adult representation in the last several years. A local United Way chapter convenes a youth advisory board composed mainly of high school leaders. These students interact with the executive director and are most helpful in giving program guidance rather than governance help. However, the administrative board has invited advisory group members onto the full board of directors.

Two others, the Convention and Visitors Bureau and the Chamber of Commerce in College Station, Texas, have enacted “shadow board” programs, where young professionals sit in on board meetings and mirror full director responsibilities but do not vote.

Brown encourages credit union directors to consider similar approaches, especially because the right people will not always seek

4 David A. Carter, Betty J. Simpkins, and W. Gary Simpson, “Corporate Governance, Board Diversity, and Firm Value,” *The Financial Review* 38, (2003): 33–53.

out board positions. “We know it’s an aging industry. I don’t think there are a lot of young people necessarily that are saying ‘I want to go out and sit on a board.’ There’s not a lot of awareness of the opportunity to serve. Credit unions themselves are not aggressively reaching out.”

Brown says credit unions that want talented up-and-comers need to recruit them and tout the benefits of credit union volunteering:

- **Altruism.** A credit union board is somewhere you can make a difference. This will appeal to the same type of individuals who are joining student groups and running for office.
- **Self-interest.** At the college level and as young professionals, people are very pragmatic about their decisions. They’re interested in making a difference, but they’re really thinking about their careers. They’re meeting people, developing networks, and learning how organizations work. A credit union board can be a fruitful field for such development.

Cold Hard Facts

- Only 6% of directors from a surveyed group of 379 were under age 40, and only 25% were younger than 50.⁵
- Of the credit unions surveyed, 9% indicated that they had increased the size of their board within the past five years. While 34% of those that expanded did so because of a merger, 22% had done so to increase diversity on the board, and 19% wanted to increase the skills and experience on the board.

Figure 2: Credit Union Demographics and the U.S. Population

	U.S. population	Credit union members	Board members
Average age (years)	43.6	47.0	57.9
Percent male	48	48	67
Percent non-Latino white	76	76	89
Percent African American	12	11	6
Percent Latino	14	12	3

5 William A. Brown, *Recruitment and Selection Practices at Credit Union Boards* (Madison, WI: Filene Research Institute, 2005).

USC Credit Union

Assets: \$348M

Los Angeles, CA

Director Justin Ho, Age 21

In the late 1990s USC Credit Union in Los Angeles added students to the list of groups it could serve. At the time, the board and CEO both felt those students should be represented by a seat on the board. Today the \$348M credit union has its third in a string of student directors: Justin Ho. He's been an energizing force, says CEO Gary Perez.

Perez says, "I value [student directors'] perspective and frankness. Both are a blessing, but it takes some getting used to. To have a fresh voice on the board that is decades younger that will say something like, 'Our Web site sucks,' and then proceeds to tell you why our Web site sucks, you think, 'This is exactly why we need young people on the board.'"

USC's student directors have been most helpful in product development and marketing. "Once we find a candidate, these people become raving fans. They often take more responsibility than the other board members. They're also more willing to tell us what we're doing wrong," Perez says.

Ho was recruited in 2006 by the outgoing student director. Ho recognizes a dual motivation for his interest in the position. It has been a great way to provide service and represent his peers on the board, but it has also been a fantastic addition to his résumé. A résumé-building experience can be even more valuable than a paid position for talented students. "We [young adults] are looking for things to fuel our identity and put our passion into," Ho says.

After Ho was referred to the board, Perez interviewed him several times. He used the opportunities to ask questions about Ho's experience

and goals and to explain the responsibilities of a director. During his tenure Ho has headed a compliance committee, helped conduct IT and marketing initiatives, and spoken at numerous industry events, all of which he calls out on his résumé. Partly due to his experience at the credit union, Ho won a San Francisco internship with investment bank Goldman Sachs this year.

"Investment banking is a very difficult field to enter. I'm fairly certain without my experience at USC Credit Union I wouldn't have been competitive for that position. I spent a great deal of time [during a job interview] talking about my experience at the board," Ho says.

Perez says other credit unions should consider inviting young adults to their board. "You might have to grow a thicker skin, but you'll be well served. We do focus groups all the time. You get valuable feedback from the kids that show up for your pizza, but it's nothing like the all-in commitment of an actual board member," Perez says.

Adds Ho, "It's been an incredible experience that's brought a lot of success to everybody involved."

USC POINTERS

- In 1997, USC's board looked for its first volunteer through the student affairs department. It asked to be connected with scholarship recipients and other accomplished undergraduates. Since then, the board has asked outgoing directors to recommend students to replace them.
- Promote the position to talented students as an impressive addition to their résumé.
- USC's nominating committee chooses one applicant for the full election rather than putting all applicants on the ballot.
- Look for students with entrepreneurial as well as academic talent and experience.

Great Wisconsin Credit Union

Assets: \$410M

Madison, WI

Director John Litscher, Age 30

When John Litscher moved to Madison, Wisconsin, after college in 2000, he knew nothing about credit unions. But the certified financial planner was referred to Great Wisconsin (formerly CUNA Credit Union) by his brother. Some research about credit unions and credit union philosophy convinced Litscher that's where he wanted to bank, and for a few years he did just that.

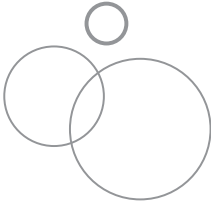
In 2004 he saw a newsletter ad for volunteer applications. He wrote the requisite 50-word essay, highlighting himself as a young financial planner and an outsider who could bring new perspective to the board. He didn't make the ballot, so he tried again in 2005. This time he made the ballot but lost in the election, so he reached out to CEO Kim Sponem. She helped secure him a

spot on the credit committee. After another unsuccessful run in 2006, another board member had to step down and Litscher, by then a partner in a small investment advisory practice, was appointed to that spot.

With the "incumbent" tag next to his name on the ballot and with some in-person campaigning at the main credit union branch, Litscher won a one-year spot and then a three-year spot, which he's now serving. A regular volunteer at other organizations like the Optimists Club and the local hospital, Litscher considers his campaign efforts worthwhile.

In addition to the satisfaction of making a difference in his community, Litscher points to benefits like the strategic experience he gains and the indirect exposure his financial planning practice receives.

"I didn't want to sit back on the sidelines," he says. But "if I would have been [invited] I would have started right away."



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