

Boards and the Organizational Scorecard

How should board members measure their credit unions' progress? Productive boards focus on results rather than actions. You can measure and track results by developing an organizational scorecard that evaluates your credit union's performance in four key areas: member satisfaction, financial stability, employee development, and organizational effectiveness.

The scorecard's measures translate your business strategy into organizational performance expectations, which establish accountabilities at the department and employee level. This ensures that your credit union's direction and success are tied directly to staff's performance and goals. With clear and consistent communication of your organizational priorities, your management team establishes a link between your credit union's success and employee performance and compensation.

The organizational scorecard should be consistent with your vision, mission, and values (Table I).

The board of our sample credit union, ABC Credit Union, developed its vision and mission with a clear focus on the impact the credit union could have on the

quality of members' lives. It then turned to management to define a complementary business strategy. From that strategy, management developed critical measures and targets (minimum, meets, and exceeds) to track the organization's progress.

ABC Credit Union's organizational scorecard provides an overview of four key performance areas (Table II). It clearly focuses on the member (member satisfaction metrics) and gauges the credit union's financial health by studying return on assets, operating expenses, and capital.

Staff is another important organizational resource, which is why ABC Credit Union included employee development metrics in the organizational scorecard. It's also critical to operate in the most efficient and effective manner, which is why the scorecard

includes additional metrics such as employee resources, member product usage, and use of remote services.

Your board also can benchmark financial stability and organizational effectiveness measures to further assess your performance compared with other credit unions operating under comparable economic, market, and regulatory environments.

The scorecard measures your credit union from a balanced perspective. It takes into account not only your financial performance, but also considers the perspectives of members and employees, and the organization's effectiveness.

When balanced properly, the natural tension between the key measurement areas effectively strengthens each other, driving the credit union to its desired

Table I

ABC Credit Union	
Organizational Focus	
<i>Vision:</i> To be the most trusted and respected institution in the communities we serve.	
<i>Mission:</i> To raise the quality of life in the communities we serve.	
<i>Strategy:</i> Our competitive advantage is our members' trust. We'll develop strategies to enhance that trust and extend our competitive advantage.	
<i>Source:</i> The Pro-Con Group, Ltd.	

Table II

ABC Credit Union				
Critical measures	Current	Minimum	Meets	Exceeds
Member satisfaction				
1. Survey responses (% very satis. + % satis.)	90.0%	88.0%	95.0%	97.0%
2. Mystery shops (average score)	80.0	79.0	85.0	90.0
Financial stability				
1. Return on assets (ROA)	0.88	0.60	0.88	1.00
2. Operating expenses/assets	3.10	3.40	3.20	3.00
3. Capital/assets	8.60	7.50	10.00	12.00
Employee development				
1. Employee retention	80.00	70.00	77.00	85.00
2. % of employees receiving competent or better performance evaluations	88	75	85	95
3. Survey results (% very satis. + % satis.)	88	75	85	95
Organizational effectiveness				
1. Members per employee	444	425	440	450
2. Accounts per household	2.7	2.0	3.0	3.5
3. Increase in remote transactions	22.0%	20.0%	25.0%	30.0%
Current business priorities		Completed business priorities		
1. Grow remote delivery systems. (11/11/2002)		1. Complete portfolio assessment and set new target parameters. (6/15/2002)		
2. Promote organizational effectiveness through increased use of remote delivery systems. (12/15/2002)				
3. Develop a "consultative" sales culture. (12/31/2002)				

Source: The Pro-Con Group, Ltd.

performance levels. For example, highly motivated employees provide a high level of service that drives member satisfaction, which increases use of products and services, which impacts profitability and financial perform-

ance.

The concept of an organizational scorecard is fully realized when your board establishes accountabilities and business priorities. It must communicate these expectations to manage-

ment, which then establishes expectations throughout the credit union. Once employees understand their contribution and connection to organizational success, the credit union becomes a more focused, aligned, and strategically positioned operation.

The scorecard approach represents a clear picture of the credit union's actual and projected performance. It provides a balanced perspective to ensure organizational success. It should be used as a key monitor of organizational, and therefore, CEO, performance.

The CEO produces the desired results and the board monitors the credit union's performance. Directors delegate the "how" to the CEO, and so long as results are produced within the value system your board establishes, you shouldn't have to question further or assess the how. This is the essence of differentiating the roles of the CEO and the board. ▀

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