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Why Neglecting Your Personal Brand Can Torpedo Your Career

Individuals often don't understand just how critical it is for them to promote their personal brands as well. In fact, their careers depend on it.

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Three ways to enhance your credit union's messages.

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Stop blaming and criticizing Gen Y; instead embrace the way they make you a better leader.

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Survey: Most companies act on feedback from departing employees.

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On Compliance: Getting Official Opinions About the Rules

When and how to pursue one—and what to do if the agency that wrote the rule doesn't provide additional guidance.

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How you respond to system downtime makes a big difference in the ultimate cost.

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Making the Leap

Any credit union veteran who remembers core software WorldWorks (which, ironically, never did work) will tell you that being an early technology adopter can be a bitter experience. In fact, research reported by *Forbes* (*http://tinyurl.com/forbesfastfollow*) indicates that "first movers had a 47 percent failure rate and that 'companies that took control of a product's market share after the first movers pioneered them had only an 8 percent failure rate.'"

Two recent financial innovations bear out the value of being a fast follower: mobile check deposit and apps allowing consumers to freeze their own credit cards in the event of loss or fraud. While Chase and Capital One, respectively, innovated the offerings (and supported them with highly visible national advertising campaigns), credit unions quickly launched their own versions at a fraction of the initial investment cost.

Certain CUs, however, like Silicon Valley's Tech Credit Union *(www.techcu.com)*, have an inherent need to be first movers, as CEO Todd Harris explains in one of our articles this month.

With $2 billion in assets, Tech CU is better equipped than many credit unions to make the necessary investments. But $43 million Mt. Lehman Credit Union (*www.mtlehman.com*), Mt. Lehman, British Columbia, proves that limited financial resources need not limit innovation. In fact, Mt. Lehman CU distinguishes itself from larger competitors by innovating its own technology solutions, says General Manager Gene Blishen in "Timing the Leap," starting on p. 42.

Timing is also key in career decisions. And, after 31 years with CUES, I am sad to say this is my last *CU Management* column. I'm taking a huge entrepreneurial leap and going into business as an antique dealer. There is something about uncovering a small relic of a previous generation and uniting it with a welcoming new owner that makes my spirits soar!

It's a scary, and maybe crazy, move, but it's the right one and the right time for me to make it. As if to reaffirm my decision, as I started my fast follower research for this column, my last day on the job, I received this *Forbes* quote of the day:

"Throw yourself full throttle in the direction of what consumes your thoughts and ambitions." ~ Samantha Wills

As I charge headlong into this new adventure, I want to thank all my credit union friends for the thoughtful conversations we've had at CUES events, your participation in CUES Net™ and your willingness to share your stories in this magazine. I will miss you all!

Mary Arnold

Mary Auestad Arnold
Editor and Publisher


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Feeling Good About Checking

A novel checking account introduced back in 2008 that gives members the opportunity to earn extra interest and support a favorite cause has become a staple product for Seattle Metropolitan Credit Union (*www.smcu.com*).

When members open a Feel Good Checking account, the credit union donates $20 in their name to one of seven local nonprofit organizations—and members earn 6.14 percent interest on the first $500 in their account and can order a free box of checks annually.

Seattle Metropolitan CU began work on Feel Good Checking back in 2007 as part of a marketing and branding campaign promoting cooperative principles and the CU difference. "We were looking for ways not just to talk about those principles, but to demonstrate them in action by giving members a voice and a way to join us in giving back to the community," says CUES member Jill Vicente, chief marketing officer of the $700 million CU serving 44,000 members.

Feel Good Checking now accounts for almost a third of all checking accounts, and the CU has raised more than $150,000 for its nonprofit partners. Selecting the organizations that will benefit from Feel Good donations has become something of an annual event. The nomination process usually begins in October. Members and other supporters of local organizations are invited to nominate groups in seven categories: animal welfare, arts and culture, education, environment and sustainability, families and neighborhoods, health, and hunger and housing.

Last year, 277 organizations were nominated, and the marketing department narrowed the list to 21 finalists before opening the field for election. More than 2,700 votes were cast, up from 1,391 in 2014, renewing five existing partners and electing two new organizations, Vicente says. Current partners include the Seattle Humane Society, Vera Project, Seattle Public Library Foundation, Seattle Tilth, Childhaven, Bike Works and Northwest Harvest. "We really didn't expect as much participation as we've gotten over the years," she notes. "Members actually ask when the nominating process will be open."

Feel Good Checking has become a visible platform for connecting with the community, as the CU's partners promote the checking option to their supporters, and Seattle Metropolitan CU reciprocates by getting the word out about those organizations' special events via social media.

"Feel Good Checking has been a real win-win," Vicente adds. "Members can earn a little extra interest without having to move their money around, and they appreciate the opportunity to support local nonprofits. And our employees love talking about this product."

> "The art of doing the unpopular lies in striking a balance, and mastering that art may become a necessity for more business leaders this year."

Geoff Colvin, author and senior editor-at-large of *Fortune Magazine* in a blog post at *http://tinyurl.com/geoffunpop*. Colvin will lead a general session at CUES CEO/Executive Team Network (*cues.org/cnet*), Oct. 23-26 in Savannah.

Letter to the Editor

In response to our June 10 article, "Active Shooter Response Planning," at *cues.org/0616activeshooter.*

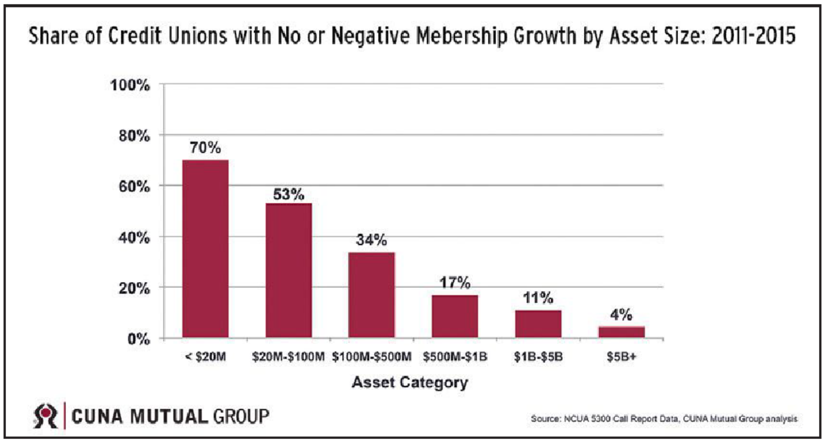
As events last year in Paris, San Bernardino and recently in Orlando have shown us, we can no longer bind ourselves to the idea, "It can't happen here." These tragic events have forced us to be prepared for unthinkable situations. Could the unthinkable occur here? The reality is it can happen anywhere.

Terrorist or active shooter situations are very frightening because they are beyond our control. However, it is within our control to acknowledge these situations can occur at our credit union and to employees; determine how we will respond to these situations; and ensure our employees are trained to respond in a calm, self-assured and controlled manner, limiting the damage these situations can cause.

Preparing for these unfortunate and traumatic events require a different approach. Here at Bay Ridge FCU, preparation, planning and training have already begun. We have developed procedures, installed and tested an alert system, as well as planned extensive training for the employees, so they know what to do during and after an unthinkable situation.

Anthony Grigos
Executive Vice President
$202 million Bay Ridge
Federal Credit Union
Brooklyn, N.Y.

Member Growth Uneven



Credit union memberships have been growing at a 2 percent or better annual rate since 2012, according to CUNA Mutual Economics (*www.cunamutual.com*) analysis. But … these robust average growth rates are masking a good deal of variability in individual credit union membership growth.

Annual membership growth has been strongest in the largest credit unions, while growth rates for CUs with assets less than $50 million have actually been negative. In fact, 70 percent of CUs with less than $20 million in assets show negative or no growth, compared to 4 percent for credit unions with $5 billion or more in assets.

The Buzz About Member Journey Mapping

Are you familiar with member journey mapping? It's one of the hottest topics I encounter in my work with credit unions throughout North America. Member journey mapping is metaphorically putting yourself in your members' shoes and walking through typical interactions with your organization. Along the way, you'll observe what's working and what isn't. The goal is to improve the experience however, whenever and wherever a member engages with you.

For a process that yields big rewards, it's amazingly easy to implement. Here's a simplified framework:

- Pull together a handful of people from across your organization (a.k.a. "subject matter experts") who bring relevant experience to the table.
- Supply them with big paper, markers and sticky notes.
- Give them an assignment to walk through every step of the current approach to the top three to five member experiences that matter most (e.g., account opening, a loan application and problem resolution).
- Challenge them to dream big and imagine what potential future member journeys could be instead of the current experiences.
- Develop an action plan for improvement, starting with low-hanging fruit.

But, you might say, we already know what's working and what's broken! You may think so, but I can assure you member journey mapping almost always yields surprises. If you have the right people in the room and you're tapping into their expertise, issues will reveal themselves.

Inherently, member journey mapping addresses how various channels work together to provide a seamless member experience. Can members easily navigate from one channel to another? How well does technology function behind the scenes? Are IT, marketing and operations aligned to fulfill your service pledge? Member journey mapping can answer these questions and more.

At CUES School of Member Experience (*cues.org/some*), our approach to member journey mapping is theoretical, practical and interactive. We review the methodology and best practices and then provide opportunity to practice techniques in a small group setting. Attendees leave with tools to apply at their credit union to help make members' interactions simpler, faster, smoother and more delightful. That's what the buzz is all about.

Tansley Stearns, CME, CSE, *is chief impact officer of Filene Research Institute* (www.filene.org)*. Join* Stearns *at CUES School of Member Experience™* (cues.org/some)*, Sept. 26-27, to learn how to build an outstanding member experience at every point of contact across multiple channels.*

Insights

"Today, we find that most performance management solutions try to accomplish three goals (developing people, rewarding equitably and driving organizational performance) with one archaic review process. And frankly, it's largely failing on all counts."

Tamra Chandler, author of *How Performance Management is Killing Performance—and What to Do About It* (*www.peoplefirm.com*), in "Getting a Grip," p. 18.

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Poised to Compete

2016 compensation survey shows healthy gains, positioning credit unions to recruit and retain executive talent.

By Karen Bankston

In recent years, credit unions have recognized and responded to the challenge of retaining and recruiting executive talent by offering salaries and incentives that met or exceeded national averages, and the most recent 12 months were no exception, according to the *2016 CUES Executive Compensation Survey (cues.org/compensation).*

Pay and bonus increases for CEOs over the year ending in May averaged 7.1 percent, with the average base plus bonus across all asset ranges increasing to $382,175 in 2016, up from $356,900 in 2015 in the same-sample survey (CUs participating in both years to more clearly indicate trends). Across the same sample, average base salary rose 7 percent to $318,444, and total compensation (base salary plus bonus plus other taxable compensation, such as club dues and personal use of a company car) increased an average 6.8 percent to $394,173.

Across asset categories, average base plus bonus pay ranged from $93,595 among CEOs of credit unions with less than $30 million in assets to $590,735 for the chief executives of $1 billion-plus organizations.

Other executive team members posted salary and bonus hikes above average across U.S. business sectors as well, ranging from 3.4 percent for regional branch management executives to 8.7 percent for human resources executives. Spanning total compensation by position in 2016, executive vice presidents received an average $223,003, chief financial officers $205,201, and regional branch executives $88,708.

This year's survey "reflects an overall upward trend in both the independent and same samples," notes Michael Becher, CPA, vice president of Industry Insights (*www.industryinsights.com*), Dublin, Ohio, which administers the survey for CUES. The executive summary reports median and average salary and bonus data for 18 executive positions, based on all respondents in the independent sample; adequate same sample data was available for 16 positions from credit unions that participated in both 2015 and 2016.

The CUES survey reports "healthy increases" for CEOs and other executives, agrees Scott Dettmann, partner in Carlson Dettmann Consulting (*www.carlsondettmann.com*), Madison, Wis. Salary and bonus hikes for credit union leaders are well above the 3 percent projected by many compensation experts for the past year—and, more to the point, the actual 4.1 percent and 4.6 percent increases reported in the *ADP Workforce Vitality Report* (*workforcereport.adp.com*) for the fourth quarter of 2015 and first quarter of 2016, respectively.

Nearing Parity

In his work developing pay plans for mid-sized and larger credit unions around the country, Dettmann regularly runs into executives he had met previously when they worked for

other financial service clients—banks. While these observations are anecdotal, he suggests that credit unions' efforts to move closer to salary parity with their nearest competitors are widening their field of qualified candidates for executive positions.

A larger hiring pool is an advantage as the unemployment rate drops to prerecession levels and as credit unions are recruiting experienced executives to head new product lines for which the talent pool may be relatively small within the credit union industry, he notes.

"We have more competition for qualified candidates across the board, and what we have to pay people, even at entry-level positions, has jumped some," Dettmann says. "I'm seeing all sorts of trading of employees in management and executive ranks between credit unions and banks now.

"I used to have the conversation about keeping bank executives in the mix when hiring for a position. We don't even have to have that conversation any more. It's just a given," he adds.

Even with their efforts to close the salary gap with banking competitors, credit unions still face limitations on long-term compensation and with the for-profit institutions' ability to structure stock options to reward their executives. But Dettmann sees progress in this area as well: 95.4 percent of credit unions participating in the survey offer 401(k) plans for their CEOs; 45.3 percent have structured 457(b) plans; and 36.1 percent now offer 457(f) plans.

Utilization of all these retirement programs has increased a percentage point or two since 2014, indicating that credit union boards are using more of the tools at their disposal to structure more competitive, full-fledged compensation packages for their chief executives.

"It's telling that we have higher utilization of 401(k) and 457(b) plans overall, and we're starting to see more evidence of the use of 457(f) plans, which is the plan for more generous set-asides for the CEO," Dettman says. "That's where credit unions can make up for the lack of long-term incentive options."

Another trend evident in the survey data is increasing reliance on incentive pay for CEOs across nearly all asset classes, Dettmann notes. Across the board, 83 percent of all CEOs included in the 2016 survey were eligible for bonuses, compared to 78.5 percent just two years ago. Among the chief executives of credit unions with less than $30 million in assets, 66.7 percent are now bonus eligible, up from 59.1 percent in 2014; in the largest credit unions, 93.9 percent of CEOs earn bonus pay, up from 91.7 percent.

"In an effort to be more competitive, credit unions are choosing to increase pay and there's a preference to do that in the area of at-risk pay, which mirrors what's been going on in the private sector for the past decade or more," Dettman adds.

Economic Boost

The executive summary of the CUES survey suggests that steady growth in the post-recession U.S. economy, with forecasted growth of 2.4 percent in the gross domestic product for 2016, tempered by continued uncertainty in the financial services sector, is likely to result in "modest" hiring and pay gains in the coming year.

"After several years of staff reductions and salary freezes during the financial crisis, companies are starting to hire again and grant larger increases in pay," the report concludes. "Forecasts for the GDP, salary budgets, inflation and unemployment are all favorable for 2016."

GDP, inflation and unemployment tie closely to compensation trends and may be even more pronounced for CUs "given how money flows in and out of the financial services sector," Becher notes.

The survey summary provides a snapshot of executive compensation practices of credit unions across the U.S. and running the gamut of fields of membership and asset size, with 275 organizations submitting data over the past year.

Even with the wide disparity between salary and bonus levels across asset ranges, the percentage changes reported for each executive position provide a useful "apples-to-apples" guide on compensation increases considered competitive within the industry, Becher suggests. The summary also includes a breakdown of base salary, base plus bonus, and total compensation for five asset classes to permit a closer comparison for each executive position.

The survey reports on both median and average compensation data, which provide differing perspectives. Median salary and bonus information may provide the clearest indicator of the middle of the market, while averages, especially from the independent sample, are more sensitive to changes in the composition of the group, such as shifts in the relative number of smaller or larger credit unions participating in the survey.

CUs subscribing to the survey have options to generate customized comparisons to peer aggregates based on asset size, membership base size, full-time equivalent employees, loan portfolio size, region, state, metro size of headquarters location and field of membership. They can also filter data by position for highest level of education, CCE designation and years of financial services experience. In short, subscribers "have a whole lot more ways to filter and dissect the data" for each position, Becher notes.

Karen Bankston *is a long-time contributor to* Credit Union Management *and writes about credit unions, membership growth, marketing, operations and technology. She is the proprietor of Precision Prose, Portland, Ore.*

Resources

Subscribe to the *CUES Executive Compensation Survey* and the *CUES Employee Salary Survey.* Learn more at *cues.org/compensation.*

Learn more about CUES' CEO Institute and the CCE (Certified Chief Executive) designation at *cues.org/institutes.*

Survey Snapshots

- **CEOs are well-educated and experienced:** 93.7 percent of chief executives responding to the survey had 16 years or more experience in the financial services industry; 85.5 percent had at least a four-year college degree; and 18 percent had earned their CCE designation from attending CUES' CEO Institute (*cues.org/institutes*).
- **Earnings are the top performance metric:** 61.8 percent of credit unions in the survey rely on earnings as a key indicator in determining bonus/incentive awards for CEOs. Other common factors are board evaluations (56.1 percent), loan growth (49.1 percent), and membership growth (26.9 percent). The least reported factor in assessing bonus pay was regulatory compliance, at 4.7 percent.
- **Bonuses vary widely, based on asset size:** Continuing a longstanding trend, the range of bonuses as a percentage of base pay, among credit unions awarding incentive compensation, increases with asset size and organizational complexity. CEOs of credit unions with less than $30 million in assets earned an average 5.7 percent bonuses, while leaders of $1 billion-plus credit unions earned 22.2 percent bonuses. Among the 83 percent of CEOs who earned a bonus, the average paid over the past year was 15.6 percent.
- **Bonus eligibility varies for other positions,** ranging from 85.7 percent of executive vice presidents and 85.1 percent of branch executives to 76 percent of business development executives and 76.7 percent of top mortgage lending officers.
- **Four key variables figure most prominently into salary calculations:** Statistical modeling by Industry Insights (*www.industryinsights.com*), Dublin, Ohio, indicates that 81 percent of the variation in CEO compensation owes to four factors: asset size, number of years on the job in financial services, highest level of education and CCE designation.

The survey summary reports the impact of this modeling in detail. For example, "a CEO working at a credit union that is 1 percent larger than another credit union would typically make 0.42 percent more in total compensation." These factors have varying impact across executive ranks, with the salaries of chief financial officers, executive vice presidents and chief lending officers receiving the biggest boosts based on years in the industry. Along the same lines, a CFO with the CCE designation typically earns a 23 percent premium and a COO, 14.8 percent, in comparison to peers without the designation. CEOs with the CCE designation earn a 6.3 percent premium in total compensation, on average, all else being equal.

Source: 2016 CUES Executive Compensation Survey

2016 Median CEO Compensation

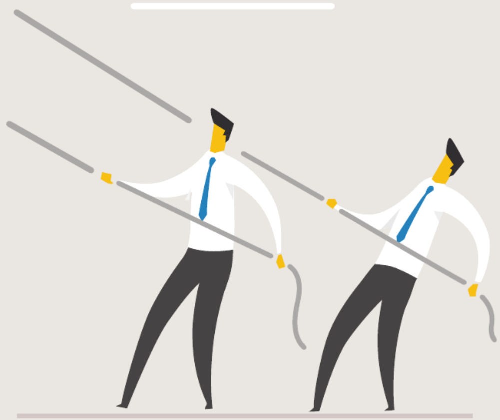
	Base Salary	Base + Bonus	Total Comp
All Assets Categories	$274,650	$311,600	$318,115
Less than $30 million	$85,080	$88,880	$88,880
$30-$49 million	$107,000	$108,150	$108,150
$50-$69 million	$129,792	$141,560	$141,560
$70-$99 million	$145,000	$150,500	$156,781
$100-$199 million	$156,884	$165,500	$172,769
$200-$399 million	$230,625	$251,489	$259,124
$400-$599 million	$305,000	$347,504	$350,000
$600-$999 million	$356,110	$389,282	$393,550
$1 billion or more	$473,658	$576,150	$582,763

CEO Salaries (Increase Over Previous Year Average Results/All Asset Sizes)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Base Salary	7.0%	4.6%	7.8%	6.43%	4.93%	4.37%	3.62%	5.37%	7.11%	8.02%
Base + Bonus	7.1%	5.7%	10.0%	8.40%	5.93%	5.01%	2.54%	4.76%	7.34%	8.50%
Total Comp	6.8%	5.5%	9.5%	8.18%	5.83%	5.07%	2.39%	4.87%	7.38%	8.81%

Executives' Median Base Salary + Bonus Comparison

	2016	2015	Change
CEO	$346,143	$324,957	6.5%
Executive Vice President	$203,522	$193,419	5.2%
Second Executive Officer*	$171,652	$163,626	4.9%
Chief Operations Officer	$180,750	$170,006	6.3%
Chief Financial Officer	$201,103	$185,341	8.5%
Chief Lending Officer	$162,237	$155,466	4.4%
Branch/Member Service Executive	$153,994	$145,976	5.5%
Marketing Executive	$131,084	$125,171	4.7%
Human Resources Executive	$151,460	$138,200	9.6%
Info Systems/E-Commerce Executive	$178,228	$167,067	6.7%
Senior CUSO Executive	$130,396	$128,492	1.5%
Business Lending Executive	$135,287	$123,950	9.1%
Business Development Executive	$81,847	$77,570	5.5%
Legal Counsel Executive	$205,892	$197,106	4.5%
Regional Branch Management Executive	$100,366	$96,313	4.2%
Top Mortgage Lending Officer	$117,575	$113,275	3.8%



NOTE: The results in the chart at left reflect "same sample" reporting; they represent the data only of credit unions that participated in both years of the survey, which permits more direct comparison.

In addition, the second executive officer was not reported as a separate stand-alone position, so there likely is some double-reporting of salaries of executives serving as executive vice president, CFO, COO, etc., who are also designated as the second-in-command at their credit unions.

Powering Loan Growth

5 ways CUs can flex their tech muscle.

By Karen Bankston

How well credit unions wield technology will play a big role in how they respond to the lending challenges and opportunities that remain in 2016. Here are five suggestions about where lenders and IT specialists need to have their sights set going forward.

1. Dig Deeper Into Data

Core data banks may provide a wealth of leads for building wallet share and managing credit risk. At Ent Credit Union (*www.ent.com*), lenders are mining ACH data as a source of prospects to refinance loans members hold with other creditors. Conducting that research, the credit union ran across a group of members making regular payments from their Ent CU accounts to subprime auto lenders. Ent conducted outbound calls with offers to save members money by refinancing their car loans, says CUES member Bill Vogeney, senior EVP/lending and finance for the $4.1 billion Colorado Springs, Colo.-based CU.

The program generated $2 million in new loans over three to four months—and goodwill with those members, Vogeney says. "We found that people were really responsive to these outbound calls, and we were able to refinance a big chunk of these loans because their FICO scores had improved to the 680 range, definitely not subprime. We plan to conduct the same review every six months or so. It won't generate big results, but smaller and more consistent wins because we're not painting everyone with the same broad brush."

Learning how to wield the power of big data could also help credit unions identify the early warning signs of credit problems with individual members, he notes. Quarterly or semi-annual portfolio reviews pinpoint which members are starting to max out on their credit cards, whether delinquencies are starting to occur, and if credit scores are changing.

Monitoring trends in card usage could raise red flags earlier. For example, members with credit card charges evolving from entertainment and travel to grocery purchases and cash advances could be a sign of trouble ahead—and a warning not to raise limits.

"Do you have that data from card processors, and have you developed strategies to analyze those kinds of change in behavior?" Vogeney asks.

2. Take Mortgages Digital

Delivering mortgages digitally since 2008, BECU (*www.becu.org*) was one of seven lenders participating in a 2015 Consumer Financial Protection Bureau pilot (*cues.org/cfpbpilot*) to examine the processes and consumer response to e-closings.

"It was demonstrated through the pilot that when borrowers go through an e-closing and receive the documents in advance for review along with access to educational materials provided by the CFPB, they feel more empowered and more knowledgeable, and they feel the process went much more efficiently and smoothly," says CUES member Lorraine Stewart, VP/mortgage lending with $13 million BECU, Tukwila, Wash.

3. Streamline Post-TRID Mortgage Lending

Many CUs spent 2015 working toward compliance on new forms for mortgage borrowers under the TILA-RESPA Integrated Disclosure rules (*http://tinyurl.com/cfpbtilarespa*). Now it may be time to ensure that mortgage processes are functioning as efficiently as possible, says Bruce Backer, managing director/consumer engagement with lending solutions provider Optimal Blue (*www2.optimalblue.com*), Plano, Texas.

CUs employing technology from mortgage application through closing may have an easier time ensuring consistent compliance, Backer suggests. "Technology allows you to make changes in an automated way and ensures consistency. Embracing automated tools can take a burden off your people and becomes an integral part of your systems—and a seamless source of real-time, accurate information."

It's not unusual for a mortgage to go through five to seven meaningful changes in processing, he notes. Credit scores might change slightly, or a member might have forgotten to mention a loan. The property value might fluctuate.

Especially if loan changes affect the rate or fees, a full record of those changes is helpful if members inquire about the new pricing, Backer adds. Relying on automated systems, "the lender has a really clear way to articulate what the changes were."

Though many CUs use automated systems to process loan applications, recent indications are that just under a third of mortgage lenders have been using online technology, Backer says. He suggests that those numbers will likely increase as CUs and other mortgage lenders recognize the inherent value of automated systems in both compliance and the ability to provide 24-hour service.

"This is especially true for first-time homebuyers; millennials who are very comfortable with technology want tools available outside of normal business hours, and prefer to use" their phones, he adds.

"For the first time, technology for loan originators can now be exposed to consumers," he adds. "Borrowers can enter in the same criteria a loan originator would and find out their exact mortgage rate and mortgage loan options. The borrower can run multiple scenarios for different down-payment options or purchase prices and set mortgage rate alerts for any time there is significant market movement."

There's also a competitive component to mortgage technology. Big banks and mortgage lenders have invested heavily in mobile and online applications, and home buyers rely increasingly on Internet outlets like Zillow (*www.zillow.com*), which include prominent ads for mortgages. More than ever, CUs aren't just competing with the banks down the street, but with every mortgage lender advertising online.

To edge out the competition, CUs can look for ways to leverage technology to stay in touch with prospective borrowers following a rate check.

"As loan officers have more and more people in the pipeline, it's harder to stay in touch without features like these—tools at work in the background that do meaningful things, not just sharing recipes and birthday wishes," Backer says. "Now technology allows loan officers to put into these messages exact market data that's specific to that consumer. And that's what consumers want: information about what products are good for them, what are the terms, and what's the bottom line?"

4. Balance the Portfolio

Indirect lending has been a good growth area for a decade or more for many CUs—to the point that there may be some concerns about concentration risk. An option to balance the portfolio is to grow other product lines, says Ryal Tayloe, VP/credit unions with nCino (*www.ncino.com*), Wilmington, N.C.

"Small business lending seems to be a very hot topic, as credit unions try to figure out how they can serve the needs of business members and other small businesses within their fields of membership," he says. The challenge is in making small business loans efficiently to optimize member value and compete effectively with other lenders.

This is another area where wise investments in technology can pay dividends in enhancing efficient operations and codifying decisioning criteria, Tayloe says. At some CUs, experienced business loan officers may execute manual processes, assessing business plans and maintaining paper loan files. But as business loan volume grows, those manual processes can become unwieldy. Automated systems simplify the processes of and reduce the time required to manage risk, maintain business member relationships and generate useful reports.

With new MBL regulations (*www.nafcu.org/mbl)* approved by the National Credit Union Administration in February and going into effect Jan. 1, CUs may have more control over the types of loans they make and more responsibility for ensuring they make solid business loans. Finding the right tools to accept commercial loan applications, analyze business borrowers' financial performance based on the CU's specific criteria, and manage the ongoing relationship can help make the most of the new rules.

At BECU, the business lending department recently upgraded its loan origination system to improve processing efficiency. The next step is to upgrade depository product options with a technology upgrade allowing for more sophisticated cash management products, such as online ACH and wire transfer, positive pay, sweep accounts and analyzed checking, says CUES member Dana Gray, VP/business and wealth services.

The CU's consumer lending staff is also conducting a lending origination system review. "We need to focus on efficiency, compliance and making sure we have flexibility to react quickly to product changes," such as updating pricing in response to rate shifts, says CUES member Boyd Vanderleest, BECU's VP/consumer lending.

5. Be Where Members Are

Mobile delivery via every imaginable handheld device is at the forefront of serving members' loan needs where, when and how they wish to be served. But superb self-service is just the ante. CU staff may also need to go where members are.

"In terms of delivery channels, credit unions are experiencing declining volumes in members coming into branches, so they need to think about how they can equip their lenders, business developers and other staff to go out into their communities and segments to serve their members with lending products out in the field and in their call centers," Tayloe says. "If people aren't coming into branches, how can we serve them where they live, work and play?"

Karen Bankston *is the proprietor of Oregon-based Precision Prose.*

Resources

Also read "Lending Outlook 2016" at *cues.org/0116lending*, "Mortgages for Millennials" at *cues.org/1215mortgages*, "Auto Lending ALM" at *cues.org/1115auto* and "The EMV Era: Three key considerations for managing your card portfolio as chip cards gain traction" at *cues.org/1215emvera.*

You may also be interested in "Loan Zone, Part 1: A Case Against Indirect Lending" (*cues.org/082713loanzonepart1*) and "Loan Zone, Part 2: Indirect Success Q&A" (*cues.org/082713loanzonepart2*). These two articles were based on content from CUES School of Consumer Lending (*cues.org/socl*), next slated for July 17-18, 2017, in Seattle. The CUES Advanced School of Consumer Lending (*cues.org/advsocl*) will be held July 19-20, 2017, also in Seattle.

Sign up to get the quarterly *Business Lending Edge* e-newsletter at *cues.org/enewsletters*. CUES has four schools of business lending slated for 2016. Get all the details about dates, topic focus and locations at *cues.org/schools.*

Getting a Grip

Member satisfaction strongly depends on employee performance, which is why some organizations are making concerted efforts to tighten up their employee management processes.

By Pamela Mills-Senn

Managing employee performance is essential to ensuring the best possible customer experience, yet this can be extremely challenging for organizations, particularly if they rely on (as many still do) traditional performance evaluations where managers review and assess employee performance annually.

"There are absolutely better ways to manage performance," says Tamra Chandler, CEO and founding partner of PeopleFirm (*www.peoplefirm.com*), a Seattle-based company that consults on people strategy, organization performance, and talent and change management.

Chandler, author of *How Performance Management is Killing Performance—and What to Do About It*, says the three common objectives of performance management should be developing people, rewarding equitably and driving organizational performance.

"Today, we find that most performance-management solutions try to accomplish all three of these goals with just this one archaic review process," she says. "And frankly, it's largely failing on all counts."

Instead, achieving these objectives is best ensured by focusing on creating engaged employees and connecting performance management to engagement, says Chandler, explaining that research shows the more engaged an employee is, the better he or she performs. This is difficult to achieve with "old school" traditional performance reviews which, more often than not, result in disengagement, she adds.

Taking Measures

According to Chandler, performance management processes should vary from organization to organization because no two are alike. Customizing the approach *within* the organization is another consideration, since there may be important differences between departments. For example, the loan servicing department and the HR department would likely require different performance management processes since these departments would have different performance expectations.

However, certain components—such as clear communication of expectations and goals, transparency/sharing performance results with employees and a way to measure results—remain constant no matter what. Among the most important components is immediate feedback on performance—positive and/or constructive.

Consider $980 million/100,000-member Y-12 Federal Credit Union (*www.y12fcu.org*), with 240 employees in Oak Ridge, Tenn. During the last 36 months in particular, the CU's growth has been "exceptional," says CUES member Keith Troup, CCE, EVP/chief operating officer.

"Over the past few years we've focused our efforts in key areas related to managing employee performance," he explains. "First, we've begun to place much more focus and emphasis on member feedback as part of [this] overall process. Our goal is to have as

immediate feedback as possible on member interactions—both external member-owners and internal members, those other departments within our credit union."

Ensuring they are able to measure results in their performance management process has been another area of focus. To this end, all employees and every branch have "scorecards" summarizing employee/branch performance on several key indicators.

The CU recently installed 21 HappyOrNotKiosks (*www.happy-or-not.com*) in two branches to spark member feedback and obtain it faster.

The HappyOrNot system measures customer satisfaction via kiosks and web panels, explains Ed Gundrum, co-founder and CEO of DoublePort, LLC (*www.doubleport.com*), an authorized HappyOrNot partner based in Andover, Mich.

"Both ask a single question to which the credit union member responds by pressing one of four smiley-face buttons (grin, smile, frown, upset)," he says. "The kiosks enjoy a response rate up to 30 percent because they're fun, quick to use and perceived as being anonymous."

The kiosks date- and time-stamp all responses, transmitting the information nightly, with credit union executives, branch managers and so on receiving graphical reports the next morning that reveal how the previous day went, says Gundrum.

"These reports can be used to determine overall member satisfaction and also anomalies in service that occurred during particular times of day," he says. "Additionally, the daily reports have become part of the morning employee huddle at the executive and branch levels to remedy any negative feedback received the previous day."

For example, one credit union researched the negative feedback it received and found that some were due to loan denials. In response, the CU established a policy that when a member is denied a loan, an employee extends an invitation to come in for a credit rebuilding session.

Credit unions can also use the HappyorNot system on their websites to perform the same function. Like the kiosks, credit union members respond to a single question by selecting one of the four smiley-face buttons. These questions can be about anything and can be changed within minutes.

CUES member Daniel Berry, CCE, CEO of $128 million/15,400-member Duke University Federal Credit Union (*www.dukefcu.org*), with 38 employees in Durham N.C., says the CU installed HappyOrNot

Avoiding Derailment

Organizations tend to encounter several common obstacles in their quest to develop effective employee performance management programs that can undermine their efforts or derail them altogether. According to Bill Stavros, founder and CEO of Blueprint Interactions LLC (*www.blueprintinteractions.com*), a Wayne, N.J.-based firm that consults in sales, marketing and customer experience, these include *not having*:

- clear goals and objectives;
- strong managers who provide specific, timely and frequent feedback;
- systems that automate goal-tracking; and
- sufficient tools to accomplish the objectives, such as inadequate staffing, overly complex systems, and other top-down impediments.

"These issues can adversely impact employee motivation and performance, resulting in a loss of good talent and [compromising] business results," says Stavros. "Ultimately, the goal of employee performance management is to maximize the employee's potential and align his or her goals with the organization's goals to achieve the desired business results."

What to do? Make developing performance goals a collaborative effort throughout all levels of the organization, Stavros advises, explaining this strategy will improve buy-in, a key ingredient for success. Communication is also essential. Managers and organizational leaders must provide frequent and very specific feedback—positive and corrective—as immediately as possible. This helps to speed employee development and reduces the risk that performance reviews will surprise, making *that* conversation much easier, Stavros says. Additionally, employees appreciate the feedback, which in turn, fosters engagement.

There are a few other mistakes Stavros cautions credit unions to be aware of. A too-frequent error he sees organizations commit is trying to turn an employee into something he or she is not and wasn't hired to be, such as a salesperson, for example. "This is especially prevalent in credit unions that want to build a more sales-oriented culture," he says. Another common misstep is focusing too much on results and not enough on processes, particularly where it concerns salaried employees.

"For example, take a call center agent," says Stavros. "Their performance scorecard should heavily emphasize process, such as call quality and desired behaviors, like logging in on time and so on, and less on end results. Doing so better positions the credit union for sustainable results."

You need to ensure that people are correctly following the prescribed processes, which have been determined to bring about the desired results, Stavros explains. This focus on correctly implementing processes will ensure consistency of results. If one were to focus on results only, without paying attention to how those results were achieved, then there is no long-term control over outcomes and consistency of outcome is not assured.

kiosks last year at each lobby workstation and every drive-up lane.

The desire was to capture individual member feedback, says Berry. "The kiosks ask the same question, 'please rate our service today.' We don't change the question so we can track the responses over time."

Members can select from the four smileys, says Berry, explaining the CU measures performance based on a percentage of the responses, such as the number of smiles divided by the total number of responses.

"As of March 31, our satisfaction per the kiosks was 97.76 percent," he says. "The lowest person was 94 percent, which matches our organizational performance last year. As a result, we've been more successful."

HR departments are also using the technology to obtain employee feedback and measure satisfaction, says Gundrum, mentioning a CU that used the kiosk to capture employee feedback after a meeting.

"The results were not as positive as the CU execs anticipated," he recalls. "The following day, each branch office held a meeting where the manager showed employees the HappyOrNot reports. This became the inspiration for the employees to open up about policies etc., they were concerned about."

Honing In

Berry says Duke University FCU employees receive daily feedback based on the kiosks, although if an individual receives several negative results, coaching can occur more immediately. Supervisors also discuss results and trends with employees quarterly.

However, like Y-12 FCU, Duke FCU deploys additional tools to manage employee performance. These include reviewing metrics like cash over/short daily (with supervisors initiating a conversation to clarify expectations if there seems to be an issue); quarterly email surveys to members measuring their satisfaction; and a more in-depth, bi-annual survey.

One tactic Duke University FCU no longer uses is secret shoppers. "We liked the standardization of the message to members," Berry says. "However, employees learned who shoppers were based on the questions. We decided to use the kiosks to obtain opinions from all members in the lobby."

Duke FCU employees are rewarded for performance. Those receiving a 95 percent satisfaction rating for the year receive $100. For every point above that percentage, they get an additional $100, with the maximum incentive topping out at $500.

Y-12 FCU uses the aforementioned individual employee "scorecards," reviewed monthly by the direct managers, in determining variable/incentive program payouts, which occur monthly for employees in member-facing roles, Troup says.

"We have a 'minimum' number of points that need to be earned by a branch staff person each month to earn any type of payout. If you do not meet that minimum, the payout equals zero. Our top sales people are earning between 15 to 30 percent of their annual base pay in incentives on an annual basis," Troup explains.

"It's vital to have measurable goals and targets for our teams if we want to have long-term sustained success," he says of the scorecards and other measurements. "Accountability isn't a bad word. And we need to support leaders as we ask them to have true accountability conversations with staff on their performance."

Incentive programs that reward for contribution and collaboration can help foster employee engagement, says Chandler, who recommends that organizations check in

frequently with employees to see if they feel supported in their efforts to grow their careers, if they feel connected to the organization's goals and direction, and if they have a clear understanding of how their efforts will be acknowledged and rewarded.

She also provides the following suggestions for credit unions trying to get a better handle on employee performance management:

- Create an employee-powered and transparent process so employees "understand how to engage, what to expect and how they can influence the outcomes."
- Be future-focused when it comes to goals and discussions, rather than dwelling on past performance. Do this in a way that encourages employees to build from their strengths, bringing more value to the organization.
- Include more voices in the process to counter any biases and gain a broader perspective.
- Empower, rather than police, employees.

"Early in any performance management redesign effort, start with a discussion of the common goals and the importance and meaning of them to your organization," Chandler says. "This early conversation could include your employees, using a variety of engagement techniques. Or, if you prefer to begin the conversation with a smaller team, you might loop employees in as part of your validation process."

At whatever stage a CU decides to involve employees, doing so will not only help them understand where the organization is headed, but will contribute more voices, perspectives and insights, she says. Be sure to revolve the discussions around a defined set of outcomes, what Chandler calls "design principles."

This "will provide a guide for choosing the strategies, methods, tools, cadence and other attributes that will comprise the future solution," she says. "This will also make communicating the intent and expectations of the performance program far easier."

Pamela Mills-Senn *is a freelance writer based in Long Beach, Calif.*

Resources

Read an article about employee performance by Tamra Chandler at *cues.org/0516hranswers*.

Read several articles by Bill Stavros about call centers, including performance management, at *cues.org/billstavros*.

Read more articles about the HappyorNot kiosks at *cues.org/0316chasing*, *cues.org/070715hranswers* and *cues.org/091914happy*.

CUES Learning Tracker is an incredible tool that will help your employees track their professional development. Learn more about this CUES member benefit at *cues.org/clt*.

A Satisfied Staff

With great bosses and benefits, employees love working at Ent Credit Union.

By Kerry Liberman

In our continuing series highlighting the People Perspectives Distinguished Credit Unions of the Year—our credit union clients with the highest satisfaction and engagement averages—we now focus on $4.42 billion/267,583-member Ent Credit Union (*www.ent.com*), with 681 employees in Colorado Springs, Colo.

Of all of our credit union clients that conducted employee engagement and satisfaction surveys with People Perspectives in 2015, Ent CU had one of the highest overall averages for both employee satisfaction and engagement. Ent CU had especially high averages on supervisory satisfaction and on salary and benefits satisfaction, so let's take a look at some of the reasons behind these impressive ratings.

Supervisory Satisfaction

For Ent CU, the elevated supervisory satisfaction averages start at the top. On the 2015 engagement and satisfaction survey, respondents gave high marks to how well-managed Ent CU is.

At Ent CU, the senior managers make themselves visible to staff and strive to keep everyone informed. One way in which they do this is through regular operational visits to the service centers.

The workforce at Ent CU seems to appreciate the "open door policy" for all of the senior managers, in addition to the emphasis that they place on ensuring that all of the Ent CU facilities are well-maintained.

The CU also benefits from having a stable senior management team with a track record of organizational success.

For Ent CU, stability breeds success. Feedback mechanisms like the annual employee engagement and satisfaction survey demonstrate management's desire to hear employee concerns and respond accordingly.

I can attest to this personally. While visiting the credit union's human resources team a couple of years ago, I was able to meet the senior management team together, as they happened to be in a meeting poring over the results of their most recent employee survey to glean information to make the organization even more effective.

Ent CU Takeaways for Other Credit Unions

- **Promote from within whenever possible.**
- **Openly discuss and act on employee concerns as needed.**
- **Recognize the value of employee health and wellness.**
- **Encourage employees to be "community-minded."** Ent CU encourages staff to become active volunteers in the community and grants awards to selected employee organizations.
- **Provide open communication through a variety of channels, both written and verbal.** Ent CU's senior management team specifically reviews employee comments/concerns following the completion of the employee engagement and satisfaction survey and acts on issues that are deemed relevant. All senior department heads meet with their departments to discuss their group survey findings and ask for input to solve issues and create change.

The human resources leaders at Ent Credit Union are Sharie Flanagan, SVP/HR and training, and Bob Walla, director/employment relations and welfare.

According to my Ent CU host, this was a process that would extend over several meetings.

Employees' responses were treated with respect. The senior management group takes information from the employee engagement and satisfaction survey very seriously.

Talent Development

Ent CU also prides itself on its ongoing effort to promote from within and, as such, is able to retain employee talent. Promoted employees know not only the technical and leadership roles they came from but also the culture of the organization.

Because of the credit union's open leadership communication style, employees are aware of Ent CU's longer-term strategic goals as well as its mission and core values. From a professional development standpoint, Ent CU employees who desire to be supervisors are encouraged to participate in a five-week supervisory skills program, developed by the CU.

In addition, managers throughout the organization are selected to participate in an ongoing leadership development program, provided in-house through Ent CU's training and development department. The CU also works closely with the University of Colorado at Colorado Springs in developing an extension of what it is providing internally with leadership development opportunities.

As a side note, Ent CU strives to promote internal candidates whenever possible as part of the credit union's desire to provide growth and opportunity for employees. The CU encourages internal movement within the organization—not only in the form of promotions but also through horizontal movement for those employees looking for new challenges and a broader understanding of the business.

Salary & Benefits Satisfaction

Ent CU annually performs a salary and benefit analysis through a few external resources, including Mountain States Employer Council (*www.msec.org*) and the Hay Job Evaluation System (*www.haygroup.com*), and makes adjustments as needed.

Moreover, the credit union strives to ensure that its employees are aware of their benefits and helps raise awareness of benefits annually through meetings for all employees as well as a comprehensive benefit guide. HR's Benefits and Recruiting Manager Sara Holland has comprehensive knowledge in this area and is readily available to answer any staff questions that may arise.

In addition, all employees receive an annual benefit statement reflecting the value of their individual benefit selections.

The credit union also understands the value of employee health and wellness and demonstrates that importance to its employees through a variety of formal programs.

For example, Ent CU provides a formal wellness program, which includes wellness challenges, "lunch and learn" seminars, regular exercise opportunities and ergonomic breaks. With the ergonomic breaks, employees are encouraged to stretch in an ergonomic manner for five to 10 minutes twice a day, either as a department or as an individual.

Employees are also encouraged to walk during their breaks, and many department managers have walking meetings rather than sit-down meetings. Ergonomic initiatives are even listed in the employee handbook and have a dedicated segment on the Ent CU internal website, complete with videos of appropriate stretching.

Results

Ent CU has been able to demonstrate the impact that employee engagement and satisfaction can have on the workplace. For example, in 2015 Ent CU's membership grew by 7.81 percent and assets grew by 7.83 percent. Moreover, employee turnover remains consistently low throughout the credit union.

Kerry Liberman *is president of People Perspectives, LLC (*www.peopleperspectives.com*), a consulting firm that specializes in conducting employee engagement and satisfaction surveys for credit unions. She can be reached at* kliberman@peopleperspectives.com *or 206.451.4218. You can follow People Perspectives on Facebook at* www.facebook.com/peopleperspectives.

Resources

Read the first two articles in this series: "Employee Engagement & Satisfaction Done Right" at *cues.org/0416employee* and "Happy Boss, Happy Office" at *cues.org/0616happy.*

Read more articles by Kerry Liberman at *cues.org/kerryliberman.*

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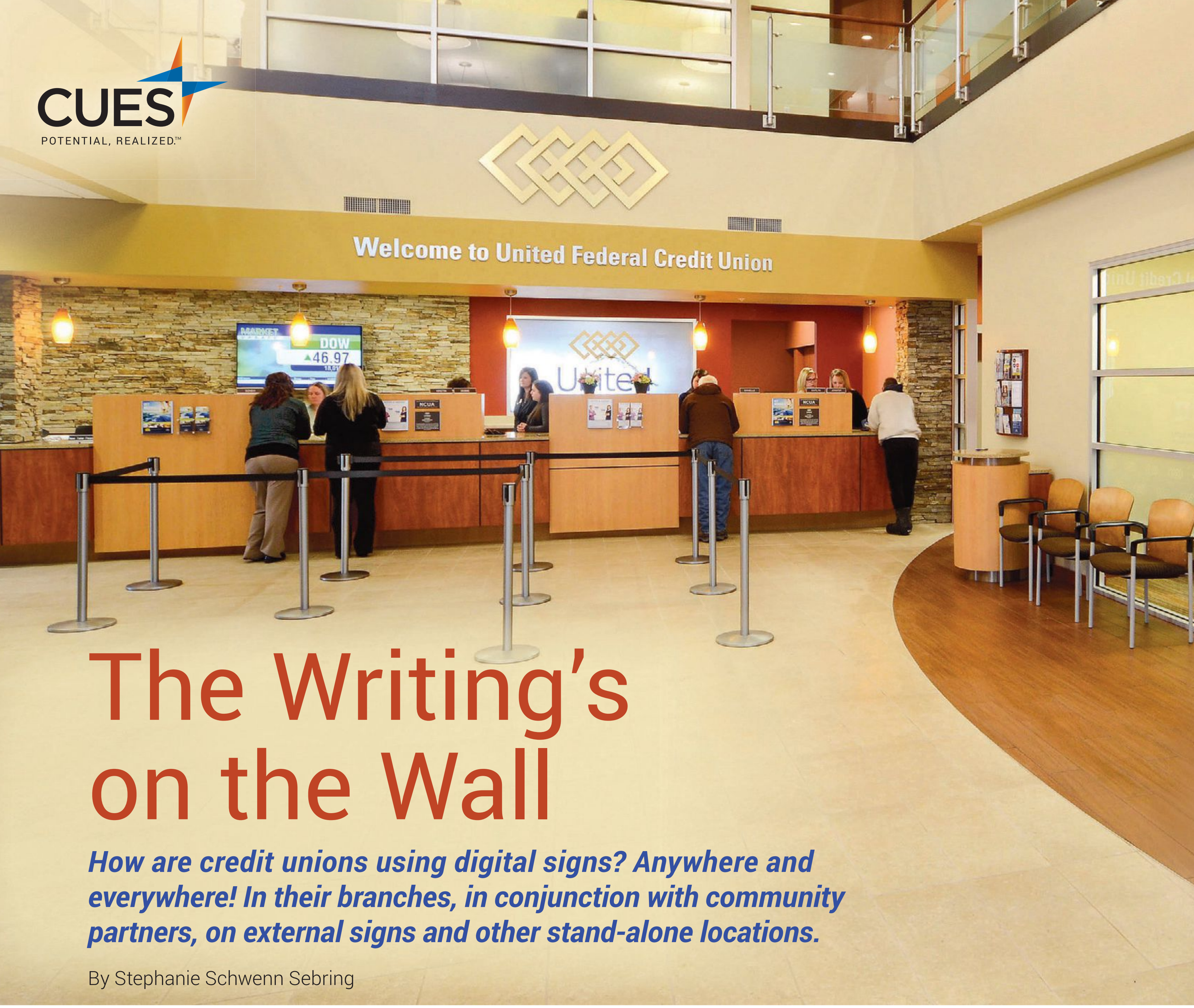


The Writing's on the Wall

How are credit unions using digital signs? Anywhere and everywhere! In their branches, in conjunction with community partners, on external signs and other stand-alone locations.

By Stephanie Schwenn Sebring

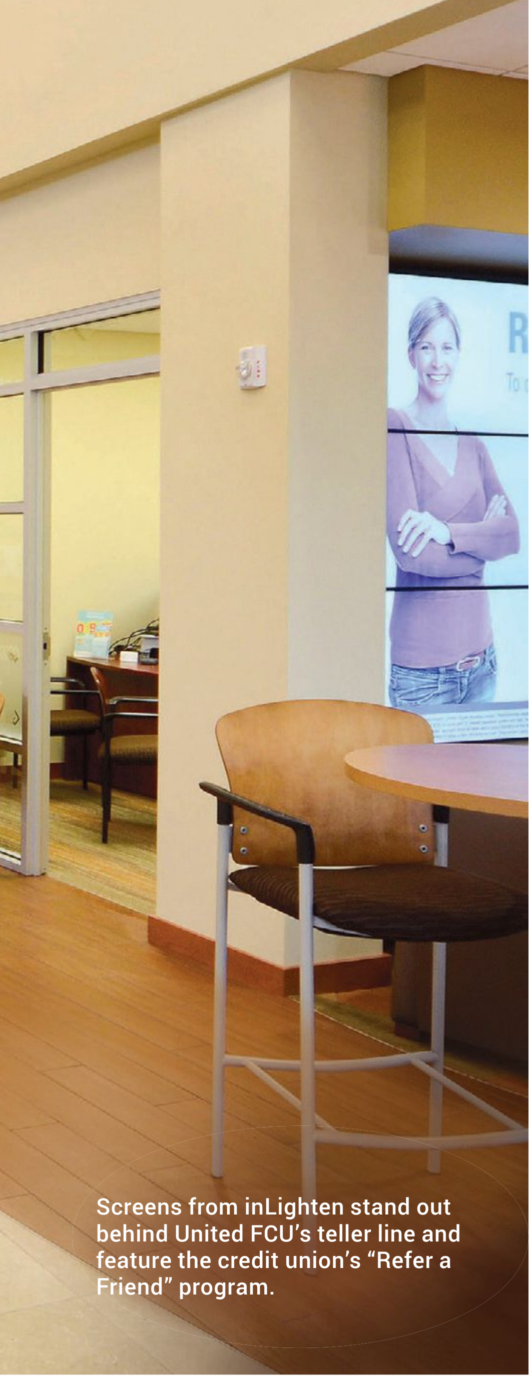
Think of digital signage as one more extension of how a CU can serve its member—another avenue to educate and motivate members with any number of messages.

"Credit unions, because of their exceptional focus on member service, were among the earliest adopters and are today among the most intelligent and competent users of digital signage," says Doug Braun, senior vice president of CUES Supplier member inLighten (*www.inlighten.net*), Clarence, N.Y. "They're using digital signage to engage members, staff and the public."

The most common use is strategically placing digital displays within the branch. "A CU should use placement to capture the greatest aggregated viewing time and deliver the highest number of impressions for messages, including the traditional teller line," says Braun. "But waiting areas, coffee bars and greeter stations also serve as valuable points of engagement."

Today's ultra-bright displays with messaging visible in direct sunlight, both inside the lobby and outside, are now part of CUs' messaging artillery, adding versatility to any size space. The new tablet alternatives offer similar advantages, providing more one-on-one control to the user. iPads and tablets are gaining momentum as online banking "demonstration" screens, lobby queue management systems and even tools to entertain the kids.

Tablets can also complement information delivered originally via a credit union's larger digital signage. "Digital signage creates the awareness, while tablets can deliver the detail or close the sale for product acquisition," explains Braun.



Screens from inLighten stand out behind United FCU's teller line and feature the credit union's "Refer a Friend" program.

United FCU uses many digital formats:

- **Internal digital signage**–The CU has upgraded all its branches using inLighten digital boxes. The system provides such content as real-time stock prices, national weather and top business headlines. The CU also creates static images of promotional campaigns to intersperse with this content and videos intended for use without sound so as not to distract anyone who isn't interested.
- **External signs**–excellent for quick messages, but are dependent on city regulations and not available at all branches.
- **Digital billboards**–part of the marketing mix with the flexibility to change the messaging quickly.
- **ATM displays**–another way to use a digital screen to support current messaging and promotions.

Here, the digital wall features United FCU's boat and RV promotion.

Here, the CU's digital wall features Apple Pay.

Paper is Going Away

A reduction in technology costs is also making it cost-effective for CUs to replace much if not all of their paper merchandising with digital media.

"It saves in production costs and execution time while dramatically increasing member participation," says Braun. It also extends a CU's reach outside the confines of a branch: "CUs have successfully deployed digital signage in sponsor locations, on college campuses, in medical centers—even in governmental facilities—often sharing screen time in exchange for the placement opportunity, creating a win-win relationship with vendors, SEGs or other community partners.

"Today the most robust digital signage solutions available can cost less than the monthly price for basic cable," says Braun. (For more on costs, see p. 33.)

Be Creative *and* Strategic

While many CUs are embracing digital, Jon VanderMeer, president of Kiosk & Display Company (*kioskanddisplay.com*), Atlanta, sees a great divide in the level of sophistication of CUs' digital sign messaging.

"On one side, there are CUs creating unmeaningful, half-branded messages by interns when they 'have time,' often without a plan or schedule," says VanderMeer. "On the other, there are CUs creating meaningful, branded and highly strategic messaging that integrates seamlessly into all media. Most fall somewhere in the middle. The ultimate goal is frequency or repetitive message recognition across multiple channels."

Current promotions, limited time offers and education about core products encompass the primary messaging for most CUs and, when correctly done, deliver the greatest return, adds Braun. He says digital merchandising is often integrated with specialized, high-quality news and information to ensure viewer participation and to build a viewership habit that produces more impressions for the CU's messages than display advertising alone.

Photo courtesy of Codigo:

The above photo features Codigo's large-format, touch-screen kiosk with its client's digital signage in the background. It represents how many of the company's installations look today–not just digital signage but a combination of technologies that work in concert to improve the member experience.

Still, VanderMeer and Braun concur it's the creative messaging that will stand out.

Memorable Messages

"Producing original, clever, animated, eye-catching messages that aren't like the CU down the street is imperative," continues VanderMeer. "It means being thoughtful with the messages you're playing. For example, are your digital lobby screens running forgettable nationwide feeds? Brand-forward CUs show local, relevant and compelling messages that personalize their brand, stimulate roots in the community and keep members' eyes on the screens."

Braun asserts that text-laden, slideshow type of content or simple animations are no longer compelling. "Instead, CUs are finding success with 'slice-of-life,' full-motion video presentations that offer mini-stories members relate to and remember," he says.

Credit unions can also increase the relevance of their onscreen content by incorporating local information resources, such as RSS feeds or Twitter postings, or even by linking to YouTube videos.

"Digital signage provides a platform for credit union advocacy as well as alerting members to security updates, such as PIN card upgrades and Apple Pay availability," maintains Braun. "It can also create awareness of convenience services, such as mobile banking, ATM or remote check deposits."

Bringing Offices to Life

CUES member Lou Ann Schafer, director/advertising and public relations for $2 billion/140,000-member United Federal Credit Union (*www.ufcu.com*), St. Joseph, Mich., says digital advertising has impacted not only her CU's flagship office but all 28 branch offices.

United FCU is an inLighten client, Schafer reports, adding, "We use a large digital wall area (nine screens total, measuring 12 feet by 6 feet) in our flagship office to promote branding and support current promotions. It has brought a large space in our lobby to life." The Redmond Company (*www.theredmondco.com*), Waukesha, Wis., created the wall's original design around branch flow for maximum influence and visibility.

Today, CU-specific messages intertwine among weather, news and current promotions, with United FCU content more heavily weighted. "Our digital signage supports promotions but also provides ongoing news relevant to United FCU, such as our 'Refer a Friend' messaging, educational or other CU-specific news or opportunities," says Schafer.

Schafer explains that part of the challenge when converting to digital is upgrading all the equipment at varying branches. "Every office seems to have its own set of circumstances when it comes to cabling, TVs, space and other unknowns. The best plan is to prepare appropriately and recognize no two offices are alike in design or needs."

With digital, promotional messaging can also stay consistent within every branch or be personalized by region or even individual office. "Since we control the messaging centrally, it makes it much easier for branches to display the correct messages during fixed time parameters," says Schafer. "Not only is paper clutter eliminated, but the messages are stronger with cleaner and more attractive supporting images or video."

External signage can offer particular challenges, and Schafer suggests credit unions be prudent in their messaging in outdoor or offsite advertising. "Compliance needs are different for items that are outside the branch vs. inside, where you can include a tagline of 'Ask for details.' Externally, a passerby can't just ask for details or pick up supporting materials," she explains.

Schafer recommends that CUs avoid advertising rates externally or using "trigger" words. Instead, go for interest and intrigue. "We stay focused on compliance to reduce the potential for risk. External ads can be highly successful without featuring rates in the message," she suggests.

Video and the Power of Puppies

United FCU uses stock video content as well as proprietary visuals. In a recently featured short video, the CU tapped into everyone's love for puppies. "We incorporated the theme of multiplying returns for a certificate promotion this past spring," says Schafer. "It featured a golden retriever showing off her puppies, representing our certificate's 'multiplying returns.' There was no sound with the video, but it had messaging overlaying the graphics. The images of puppies relayed both a positive and memorable message." (View it at *https://youtu.be/ENw-dYeuVVQ*.)

Schafer reiterates that paper and print media are going away. "No branch can have posters everywhere. Lobbies are busy places and can get cluttered; going digital creates a much more seamless experience. It's also one less component for staff to manage. Digital signs are managed centrally by marketing; messages go up and come down on accurate dates. The screens and art are highly attractive, engaging and clean."

Strategic, not Random

Brian Nutt, president of Codigo (*www.gocodigo.com*), Louisville, Ky., agrees that space is limited in the branches and that today signage must contribute strategically.

"Credit unions should forget the 'hang and bang' scenario that uses too little strategy," says Nutt. "With today's analytics and software, digital signage can take on a much more refined role and integrate messages into many marketing channels. CUs are using digital messaging at the MSR desk, with tablets for one-to-one interaction, and at kiosks, including new large-format kiosks that give a tremendous interactive experience, including a bigger screen to display relevant messages."

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[1] 2015 Insurance Barometer Report, Life Happens and LIMRA.
[2] TruStage Insurance Policyholder Analysis, July 2015.

Messages need to be creative and experiential but also reinforce the marketing objectives the credit union is trying to achieve. "Use your signage to support your conversations," Nutt continues. "Your ultimate goal is to elevate the branch experience. Treat digital signage as you would any other credible marketing channel."

He adds that, for sustained viewership, digital signage is not unlike any other marketing medium in that it needs to be fresh to maintain interest. "An opportunity we see clients miss is for employee relations. Because digital signage is flexible, we advocate for its usage to congratulate employees or simply recognize important dates like tenure and birthdays. This gets employees engaged and reinforces the culture of the institution. The screens are in place, so why not utilize them for internal communication before and after hours?"

Nutt stresses that there isn't a gap anymore between how other retailers are using their (digital) signage and financial institutions. "The consumer expects the same technology at their credit union, just like any other retail buying experience. A credit union should integrate digital signage with its on-hold messages, social media channels, website pages and other advertising mediums—which collectively magnify the branch experience. It needs to be the right message, at the right time, at the right place for maximum effectiveness."

Placement and Content

Placement, programming and content freshness are all factors that determine the success of a member's digital experience. "First, no matter how appealing, relevant or fresh the digital signage content, if the screen on which the CU presents the content isn't in the member's field of vision, it runs the risk of going unnoticed," says Braun.

"A CU must consider the display's location so members can easily see the screen during their visit," Braun adds. And because members spend most of their visit at the point of transaction, displays to the side of or behind the tellers may have little impact. Displays placed too high or too low for comfortable, natural viewing can diminish viewership. Displays should also be sizable enough so on-screen content is legible from a distance.

Secondly, content must offer value to build and sustain viewership and aggregate impressions. "CUs that present only promotional content or announcements ignore the terms under which consumers are willing to encounter advertising," says Braun. "Instead, CUs must provide rich, relevant and appealing content they find valuable and entertaining."

> "The exchange of information valued by the member in return for their willingness to pay attention to a credit union's message is an equation vital to the success of digital signage."
>
> Doug Braun

He stresses that the TV on a CU's wall is no different from the TV in a consumer's home, where "commercials" are the price to watch a favorite football team, sitcom or late-night talk show. Regularly updated content is also critical so that product and service messages do not lose their appeal.

Can ROI be Measured?

Return on investment for digital signage is measured differently for each industry. "For example, CUs differ from [quick service restaurants], where a direct impact of sales uplift can be measured due to menu price changes or promotions," notes Nutt. "In the branch space, digital signage is one component of many to close a loan or bring in new deposits. Codigo helps CUs measure success based on Net Promoter Score vs. locations without screens as well as experience indicators and member feedback, but the direct tie to sales can be less clear than in other industries."

VanderMeer concurs that attributing ROI specifically to digital signage can be difficult because of the many factors in a retail setting. "However, whatever metrics you use, implement a baseline before measuring the lift you receive from a digital messaging system. Are you trying to increase product penetration? Is the goal to sell more products during a promotional period? Are you trying to drive traffic to other sales channels? Or emphasize your role in the community? The conversation isn't about ROI for the whole system, but rather achieving specific goals that are critical to success."

Conversely, Braun believes a CU *can* measure ROI: "One of the most effective ways to evaluate the success of a CU's digital signage is by member surveys at locations where screens are highly visible and service and wait times can be captured," he says. Carefully developed surveys can assess viewing times, ad recall and incidences of member inquiry related to information they've seen on screen. Time studies can also be conducted to evaluate the impact of digital signage engagement on service quality and member satisfaction perceptions.

A Final Word

Like any professional marketing channel, digital signs should be treated with thoughtfulness and strategic insight. "If that's not possible, delay the project until you can give it the resources it needs," concludes VanderMeer. "Vendors can bridge that gap. Seek demonstrations from a variety of suppliers before choosing a multichannel messaging partner. And just because an intern can update the messaging, doesn't always mean they should."

Stephanie Schwenn Sebring *established and managed the marketing departments for three credit unions and served in mentorship roles before launching her business. As owner of Fab Prose & Professional Writing, she assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter @fabprose.

Resources

Read more articles about digital signs on p. 32 and more about branches at *cues.org/0516facilitysolutions and cues.org/0416facilitysolutions*.

Send your marketing team to CUES School of Member Experience™ (*cues.org/some*), Sept. 26-27 in Charleston, S.C.

Taking Digital to the Next Level

How Peach State Federal Credit Union gets the most out of its lobby screens across its 12 branches.

By Stephanie Schwenn Sebring

For $312 million/43,800-member Peach State Federal Credit Union (*www.peachstatefcu.org*), Lawrenceville, Ga.,offering an exceptional digital sign experience for members is a priority.

Front and center is an attractive lobby loop on screen near the teller counter, with local, branded and community-driven messaging tailored for the credit union's different locations and markets.

Lobby merchandising and treatment of screens are highly professional at all the credit union's locations, which includes digital screen advertising in all 12 branches within eight different counties.

The select employer group-based credit union works with Kiosk & Display Company (*kioskanddisplay.com*), Atlanta, to ensure every office is unique in its messaging and signage goals

Customized by Branch

Kristen Patton, SVP/marketing for Peach State FCU, explains that each branch features a customized message that includes a digital welcome by the manager. The screen includes the manager's name and photo.

"The loop is personalized for an individual branch's service area and may include special events, Facebook feeds for a particular SEG or school, or a unique message to SEG employees," says Patton.

For example, another screen welcomed members who work at Gwinnett County Public Schools, one of the credit union's SEGs.

The credit union keeps content fresh and relevant by varying the messages. It has featured motivational quotes, information about charity drives, financial education "Smart Tips" (such has how to save on gym fees and heating costs) and promotions for the credit union.

View a sample of Peach State FCU's video loop at *http://tinyurl.com/peachstate-screens*. Each loop ranges from two to five minutes, which may vary by branch and member wait time.

The CU also capitalizes on its ability to animate the content.

"For example, clouds may roll in, cars move along the highway or lights twinkle," says Patton. "Dynamic graphics keep members engaged and even entertained as they wait, while

Photo above: Peach State Federal Credit Union, Atlanta, has taken digital signage to the next level, focusing on community messages and highly branded merchandising. The community-driven lobby loop reinforces the credit union's brand. The merchandising "surround" elevates the member's lobby experience and demonstrates the credit union's brand execution.

we convey our brand and promotional messages," she adds.

Tidy Desks

For a heightened digital experience, the credit union is currently adding small desktop units the size of an iPad to its branch manager and member service representative desks.

"These (screens) will reinforce the messages on the larger lobby displays, assist with cross-selling and give the member the opportunity to touch the screen to retrieve campaign or product detail," explains Patton.

The displays will contain only static images but will include a range of marketing and compliance information, enabling the credit union to remove some of the required notices that can clutter a desk.

Patton notes that with any digital sign format, the credit union has a captive audience.

"Having engaging content shows that the credit union is keeping up with technology," she says. "For us, it provides a way to showcase quarterly promotions and financial education, and personalize the branch experience for each member."

Stephanie Schwenn Sebring *established and managed the marketing departments for three credit unions and served in mentorship roles before launching her business. As owner of Fab Prose & Professional Writing, she assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on* Twitter: @fabprose.

The Peach State FCU's successful "Goldilocks" Cash Back campaign worked exceptionally well with its digital signage.

Resources

Read "The Writing's on the Wall," p. 26, for more about digital signage strategy.

Send your marketing team to CUES School of Member Experience™ (*cues.org/some*), Sept. 26-27 in Charleston, S.C.

Read more articles about credit union branches at *cues.org/0516facilitysolutions*, *cues.org/0416facilitysolutions* and *cues.org/0316facilitysolutions*.

But What Does it Cost?

Digital signage does not have to cost a lot of money.

Kiosk & Display Company (*kioskanddisplay.com*), Atlanta, offers complete digital signage programs for $550-$3,000 per branch, depending on screen size, number of locations, content zones, local wiring requirements and other factors. Additionally, iPads and tablets are gaining meaningful purpose as online banking demonstration screens, lobby queue management systems and even a place to keep the kids busy while mom or dad sign the mortgage paperwork. So they can add to the overall cost of the program but also increase the scope of screens in branches.

"The exponential growth in digital signage installations is a direct result of the lower cost of both displays and the technology that powers them," explains Doug Braun, senior vice president of CUES Supplier member inLighten (*www.inlighten.net*), Clarence, N.Y. "Today, flat screen TVs are a fraction of the cost they were as little as five years ago, and they've gotten lighter and more reliable as well. Corresponding advances in the digital media players used to deliver content to screens has also made it possible to present higher-quality content and integrate an ever-increasing variety of video, graphics, web content and social media sources that can be combined into dynamic presentations that can be revised and updated more easily than ever. Where once cable TV was seen as a less costly alternative to a customizable digital signage solution, today the most robust digital signage solutions available oftentimes cost less than the monthly price for basic cable."

A Spectrum of Branch Risks

The potential problems are varied, and credit unions can leverage a range of strategies to mitigate them.

By Keith Loria

Branch risk can be defined in two big sections: big-picture risk and practical risk, says John W. Hyche, SVP/principal of Level 5 (*www.level5.com*), Atlanta. And each of these big slices contains a million and one details that could be considered.

On the macro level, Hyche says, a risk could be whether CUs should put branches in particular locations in the first place, and if there's enough opportunity in those markets to make the investment pay off.

"They must ask themselves, 'Is my investment in brick and mortar going to help me or hurt me?' What we help our clients do to mitigate that risk is to develop the business case for the investment," Hyche says. "That entails some detailed investigation of the market, including a view of the local demography, competition and the credit union's membership.

"While the statistics help frame the opportunity, a good understanding of local trends is also needed. This includes traffic counts; road improvement projects; residential, retail, and commercial development; etc. Ultimately, the business case has to be rooted in this local information to be relevant and lead to the best decision."

Hyche says making sure a new branch delivers a return comes down to member engagement and doing what you can to enter the market with a splash. That's when marketing and community involvement come to the fore.

On a micro level, security is supported by installing security cameras, alarms and panic buttons, according to Hyche.

"No one wants to risk life and limb in going to work, so we work with our clients and their protocols in how much or how little security they prefer," he says. "In an open environment, bullet-resistant glass does not have a home—same thing for armed guards. In this less-than-traditional (open) environment, people don't know where to wave

the gun because it's not like anything they have seen before." (Read more about open branch design and security at *cues.org/0813facilitysolutions*.)

Owen Wild, global marketing director for financial services security solutions at NCR Corp. (*www.ncr.com*), Duluth, Ga., notes that there is no single solution or one-size-fits-all answer for an effective branch security strategy.

"This is true for branch security and equally true for ATM security," he says. "The best defense comes from the deployment of a layered solution strategy aligned with the top attack vectors."

At the ATM, these vectors include PIN shields and anti-eavesdropping kits to combat card skimming; increased signature verification to block deposit fraud; and card reader upgrades for better EMV compliance.

Proper risk prioritization is key to risk mitigation, Wild adds. He notes that credit unions must balance the need for solutions with the need to show a return on those investments—but also take action before there is an attack.

Managing Branch Risk

Christine L. Petro knows that having widespread branches can help mitigate the risks associated with natural disaster.

Tyco Federal Credit Union had, for all intents and purposes, a single sponsor in Tyco International when Petro first took the helm as CEO/president in 1992. When Tyco started divesting and spinning off separate companies for its various business units, the CU eventually had nine sponsors. (In time, the institution was renamed Reach Credit Union and, in April, merged with $943 million Xceed Financial Credit Union (*www.xfcu.org*), El Segundo, Calif., of which Petro is now senior vice president.)

"Our first other facility was in a separate location in North Carolina," says the CUES member. "Then we started placing personal bankers in SEG locations all over the country. What we discovered is that it was great risk mitigation with our headquarters being in California in earthquake country and our other (location) being on the outskirts of hurricane country.

"We set it up so we had redundancy," Petro explains. "Our data center and remote employees were all able to dial in to the same server, and every single employee had a laptop and Internet phone so, no matter what, everybody was able to work."

CUES member Bill Martin, general manager of Pittsford Federal Credit Union (*www.pittsfordfcu.org*), Pittsford, N.Y., says his CU's preferred branch risk mitigation efforts include security training, not dispensing cash and installing plenty of cameras.

To make sure that its entire team is prepared for unexpected occurrences, the $371 million CU brings in a local sheriff each year to talk with staff about security and what to do in the event of a robbery.

"It's a helpful reminder to all that we do deal with the threat of robbery and the possibility of having to deal with an active shooter," Martin says. "We are all reminded not to be heroes. Money can be replaced, but not lives.

"We also learned about the three potential actions to consider when dealing with an active shooter. The first option is to run, then hide if unable to run and, as a last resort, fight." (Also read "Active Shooter Response Planning" at *cues.org/0616activeshooter.*)

In addition, both of the CU's branches are cashless. Members can still deposit cash at the teller counter, and ATMs are available if they need to make a withdrawal. Minimizing the cash in tellers' drawers provides several benefits to Pittsford FCU.

"By not dispensing cash, our transaction volume is reduced considerably, and we're able to spend more time on each member interaction," Martin says. "We do not experience heavy branch traffic on traditional paydays and (at) the beginning of the month when government payments are made. As a result, our drawer variances are microscopic when compared to other institutions that dispense currency."

The fact that the CU's branches don't handle cash is well known, which Martin believes is also a deterrent against robberies.

"I'm told that when somebody robs a bank, they're familiar with it, either because they have been there before or 'cased' the joint," he says. "So they would know we have little to no cash on hand. It's our theory, and we've never been robbed."

For Martin, branch security can also be helped by some good old-fashioned member service. "Make early eye contact and greet the member as soon as they enter the branch," he says. "Offer to help as quickly as possible and get to know the member as much as they allow."

This idea is supported by the research behind the SafeCatch program, a branch security protocol the FBI helped develop. Read more about it at *cues.org/setyourthreshold* and *http://tinyurl.com/fbisafecatch.*

Security cameras can be useful in dealing with more subtle crimes than robbery, Martin notes.

"The branch cameras are helpful when we need to go back and look at questionable activity or an actual occurrence of fraud," he says. "We have recently installed state-of-the-art digital cameras that produce very clear images and can be easily reviewed, unlike the old VHS-style tapes."

Branch ATM Security

Most branches boast an ATM, so securing the machines becomes yet another consideration in branch risk mitigation.

"For far too many years, to reduce costs, security has played a minor role in the purchasing decision of ATMs," Wild says. "With the increase in criminal attacks on ATMs, and pressure from industry bodies such as PCI (read more about this at *cues.org/082814oncompliance*) and EMV, (focusing on) security and compliance is no longer optional," Wild says.

Attacks can occur both on ATMs that are accessed from the front and from the rear. Wild suggests credit unions secure their ATMs by considering the environment, and scaling the physical security protecting the ATM accordingly.

In particular, he recommends upgrading ATM cabinet locks; using an alarm that will sound when the top of the machine is opened; and having periodic checks for holes in the fascia of the ATM, or in the vicinity of the keyboard.

"Customers need to look at their environment and the areas where they face the most risk. Once they have done this, proactivity is key," Wild says.

Keith Loria *is a freelance writer based in Virginia.*

Resources

Also read "The Convenience/Security Tradeoff" at *cues.org/0616convenience*, "Security, Inside and Out" at *cues.org/1015security,* and "Set Your Threshold" at *cues.org/setyourthreshold.*

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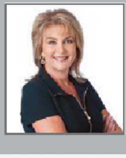

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The New Earnings Model

While growing and offering the better deal to members, CUs still have lost market share to banks. What's up with that?

By Eric Weikart and Sam Kilmer

It might be surprising just how much traction efficiency, sales and advanced marketing methods are gaining at credit unions, since they are non-profits. Recent research of CU chief executive officers conducted by Cornerstone Advisors (*http://tinyurl.com/cstonewhatsgoingon*) found that the concerns that grew the most over the past year were 1) efficiency and 2) non-interest expense management. At the same time, CUs' growth focus areas were improved sales and marketing methods, expanded online presence, and mergers and acquisitions.

For years, the CU earnings model has been based largely on compliance-safe cost management and lending margins supported by branch-generated deposits from accounts that also generate fee income. This model created natural loan concentrations (around areas of known strength) and, as delivery shifted to digital, an over-reliance on incidental branch traffic. It left CUs with the regulatory pinch of a compliance expense burden and (likely) soon-to-be-at-risk interchange income (Read more about the July 1 card settlement reversal at *http://tinyurl.com/cucardreversal*). And then along came the margin squeeze brought on largely by competitive pressures.

CUs have rightly celebrated significant industry growth, but the brutal truth is, as the market grew over the past five years, large banks grew faster than CUs in both assets and deposits. And big banks accomplished stronger growth through a combination of prices less advantageous to customers, more convenient delivery and aggressive marketing. Reality check: Credit unions have grown, but they lost deposit market share to big banks that grew asset market at a much greater pace—all while CUs offered what amounts to a better deal. What's up with that?

Out With the Old Model

In the "new earnings model," sales, marketing and service converge around each delivery channel, and the traffic is increasingly remote for most. High performance is about revenue growth and scalable, engineered processes—from discovery and onboarding through experience and advocacy. It includes instilling accountability in all employees through the deployment of balanced scorecards that incorporate productivity, risk, member service and convenience. It's about learning from the past and adopting industry best practices.

As any indirect lending manager can attest, engineering process for a member who is not present takes hard, advance design work and discipline. What is changing is that the discipline for indirect lending now has to be extended to other direct processes in the CU where there has traditionally been constant human intervention. For example, CUs will want to figure out how to automate decisioning and communication of a direct loan approval and next actions (such as loan fulfillment or cross-sell) in a web/mobile/automated voice format.

Risk Management vs. Elimination

As sales and service converge, it is critical that credit unions invest in efficient operational processes, while at the same time focusing on member engagement. Too many credit unions only look at internal processes or risk when implementing technology rather than designing processes around the member.

For example, releasing a new mobile remote deposit capture system that doesn't provide real-time risk-based funds availability would probably never have happened if the functionality was assessed with the member in mind. Managing risk plays a factor, but too many credit unions start the conversation around eliminating risk versus managing it.

Recent research from Cornerstone found that the typical credit union *overspends* more on compliance than it allots to its *entire* marketing efforts. Competitive pressures no longer tolerate such risk over-allocations from the old earnings model. The new earnings model is about growth and engagement—not about eliminating risk.

Engineering Over Energy

Research and recent process work confirm significant systematic changes are under

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Our experienced team and full range of solutions will help your business navigate technology to change how work gets done and ensure that you are compliant.

Credit unions today face a daunting task: How do they stop working for their IT and make IT work for them? They need a system that will support the needs of the CU membership and staff. The network needs to operate with high up-time, operate securely and do so within NCUA compliance. All of this needs to be done within a budget and without impact to the membership. How do they do it? Our clients follow the Horsetail Way and shift their CU from reactive to PROACTIVE.

The philosophy is simple, but the execution is complex. Horsetail has invested in the staff and tools to support credit unions in this effort. Each credit union that we work with undergoes a full network assessment. The assessment deliverable is a series of documents that identify the current state of all IT-related systems. This provides a GAP analysis complete with the signature IT strategic roadmap.

way. CUs' growth focus is shifting from operational core and payments systems toward member-facing systems typically managed by individual lines of business. Origination, member relationship management and digital banking systems are being replaced at twice the rate of transactional core and payments systems. And a look behind the scenes of most mobile and online system selection processes reveals that the drivers of decision-making are increasingly about engagement and content management rather than anything transactional. In most cases, interactional systems are now being used across multiple functional areas and with an effort to harness analytics across the entire credit union. There may have been a time when "silo busting" was feel-good talk, but new system projects alone are knocking down remaining walls.

Designed Engagement

Three stresses are causing the old earnings model to break: 1) over-reliance on inbound branch traffic, 2) lack of overall revenue leadership, and 3) product ownership.

The inbound branch traffic decline is acute, often masked, and routinely talked down. While some credit union execs and industry pundits report unchanged or only lightly diminished branch traffic, the industry has been rocking a 3 to 4 percent member growth rate. Many large credit unions have much higher growth rates. So, branch traffic can seem the same, but the incidental walk-in opportunities generated relative to the size of membership are actually declining. And, it will further erode as experience improvement efforts streamline processes.

Process experts are finding a certain amount of branch traffic has been forced onto members because some processes can only be fulfilled in the branch (and needlessly so). For the record, we didn't say the branch is going away or has no value. But no matter how many outbound calls or digital apps set branch appointments, only a small number of people really need to go to the branch—and those visits are for a diminishing number of needs.

Engagement and dialogue are shifting to mobile, contact center and outreach in our banking lives just as they are in the rest of our commercial lives. The processes of discovery, onboarding, experience and advocacy need to be re-engineered—from the time a member searches for a house, a car, money management, a financial advisor or (yes) a bank, all the way through engaging to improve their lives after they've added four or five services over the years with the credit union.

Where and how do we meet members *where they are* and as they come to know what they need—or even before that? There are processes and systems to lead this, but the work is an in-the-trenches, process-intensive ground campaign, not a from-the-clouds, "omni-channel" air campaign.

Decentralized revenue and lacking product leadership in credit unions are increasingly stressful under the old earnings model because of the need for top-line growth and improved competitiveness. While enterprise cost ownership typically rests with the chief financial officer, and the chief lending officer naturally leads loan revenue and products, there is less clarity in areas like payments and deposits. Newer marketing methods and systems for revenue generation require accountability, discipline and new metrics across the shop. Either someone on the executive leadership team signs up for moving the needle on increasing overall product opportunities from the entire sales and marketing process, or it simply doesn't get done.

Now Every Company is a Tech Company

Nike releases mobile apps to improve the value of its shoes. John Deere releases tablet apps to improve the value of its tractors. GM invests in Lyft (*www.lyft.com*) because ride-sharing tech influences its cars. And say what you want about the big banks, but Chase and Wells Fargo have some impressive delivery technology. According to JD Power (*www.jdpower.com*), mobile app development at the big behemoth banks led directly to their closing the customer satisfaction gap with smaller banks—all while having less attractive prices than credit unions.

In the old earnings model, cost and lower integration risk were the most common drivers of technology vendor usage for credit unions. With new top-line and competitiveness pressures, credit unions are pushing their vendors to new stress points. Many credit unions are deploying solutions outside of the banking vendor ecosystem, building their own apps internally or cobbling together vendor solutions with in-house built or underwritten apps in all new ways.

Meanwhile, the solutions are increasingly being used across the entire credit union. The new earnings model requires a different approach to vendor performance management, incorporating risk but factoring in cost and benefit assessments with organizational accountability and oversight. Risk, technology and compliance executives may be solid assessors of vendor risk, but CFOs and line-of-business leaders are the right assessors of vendor cost and vendor benefit, respectively.

Keeping Score

Some of the financial, member satisfaction and operating measures of the old earnings model still apply, but new measures are needed. Given the pressures of both competitors and consumer expectations, measures of online engagement and turnaround time are paramount. The delivery shift calls for measurements like branch revenue per square foot, web/mobile lead generation, interchange-per-card and resource redirects from reactive administrative and compliance costs toward delivery outreach investments.

Being efficient instead of busy will grow in urgency, and instilling accountability in managers to produce new results is an integral part of the new earnings model. The efficiency pressures will increase not only as a result of the continued regulatory onslaught, but because members increasingly demand fast (and digital) turnaround on product decisions and service fulfillment even more than they have come to expect attractive prices or courteous, in-person service.

Eric Weikart *is a managing director and* Sam Kilmer *is a senior director with CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*).*

Resources

Read more about omnichannel delivery metrics in the free article at *cues.org/0316measuring*. Also read more from Cornerstone about balanced scorecards at *cues.org/0615equilibrium*.

Butch Leonardson of Cornerstone Advisors will lead School of IT Leadership (*cues.org/soitl*), Sept. 27-29 in Charleston, S.C.

Cornerstone Advisors (*cues.org/cornerstone*) is CUES' strategic provider of strategic technology and enterprise risk management consulting.

Timing the Leap

Many boards want their CUs to be fast followers on new products and services. But make sure tech investments line up with overall strategy.

By Richard H. Gamble

Introducing technology-based financial products and services is like hopping between big boulders. Timing is everything, and those who miss will likely get some bruises. Leaders often aspire to be "fast followers," but just how fast to move can be a tricky call.

Boards can support success by staying abreast of changes in the technology marketplace, and seeing that the strategic plan aligns with the CU's overall appetite for innovation and risk.

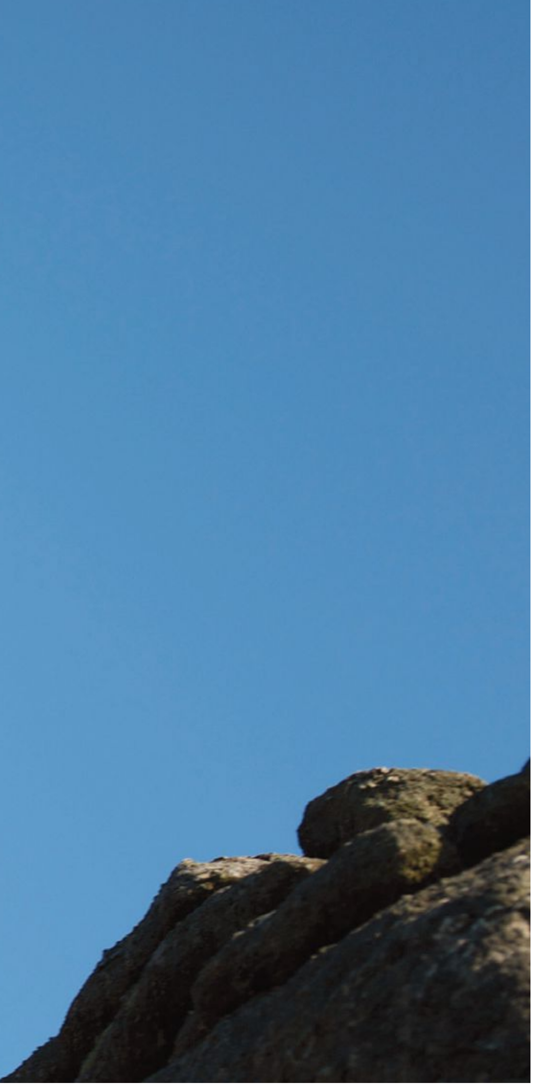
As a practical matter, "fast follower" often means being among the first CUs to sign up for a new product or service once their core or card processor has developed, tested and made it available. Some CUs even seek to get involved at the testing stage. Processors usually wait for significant demand before they invest heavily in development, which could leave progressive institutions a bit ahead of other CUs, but well behind market innovators.

But waiting wasn't the right option for Tech Credit Union (*www.techcu.com*), San Jose, Calif. "We needed a good mobile banking app before our core processor had one," recalls CEO Todd Harris, "so we went with a third party and integrated it with our core. Now the core processor has a good mobile banking app offering."

Moving mobile vendors would not be worth the resources, so the $2 billion CU stills uses the core system from Symitar, a division of Jack Henry & Associates (*www.symitar.com*), San Diego, and the mobile banking solution from Jwaala (*www.jwaala.com*), Austin, Texas.

"In the Silicon Valley, we can't always wait for our core provider to invent new features," Harris explains. "We have competitors here that are ahead of our core provider. There are maybe 20 credit unions that are impatient to move ahead, and a processor could have a clientele of 600-plus CUs, so our needs are not necessarily their top priority. But we have conversations with them about where the market is heading, and we offer to help lead them into new products the rest of their clients will be wanting down the road. Often they are receptive and appreciate the dialogue."

Tech CU works closely with its board, which regularly advises on timing. "They sometimes prod us to move faster and sometimes caution us to move slower," Harris notes. He has good reason to listen to his board because they're Silicon Valley business leaders, many of them in the technology business. Board input mostly comes when the technology committee presents its annual tech roadmap at a board meeting.



So when does Tech CU *not* invest in new technology? Harris points to desktop video conferencing. "We think it's a great technology, and we have it in our branches," he explains. But "we think that mobile (phone or tablet) will leapfrog desktop and that desktop will become obsolete pretty soon, so we chose not to offer it, even though some of our competitors do."

Technology is heralded as the means to greater operating efficiency and the differentiator that helps CUs attract new members and grow their business, but does it really improve the bottom line? Not always right away, Harris suggests. "We've invested a lot of money in technology," he says. "We knew it would hurt our ROA in the short run, but we're not a public company that has to make quarterly earnings forecasts and deal with questions from investors and analysts, so we can take the long-term view.

"We thought the benefits from these investments would come, and now they're starting to. We think we've reached the point where growth will offset continued investment in technology and our ROA will stabilize. We saw a nice pick-up in growth in the second half of 2015, and it's continuing this year. We're now growing membership at 4 to 5 percent a year, after slower growth in previous years."

Slowed by Vendors

At CUs less able than Tech CU to design workarounds, vendor readiness can be a big factor in how fast a CU can follow, says Les Wallace, president of Signature Resources (*www.signatureresources.com*) in Aurora, Colo.

Changing a CU's core to get better technology add-ons is usually not practical, Wallace notes. "It's risky and a hard change to make, one that can take 18 months," which can defeat the purpose of being a fast follower, he observes.

That's why it's important to make vendors, especially those who provide your core banking systems, strategic partners instead of just vendors. Staff needs to make sure vendors know their concerns, what they need and when they need it," Wallace says. "They'll listen. [Your CU is] one voice telling them what the market wants."

As Harris suggests, there are now passing lanes on the technology innovation highway that allow CUs to get around slower vendors. One accelerator is more flexible technology, notes JP Nicols, innovation expert, chairman of Next Money (*https://nextmoney.org*) and a speaker at Execu/Net™ (*cues.org/en*) slated for Aug. 28-31 near Yellowstone National Park.

"We're moving to a plug-and-play world," he points out. "It's possible now to buy pieces that talk to each other without waiting for a vendor to put together an integrated package."

Another accelerator is marketing. "Many of today's financial technology companies would love to partner with a credit union," Nicols says. Most fintechs will sell their technology under a white label. The fintech company powers it, but CU members see it as their CU's product, he explains.

Gene Blishen, general manager of $43 million Mt. Lehman Credit Union (*www.mtlehman.com*), Mt. Lehman, British Columbia, thinks timing doesn't have to depend on vendors. When most financial institution heads saw the Internet coming, they turned to technology outsourcing. Mt. Lehman CU, on the other hand, "brought it all in house," he explains.

"Now, when we want a product, we build it. When we want a report, we run it. We don't request it from a processor and wait. We're not trying to be a technology leader or a fast follower or a slow follower. We don't see ourselves as part of a crowd. We control our choices. We look at what would help our members, and then we look for the best technology to get the job done."

The board set the strategy from the start. "Without the board's endorsement and understanding, I don't know if any of what we did would have happened," Blishen says. "They saw the possibilities of how technology could become a major component in the marketplace as well as our operation and wanted to make sure we would not be left behind.

"The key components of the strategy were to be vigilant in knowing what was happening, educating ourselves about the technology and knowing our limits, strengths and possibilities," he adds. "For example, when Apple introduced the iPhone years ago, we had a programmer and operations person present to understand what that device would mean to our business. We could get past the hype and stay focused on what we could do."

All this technological independence makes Mt. Lehman CU quirky, but quirky is good because it is the smallest CU in its market and can't run on economies of scale. "Two of the largest CUs in Canada are just steps from our front door," he notes. "We can't offer the lowest loan rates or free checking. It would be suicidal for us to try to match them."

But Mt. Lehman CU *can* run on economies of ownership, Blishen insists. "Once you create something digital, if you own it, you can use it forever for next to nothing. With a vendor, you pay ongoing fees that perpetuate overhead."

Not many credit unions try to follow the Mt. Lehman CU's example, Blishen concedes. "We have a niche model. Some CUs are interested, and we'll share our codes, but they're tied to legacy systems. It would be too disruptive now for them to change."

Finding the Sweet Spot

Ambitious CUs have come close to mastering what could be called Fast Following 1.0. They're not too fast, not too slow. The "sweet spot" for CUs seeking to offer technology-based products is "north of infancy and south of maturation on the bell curve," observes consultant Sabeh F. Samaha, president/CEO of Samaha & Associates Inc. (*www.ssamaha.com*), Chino Hills, Calif.

Some CUs follow too quickly when they listen to market or vendor hype or possibly to their own ambitious tech crew, Samaha reports. That happened to some CUs that jumped on the customer relationship management software bandwagon a decade ago and got mired in complicated, expensive deployments, he explains.

There are pitfalls to moving quickly, Wallace agrees. Once a technology has been tested and found reliable, being among the first CUs in your market to offer it to members still may not be the best course.

"Technology is expensive, especially when it is fresh and new," he points out. If you wait, it will probably get cheaper, he says, and more members may sign up for it because they've heard good things about it. But waiting also means you reduce your chance to distinguish yourself from your competitors and have less to attract prospective members who are early adopters. "It's a classic trade-off," he notes.

Too slow is a more common, more serious problem, many experts insist. For many progressive CUs, the goal has been to move quickly to embrace best practices once the marketplace has had time to sort out what are best practices, Nicols explains. That strategy gets riskier "when the world is changing under your feet," he observes. Now CUs are having to act differently.

Financial services once were a pretty standard set of relatively safe products and services, he points out. There wasn't really a threat of substitution. "Now a normal person can get along without ... a traditional financial institution," he says. "They can do it all with apps."

$14.5 billion BECU (*www.becu.org*), Seattle, has moved ahead and accelerated decision-making around product adoption.

"The old, formal model of doing research, issuing an RFP and watching demos is just too slow for today," explains Ken Myhra, director of payments. "It has to be streamlined or it will just put you further behind." So BECU developed a new model and set of strategic objectives, and now runs a prospective product or service through its new model to get a "Go," "Stop," or "Look Further" verdict in just a day or two, he says.

But that doesn't mean the timing is always perfect. After being a leader in online P2P payments, the CU held back on mobile P2P because elements of the technology seemed immature. "There was so much uncertainty about which way mobile payments would go that we were afraid we'd pick the wrong solution and have to do our product over," notes CUES member Howie Wu, CSE, BECU's VP/digital solutions.

"Then things moved quicker than we expected, and we were a bit behind where we like to be. It's common today to have to redo a product in months instead of years. A potential redo is less reason to wait now."

BECU moved a little too quickly, he says in hindsight, to introduce image ATMs in 2006. "We were among the very first to go to all-image ATMs," Wu recalls, "and the vendors were still working the bugs out of their equipment, so we didn't get top performance at first."

Devastating Attrition

CUs need to continue to advance quickly, some critics charge, because they are still falling behind, almost across the board. That's the opinion of consultant Richard K. Crone, head of Crone Consulting LLC (*www.croneconsulting.com),* San Carlos, Calif. Mobile remote deposit capture is a glaring example, he says.

"When USAA introduced it, Chase promoted it heavily, and every time they ran their ad, they opened 10,000 new accounts, mostly for millennials, mostly coming from credit unions," he reports, noting that, at the height of the Chase promotion in 2014, about 94 percent of CUs still did not offer the service.

"That caused the single biggest attrition event in financial institution history," he asserts. "After fees, mobile is the most cited reason people change financial institutions (according to a 2013 AlixPartners study, *http://tinyurl.com/alixstudy*). CUs lost a big chunk of their youngest members, and it won't be easy to get them back. It was a devastating blow."

The challenge is not changing tactics but culture, and here directors who understand technology and how the popular culture is embracing mobile and digital technology can help. They can suggest consultants. They can advocate forward-looking staffing practices. In some cases, they can change top management.

In the end, look to your strategic plan to determine how fast you should follow, Wallace insists. "If your strategy is to build market share and attract younger members, you need to be a fast follower," he explains. The next biggest factor should be your risk tolerance and your willingness and capacity to support failure, he says. Both are fundamental, strategic foundations for decision-making. Only then should staff put tactical considerations—such as a price break, your competitors' marketing strategy, a sales pitch from your IT vendor, presentations from a trade show—into play.

Richard H. Gamble *is a freelance writer based in Colorado.*

Resources

Get a rundown of "nonsense" associated with claims about being a fast-follower in a post by Ron Shevlin on The Financial Brand blog at *http://tinyurl.com/ffnonsense.* Shevlin is director/research with CUES Supplier member and strategic provider, Cornerstone Advisors Inc. (*cues.org/cornerstone*).

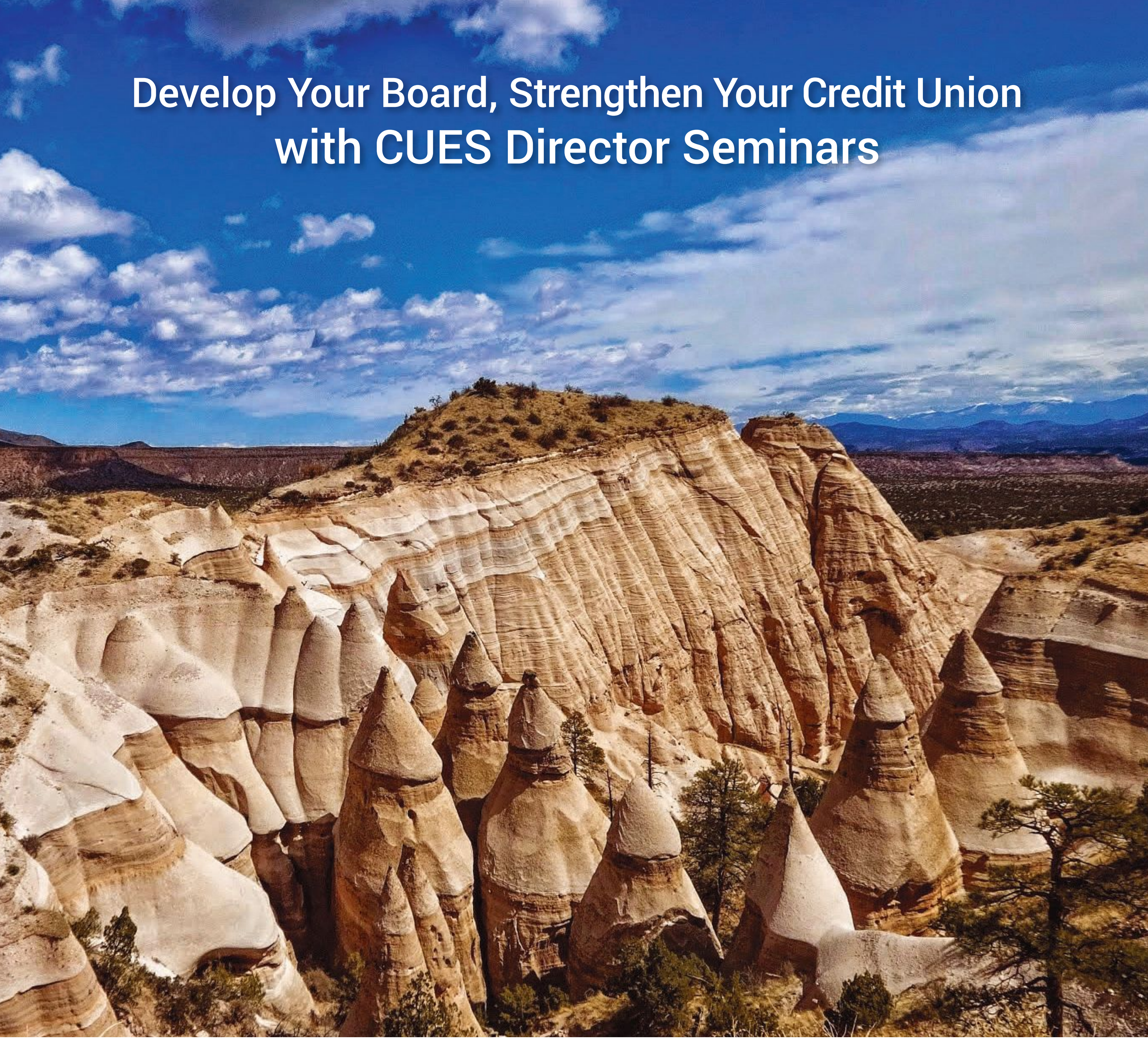
You may also be interested in reading "Linking ALM With Strategy" at *cues.org/0516linkingalm*, "Strategic Planning: Not one size (or style) of process fits all" at *cues.org/0215strategicplanning*, and "7 Components of an Effective Planning Session" at *cues.org/111414sevencomponents.*

CU Planner is a six-month, total planning system designed to allow credit unions to take on strategic planning in a logical, bottom-up way, rather than from the top down. Fill out an online interest form at *cues.org/cuplanner.*

Take charge of your credit union's future with a proactive approach to aligning strategy, culture and organizational design by working with CUES strategic provider DDJ Myers (*cues.org/ddjmyers*)

A session called "Thriving in a World of Digital Disruption," led by JP Nicols (*www.jpnicols.com*), will be part of Execu/Net (*cues.org/en*) at the end of this month Aug. 28-31 near Yellowstone National Park.

A session called "Leading Ahead of the Curve," led by Robert B. Tucker (*www.innovationresource.com*), will be part of Directors Conference (*cues.org/dc*), slated for Dec. 11-14 in Lahaina, Hawaii.



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Building Consensus

Constructive conflict in board committees is a positive if you work to resolve it and find common ground.

By Molly Parsells

Do you remember dreading group projects in college? Perhaps you lost some sleep knowing you'd have to compromise and negotiate with your classmates, listen to various opinions and ideas and, most importantly, find common ground that everyone could agree on.

The cool thing about those group projects is that they teach many key skills needed for success in the workplace—and for successfully being a volunteer on a credit union board committee.

Composed of directors and other volunteers, board committees help guide a CU's board to success and productivity. For example, today's governance committees help ensure that a CU's board of directors has a succession plan, holds productive meetings and undertakes director development courses. Of course, whenever you have several minds coming together to reach a common goal, conflict is sure to follow.

Most people try to avoid conflict, mainly because we don't want to hurt one another's feelings. But beating around the bush typically does not produce the best results. According to Jamie Notter, founding partner of Culture That Works LLC (*www.culturethatworks.net*), LaGrange, Ill., and co-author of *The Role and Function of Board Committees (cues.org/bdcomm)*, conflict within committees should be embraced and even encouraged.

In fact, group work typically faces difficulty when conflict is viewed as a negative, Notter says, and avoiding conflict reduces a committee's chances of being successful. By avoiding conflict, people's real opinions and insights are not heard, rendering impossible deep learning and further expansion of the issue.

"The main idea of conflict resolution is having a shared conversation," says Notter. "This means gathering data, or people's thoughts and opinions, to come to an understanding of where each person is coming from. Having someone explain their point of view, why they want this or that, allows for more data to be shared.

"When you have all that information coming out, you have a better idea of why people chose the way they did," he explains.

Six Steps to Take

Chapter four of *The Role and Function of Board Committees* presents six steps for resolving conflict. These steps help committees address their conflicts and resolve them in favor of accomplishing the group's mission.

1. Define the issues. Everyone in the group needs to agree that disputed issues are actually key issues. Also, a group may misidentify the cause of a conflict, causing them to misunderstand the situation.

2. Determine who is in charge. Arguing over who is in charge of a group can be uncomfortable. But having a designated "leader" in the pack will help bring structure and clarity to the group. This can be as simple as acknowledging the committee chair as the leader, much as the board chair would be in a board meeting.

3. Appointing a leader goes beyond the titles. According to *The Role and Function of Board Committees:* "Every group develops its own sense of whose opinion gets more weight, whose expertise is valued more, and whose suggestions can be ignored without some kind of 'penalty.' In most cases, these dynamics are obvious and easily managed but, in other cases, the unspoken battles about control and decision-making can undermine a group's effectiveness. Successful committees learn to recognize these dynamics and deal with them head on."

4. Hear all points of view. Having conversations is vital for consensus-building. The best way to resolve conflict is to truly hear the opposing side. "Consensus is a shared level of shared understanding and commitment," says Notter. "It's not about agreeing. It's about finding common ground between conflicting parties."

5. Supporting this idea, John Oesch, associate professor at the University of Toronto's Joseph L. Rotman School of Management (*http://tinyurl.com/oeschbio*) and an instructor for CUES Governance Leadership Institute™, says: "Everyone thinks they have to come to a consensus, but if everyone has done what they're supposed to, then you will have a good thing to support" when agreement is reached. Conversation leads to shared understanding, which allows the lines of communication within a committee to be open and promotes success.

6. Build trust. This is vital in facilitating communication among committee members. When a committee member feels his or her opinions will not be well received—and chooses not to express them—the key to the group's success could be missed. Starting committee meetings with an icebreaker activity allows members to get to know each other and helps break down barriers to communication.

7. Eliminate destructive conflict. Focus on what needs to be accomplished for the CU and its members. That means putting aside personal differences. "There is too much room for other 'stuff'—personal or political needs—when you don't have a clear idea of what should be happening," says Oesch. When destructive conflict arises, the leader of the committee should go back and remind everyone of the committee's goals. "Consensus doesn't mean they agree," Oesh observes. "It means they support it."

8. Reach consensus. How a committee handles conflict directly affects its ability to find common ground. A key goal of any committee should be to present a clear, well-thought-out and investigated recommendation. "There are a million ways to do anything, so once you figure out what direction to go in, you won't know what works best until you try it," says Notter. By allowing all members to be heard and coming to the highest level of shared understanding, a committee should be confident in presenting a recommendation to the full board.

A key idea to take away from this is that consensus isn't a goal in its own right. Rather, finding common ground should be a learning experience, making it a process that's ultimately more beneficial for a board. Allow your committees to learn and grow from shared conversation. The more you open yourself up to knowledge, the better you will understand and govern.

Molly Parsells *is CUES' marketing and media assistant.*

Resources

Read more about establishing great committee and board dialog on CUES Skybox at *cues.org/bdcharacter.*

The website of the Center for Credit Union Board Excellence (*cues.org/ccube*) features a section of articles and videos about board committees. Not yet a member? Sign up for a 30-day free trial by emailing *cues@cues.org.*

Bacon is Not *Canadian* Bacon

Ordering your favorite pizza by phone can be a risk. Order Canadian bacon and pineapple, and you may not get the right bacon. Regular bacon and pineapple pizza is not great and, more importantly, it wasn't what you ordered.

Enter online pizza ordering and, even better, Domino's pizza tracker (*http://tinyurl.com/pizzatracker1*).

Tansley Stearns, CME, CSE, chief innovation officer of Filene Research Institute (*www.filene.org*), and Michael Neill, CSE, founder and CEO of MNA Inc. (*www.michaelneill.com*), see Domino's as an innovator in both the pizza world and the world of member service. They discussed it during the CUES webinar "Unlock the Secrets to Creating & Dominating Member Experience."

Domino's even has a way to order via emoji and Bluetooth. "They've found a way to be anywhere you are when you get that urge to order pizza," said Stearns. "They aren't just omni-present; they're omni-available."

Stearns challenged credit unions to look at innovative ways to be available to members. That can start with journey mapping.

Mapping out a member journey with the credit union shows when members are happy and when they are frustrated or confused. It bumps up these feelings with the associated credit union process. Stearns invited credit unions to start small by looking at the top four or five experiences and mapping those out step by step.

Stearns and Neill will work with credit unions at the CUES School of Member Experience to walk through member journey mapping. They suggest starting with your credit union's subject matter experts. Then bring in the strategists and the dreamers to create a picture of what the CU wants that experience to be.

Make the member journey easy and seamless, like ordering and tracking a pizza online.

While the member side of this journey is important, mapping out the process can also show ways to improve the staff experience.

Stearns pointed out how making it easier on members to open accounts or apply for mortgages also makes it much more likely staff will be able to engage members.

She shared an example of a CU whose new accounts procedures required that potential members provide their previous employer's name, address and phone number. If the member didn't have that, they were turned away.

Stearns thought about her previous employer and knew she wouldn't readily know the address and phone number. She asked the CU if the previous employer's information was needed to meet any regulatory or CU requirements. It wasn't.

"People are going to use your branches, even Gen Yers. They're going to research online, but then they're going to come into the branch when they have questions, especially if they've never had an account before," Stearns explained.

"Arm your front-line staff with technology that can allow them to stop worrying, to stop checking boxes, and getting forms right, so that they can engage with members," she advised.

Resources

CUES School of Member Experience is a two-day meeting that dives into member experience at every touch point. Scheduled for Sept. 26-27 in Charleston, S.C., the event is ideal for member experience executives; sales and service executives; vice presidents and managers of HR and operations; and branch vice presidents and managers. Find out more at *cues.org/some*.

ServiStar™: Member Experience Builder is a consultation-based program facilitated by CUES partner Michael Neill, CSE, president of MNA Inc. From securing support from senior management to ongoing online training of new staff, ServiStar covers all the bases, with the goal of moving your CU toward a stronger, more profitable member experience, *cues.org/servistar*.

Listen to the recording of Neill and Stearns' webinar "Unlock the Secrets to Creating & Dominating Member Experience" at *http://tinyurl.com/dominatememex*.

Read more about member journey mapping on p. 11.

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The Art and Science of Understanding Member Needs

Kristina Mattson-Grimm

Data is in plentiful supply at membership-based organizations like CUES. But data alone will only get you so far when it comes to figuring out what members need.

"There are many factors that contribute to member satisfaction and relationship development that can only be gleaned by tuning in, listening and observing," notes Kristina Mattson-Grimm, CUES' VP/membership. "Combining qualitative with quantitative approaches gives us the best results in developing a member experience that exceeds expectations."

Insight gathering requires all hands on deck. CUES' member relations team, the professional development department and all others who have direct member contact play important roles in collecting feedback, whether it's through surveys, testimonials or informal conversation.

"Many of our staffers are on the ground with members year-round and pick up clues that we wouldn't necessarily obtain via any other means," Mattson-Grimm explains.

This blend of art and science is evident in the development of CUES Learning Tracker (*cues.org/clt*). Mattson-Grimm relates that the original concept arose from a need for more tracking of how directors were using the training portal (*cues.org/ccube*) offered as part of Center for Credit Union Board Excellence membership. Qualitative feedback from a variety of sources revealed a broader application for documenting talent development.

A pilot project then generated both usage data and anecdotal feedback. After further revisions, CUES Learning Tracker was opened up to all CUES members and continues to evolve today. (Learn more about this new tool at right.)

Like other organizations in the financial services space, CUES is spurred to stay relevant in a fast-paced, always-evolving industry. To that end, member satisfaction is more than important—it's paramount.

"We pay attention to what our members are saying and measure their satisfaction annually," explains Mattson-Grimm. "It helps us keep our finger on the pulse of how our members think, see what trends are emerging and develop strategies for further increasing member satisfaction."

Governance Leadership Institute™ Enhancements

2017 will be a great year to attend CUES Governance Leadership Institute™ (*cues.org/gli*). Slated for June 11-14 at the University of Toronto's Rotman School of Management, the institute features updated content.

"We've enhanced the program based on research on highly effective credit union boards and best practices they employ," says Richard Powers, academic director for Rotman, which was named the No. 1 business school in Canada in 2016 by the *Financial Times*. "Plus, we've added new credit union-specific case studies and discussion time" for topics requested by CU directors.

CU board members and executives who attend the institute earn up to 27 continuing professional education credits. Attendees are also eligible to earn the prestigious Certified Credit (Union) Director, or "CCD," designation.

Last Call for Distinguished Directors

Nominations are due **Aug. 12** for CUES Distinguished Director. All credit union board and committee members who are current CUES Director or Center for Credit Union Board Excellence (CCUBE) members are eligible.

The winner will receive a crystal trophy at CUES' Directors Conference (*cues.org/dc*) in Lahaina, Maui, Hawaii, Dec. 11-14. CUES will also make a contribution to a Section 501(c)(3) charity in the winner's name and feature him or her in this magazine.

Submit your nomination today at *cues.org/recognition*. For more information, call CUES at 800.252.2664 or 608.271.2664, ext. 340; or email *awards@cues.org*.

Track Your Training

People learn in different ways—from online articles and videos to week-long institutes at top universities. CUES Learning Tracker (*cues.org/clt*), a new benefit of CUES membership, can automatically keep tabs on these learning events. When you log in at *cues.org* or into the myCUES app (*cues.org/mycues*), what you read is automatically tracked. When you attend a CUES event (*cues.org/TandE*) or take in a CUES webinar (*cues.org/webinars*), your attendance is similarly logged.

With CUES Learning Tracker's bookmarklet (*http://tinyurl.com/he9tbmd*) feature, your online reading beyond *cues.org* can also be documented by the system. All of these results can be seen on the CUES Learning Tracker dashboard—for your own consideration and to share with supervisors and regulators.

Get started now by logging in (*cues.org/login*) with your CUES password.

Attend CEO/Executive Team Network™, Oct. 23-26 in Savannah.

Executives-Only Meeting Set for Savannah

CUES' CEO/Executive Team Network™, Oct. 23-26 at the Hyatt Regency Savannah, Ga., will feature a range of C-suite topics—from developing top performers and building the board-CEO relationship to payments and digital member engagement.

Geoff Colvin, a *Fortune* magazine editor and author of international bestseller *Talent Is Overrated: What Really Separates World-Class Performers From Everybody Else,* will open the conference by showing how most organizations value the wrong things—hard work, high intelligence and "natural talent"—when passion, honesty and learning are more valuable.

Decades of scientific research show that great performance in any field results from highly specific behaviors—called "deliberate practice"—that every person and organization can adopt. Colvin will explain exactly how this works, illustrating his points with examples from real people and real organizations.

A breakout session with executive search team Davies Park, Toronto, a CUES strategic partner, will focus on how to keep world-class performers at your credit union. Greg Longster, Davies Park (*cues.org/dp*) partner, finds that credit unions are not alone in their struggle to hire senior-level talent. The aging baby boomer generation is leaving a gap as they reach retirement years that younger generations aren't large enough to fill.

In addition, increased risk aversion is affecting job transitions. Longster sees that executives are less likely to change jobs, even when times are good. Employees are looking for the security and goodwill of a long-term position, should the economy take a wrong turn.

Michael Daigneault, CCD, founder and CEO of Quantum Governance, L3C, will discuss and guide attendees through the benefits and pitfalls of the board-CEO relationship. Likening the relationship to a doubles tennis team, Daigneault sees room for great success when the board and CEO can work in tandem, and he has suggestions for balancing when multiple members of the team are going after the same ball.

Learn more about the agenda and register at *cues.org/cnet*. Register by Sept. 8 to save $400!

STRATEGIC INNOVATION INSTITUTE™ II
July 31-Aug. 5
Stanford Graduate School of Business
Stanford University

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS (SUMMER SESSION)*
Aug. 7-12
Samuel Curtis Johnson Graduate School of Management
Cornell University

CUES MEMBERS ONLY! WHAT KEEPS US UP AT NIGHT?
Aug. 9
Webinar (*cues.org/webinars*)

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT (SUMMER SESSION)*
Aug. 21-26
Darden School of Business
University of Virginia

EXECU/NET™
Aug. 28-31
Tenaya Lodge, Fish Camp, Calif.

CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *COMMERCIAL REAL ESTATE LENDING*
Sept. 12-16
Inn and Spa at Loretto, Santa Fe, N.M.

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 12-13
Inn and Spa at Loretto, Santa Fe, N.M.

CUES DIRECTOR DEVELOPMENT SEMINAR
Sept. 14-16
Inn and Spa at Loretto, Santa Fe, N.M.

STRATEGIC INNOVATION INSTITUTE™ I, HOSTED AT MIT
Sept. 25-30
MIT Sloan School of Management, Massachusetts Institute of Technology
Cambridge, Mass.

CUES SCHOOL OF MEMBER EXPERIENCE™
Sept. 26-27
Charleston Marriott, Charleston, S.C.

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
Sept. 26-29
Charleston Marriott, Charleston, S.C.

CUES SCHOOL OF ENTERPRISE RISK MANAGEMENT™
Sept. 26-30
Charleston Marriott, Charleston, S.C.

CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING*
Sept. 26-30
Charleston Marriott, Charleston, S.C.

CUES SCHOOL OF IT LEADERSHIP™
Sept. 27-29
Charleston Marriott, Charleston, S.C.

CEO/EXECUTIVE TEAM NETWORK™
Oct. 23-26
Hyatt Regency Savannah, Savannah, Ga.

DIRECTORS CONFERENCE
Dec. 11-14
Hyatt Regency Maui Resort and Spa
Lahaina, Maui, Hawaii

2017

CUES SYMPOSIUM: A CEO/ CHAIRMAN EXCHANGE
Jan. 29-Feb. 2
Frenchman's Reef and Morning Star Marriott Beach Resort, St. Thomas, US Virgin Islands

EXECU/SUMMIT®
March 5-10
Westin Snowmass, Snowmass Village, Colo.

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 2-7
The Wharton School
University of Pennsylvania

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 30-May 5
Samuel Curtis Johnson Graduate School of Management
Cornell University

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 7-12
Darden School of Business
University of Virginia

Note: CU directors are encouraged to attend events listed in *blue*. For all future CUES events, including local CUES Council meetings, visit *cues.org/calendar.*


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CEO/EXECUTIVE TEAM NETWORK™
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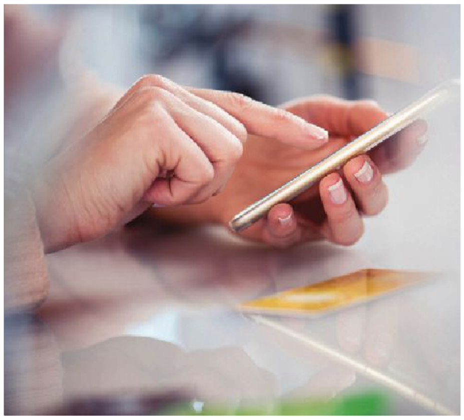

Cardholders Can Fight Fraud

By Mick Oppy

EMV technology is expected to drastically reduce card-present fraud. But that decrease will likely include a counter-reaction of increased fraud in card-not-present environments.

Savvy financial institutions can go a step farther in this direction by putting fraud controls in the hands of cardholders. When cardholders have the power to restrict their cards from being used in businesses they don't frequent, for amounts they wouldn't charge, and in geographic locations they wouldn't be in, they can make a dramatic impact on the ability to spot fraud, and respond in real time.

Say, for instance, a cardholder primarily uses one card for groceries and gas as a way to accrue reward points. The cardholder can download an app on his mobile phone to place controls on the card that match the intended use. The controls may block the card from being used for online purchases and for amounts in excess of the cardholder's average grocery bill. A control can also be set to decline any transactions made outside the cardholder's local area.

In contrast, a cardholder who uses her card for a broad range of purchases can set a card control app to send a message to her mobile phone when a transaction is made with her card. Some apps allow cardholders to set a control that requires the mobile phone to be in proximity of the card when a purchase is made. If the cardholder receives an alert about a purchase he didn't make, he'll be able to turn off the card immediately and prevent any further fraudulent use.

With this level of control, fraudsters don't have the chance to make multiple transactions on a stolen or counterfeit card before the cardholder is aware of the activity. This alone can save a significant amount of money that would traditionally be lost to fraud. By giving cardholders control over their cards, your credit union can not only share the fraud responsibility, but also give members the confidence and peace of mind you want them to associate with your brand.

Bottom line, card controls can increase revenue for financial institutions and complement their fraud solution, increasing cardholder trust, loyalty and card usage.

Mick Oppy *is VP/financial institution products at Vantiv (*www.vantiv.com*), sponsor of this blog post.*

Leave a comment on this post at cues.org/cardcontrol.

Recent Posts

"Analysis revealed rewards cards are 79 percent more profitable than their no-frills counterparts."
Shazia Manus, CSE, CCE, CEO of CUES Skybox post sponsor and CUES Supplier member TMG (*www.tmg.global*), in "Yes, Credit Card Rewards Really Are Worth It." *cues.org/rewardsworthit*

"Today's board is about partnering and leadership. It's debating the tough stuff (not the details). And it is not rubber-stamping management's decisions. The ultimate board is a high-performance team of inspiring, inquisitive and knowledgeable leaders."
Cathy Trower, Ph.D., president of Trower & Trower Inc. (*www.trowerandtrower.com*) and quoted in "Characteristics of Today's High Performing Boards." *cues.org/highperformingboards*

"Although Windows XP workstations and Windows Server 2003 have exceeded end of life, some credit unions continue to run these operating systems because it appears to be prudent from a cost standpoint. However, when security vulnerabilities and lack of support are factored in, just one incident or breach can far exceed any perceived benefit."
Kristen Jason, solutions marketing manager/financial solutions of CUES Skybox post sponsor CUES Supplier member D+H (*www.dh.com*), in "Laser Focus Your IT Strategy." *cues.org/focusitstrategy*