CU Management

JANUARY 2016

Lending Outlook 2016

Economy, competition, and profitability are top issues worth watching.

Meet Joe Hearn, CCE
2015-2016 CUES Board Chairman

Your CEO's Wish List
What top execs want from their boards

Igniting CRM Strategy
How the technology can light up your marketing

CU Management

JANUARY 2016 vol. 39 issue 1

CUES
POTENTIAL, REALIZED.™

CUES is a Madison, Wis.-based, independent, not-for-profit, international membership association for credit union executives. Our mission is to educate and develop credit union CEOs, directors and future leaders.

Articles

In Every Issue

CONTENT CREATED JUST FOR YOU

Subscribe to our free e-newsletters at *cues.org/enewsletters*. Get *CUES Advantage* and *CUES Director Advantage* with links to our online-only columns and bonus articles. Get *CUES Business Lending Edge's* informative business lending articles each quarter. *CUES Canadian Corner* is a monthly, written especially for Canadian CUs.

WEB-ONLY BONUS
From This Issue

2016 Auto Lending Depends on Rates
(bonus from "Lending Outlook 2016," p. 14)
A rising tide lifts all ships and the improving economy has certainly lifted the U.S. auto industry out of the lows of the Great Recession. So, how long will this robust auto lending market last?
cues.org/12215skybox

Building Superstar SEG Relationships
(bonus from "Igniting CRM Strategy," p. 26)
$1.5 billion/112,000-member Elevations Credit Union (*www.elevationscu.com*), Boulder, Colo., has used Salesforce customer relationship management software to manage its select employer group relationships since 2011 with unprecedented results.
cues.org/1215superstarseg

Online-Only Column

On Compliance: What's Coming in 2016
What compliance challenges should you be prepping for? What new hurdles should your credit union be prepared to face?
cues.org/1115oncompliance

Inside Marketing: 5 Video Ideas
Video marketing is here to stay. But are you unsure what to do in front of the camera? Start by asking: What kind of messenger do you want to be?
cues.org/1215insidemarketing

Loan Zone: Auto Enhanced Scores
Specialized credit models can help credit unions compete in the car lending arena.
cues.org/1215loanzone

NextGen Know-How: Appreciation
Do your employees really feel valued and appreciated?
cues.org/1215nextgen

DOWNLOAD (OR SUBSCRIBE) TO GET MORE NEWS

New! Download the myCUES App from the App Store or iTunes to get content personalized to your CU role for your iPhone or iPad. Learn more at *cues.org/mycues*. Plus, read a new article every weekday at *cues.org/cumanagement* and subscribe to our free email newsletters at *cues.org/enewsletters*.

CU Management (ISSN 0273-9267, cues.org/*cumanagement*) is published monthly—including an annual buyer's guide—by the Credit Union Executives Society (CUES®), 5510 Research Park Drive, Madison, WI 53711-5377. Telephone: 800.252.2664 or 608.271.2664 in the U.S.; 604.559.4455 in Canada. Email: *cues@cues.org*. Web site: *www.cues.org*. Periodicals postage paid at Madison, Wis. (USPS 0569710). Manuscript submissions and advertising are welcome. The appearance of an advertisement does not imply endorsement by CUES. Editorial opinions and comments in the magazine are not necessarily those of CUES.

Annual subscription rate for CUES, CUES Director and CUES Supplier members is $89, which is included in dues. Additional subscriptions … $89. Non-member subscriptions … $139. Digital-only subscriptions … $69. Single copy … $10. Subscriptions outside the U.S. will be invoiced for additional postage costs.

For high-quality article reprints of 100 or more, call CUES at 800.252.2664, extension 302.

POSTMASTER: Send address changes to:
Credit Union Executives Society,
P.O. Box 14167
Madison, WI 53708-0167.

On the Horizon

Happy New Year! We kick off 2016 with a look at lending. Will balances continue to grow? Which kinds of loans have the best upside? And what roles might interest rates, new providers and the economy play?

According to Callahan & Associates (*www.callahan.com*), federally insured U.S. credit unions are coming off 10.7 percent year-over-year third quarter growth in total loan balances, ending at a record $778.7 billion. Driving the increase were new autos at 17.6 percent, used cars at 13, and first mortgages at 10 percent.

Gas prices have stabilized and the National Automobile Dealers Association is looking for even higher new car sales this year, before "leveling off 'gently' in 2017" (*http://tinyurl.com/autosales16*). And sources in our cover story indicate mortgage lending opportunities related to pent-up demand exist among Millennials and those burned by, but recovering from, the housing market bust.

The long-anticipated interest rate hike finally came on Dec. 14, and students of economic cycles disturbingly remind that the next U.S. recession could already be on its way, as early as Q4 2016, notes CUES member Bill Vogeney, senior EVP/lending and finance for $4.1 billion Ent Credit Union (*www.ent.com*), Colorado Springs, Colo.

Additionally, housing prices are rising faster than many members can afford in parts of Canada and the U.S. Many San Franciscans, for example, pay more than the average mortgage payment in rent, but can't buy a home because they aren't able to save the 20 percent down for a conventional mortgage.

Recognizing this point of pain, $975 million San Francisco Federal Credit Union (*www.sanfranciscofcu.com*) just created the Proud Ownership Purchase Program for You, or POPPYLOAN™.

Members can finance up to 100 percent, up to $2 million, to purchase a home anywhere in the nine Bay Area counties, with no private mortgage insurance. The loan is structured as a 5/5 adjustable-rate, 30-year mortgage, meaning rates are fixed for the first five years and every five years thereafter, with no more than a 2 percent increase every five years and no more than a 6 percent increase over the life of the loan.

"We see POPPYLOAN as a game-changer for the San Francisco real estate market," said CUES member Rebecca Reynolds Lytle, SVP/chief lending officer, in a press release announcing the new offering. "We created POPPYLOAN to help middle class families realize their dream of buying a home without having to move out of the Bay Area."

Get more lending insights, starting on p. 14.

Mary Auestad Arnold
Editor and Publisher

Founded: 1982
Headquarters: Addison, Texas
Member since: 2003
Website: www.cumembers.com
Facebook.com/CUMembers
Twitter: @CUMembersMtg

CONTACT:
Linda Clampitt,
Senior Vice President
800.607.3474, ext. 3225
lindacl@homeloancu.com

CU MEMBERS Mortgage

Since 1982, CU Members Mortgage has provided mortgage lending solutions to credit unions, CUSOs, leagues and their members across the country. Today, we are the chosen provider for more than 1,000 credit unions. Our customized participation levels provide ample opportunities to earn income for your credit union, while providing the most popular loan programs for members. Advanced technology, specialized training and professional marketing support help you build a strong and secure mortgage department. Call today to find out how CU Members Mortgage can support your mortgage program, or for more information visit our website *www.cumembers.com.*

CUES
POTENTIAL, REALIZED™

New Market Perspectives

In her presentation, "How to Build Business With Members and Prospects not Like You," Kelly McDonald began by showing her primarily North American CEO/Executive Team Network™ audience how truly diverse the marketplace is, how much it's changed and how fast it's continuing to evolve. The U.S. Census Diversity Index, for example, measures the probability that two people chosen at random will be of a different race and ethnicity on a scale of 0 to 100. In 1980, the likelihood was 32; by 1990, it was 40; and by 2010, 52.

Pointing out that diversity takes many forms (age, rural vs. metro, gender, physical abilities to name a few), she said "understanding someone different from you means understanding their life, their priorities, their values, the experiences that define them, their perspective."

Try this simple exercise: Ask a variety of people who Ron Howard is. "Matures" might say Opie from *The Andy Griffith Show*, while Boomers might answer Richie from *Happy Days*, and Gen X and Gen Y might identify him as the director of movies like *Apollo 13* and *The Da Vinci Code*. All correct answers, just different perspectives.

When targeting Gen Y, McDonald, author of *Crafting the Customer Experience for People not Like You,* recommended appealing to these key values:

- They want to buy from companies they perceive as improving society.
- 92 percent of female Millennials want to buy from a company that supports a cause.
- Local business is king.

Four Things to do Right Now

1. Solicit testimonials from happy, satisfied women members and post them on your website, because women trust what other women say.
2. Hold candid conversations with associates about what they're hearing—what are members' points of pain? $232 million Education Credit Union (*www.educationcu.com*), Amarillo, Texas, targets one pain point for its teacher members through the CU's Pocket Change Grant Fund, which awards up to $500 to teachers for field trips, behavior and academic rewards, supplies and other uses. The Education CU Board matches what employees contribute to the fund for the privilege of wearing jeans to work.
3. Identify at least two "pilot fish" in your market, people who are influential and opinion leaders. Begin an ongoing dialog with them, asking for their help and input directly, and nurturing the relationship.
4. Promote your community consciousness and the causes you support. McDonald was surprised how many CUs don't have a community involvement button on their websites. Get one, she said!

> "There are more fin tech startups in the U.S. than banks, and more money is being invested in fin tech than in bank transformation."

Brett King, author of *Bank 3.0* and founder of Moven, speaking at CEO/Executive Team Network (*cues.org/cnet*) in November.

Internet Banking vs. Mobile Use

While members can accomplish the same things whether they access your virtual CU via computer or a mobile device, usage patterns vary between the delivery channels, according to Malauzai Software (*www.malauzai.com*), an Austin, Texas, mobile and Internet banking provider. In its December Monkey Insights "little-data" report, the firm shared key trends, based on October 2015 data, for more than 325 banks and credit unions, covering 6.55 million logins from 375,000 active Internet and mobile banking users.

- **Login Frequency.** Android smartphone users pop in slightly more often (18.3 logins every month) than iPhone users (17 times), while Internet bankers visit 8.9 times per month.
- **Moving Money.** Internet users in a browser transfer 75 percent more money internally from account to account than mobile users. For bill-pay, IB-browser users pay bills with average values 65 percent higher than mobile users.
- **Person-to-Person Payments.** Things reverse for person-to-person payments: Browser users transfer an average 35 percent less dollars via P2P than mobile users. 86 percent of all P2P activity also came from mobile devices. Average value for October was $425, with iPhone users leading at $467. 55 percent of P2P payments went via SMS messages and 45 percent via email.
- **Internet Banking Check Deposit.** Yes it's true, 2.5 percent of check deposits came in via desktop browser. This proves how important it is to have all features available on all platforms. Who would think people would use Internet banking to deposit checks? But the feature is there; it lets you take a picture of the check, transfer it to the desktop and upload it for processing.

Letters to the Editor

Two articles about social media generated reader feedback this month:

All good points in "An Interview With Sprout Social" (*cues.org/1115sprout*). Especially that social media should be considered as part of your marketing and customer service strategy, not some separate wing.

If you really want to see how it's done, look to the current masters: the airline industry. Problem with a flight reservation, boarding, or even in-flight? Sure, you could email them and wait 24 hours for a canned response. Or, you could call (if not on a plane) and sit on hold for however long. But if you want a response now, you post to them on social media (Twitter is best). Watch how they blend marketing offers, "did you know" info posts, contests, and customer service into a single account.

I've had airline issues before and received productive responses (which smoothly guide me to private message or other medium) within minutes of posting. They monitor for every kind of mention of their name and jump in when they feel it may help

Having social media is a responsibility. If you have it, yet are unresponsive or ineffective, that could hurt your credibility more than just not having the account in the first place.

Joe Winn
President/CEO
Green Profit Solutions Inc. (*www.greenprofitsolutions.com*)

"PR Insight: Optimize Social Media Efforts" (*cues.org/1215prinsight*) is full of practical suggestions. When it comes to social media, CUs should remember the two "Ss" of success in this area: strategy and staff. You shouldn't do social media just to do it, but rather have a sound strategy in place (with goals, tactics, etc.). And CUs must remember that there is a staff cost to it as well. You must devote the right person(s) to its implementation. If CUs follow these two "Ss" they greatly increase results.

Mark Arnold
President
On the Mark Strategies (*www.markarnold.com*)

What's Your 2016 Rallying Cry?

"In the daily hustle of running a company, it's easy to put off the simple task of sitting down and thinking strategically about the future. Yet this is a critical responsibility of every CEO," writes Joel Trammell, CEO of Khorus (*www.khorus.com*), in *Predictable Performance in 2016: The CEO's Prep Guide for Success in the New Year* (download at *www.khorus.com/newyearprepguide*).

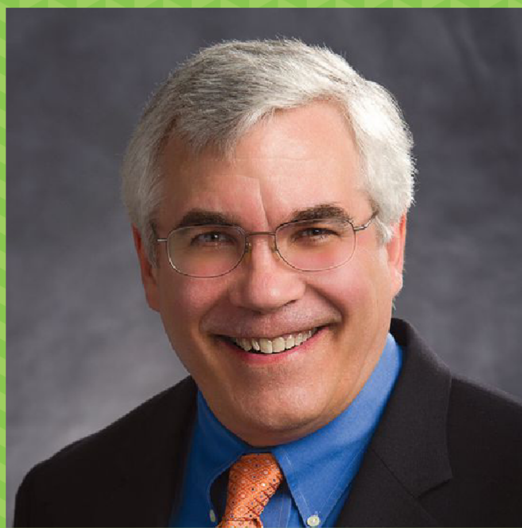
In this e-book, he provides exercises, worksheets and a checklist to help CEOs map out a plan for the new year. "If you're like most chief executives, you're looking toward 2016 with a mix of excitement and concern," he noted. "Your company probably had some great wins [last] year, but maybe there were some troubling misses, too. Perhaps you aren't entirely certain your team is on the same page. Maybe it seems like they aren't always working on the right things."

To help get your team on the same page, Trammell recommends looking at where you want to be in December and pulling "the single most important theme" from the priorities that will help you get there. "This is Patrick Lencioni's concept of a "thematic goal" or "rallying cry": what is the one thing that matters most for your company in the next 3-12 months?"

"The rallying cry is intended to create a sense of focus for everyone, and to drive all decisions and actions," Trammell writes.

View a playback of Trammell's CUES Webinar, "Balancing the Top 5 CEO Responsibilities," at cues.org/webinarplaybacks *(click to p.2).*

Insights



"CEOs really would like a board that could give them genuine strategic advice, ask really genuinely strategic questions, be able to do a real, developmental evaluation of the CEO and the CEO's efforts so that the CEO develops personally and professionally."

Michael Daigneault, CCD, principal and founder of Quantum Governance L3C (*www.quantumgovernance.net*), and a CUES strategic provider (*cues.org/qg*), in "Your CEO's Wish List," p. 20.

Correction

"Financial app for Citizens of the World" (*cues.org/1115app*) in December's "Management Network" section contained several errors. Our deepest apologies to CUES member Richard Senechal, president/CEO of $2.25 billion DUCA Financial Services Credit Union (*www.duca.com*), Toronto, whose CU is partnering with Zenbanx (*http://zenbanx.ca*) to offer a person-to-person app for transferring money internationally and to allow users to hold up to five currencies in a single account.

CUES
POTENTIAL, REALIZED.™

Embodying CUES' Motto

New Chairman Joe Hearn lives out 'Potential, Realized.™'

By Diane Franklin

Joe Hearn, CCE, was a business student at Loras College in Dubuque, Iowa, when one of his marketing professors came to him with news that changed his life. A local credit union—about $60 million in assets at the time—was looking for a marketing intern.

"Back then, I didn't even know what a credit union was," admits Hearn, a CUES member. Nonetheless, he went on the interview, got the internship and started a career with Dupaco Community Credit Union (*www.dupaco.com*) that has now spanned nearly three decades. In that time, the CU has grown to $1.3 billion in assets, with 350-plus employees and nearly 90,000 members in the tri-state area of Iowa, Wisconsin and Illinois. Four years ago, Hearn, ascended to the role of president/CEO.

"I've been with Dupaco for 29 years now, and it's been just an incredible ride of learning and growth and opportunity," says Hearn. "I talk to our team all the time about finding their passion, and I was really blessed to find my passion with my first job right out of school."

Concurrent with his three decades at Dupaco Community CU, Hearn has grown into a champion of CUs' mission to improve members' financial lives. Taking on the position of chairman of the CUES Board of Directors, he is looking forward to helping lead an organization focused on the important goal of leadership development.

"It's all about helping individuals at credit unions maximize their potential," Hearn says. "I believe very strongly in developing credit union CEOs, directors and future leaders, and that's what CUES stands for: 'Potential, realized.'"

The Start of His Journey

Hearn began his journey toward realizing his potential in Independence, Iowa, where his parents owned a small tire and appliance business.

"Basically I learned from observing my father and my mother," he says. "They worked hard, treated people right, and were very involved in the community. They taught me the value of hard work, but also the importance of having a little fun along the way. Meetings at Dupaco are not complete without a couple of laughs or some lighthearted kidding about favorite sports teams or activities."

Taking his parents' work ethic to heart, Hearn spent his youth working jobs that ranged from detasseling corn to weeding bean fields to working on a chicken farm. He helped pay for college selling books door to door during the summers.

After earning his undergraduate degree in business management and marketing, Hearn planned to get his MBA. However, Dupaco Community CU's then-CEO Bob Hoefer had another path in mind. On the very day Hearn was planning to enroll in the MBA program at the University of Iowa, Hoefer asked Hearn to become the CU's marketing director.

Hearn's first inclination was to say no. I said, "Bob, I'm going to the University of Iowa to get my MBA. I'm leaving today." However, Hoefer was persistent. He convinced Hearn that the experience gained as marketing director would be just as valuable as obtaining his MBA.

"Why don't you try it for a year or two?" Hoefer suggested. "You can always go back and get your master's."

"I thought about it and decided he was right," Hearn says. "I talk quite a bit with our team about fate—how sometimes you run into people who set you off on a course. That's exactly what happened to me."

Hearn eventually did earn his MBA from the University of Dubuque in 2010. In the interim, he gained valuable experience from working at Dupaco Community CU.

"I feel like I earned my master's from the day-to-day experience of working within the credit union movement," Hearn says. "I started out wearing a hot dog costume because we were a meatpackers' credit union and we had a Kids' Club, and then I moved on from there.

"Bob, as the CEO, had an understanding that the key to putting forth a successful initiative was communicating with the members. Bob would have me at the table along with IT and operations, so I gained experience in many different facets of the credit union beyond marketing."

A Valuable Mentor

In time, Hearn became involved in CUES, the Iowa Credit Union League, the Credit Union National Association and the Iowa Credit Union Foundation.

During his career at the CU, Hearn moved from marketing director to VP/marketing, then SVP/marketing and eventually to EVP/marketing. As Hoefer approached his retirement, Hearn took on the role of chief operating officer. After two years, Hearn succeeded his mentor as president/CEO.

Hearn can't thank Hoefer enough. "Bob is like a second father to me, and I owe him a lot," Hearn says.

Hoefer, whose affiliation with Dupaco Community CU spans more than half a century—and now includes advising the board—is proud of Hearn's success.

"Joe is a high-energy, extremely results-oriented type of person, and he expects others to be as well," Hoefer says. "When I left, there was no slowdown. If anything he goes at a pace even faster than I did. If I was going 120 miles an hour, he goes 150."

Dupaco Community CU Board Chair Ron Mussehl also has good things to say about Hearn.

"Basically Joe's leadership style lifts everybody up," says Mussehl, a CUES Director member. "He's done a very good job developing his team and positioning us for growth. He's supportive of everybody—the board and his staff—and is extremely involved in the community."

More specifically, Hearn says he's leading the CU to "double down" on staff in terms of training, engagement, and building bench strength so employees can better serve members.

At the community level, Hearn has worked with the Friends of St. Mary's, which is revitalizing a community by turning a vacated church campus into transitional housing, an events center for community education, daycare and nonprofit office space.

Hearn is quick to acknowledge the role of the Dupaco Community CU Board in building a stronger future for the CU.

"I'm extremely grateful to our volunteer board members for their vision, enthusiastic support of their financial cooperative, and for providing our staff the tools we need to get the job done," Hearn says. "They are an inspiration to me and the entire team."

His Involvement with CUES

Hoefer classifies Hearn as a dynamic leader, which will certainly be a positive attribute in his latest role with the CUES Board. "He'll do an awesome job as chairman," Hoefer says. "He's got so much talent to give, and he delivers on it."

Hearn sees serving on the CUES Board as an opportunity to reciprocate for the value he has received, including his Certified Chief Executive designation through CEO Institute (*cues.org/institutes*).

"I see CEO Institute as a springboard to help enhance leadership within the movement. That's why I'm involved on the board, trying to give something back," he says.

Hearn has been on hand as a board member for several major changes within CUES, including the CUES rebranding and transitions in CUES leadership that have allowed Hearn to interact with three exceptional CEOs. The first was Fred Johnson, who retired after 23 years with the organization. "I knew Fred from my early days of involvement in CUES, and he was truly a great leader," Hearn reports.

At the employee picnic on Aug. 9, Hearn celebrates a win in the pie-eating contest.

He also enjoyed working for two years with Chuck Fagan, who left CUES to return to his former employer, PSCU, as CEO. Now, Hearn expects new CUES President/CEO John Pembroke to continue guiding the organization on a positive path.

"John has the ability to take us forward," Hearn says. "He was on the ground in Madison, working alongside Chuck, so as Chuck left, we had the momentum and direction and energy that we wanted. It was just natural for John to continue working to move us into the future."

Hearn has nothing but praise for the other CUES directors. "They're phenomenal people—intelligent, passionate and very engaged. When we discuss issues, it's very energizing. When everything comes together, it can be profound. The board is firmly united in its mission to provide the best value for CUES members."

Nurturing His Team

At Dupaco Community CU, Hearn uses the principles he has learned at CUES to nurture his team. Like Hoefer did before him, Hearn is sending his key people to CEO Institute and CUES conferences.

"I take to heart something that Bob told me, which is, 'It's not about what you know; it's about the people you surround yourself with,'" he explains. "You bring your team along with you. You coach, and you mentor them. It's easy for top-level leaders to get bogged down in day-to-day minutia. That's why we need to grow and develop our team so they can tackle the day-to-day and free up those at the top to handle the major strategic initiatives and stay focused on the future.

"Our culture honors our history and internally we share stories amongst staff about member impact," he explains. "I am constantly amazed at the way our staff are up to the challenge to navigate change and make powerful connections with our members to positively impact their lives and strengthen the cooperative."

Hearn continues to use what he learned growing up in Iowa. "The core principles that my parents taught me—work hard, do the right thing, take care of people, have a little fun," Hearn says. "Every day at Dupaco, we're impacting people's lives. They can have good credit, poor credit—it doesn't matter. We'll take them in and try to move them ahead. There's something about doing that for people, putting them on a sustainable path to financial success in a movement that puts people before profits, that's very fulfilling."

On a personal note, Hearn is grateful to his wife, Trisha, for sustaining their home and caring for their two children, 11-year-old Ryan and 9-year-old Chloe. "I love her and owe her a great deal," he says. "She understands that this credit union thing is in my blood. It's a real team effort at home, and I couldn't do any of this without her.

"When you love what you do, it's not really work," he says. "It's your passion. It's your calling. It's energizing because you're 'all in' and vested in what you're doing. That's why I love Dupaco and the credit union movement, and will do whatever I can to help each move toward achieving its full potential."

Diane Franklin *is a freelance writer based in Missouri.*

Resources

Also read "Marketer to CEO" at *cues.org/0115marketertoceo.*

Read about what you can learn from world-class business school faculty when you attend CEO Institute (*cues.org/institutes*).

See "CUs' Cultural Challenge is Change" (*cues.org/102615skybox*), "Levers of Organizational Change" (*cues.org/091415skybox*) and "Decision-Making Safeguard" (*cues.org/101314skybox*). You can earn your Certified Chief Executive designation by attending all three segments and completing the between segments projects.

Learn more about the CUES Board of Directors at *cues.org/cuesboard.*

Founded: 2008
Headquarters: Greenville, S.C.
Member since: 2012
Website: www.cuinsight.com
Facebook.com/CUinsight
Twitter: @CUinsight

CONTACT:
Randall Smith
Co-Founder/Publisher
864.590.5511
rsmith@cuinsight.com

CUInsight.com is The Place For All Things Credit Union™. CUInsight.com is the independent source that connects the community to the latest headline news from coast to coast.

CUInsight.com looks for new and innovative ways to spread the credit union message and keep the community informed. CUInsight.com works closely with credit union executives, individual credit unions, leagues, associations and vendors on a variety of topics, including media relations, business development and strategic planning to get new ideas off the ground. Simply put, CUInsight.com likes to create and foster new ideas, then watch them grow.

CUInsight.com was founded in 2008 by David Miller and Randall Smith and has grown to be the place a credit union employee can find the best news and information available from all sources.

CUInsight.com is committed to the credit union movement and the people who make it so amazing.

Lending Outlook 2016

Economy, competition, and profitability are top issues worth watching.

By Karen Bankston

As credit union lenders enter the second half of the decade, solidly ensconced in the 21st century, it's a good time to take stock of where their organizations stand and where this new year may take them. Here are some questions—and selected takes on answers—worth pondering.

How Long Will the Economic Expansion Continue?

"Technically, we've been out of recession since the fourth quarter of 2009—even though the average consumer may not feel that way," notes CUES member Bill Vogeney, senior EVP/lending and finance for $4.1 billion, 240,000-member Ent Credit Union (*www.ent.com*), Colorado Springs, Colo. "So we're in the sixth year of economic expansion, and typically recessions occur every seven to seven and a half years, so there is the potential that we could enter a recession as soon as Q4 2016."

A strategic view of lending takes in not only the national economy, but global economic conditions as well. Big trends may have positive impacts on some aspects of a nation's economy and negative effects on others. For example, the Canadian economy suffered setbacks in early 2015 due to declining oil prices and decreased investments in the energy sector but was on the rebound in the second half of 2015, largely on the strength of increased consumer spending.

"The global economy will dictate how strong the U.S. economy is. Over the last couple years, U.S. manufacturing and exports have expanded, while other economies have been in recession or close to deflation," Vogeney notes. "If a big chunk of the world economy is shaky, what will that mean for U.S. exports, manufacturing, and jobs? What sectors of the economy might do better than others?"

Global economic uncertainties stayed action on interest rates until Dec. 14. The pace of future rate increases could be modest and have minor CU impact.

Indeed, if history is any indication, rising rates will increase profitability and provide more revenue for CUs to invest in their operations and member service channels, says Ryal Tayloe, VP/credit unions with nCino (*www.ncino.com*), Wilmington, N.C.

"Rising interest rates may be painful for some borrowers but, overall, every time rates have ever increased in the past, credit unions have been positively impacted by increasing earnings," Tayloe notes. "So in 2016 there will likely be more money for credit unions to invest."

What are the Implications of Skyrocketing Student Debt?

More than 43 million Americans owe a combined $1.2 trillion in student loan debt. This is not just the burden of Millennials. According to the New York Federal Reserve Bank, 35 percent of all student loans are owed by people over 40, who either went back to school themselves or took out loans to help their children through college.

Among young adults, student loan debt is a factor driving significant economic trends and may be holding Millennials back from starting families, buying their first homes, and even moving out on their own. According to the Census Bureau, an average 1.2 million new households formed annually from 2002 through 2006; over the next seven years, the average was half that. One implication is that a great deal of pent-up demand should exist among first-time homebuyers and renters moving out on their own if and when their earnings rise as they put those degrees to work.

What Does Pent-Up Demand Mean for the Mortgage Market?

The outlook for 2016 seems to be volume slightly lower but generally consistent with the previous year, which means lenders will be busy, says Bruce Backer, managing director/consumer engagement with lending solutions provider Optimal Blue (*www2.optimalblue.com),* Plano, Texas. Given consolidation within the industry, a smaller number of mortgage lenders will be striving to increase their share of the market.

"The opportunity for credit unions is to leverage what's perceived as higher levels of service and attention to their member relationships," in comparison to mortgage lenders and community banks, Backer says.

With the refi boom over and the pent-up demand for buying and buying up somewhat sated in recent years, lenders should take an objective look at prospective mortgage borrowers still in the market, Vogeney suggests. "A lot of people hit hard by the last recession are still on the sidelines."

CUs need to assess whether and how they can meet the mortgage needs of lower-income borrowers and consumers with past credit challenges. The current levels of U.S. homeownership in the 63 percent range may be the new sustainable norm—down from highs around 70 percent midway through the last decade, he says.

The high price of housing may sound some alarms for Canadian credit unions in 2016. A Manulife Bank survey reports that Canadians are increasingly stretched financially by high mortgage payments; mortgage debt averages $175,000 across the country and exceeds $200,000 in some provinces, including British Columbia and Alberta. Housing prices in Canada are rising at the fourth highest rate among 23 developed nations.

How Can CUs Up Their Game in the Mortgage Market?

Going digital and strengthening ties with the real estate community are two key strategies in shifting from an emphasis on refinancing to purchase loans, as rates begin to rise, says CUES member Lorraine Stewart, VP/mortgage lending with $13.8 billion, 940,000-member BECU (*www.becu.org*), Tukwila, Wash.

As with many CUs, the larger share of BECU's mortgage business has historically been in refinances, but purchase volume has been increasing steadily, Stewart says. To pick up that momentum, the credit union is expanding the ranks of mortgage advisors working out of its neighborhood financial centers in direct engagement with the real estate community to bring in members through that channel.

One avenue to enhance those connections is BECU's real estate services program, offered in partnership with Prime Alliance Real Estate Services (*www.primealliancereres.com*), through which preferred real estate agents offer discounts on their commissions to members buying or selling homes.

"We're also working on data mining and business analytic tools to identify when our members are going to be looking to buy a home. We think we have a tremendous opportunity in the purchase market just within our own membership base," Stewart says. "If we increased our penetration with existing members by just 3 or 4 percent, that would result in a pretty significant increase in business."

Seattle continues to be a hot real estate market, especially with current homeowners either moving up to bigger homes or people nearing retirement looking to downsize. BECU hopes to launch new data mining tools early this year to identify which of its members are in the mortgage market and reaching out to them via their preferred channel of communicating with their credit union.

"I think it's going to be a great year for us," Stewart adds. "There will be some challenges with uncertainties about rates and going after purchase loans. A purchase loan is a bit of a different animal to fulfill. There are more emotions involved, so you need to change your approach and understanding in dealing with Realtors and borrowers, who are entering into probably the biggest financial transaction they'll undertake in their lives."

Especially for the market of Millennials shopping for their first homes, a key service may be fully digital mortgage delivery, Stewart suggests, and BECU has all the pieces in place for paperless home loans.

How Profitable is Auto Lending?

According to a recent Scotiabank report, North American auto sales have been a "bright star" for both the U.S. and Canadian economies. New auto sales in Canada were expected to end 2015 in record-setting territory for the third consecutive year and continue that brisk pace in 2016.

Even as rates begin to rise, credit unions can build their share of the auto lending market by "staying in front of members with prescreened offers and identifying which members have auto loans with other lenders and working to recapture that business," says CUES member Bob Stroup, VP/product management with BECU.

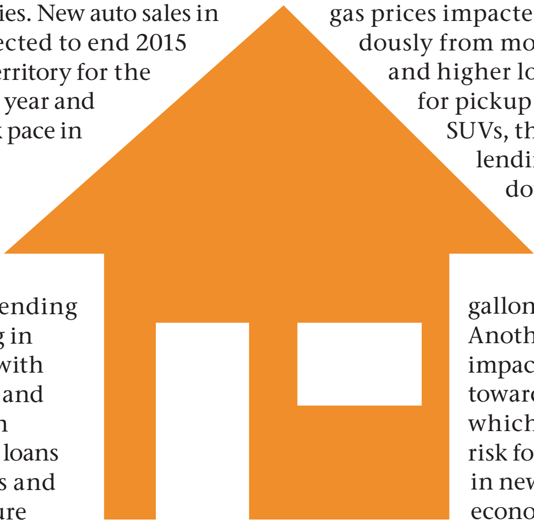
With two-thirds of the CU's auto lending volume going through the indirect channel, maintaining dealer relationships is also crucial, says Boyd Vanderleest, BECU's VP/consumer lending and a CUES member. "It's just basic sound business practice for relationship managers to make sure they're communicating clearly with both dealers and underwriters so we offer a predictable product for the market."

Vogeney sees the potential for brisk auto lending business as the new and used vehicle market continues to cater to pent-up demand. "If you take a look at the number of new vehicle purchases from 2009 to 2012, it was probably 3 million to 4 million units per year below the long-term trend lines," Vogeney says. "Certainly, through 2016, the market looks really strong."

Credit unions have been doing fairly well in capturing their share of this market, but they may need to assess the profitability of that product line, especially with steady increases in dealer fees, which have grown from 1 percent to 2 or even 3 percent in some markets. That could compress the yield to as low as 1.25 percent on indirect auto loans, before loan losses, Vogeney cautions.

"Certainly, profitability is a fair concern, but the other concern is how long auto loan performance will continue to be strong," he adds. "Will that change dramatically with the next recession?"

Several factors might play into what-if scenario planning for auto lending through the next downturn. Compared to 2007 and 2008, when $4 per gallon gas prices impacted losses tremendously from more repossessions and higher losses per vehicle for pickup trucks and big SUVs, the impact on auto lending from a financial downturn is likely to be less severe with gas prices closer to $2 per gallon, Vogeney suggests. Another factor that could impact losses is the trend toward longer loan terms, which increases the risk for negative equity in new car loans in an economic decline.



> "It's just basic sound business practice for relationship managers to make sure they're communicating clearly with both dealers and underwriters so we offer a predictable product for the market."
>
> Boyd Vanderleest

"It's not necessarily about continuing to gain market share, but whether your current share is profitable and, if you are concerned about the next downturn, what adjustments you might need to make," he says.

Ent CU is refining its auto lending processes to appeal to the niche of members buying used vehicles from private individuals through online listing services. "The paperwork for a private sale—to get the title and record the lien—can be cumbersome. To do it right, you really need to have the buyer and seller in your office," Vogeney notes.

In reviewing its risk exposure with these loans, the CU found that most loans are made to members with good credit and losses are low, so the CU has changed its requirements to allow members to submit the vehicle title with the Ent CU lien recorded within 60 days of receiving the loan.

"It's a matter of balancing credit risk with operational risk," he says. "If you have good credit experience, you can potentially take on more operational risk. And if you're dealing with long-time members with good credit, they're not going to burn you."

How can CUs Boost Profitability in Their Credit Card Portfolios?

Maintaining and growing credit card business is "all about rewards," Vanderleest says. "Credit unions need to constantly monitor the competition to understand what's happening relative to credit card offerings in terms of rewards and incentives. The big issuers are constantly upping their game and changing their programs. If you have a stagnant program, you're going to get left behind."

CUs, as an industry, could see gains by being more aggressive in driving credit card utilization, Vogeney says. Balance transfer initiatives, rewards programs, and automatic limit increases for qualified members could help build this business.

"Increasing limits as borrowers show the ability to repay and intelligently use their cards is one area where credit unions tend to fall down," he notes. "Once cardholders hit about 50 percent of their limit, they start thinking about which card they want to pull out of their wallet, and they're more likely to pull out a card with a lower balance. If you're not keeping up with cardholders' needs with utilization techniques, you may not see the growth from members who carry balances."

What's the Business Lending Outlook?

New business lending regulations proposed by the National Credit Union Administration (*www.ncua.gov*), which may take effect this year or in 2017, "will allow credit unions around the nation to be able to serve the business community much more effectively and to be able to compete better with community banks," says CUES member Dana Gray, BECU's VP/business and wealth services.

BECU has spent the last three years building its business lending program, beginning with credit cards, lines of credit, equipment and vehicle loans, and real estate loans. More recently the CU expanded its staff of experienced relationship bankers, skilled underwriters and processing teams with the goal of serving businesses with $2 million to $20 million in annual sales. The credit union is also working with commercial real estate investors in the booming Seattle market.

As its business lending volume has grown, BECU looked for ways to streamline underwriting, implementing a new loan origination system powered by FICO Liquid Credit (part of the company's Small Business Scoring Service, *http://tinyurl.com/ficosbs*), "to allow us to more efficiently approve business credit cards and small dollar business loans through a scoring process," Gray says.

For credit unions just getting started with business lending, Gray recommends leveraging their brand with existing members who also have business needs—and to take advantage of the cooperative spirit of the movement to partner with more experienced business lenders.

In particular, NCUA's proposal to remove participation loans from the business lending cap may provide new opportunities. BECU has built a selective participation program "diversifying geographically with a handful of partners around the nation—credit unions that we knew had strong, more established business lending programs," Gray says. "BECU is relatively new in its refocus on business lending, so we've benefited from these relationships."

How Will the Competitive Landscape Shift in 2016?

At BECU, business, mortgage, and consumer lenders monitor shifts in a busy, dynamic market. In business lending, the credit union was "a bit of a disruptor when we entered the commercial real estate market" and has since seen several new entrants, including community and national banks, increase their

Founded: 1972
Headquarters: Houston
Member since: 2003
Website: www.JMFA.com/recruitmentservices

CONTACT:
Charles Shanley, SPHR, CFS
EVP/JMFA Recruitment Services
866.264.5017 | Recruiting@JMFA.com

JMFA
John M. Floyd & Associates

Experience You Can Count On

JMFA has spent years partnering with financial institutions of every size—we know from experience what makes a successful performer at every level. Whether you are looking for a new position or trying to fill a position at your organization, we can help you find the right fit. Our strategic sourcing and recruiting techniques are what make us excel at connecting the right people with the right organizations.

Here to Help You Find the Perfect Fit

JMFA can help your credit union find the right talent in a tight job market, ensuring that your organization has the leadership it needs to succeed. We offer a wide range of recruitment services—from C-level positions to temporary help to contract-to-hire—to help you find the high-potential candidates quickly for your unique situation. Our experience with improving the operations of thousands of financial institutions translates into our team knowing where to find the best talent so you can save time and money and stay on track to reach your strategic goals.

The best candidates aren't always obvious at first glance. That's why so many financial institutions today turn to JMFA. Visit *www.JMFA.com/recruitmentservices*, call 866.264.5017 or email us at *Recruiting@JMFA.com* for more information.

presence, Gray says.

A crucial task is monitoring changes in pricing and fee structures, such as reductions or waivers in prepayment penalties on business loans, she notes. "We really have to monitor the competition closely while at the same time staying true to our guidelines."

The competitive landscape in mortgage lending will be shifting toward lenders with the capacity and reputation for making purchase loans, Stewart suggests, and the ability to stay abreast of compliance issues will also have an impact. Having implemented the TILA/RESPA Integrated Disclosure rules (*http://tinyurl.com/trcfpb*) in 2015, credit unions may have a bit of a breather in dealing with new mortgage rules—at least until a rewrite of the Home Mortgage Disclosure Act regulations, anticipated to take effect in 2018.

"Smaller lenders may struggle to make the changes needed to keep up with the volume and velocity of regulatory changes," she says. "Maintaining the processes regulators want to see will be a challenge for smaller organizations and may drive continued consolidation."

In the consumer lending space, new entrants like OnDeck (business loans, *www.ondeck.com*) and Lending Club (connecting borrowers and investors, *www.lendingclub.com*) are drawing attention for their ability to make quick decisions and speedy funding. But their cost of capital—and thus their rates—are much higher than credit unions charge, Tayloe says.

"Credit unions have a huge competitive advantage with their low cost of capital," he notes. "If a credit union is able to provide the same or better experience for borrowers, given their emphasis on member service, they should never lose a deal."

The buzz—and venture capital—these marketplace lenders are attracting "may just prove the thesis that borrowers care about two things: Am I approved? And when can I get my money?" he adds. Those priorities put price and level of service as secondary considerations—and explain why competing with these new, potentially disruptive players may be a big topic of discussion in the coming year.

"The only answer is to invest in technology" that facilitates quick decisions on loan applications and disbursement of loan funds across the full range of loan categories, Tayloe suggests.

Market trends in lending "should be on every credit union's radar," Vogeney says. For example, Lending Club started out as a peer-to-peer lender, but now gets significant funding from community banks and other institutional investors. Community banks have discovered that these arrangements are a profitable way for them to invest in a block of relatively high-rate loans rather than making $5,000 personal loans one at a time, he notes.

The growing popularity of alternative lenders like Kabbage (small business loans, *www.kabbage.com*) speaks to the preference of some borrowers for a quick decision and funding, whatever the rate, he suggests. But over time, these lenders can parlay their profits into a much wider audience. Vogeney notes that Capital One (*www.capitalone.com*), one of the nation's highest profile U.S. card issuers, got its start as a subprime credit card lender and gradually worked its way into the mainstream.

Credit unions need to monitor the impact of nontraditional lenders competing for consumer loans, Stroup agrees, and focus on their advantages of offering a full range of financial products and services and operating from a position of trust with members.

"Those are huge advantages, especially for consumers obtaining loans," he says. "They want somebody they can trust. They want stability. They want to know that whoever they're getting a loan with is experienced. That's really our best defense against new entrants in the market."

Some members value speed, and some shop for loans based on rates, while for others, trustworthiness tops the list, Stroup notes. "It all comes down to providing value to members, and I don't think you have to be fancy to do that. Our philosophy is to deliver the basics, but do that really, really well."

What's the Long View?

As of the fall of 2015, credit union delinquency rates were down to 74 basis points across all categories, Tayloe notes. "That's exceptionally low, pre-recession-level low. That means credit unions are making good loan decisions and keeping their loan portfolio quality at a very high level."

In comparison, banks and other lenders seem to be making more loans, but perhaps with not as much attention to quality. "Credit unions are sticking to their bread and butter and being very conservative, and that asset quality shows through. Compared to community banks and other banking tiers, in the coming years if we go through another downturn, credit unions may be better positioned to weather economic setbacks," he says.

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

Resources

Read bonus coverage from this article, "2016 Auto Lending Outlook" at *cues.org/12215skybox.*

Also read "Mortgages for Millennials" at *cues.org/1215mortgages* and "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" at (*cues.org/082713loanzonepart2*). These two articles were based on content from CUES Advanced School of Consumer Lending (*cues.org/advsocl*), next slated for July 20-21 in Seattle. CUES School of Consumer Lending (*cues.org/socl*) will be held right before that, July 20-21, 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.*

Your CEO's Wish List

Top things chief executives want from their boards

By Jamie Swedberg

Some credit union CEOs are genuinely happy about their relationship with their board of directors.

These CEOs describe a consultative relationship where everyone has freedom of expression. Technically, the directors are these CEOs' bosses, but it feels like a partnership. As a team, these CEOs and their boards explore opportunities and assess strategies.

But it's not always easy. Most CEOs have a wish list—a mental tally of things they wish their board would do to make their executive role easier and more productive. Some of it is big-picture stuff, some day-to-day. All of it is achievable with enough communication and effort.

Here's what some CEOs and consultants put on the typical CEO's wish list.

Know What's Your Job and What's Mine

Deedee Myers, Ph.D., CEO of DDJ Myers, Ltd. (*www.ddjmyers.com*), a CUES Supplier member and strategic provider in Phoenix, says most CEOs' greatest wish is that the board be more strategic. That means spending time and effort on big, mission- and brand-centric issues, and leaving day-to-day operations to management. But, she says, strategic leadership needs to be clarified for some boards, since historically many of them have been more operational.

"What is a strategic decision? What is the board's decision? What is the CEO's decision?" she asks. "One way to create a great dynamic conversation between the board and CEO is to create a decision-making matrix. Lay out what types of decisions the board gets to make vs. what types of decisions the CEO gets to make. Define when each other needs to be consulted, and when each other just needs to be informed after the fact."

CUES member Gerry Agnes, CPA, CIE, president/CEO of $1.6 billion Elevations Credit Union (*www.elevationscu.com*), Boulder, Colo., joined his CU more than seven years ago. At the very first board meeting, a governance coach was present in the main and executive sessions. The coach helped them set the criteria for the way they'd work together from that day forward, Agnes says.

"We established what we termed at that time 'the rules of engagement,'" he recalls. "How are we going to operate as a board with their one employee? It was a beautiful meeting that set the stage for a wonderful, wonderful relationship that I've enjoyed since the summer of 2008."

Tell Me How I'm Doing When That Information Is Still Useful

Understandably, CEOs like to know where they stand. That's why many of them wish their boards would get CEO evaluations done more promptly.

Myers encourages clients to try to get CEO evaluations done in December in any given year. "Have that conversation with the CEO no later than Jan. 5 or 10. If you could have it at the

end of December, that's great. Give them the goals then so they can get going in the new year. Don't give them to them in March or April."

In addition, Myers says reviews should be rigorously designed to measure the performance of the CEO based on expectations the board has laid out for the position (and communicated in a timely manner).

"Think hard about how you do them and what kinds of questions are you asking," Myers says. "I've looked at some CEO performance evaluation forms, and they don't even reflect what the board says they want to assess the CEO on. It's something they just pulled off the shelf."

But board feedback shouldn't come just once a year. It benefits the CEO more if it happens all year round. Tony Budet, CCUE, president/CEO of $2 billion University Federal Credit Union (*www.ufcu.org*), Austin, Texas, says at each of his board's five yearly face-to-face meetings, there's an hour set aside for just him and the board, and that's where he really hears how he's doing.

"I have opportunities to probe and find out what they're thinking, and they have opportunities to do likewise," the CUES member explains. "Those are really the times when I find out what's going right and what's going wrong. That's really the evaluation. It occurs on the fly, quarter by quarter, and at the end of the year, it's just a formality" to document the conversation.

Michael Daigneault, CCD, approves. "You want to have an ongoing relationship with the board—and particularly the board chair—such that you're getting feedback throughout the year, not just once a year," says Daigneault, CCD, principal and founder of Quantum Governance L3C (*www.quantumgovernance.net*), Vienna, Va., CUES' strategic provider of governance consulting and board assessments.

"The board has a governance responsibility to do an effective evaluation, because the CEO is its one employee. CEOs really would like a board that could give them genuine strategic advice, ask really genuinely strategic questions, be able to do a real, developmental evaluation of the CEO and the CEO's efforts so that the CEO develops personally and professionally."

Hold More Effective Meetings

Have you ever seen those joke award

ribbons that say, "I survived a meeting that should have been an email"? Plenty of board meeting attendees deserve that award. CEOs want that to change.

Daigneault says many CEOs and boards think that staff and committees must report out at every meeting, which he doesn't think has to happen at all. "If the committee has nothing to report, then the committee should not report," he says.

"As a matter of fact, I actually think that unless the committee has something of real meaningful substance for the entire board and senior management team, they should just simply submit a progress report as part of a consent agenda, and free up the board to be much more engaged in a strategic discussion or a high-level discussion," he adds.

Myers has seen the same issues among her clients. "We look at their agenda, and it's a rote agenda," she says. "Report on this, report on that. Three-fourths of the committee chairs say, 'We didn't meet. Nothing to report.' Instead, read your board packet, be ready, and come with at least two forward-thinking, future-thinking, critical-thinking, strategic-thinking questions."

Think About Committees

Speaking of committees, many CEOs feel their boards have created too many. Myers says many directors think there should be as many committees as there are directors, plus the executive committee. That way, each board member has a committee to run. In reality, that's almost always a waste of time.

"If you're looking at being a strategic board, you really don't want a lot of committees," says Myers. "You want to partner with your executive team to be managing a lot of that. So maybe just have three or four committees that are relevant. You need an executive committee, a supervisory committee, a finance or asset/liability or treasury committee. Enterprise risk management is a new one that I think is very relevant, too. The rest could be standing committees or ad hoc committees, depending on what you have going on."

Help Me Talk Openly With You

Agnes loves the way he can be frank and open with his board, and he wishes the same for all CEOs.

"When I'm in the room with them, it's very constructive dialog where it's very safe to have brutally honest conversations," he says. "We're able to disagree and have those discussions, then ultimately come to the right consensus and conclusion."

Agnes believes the ability to talk openly has been a differentiator for his CU. None of the successes the organization has enjoyed would have happened in its absence. And none of it has happened by accident, he says. He believes his board's work with a corporate governance coach helped teach them more harmonious group dynamics.

"What do CEOs want from their board members?" asks Daigneault. "What they want are capable enough, strong enough, strategic-thinking board members who can truly be constructive partners with the CEOs and with management."

Dream Big

About two and a half years ago, Agnes asked his board for $5 million to expand into new markets and expand within the CU's existing markets. The board denied the request and offered $7.5 million instead.

"They saw that we weren't asking for enough to strategically align the organization with its long-term growth plans," he says. "They helped management think a little bit bigger and long-term strategic than what we had proposed."

Thinking big doesn't always mean increasing allocations by 50 percent. But it does mean thinking strategically and being unafraid to go after audacious goals.

"In the summer of 2009, we began asking questions about how might we become a more relevant mortgage lender in our market," Agnes recalls. "At that time, we were literally an irrelevant lender from a market share standpoint. But as the financial industry was cratering, we began going into that market. Last year and this year, we're the No. 1 residential mortgage lender in our market," ahead of the big banks.

Meanwhile, Budet is talking with his board about using the CU as a platform for transforming the community. Using State Employees Credit Union in Albany, N.Y., as a role model, Budet hopes to increase the amount of money his institution donates to education in greater Austin, Texas.

That Albany credit union "actually gives away 25 percent of its net income, and they target it to these social areas where they're trying to make a big impact on their community," he says. "They not only write the checks, but send employees in after the money to do volunteer work and get actively involved in these causes. Here, we give away about 11 percent of our net income, which is still a lot of money, but it's not 25 percent."

Such bravery—a willingness to pursue the difficult or extraordinary—is something CEOs would love to see in their boards.

All of these wishes add up to one message: CEOs want their boards to use strategic thinking skills to make the world a better place. The more creative they are about it, the better.

"Put together an organizing principle, a philosophy," says Myers. "How do you want to be seen as a board? How do you want your executive team to see you? How do you want the community to see you? How do you want future board members to see you? How do you want to see yourself? Get that into a statement that you all agree on. Then start organizing the agenda, the board packets, the committees, board development, board recruitment, to support that principle."

Boards love working that way, she says—and CEOs love it when they see it in action.

Jamie Swedberg *is a freelance writer based in Georgia.*

Resources

Get more on decision-making in free articles at *cues.org/0215eenie, cues.org/011014choiceoverload*, and *cues.org/0711unconventionalthinking*.

Watch the video "Decision Matrix" on the Center for Credit Union Board Excellence website (*cues.org/ccube*). Choose "CEO Relations" then "See all" next to the top video. Not yet a member? Sign up for a 30-day free trial by emailing *cues@cues.org*.

Get more on CEO relations on the Center for Credit Union Board Excellence website (*cues.org/ccube*) when you read "Evolution of a CEO Evaluation" in the "CEO Relations" section. Also read "The Board's Say in Pay" at *cues.org/0715sayinpay*.

You may be interested in CEO Assessment for Credit Unions (*cues.org/ceoassessment*), a Web-based CEO evaluation tool.

It's not too late to register for CUES Symposium: A CEO/Chairman Exchange (*cues.org/symposium*), slated for Jan. 31-Feb. 4 in Maui.

CUES
POTENTIAL, REALIZED.™

Sights on 2016

10 questions your board can ask to help put its best foot forward in the new year.

By Les Wallace, Ph.D.

Asking good questions applies to boards of directors wanting to be better. Many board "self-assessments" exist to help boards look in the mirror and set a course for improved governance. In addition, I've found 10 questions that can get a deeper, more reflective outcome than asking how board meeting agendas are set and what reports boards should receive. Here are some key questions your board might ask itself this new year.

1. What Should We Stop Doing?

In *Good to Great*, Jim Collins found deciding what not to do was a common leadership practice of the most successful executives. When done with serious reflection, paring down until only the most important tasks remain helps people focus and make better use of their precious time.

2. What Don't We Know That We Should Find out More About?

One of the benefits of having new people enter a conversation is that they frequently ask questions people had never considered and challenge others to go beyond complacency into greater intellectual inquiry. Scanning the unknown is a strategic exercise. What are you curious about? Make time to answer this question, too.

3. What Are Boards Outside the Credit Union Movement Working On?

While the credit union industry has upgraded its attention to governance in the last decade, credit unions are not necessarily where the most forward-thinking governance dialogue is occurring. What are other boards undertaking—and coping with? What can you learn from them?

4. What Does Our Executive Team See as the Five Biggest Risks We'll Face as the New Year Rolls In?

Enterprise risk management conversations are in their infancy in the credit union boardroom. Why don't you jump-start the conversation by talking with those most likely to know the real risks your organization confronts? This could include your CEO, your regulator, your key suppliers and your legal counsel.

5. What Board Competency and Experience Mix Do We Need Within the Next Five Years?

Finally, board composition is a robust conversation in the credit union movement. The answer to this question is most likely not what your current board looks like.

6. If Our Younger Members Could Redesign Our Services, What Would They Do?

Everyone wants the next generation of customers and members. Try thinking like they do by sorting through this question. Better yet, have a focus group of young members work on answering this for you.

7. What Five Changes in Governance Should We Make to Become Better?

Only about half of credit union boards do any self-assessment, despite it being common to high-performance governance. Start simply with this question to get the ball rolling.

8. What Conference/Topical Workshop Outside the Credit Union Industry Should We Be Attending This Year?

Like all enterprise domains, credit unions become provincial about "how we do things around here." Getting outside the credit union industry and experiencing some conferences and training elsewhere can freshen your perspective and even change conversation in the boardroom. Governance, social media, Millennials, innovation, organizational culture are all good targets for learning.

9. What Was the Best Decision We Made as a Board Last Year?

Self-assessment is not all about what needs fixing. Being appreciative of good decisions and governance progress is a great exercise for a board.

10. In Addition to These Nine Questions, What Do Each of Us Believe We Should Be Asking About Ourselves as a Board?

And then there are those questions each board member has that need to see the light of day. Asking these questions is liberating to board members who need "permission" to get their perceptions out in the open.

Somewhere in these questions is a safe starting point for your board. Some can be answered during a short board development session in a normal meeting (such as No. 2, 7 and 10). Some (like No. 4, 6 and 8) might provide more robust and deeper conversation at the annual retreat. Best wishes for great inquiry and a terrific 2016.

Les Wallace, Ph.D., *the 9Minute Mentor, is president of Signature Resources Inc. He is co-author of* A Legacy of 21st Century Leadership *and author of* Principles of 21st Century Governance. *He is a frequent speaker and consultant on leadership and governance. Reach him at* les@signatureresources.com.

Resources

You may also like to read "Skeptical, No Strengthening" about questions your board should be asking at *cues.org/0814skeptical*. And read other articles by Les Wallace published by CUES, *cues.org/leswallace.*

Les Wallace writes our "Good Governance" column every other month. Get it on your iPad or iPhone when you download the myCUES app and sign up for "board" content. Or, get it delivered to your email inbox by signing up for the weekly CUES Advantage or the monthly CUES Director Advantage e-newsletters at *cues.org/enewsletters.*

Wallace will lead Board Chair Development Seminar (*cues.org/bcds*), Sept. 12-13, in Santa Fe, N.M.

Igniting CRM Strategy

Data mining and marketing automation to boost sales are only part of the story behind customer relationship management.

By Stephanie Schwenn Sebring

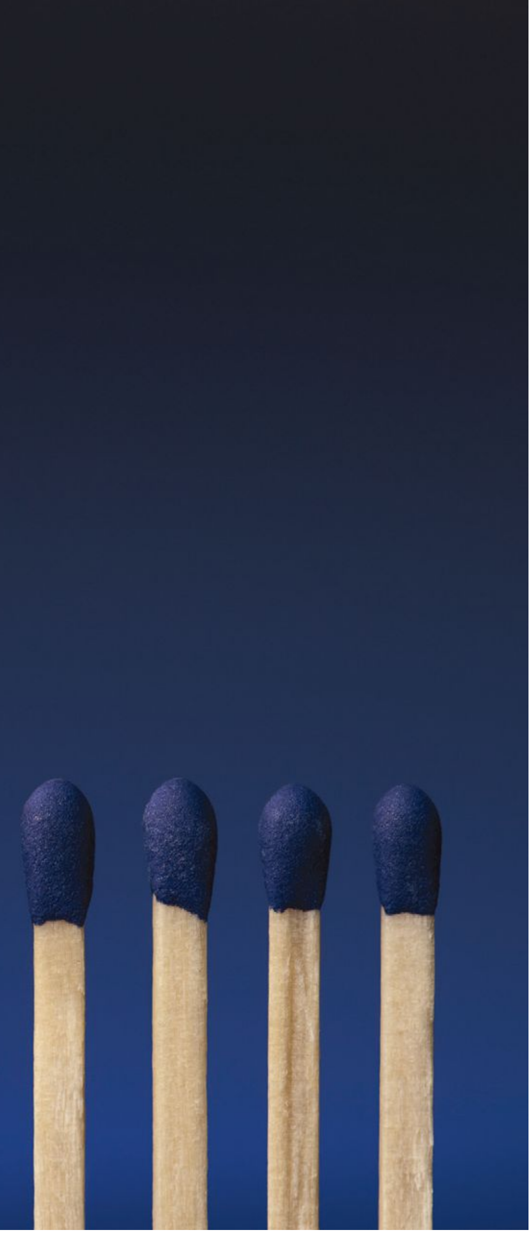
Despite the ebb and flow in popularity, customer relationship management, used by credit unions for more than two decades, has come a long way since the early days.

Today's CRM can monitor spending patterns, define channel preferences, and reach members at the most opportune time in their buying cycle. Technology is built to capture and track member data at miniscule levels. Still, perceptive sales leaders realize it's not so much about the software, but how staff adopt and use the software.

What's Different Today?

"A CRM system should be used as an instrument for change while transforming the member experience through the use of business analytics," says Chris Braccia, director/product management at CUES Supplier member D+H (*www.dh.com*), Lake Mary, Fla. "The ability to leverage business analytics with CRM capabilities is essential, and makes the data a uniquely powerful tool." Braccia adds that successful CUs share the business analytics information with the staff who reach members every day, rather than just within management or the marketing department. "When championed throughout the entire organization, employees can better understand buying behaviors and see where members are on their financial path."

CU leaders are often surprised by what they learn from the data, observes Laura Abraham, director of finance and banking for IXI Services (*www.ixiservices.com*), a division of CUES Supplier member Equifax (*www.equifax.com*), San Francisco. "Initially, credit unions feel quite certain they know their members. But after reviewing detailed member data, including the integration of relevant third-party data, leaders gain a more accurate view of their members."



Marketing Optimization

What should be no surprise is the pinpointed ability to target market. Braccia says that CUs are seeing new value in using business analytics to segment and better understand member needs, and craft targeted offers accordingly. "A credit union can examine the entire member relationship—combined with demographics, and profitability and behavior models—to anticipate needs and grow the relationship." Strategies may include a new product design, a dedicated (or concierge) phone line, expedited loan services, rewards and even special microsites and other targeted channel offers to member segments and identifiable groups.

For $2 billion/180,000-member Georgia's Own Credit Union (*www.georgiasown.org*), Atlanta, analyzing CRM data lets staff "peel away the layers" and identify members who qualify for certain products and services or have the propensity to buy. "Staff speak to members differently based on individual preferences, and conversations occur on a very natural, relevant level," says CUES member Amy Eagan, VP/marketing and sales for the CU. "When staff can use the CRM to identify needs straightaway, they're better able to serve our members."

Needs identification is also amplified with the right third-party data. "For example, at IXI Services, we help credit unions segment their members, comparing the most granular aspects of financial capacity, demographics, psychographics and transactional behavior," says Abraham. Quality third-party data can help reveal the full picture as well, providing such factors as estimates of total investable assets, income, credit reliance, spending behavior, the next best cross-sell product and more.

Plus, CUs are using CRM capabilities to monitor messages within the members' preferred channels, so the right product is offered at the right time to the right person. This enables the CU to deliver consistent messages to members across multiple channels, as well as enhance enterprise-wide and omni-channel marketing strategies. Abraham notes that you can't always bucket members into one strategy based on a single characteristic. "But with intuitive data, small details create the bigger picture, enabling leaders to optimize their marketing messages, manage resources effectively and reduce costs."

Braccia concurs, reiterating that a fully embraced CRM culture enables the CU to take a combined channel management approach, leveraging consistent messages and offers not only at the member service representative level but within *all* the member's preferred communication channels.

Be a Super-User

For this to happen, the CU must, unequivocally, *use* its CRM. "Set standards from day one as to what you expect from your front-line staff in using the system and accountability," says Eagan. "If a referral or transaction didn't enter the system, then it never happened."

Of course, prepare staff with plenty of communication beforehand, so they understand the reasons behind using a CRM. The more advance preparation and thought that leaders devote to CRM integration, the more fruitful the adoption levels. "It's not just a marketing tool," stresses Eagan. "There's something in it for everyone; with effective CRM strategy, members receive better service, staff feel confident in their roles as advisors and sales increase."

CUES member Jackie Buchanan, CEO for $1.9 billion/178,000-member Genisys Credit Union (*www.genisyscu.org*), Auburn Hills, Mich., says getting everyone on board can be readily accomplished from day one–if you create demand for the tool first. "We planned it that way," continues Buchanan, with her CU creating a clear-cut sales culture before CRM implementation. That was five years ago. Today, the sales culture is incentive-based, with member-facing employees having minimum standards to meet.

"It's easier for staff to meet their goals using the CRM," says Buchanan. Part of the CU's core processor, the CRM system is Touché (a D+H product) and requires no dual entry by staff. "Even new accounts are opened within the CRM, which automatically tracks sales production. Marketing elements merge into the system seamlessly, enabling staff to see pending offers and reminders. Staff appreciate the time savings, so they can spend quality time with members, which translates into sales and better service. And because the system is easy to use, supervisors can train staff quickly."

Eagan reiterates that a targeted CRM strategy enables front-line staff to not only meet sales objectives but also become better equipped for their jobs. "They learn more about the members and forge stronger relationships. Marketing campaigns also gain momentum when staff can make expert product recommendations based on member needs presented in the CRM data."

Case in point: In the fall of 2015, Georgia's Own CU offered a select member segment a zero percent credit card offer on new purchases for 12 months. The promotion isn't running any longer, but for members who signed up, they have several months left to save, explains Eagan. Staff can readily see which members qualified for the offer within the CRM system, which makes the perfect segue for a targeted conversation and to remind members of the offer. Results aren't ready yet, she says, but staff participation in any promotion always increases the bottom line.

What to Look for in a CRM System

"Functionality, cost, ease of use, vendor support and training are factors to consider," says Buchanan. Industry

knowledge and a vendor who's looking to the future are equally important. For example, what trends are around the corner that a CU can capitalize on? Will that vendor be ready to assist as those trends emerge?

Buchanan says not to be deterred if the CRM system offered through your core provider doesn't have every tool you wish for. "Most CRMs can't be everything to everyone. If you have a strong partnership with your core provider, that goes a long way in implementing a CRM successfully across the credit union.

"Lean on your provider as a valuable resource, and then seek third-party plug-ins or data sources to enhance the system," she adds.

Measuring Results, Missed Opportunities

Prospects reached, products sold, balances increased, expenses reduced or channel cost reduction are all measurements CUs track.

For Buchanan, sales support and efficiencies take priority.

"Our CRM system has helped us to become the most efficient credit union in Michigan for five out of the last six quarters when comparing our efficiency ratio to peers," she explains. "And since the CRM's implementation in 2009, annual front-line loan production has increased 270 percent."

Key peer ratios are tracked quarterly from NCUA Financial Performance Reports, and loan production is monitored and measured internally, Buchanan says.

She is certain that CRM tools have contributed to overall performance, enabling staff to increase productivity and efficiency by targeting member needs and reducing duplication of effort (which reduces cost).

Eagan measures success by efficiencies, new member acquisition and product assimilation over time.

"We've had great success with leveraging loan campaigns for new member acquisition," she says. "For example, in 2015, a large percentage of new auto loan dollars, 25 to 30 percent, came from new members. We also track the numbers over time to determine which promotions we want to run again."

Abraham adds that by determining and focusing on market segment needs by review of the data, it's much more likely members and potential members will respond to a CU's brand. "Then, circle back to measure results. See which segments were most responsive through a retro analysis, and use those findings going forward to streamline future marketing programs."

Using reporting measures for senior management, Eagan proves the benefits of running a promotion and how those benefits outweigh the cost.

"Ultimately, you want to gain a profile of the person who took your offer and use that data going forward with future offers and media choices," she explains. "If a promotion appealed widely to new members, use that same channel selection next time. If it didn't, re-evaluate and make adjustments.

"More targeted messages, however, may resonate only with existing members, requiring a narrower channel selection. Reviewing and understanding campaign results within your CRM can help you to make these choices."

Data Insights for SEGs

CUs are also using CRM strategies on a more sophisticated level to manage select employer group relationships—for data collection, customization and needs determination.

"To be effective, though, the system and its data must be at the employees' fingertips, and mobile capabilities are an absolute must," says Julie Ferguson, owner of JRF Consulting Services, LLC (*http://jrfconsultingservices.com*), Philadelphia. "This means having access to the system on the road through tablets and other mobile devices so employees can record detailed notes about the relationship in real time. The more detail acquired, the more accurate the profile and better the marketing capabilities."

CUs realize that CRM software can be affordable as well, as low as $24 per month in some instances. "There's this misconception that CRMs have to cost a lot to work, but that's just not true," says Ferguson. "Some of my clients would have launched a CRM much earlier had they realized that robust capabilities are available at a reasonable investment."

She notes that Salesforce (*www.salesforce.com*) is still a top provider of CRM software, but Highrise (*www.highrisehq.com*) and Zoho (*www.zoho.com*) are more affordable options than Salesforce, and even Microsoft Outlook integrates basic CRM software through Microsoft Dynamics (*www.microsoft.com*).

When reviewing options, Ferguson suggests separating system must-haves from perks. Options can include the ability to customize fields, run full marketing campaigns for SEG employees, assign tasks, launch email blasts or send e-newsletters to contacts. "The ability to customize is key," she adds. "The CRM can provide what you need and allow you to create reports, track metrics and share successes. And remember, the driving force behind any CRM is the ability to capture the data in one place. For SEG work, in particular, it creates an effective tool to track results and implement next-step tasks."

Just like the individual member level, it's about nurturing relationships. "The more you can learn about your SEG and its needs, the more successful your efforts," reminds Ferguson.

Proactive, Not Reactive

CUES member Dennis Paul, VP/business and community development for

$1.5 billion/112,000-member Elevations Credit Union (*www.elevationscu.com*), Boulder, Colo., uses Salesforce exclusively for SEG and business development. His CU houses all SEG activity in the CRM, including SEG demographics and profiles, email blast capabilities, appointment data, date of next contact and a tickler file. The result? A business development team that can work smarter, rather than harder, for increased productivity and more loyal SEG relationships.

Regarding production, Elevations CU views its business development division much like a branch. Consider what a staff of three produced in 2014:

- scheduled 762 events in Salesforce;
- opened 846 new member accounts (compared to a branch average of 1,018);
- attained 173 percent of loan goals;
- attained 134 percent of new member account goals;
- delivered 72 onsite educational presentations; and
- made 116 investment services referrals (compared to a branch average of 57).

"We've seen an entire shift in culture; we're proactive vs. reactive, and instead of working to catch up, we're working on future initiatives." Paul adds that the true essence of CRM is to create strategies and to make the software emotionally driven, not transaction-driven. "Use it to build relationships and form relationships by asking questions of your prospect, SEG or member. Input all findings into the system. It will prepare you for the next conversation centered on emotional ties, not transactional detail."

The Expectation Gap

If CRM is underutilized, not embraced by staff, and not part of the culture, results will be undermined. This fact not only concerns the CU's front-line staff but at all levels of management. Avoid disappointment, and clarify in writing a strategy for implementing CRM. Prepare staff with a comprehensive explanation so they understand the importance of using the tool.

"Determine how you want to execute beforehand," says Braccia. "Perhaps it's rolling it out at a few branches first and overcoming obstacles early. By starting slowly, you can optimize the systems at a few locations and develop CRM experts at these branches who can then assist with training other branch experts."

Also, with a fully integrated CRM, information is available in real time, and management should make it a best practice to leverage this information to make appropriate changes as marketing campaigns are occurring. Eagan concurs: "Use it as a tool to paint a picture of how and why certain promotions are successful or what offers drive growth."

Delight Members

After investing in the system, are members experiencing something innovative, new or different? "When you understand member needs, you can delight members as their trusted advisors," says Braccia.

A CU can also view member data differently as new ideas or trends begin to emerge. Members take on buying personas, and increased segmentation can deepen relationships. "Look at these CRM strategies as a way of doing business and an instrument for change," concludes Braccia. "Remember, success is less about the technology and more about using it to execute strategies that allow staff to impact the member experience."

With 25 years of marketing and communications experience, Stephanie Schwenn Sebring *established and managed the marketing departments for three credit unions. As owner of* Fab Prose & Professional Writing, *her focus is assisting credit unions and industry suppliers with their communications needs.*

Chris Braccia's Top 10 CRM Practices

Chris Braccia, director/product management at CUES Supplier member D+H (*www.dh.com*), Lake Mary, Fla., shares his top 10 CRM tips.

1. Drive CRM strategies from the top down and across the organization.
2. Use the CRM system to make a cultural shift in serving member needs.
3. Create a written plan of what the CU wants to do or accomplish. Questions should include, "How can we change the member experience? Do we want to drive sales (i.e. increase deposits or loans)? Do we want to focus on targeted products? How can we serve members better?"
4. Use a reflective, long-term and methodical approach. Realize the CRM system is a piece of software; it will be a tool to help grow the CU and improve key performance indicators. But what does that mean to an individual CU?
5. Leverage the CRM system as a tool to help the CU differentiate its brand out in the market; then tie it back to the overall marketing plan.
6. Ensure EVERYONE is using it. It will crash and burn if the program is viewed as optional.
7. Observe the people who are using the system from a workflow perspective. Is the system being used to its full capacity?
8. Refine processes, goals and workflows over time to keep the approach fresh and meaningful.
9. Remember the CRM system is a tool to drive and enhance the member experience.
10. View the CRM system as a *way of doing business*.

Resources

Read Web-only bonus coverage at *cues.org/1215superstarseg*.

Attend CUES School of Strategic Marketing™ I (*cues.org/sosm*) and II (*cues.org/sosm2*) in Seattle this summer.

Also read: "Implementing a CRM System" (*cues.org/0815crm*), "The CRM Commitment" (*cues.org/073015crm*), and "Improving Member Experience in an Omni-Channel Environment" (*cues.org/011315omnichannel*).

Offered in partnership with CUES and MNA Consulting, Inc., Atlanta, ServiStar® Member Experience Builder (*cues.org/servistar*) is a personalized, comprehensive program delivering a suite of training and development resources designed to deepen member relationships and build loyalty at every level.

The 5th Cooperative Principle

Education, training and information.

By Tim McAlpine

Credit unions all over the world were founded on the Seven Cooperative Principles that are still very relevant today. These principles provide a framework for your credit union to put its values into practice.

The Seven Cooperative Principles are nicely outlined on the International Co-operative Alliance website *(ica.coop/en/what-co-operative*). In this article, I'll concentrate on Principle 5: Education, Training and Information and provide some practical tips for your credit union.

Here's the official language for Principle 5: "Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation."

Let's look at some ideas and resources you can employ at your credit union to advance the education of each of your stakeholder groups: members, board members and employees.

For Members

There are many opportunities to offer meaningful education and training for members at a reasonable cost to your credit union.

One opportunity is to provide information and education about the cooperative sector and your credit union's role in it to members and the community at large. The cooperative business model is under the radar—it's not taught in high school, it won't show up in business textbooks and, yet, it's an economic force to be reckoned with.

The cooperative business model can be a real differentiator for your credit union—you should not be shy about extolling its advantages. Once your members and potential members better understand the cooperative sector and how your institution operates within a positive worldwide movement for financial empowerment, it will illustrate just how different your credit union is from your mega bank competitors.

$600 million/41,500-member Seattle Metropolitan Credit Union (*www.smcu.com*), with 146 employees in Seattle, is a great example of a credit union that has put the Seven Cooperative Principles at the heart of everything it does, including product development, community involvement and member education. Cooperative and member-ownership messaging is featured prominently throughout its website (*smcu.com/about-smcu.html*).

In addition, the CU's blog (*smcu.com/blog*) includes a great mix of financial education articles, invitations to educational seminars, and community involvement content that is very informative and appealing. Some of the recent topics include: where to watch football in Seattle, the CU's day of service, local places to volunteer, affordable, homemade gift ideas, and more.

Credit unions can also take a page from co-ops outside the financial industry. With almost 4 million members and more than $300 million in annual sales, Mountain Equipment Co-op, better known as MEC (*www.mec.ca*), is Canada's largest member-owned co-operative business.

A shared passion for the outdoors by Canadians hungry for a home-grown brand has propelled MEC's massive growth. MEC nurtures that community feeling through free and affordable training and events for its members. MEC's community and events page (*http://events.mec.ca*) is filled with meetups, clinics, races and other opportunities to participate and learn in MEC's key business lines—running and fitness, cycling, watersports, hiking and camping; and yoga. Members of this massive nationwide co-op are made to feel important through inclusive educational opportunities that feel local and personal.

Another education and training opportunity is to provide financial literacy resources and content to your members in person and online. For more about this, read my previous article, "Teaching Money Skills" at *cues.org/0615teaching.*

For Elected Representatives

Next up is providing effective training and education for your board of directors. This is an area where the credit union industry excels.

In the U.S., the National Credit Union Administration (*www.ncua.gov*) requires that all credit union directors become financially literate within six months of joining the board. The CU's board should create a plan for how that will happen. At some credit unions this involves listing specific conferences, seminars or online courses that directors should attend each year.

There are many resources at your disposal for both in-person and online training.

The state leagues, Credit Union National Association (*www.cuna.org*), National Association of Federal Credit Unions (*www.nafcu.org*), and CUES (*cues.org*) all have director training resources and events that your credit union can easily tap into.

In Canada, the provincial centrals and Credit Union Central of Canada (*www.cucentral.ca*) have numerous conferences and online resources for director training and education.

For Managers

Running a credit union is not for the faint of heart or the uneducated. Whether your credit union is small or large, your management team's responsibilities are getting increasingly more difficult and more complex. Training and education for your leaders and future leaders has never been more important. The good news is that there is an abundance of quality resources available to your credit union. Again, the leagues and national associations have plenty of affordable options to consider for credit union-specific training and education.

For something outside the normal realm of formal education, the Filene Research Institute (*www.filene.org*) offers a phenomenal leadership development opportunity for U.S. and Canadian credit union leaders below the CEO level through its i^3 (Ideas, Innovation, Implementation) program. Sixteen new credit union professionals are accepted to this two-year program every year. Consider nominating a worthy innovative credit union executive from your credit union for the next class. The i^3 program has been running for more than a decade now, and a surprisingly high number of alumni have gone on to become credit union CEOs.

> The cooperative business model can be a real differentiator for your credit union—you should not be shy about extolling its advantages.

Or nominate one of your managers for CUES Next Top Credit Union Exec (*www.ntcue.com*). This competition allows young credit union professionals, 35 and under, to flex their creative muscles and show the credit union world what they are capable of.

Employees

Ideally, credit unions shouldn't just invest in their senior talent; they should look to provide education opportunities to all staff.

There are plenty of options to increase general business and creative skills online for employees of all levels without having to incur expensive membership fees or excessive travel expenses. If you don't have the resources to set up an internal training department, don't despair. One online resource to consider for general technical training is Lynda.com. It offers incredible training solutions for businesses, including cost-effective group memberships that make top-quality video training available to everyone in your organization. With almost 4,000 video courses, Lynda.com has courses for all levels and covers technical skills, creative techniques, business strategies and more.

A free option to consider exposing your credit union employees to is iTunes U from Apple. Top universities like Harvard, MIT, Stanford and Yale make select courses and lectures available online through the free iTunes Music Store app for PCs, Macs and iOS devices. Consider hosting lunch and learns with branch staff where you listen to or watch a lecture and then discuss the content together.

Lifelong Learning at Your CU

Credit unions are businesses owned and run by and for their members and it's in the credit union's best interest to invest in training and education for its members, elected representation, managers and employees. With so many affordable options available, your credit union is in a great position to live up to Principle 5 of the Seven Cooperative Principles.

Tim McAlpine *is president and creative director of Currency Marketing. He is a credit union advocate best known for developing CUES Next Top Credit Union Exec* (www.ntcue.com) *and the Young & Free and It's a Money Thing programs that credit unions from around North America are using to connect with new young adult members. Make sure to subscribe to his blog at* www.currencymarketing.ca *and to follow him on Twitter* @CurrencyTim!

Resources

Read more articles by Tim McAlpine at *cues.org/timmcalpine.*

In 2012, CUES published "The Seven Cooperative Principles and Credit Unions That Live Them." The 30-page report discusses each principle individually, and explores credit unions from around the globe that have put the beliefs into practice. Find it at *cues.org/7cooperative.*

The Center for Credit Union Board Excellence is an essential membership for deepening director competency. CCUBE membership includes access to several learning plans on topics including governance, credit union financials, strategy and more. Not yet a member? Sign up for a 30-day free trial by emailing *cues@cues.org.*

CUES members can use CUES Learning Tracker, an employee education analytics program. Learn more at *cues.org/clt.*

Reaching New Heights

Seeking ways to more fully engage and utilize its employees and sustain the organization's ongoing growth, Guardian Credit Union devised a novel strategy.

By Pamela Mills-Senn

One of the positives of business growth—besides the obvious—is that it's often accompanied by new innovative strategies and processes to better manage the expansion. This has certainly been the case for $320 million/38,000-member Guardian Credit Union (*www.myguardiancu.com*).

Originally formed in 1958 to serve the Alabama National Guard, the credit union's corporate office is in Montgomery, Ala., with several Alabama locations. A 12th branch is scheduled to open first quarter 2016. The CU has 132 full-time equivalents. Spurring growth was the merging of Guardian CU with Comala Credit Union in 2010, says CUES member Heath Harrell, president/CEO. Emphasizing consumer lending—the "original intent of credit unions," says Harrell—as the CU began doing several years ago, also contributed.

As the organization grew, Harrell says the senior team began realizing change was in order. "We came to the understanding that we do not have enough time in the day to do everything, while we have our entire credit union full of dedicated employees who are excited to take on projects that play a major role in moving the credit union forward."

In addition to making better use of employees' talents, senior managers were looking for ways to foster engagement and empowerment, says Harrell. The solution they devised was the High-Performance Team, or HPT, concept.

What's an HPT?

"An HPT is a team of employees from various departments that are tasked to do very specific projects," Harrell explains. "HPTs actually take on all aspects of operations. We run three teams of eight to 12 people at all times."

The HPTs first kicked off in January 2015 with four teams. But after the first series, the CU reduced this by one, feeling three better fit its needs. This number also put less pressure on the CU's branches since each one typically has a person on an HPT. Teams generally come together for 90 days and then close out, although there's one team (focusing on communication) that's ongoing. There's always an even number of members on a team.

"The team is one unit, but inside each team, team members have to work on different tasks to be successful," Harrell explains. "The teams sub-divide into twos—we call them 'swim buddies'—to complete tasks, creating a sub-accountability to each other as well as to the whole team."

Branch manager Charlie Dickey served as a member on two phases of the G-Force team. "G-Force is the communications team that always exists," he says. "Fifty percent of the members rotate off after a 90-day phase, but the team itself is always ongoing. With 50 percent rotation, there's always continuity from one phase to the next."

"Individual employees feel more a part of the credit union as a whole. They see the ways their jobs relate to jobs other people perform. Team members see and are recognized for their contributions to and influence on the team; the team is recognized for its contribution to and influence on the entire credit union."

Becky Lee

Dickey and his "swim buddies" had numerous responsibilities. Some of these involved sending out various communications to all employees—via emails, articles, slide shows, etc.—updating co-workers on the status of the HPTs, mentioning their successes, accomplishments and so on; writing scripts and developing role-playing opportunities to get the word out about the HPTs; and promoting the strategy in positive, impactful ways to generate curiosity, excitement and buy-in.

"Some of the things I participated in took me out of my comfort zone," Dickey recalls. "I learned a lot of new technology skills from my teammates, and also how to work together with others who have different things to offer."

One of the first major tasks a new team must tackle is creating a name for their group, says Harrell, explaining that this provides a good exercise on negotiating and compromise. So far the teams have included:

- **G-Force:** The aforementioned communications team. "Their purpose is to evangelize the Guardian CU strategy and promote other HPTs, keeping the entire credit union up to date on all things HPT," says Harrell.
- **The Deloreans:** Tasked with evaluating branch hours, comparing them to competitors in each market. "They presented the new hours for each branch and the recommendations were implemented in the following 60 days," says Harrell. In some cases, where the data supported it, branch hours were extended.
- **The Ice Sculptures (phase one) and Nucleus (phase two):** "The team uploaded forms and created spaces on a new intranet; phase two finished the uploads, trained everyone on how to use it and rolled it out," he says.

Other HPT projects involved revamping the employee review process (the Review Renegades team) and exploring the feasibility of offering a mobile check register for members who use only a debit card (the Guardians of the Registry team; read more about this team in the box at left.).

"The HPTs have already made a huge impact on Guardian CU," says Harrell. "The teams have revealed better ways to do things, better hours to serve our members, better employee reviews and evaluations, better mobile banking solutions and a better way to communicate via a new intranet. We anticipate working all employees into an HPT."

The HPT Process

Guardian CU began by working with an outside consulting company, CUES Supplier member Extreme Arts + Science (*www.easci.com*), based in Seattle, that helped them develop guidelines for how the teams work, says Harrell.

Sponsors, composed of upper management, created a charter for each team, which outlined what was needed for each team to be successful, he says. These charters also stated what a team *didn't* need to spend time on, sharpening both focus and performance. For example: The G-Force Team, which is the communications team, doesn't deal with communication unrelated to the HPT strategy. They are also not responsible

Success Through 'Failure'

Karen Ghames, underwriting manager at $320 million/38,000-member Guardian Credit Union, served as team lead for the Guardians of the Registry High-Performance Team, the group tasked with devising a way to develop a mobile check register for those members who only use a debit card. This was initially conceptualized as an online check register for members who don't actually write checks or keep a checkbook. The concept was that the credit union would create an app that could connect to its online banking platform so members could keep an online check register when they used their debit card. Ultimately, after researching different options, the team advised against offering this capability, as the cost to create such an app didn't seem worth the expense.

"They thought their team failed, but in our eyes, it was a great success," says CUES member Heath Harrell, president/CEO of the credit union. "The best thing about the project and the greatest win-win was that they came back to the senior team and said it wasn't worth it. Their recommendation saved us a lot of money and time."

Among other duties, as team lead Ghames was responsible for establishing the team, scheduling meetings, identifying project milestones and timelines, monitoring progress and managing the team through any changes or difficulties.

"I also met periodically with the HPT sponsors," she recalls. "And I was responsible for presenting our findings to the senior leadership team at the pre-close and receiving their feedback. The next-to-last task was helping my team with what to present at the final closeout. The final—and most fun part of being the lead—was planning an outing for the team celebration."

Although balancing the day-to-day job duties with working on the HPT wasn't always easy—"That's where prioritizing and time management come in," says Ghames—the juggling act proved worth it, moving her out of her comfort zone and giving her the chance to work and bond with employees she ordinarily wouldn't have encountered, strengthening relationships across the board. She also developed an awareness of and appreciation for the effort required to implement new products and services for members.

Ghames mentions a seminar she once attended where the *Patch Adams* movie—a semi-biographical film starring Robin Williams as American physician Hunter Doherty—was used to emphasize the following point:

"When a gentleman in the psych ward holds up four fingers and asks, 'What do you see?' do you look straight at the four fingers or do you see what is beyond the four fingers? The HPT helps you to grow that skill," she explains. "Do you look at the task or do you look at the bigger picture beyond that task?"

Guardian employees participate in team-building exercises during a recent training event that was planned entirely by a High Performance Team. In the photo at right employees are playing a round of "Guardian Feud." On the mic is Guardian Feud host Joe Robinson, a member of the G-Force HPT.

for general morale-building nor are they a general-project update committee. Another example is the Product & Services team, which is not responsible for products and services pricing, fee schedule or rates.

Then, in a process still in place today:

- Sponsors selected the team leads for the HPT they were assigned to. "Projects cannot fall under a department they're responsible for," says Harrell of the HPT sponsors.
- Sponsors met with team leads and reviewed the charters.
- Once that was accomplished, the team leads were tasked with building their teams. Sponsors were available to provide advice, but it was the team lead's responsibility to recruit people for the team.

The CU's top leadership identifies and prioritizes when a new team is needed based on the CU's strategic plan and focus.

Chief Financial Officer Becky Lee, a CUES member, is currently serving as a sponsor for the Products and Services team, the HPT charged with reviewing existing products, services and ancillary services, and with recommending changes and improvements, she says. Lee acted as sponsor for two other teams prior to this.

"The sponsor is an advocate for the team, communicating with the HPT lead and acting as a liaison between the team and senior leadership," she explains.

Watching employees advance in their skills and confidence has been one of the biggest positives for her, says Lee. She has also enjoyed seeing employees from different branches and departments bonding and gaining a new appreciation for each other and a stronger sense of unity.

"Individual employees feel more a part of the CU as a whole," she says. "They see the ways their jobs relate to jobs other people perform."

Harrell says they encountered some obstacles but nothing that couldn't be overcome. "We didn't have to change how the employees work," he says. "We *did* have to figure out how to make time for teams to meet. Sometimes teams meet in person (at the corporate headquarters) and sometimes over the phone or [via] GoToMeeting."

Scheduling and finding time for teams to meet was a major concern of team members who were anxious about fitting in their everyday responsibilities with those required by the HPT. Branch managers worried about HPT members being away from their branch for meetings. Harrell addressed these concerns by explaining that HPTs were here to stay and that they now should be considered part of their "real" jobs. Working team meetings around busier days has alleviated the branch managers' fears that customer service would be negatively impacted.

"I expect we'll always have some challenges," Harrell reflects. "HPTs involve developing people, leadership skills and teamwork. It will never be easy but it will strengthen our credit union.

"I think HPTs would work great for any CU willing to let go of control and completely dedicate to the program," he continues. "You have to commit to it from the CEO on down because at first, only a handful of people will want to be on a team. Persistence and telling the success stories of the teams is what makes it really work."

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

Resources

Read an article about aligning structure with strategy at *cues.org/1215changing.*

Changing the Future

Mandy Lee's first High-Performance Team experience was as a member of the G-Force, Guardian Credit Union's communications team. Lee, currently the lending center manager for the credit union, was involved in phase one of this team, which is the one constant HPT in the organization.

"As a team member, I got the satisfaction of working with an awesome group of co-workers that I may not have had the ability to work with before to achieve a goal that has been set before me," says Lee of the position. "As a member, this may include gaining new skill sets, strengthening my teamwork abilities and gaining an understanding of how my participation in decision-making on an HPT benefits the organization."

After her stint with this HPT, Lee served on another HPT, The Review Renegades, tasked with creating a new employee performance review system. This time she acted as team lead.

"The HPT lead has two primary responsibilities: to ensure the project is completed on time, within budget, and that it meets its objectives; and to develop the team members through the completing of the project," she explains. "As team lead, you also have to hold each team member accountable for their goal and let them know what's expected."

The HPT strategy presents certain challenges; for example, working around everyone's schedule and finding the time to meet can be tough. Good time-management skills, organization and the ability to plan strategically are essential if members are going to get their regular jobs done while serving on an HPT, Lee says, adding that developing these skills was one of the many positives that came out of her HPT experience.

As for those credit unions that may be considering adopting a similar strategy, Lee has this advice:

"Do it. It's so rewarding to employees," she says. "The senior leadership team is investing in their employees and empowering them to work together as a team toward a goal that can change the future of the credit union."

CUES
POTENTIAL, REALIZED.™

Process Improvement Takes Strength

7 tips for a successful shake-up and rebuilding.

By Charlene Leland and Dan Myers

The challenge with process improvement is that it is not for the faint of heart; it requires rebels who are willing to step up and tear processes to shreds, and rebuild them from the ground up.

It is not human nature to constantly challenge the status quo. It takes a rebellious nature to question everything and accept nothing at face value. The death stroke of a good process improvement plan is the belief that everything is fine because "that's how we've always done it, and it's never been a problem." A huge advantage non-traditional competitors have is that they are not bogged down with legacy thinking and processes.

Rebels are required to shake things up.

Process improvement is a habit credit unions can create to find better, faster, and easier ways of bringing value to members and employees. In some credit union circles, process improvement is slowly gaining traction as one of the most important tools in a credit union's hip pocket.

Here are seven tips for better process improvement results that we compiled from our experience working with hundreds of credit unions across the country.

Tip 1: It is a mistake to not involve the doers.

The only way to effect lasting change in an organization is if the people responsible for executing the change are brought fully into it. A process improvement initiative should involve the "doers" of the process, allow them to give their fair share of input and get their buy-in by involving them throughout the process. When this happens, we hear senior management teams explain that the process improvement led to a culture change in their credit unions. Involving the "doers" gets the front-line staff thinking differently, and they start to uncover other opportunities that might have been overlooked.

Tip 2: Clearly articulate the beginning and the end.

Before starting process improvement, participants should agree on what is the beginning and end of the process. For instance, the beginning of a loan origination process could be "a member fills out an application online." The end of the loan origination process could be "a decision is made, and the member is notified" or it could be "the loan is funded." This type of specificity will help avoid scope creep and lead to faster improvements.

Tip 3: Identify what is non-value-add.

Key objectives of process improvement include eliminating waste by identifying and removing non-value-add activities, and ultimately improving products, services, or support for internal and external customers. Achieving these objectives creates opportunities to spend more time on value-add activities. Everyone wins when this happens. Mapping the current process will help with identifying what is non-value-add.

Hint: Rework is one of many non-value-adds. An example of rework is an underwriter having to review a loan application more than once because the loan application was not completed appropriately by the loan originator.

Tip 4: Implement the easy wins as soon as possible.

Doing so creates momentum.

Change takes work. If it truly is a change, it can be quite uncomfortable. Train yourself and your team on how to change. This can ignite the rebel side you may be looking for in your team.

Proactive senior management involvement saying, "Yes, let's do it!" on the easy wins helps get people used to the idea of change. It also lets the team know senior management is focused on process improvement and is genuinely interested in employee input. This sends a clear signal that process improvement is not senior management's flavor of the month.

Make sure you establish the relevant measures of success for the business objectives you are trying to achieve.

Tip 5: Make the improved process a habit.

Hab·it (hab•t/noun): A settled or regular tendency or practice, especially one that is hard to give up

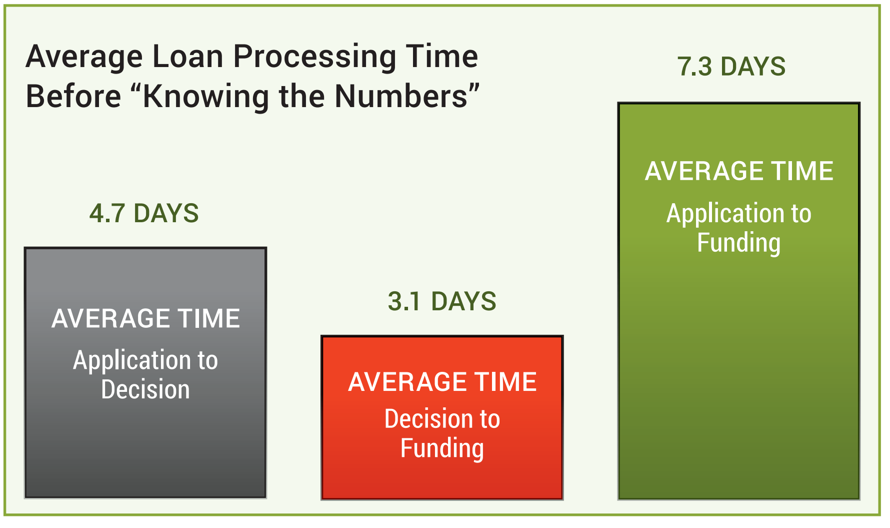
In the control phase of process improvement, measures are put into place to ensure that the new process "sticks." This is an essential component that is often overlooked. To help make the improved process a habit:

- Develop supporting methods/documentation to sustain full-scale implementation.
- Lock in performance gains. Use mistake-proofing or other measures to prevent people from performing work using their old ways. An example of mistake-proofing is quickly, visually, and automatically highlighting errors or missing data so that the likelihood of incomplete or incorrect work is reduced.
- Monitor the implementation and measure success daily/weekly/monthly.

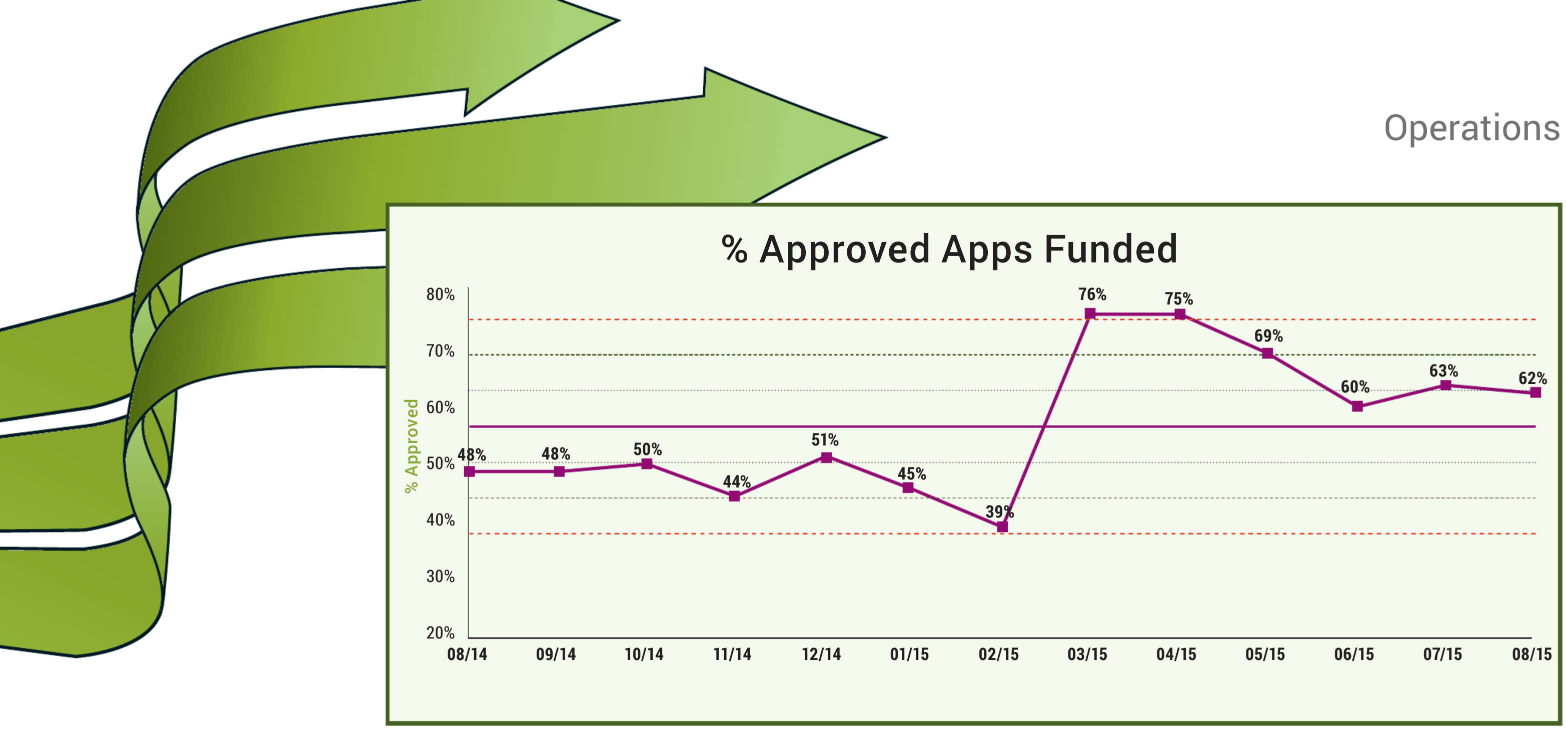
Tip 6: Know your numbers.

Far too often decision-makers really don't know their numbers. Counting the right business every day is a must. In other words, make sure you establish the relevant measures of success for the business objectives you are trying to achieve.

For example, many loan systems have the data to help decision-makers understand how many minutes or, unfortunately, days it takes to decision a loan. Taking that data and turning it into easily understandable decision information is a necessary step toward effective process improvement.



All loans are not approved, therefore the Average Time Application to Funding is not the sum of Average Time Application to Decision and Average Time Decision to Funding.



The following is an example of a credit union's average time to decision and average time to fund. At the beginning of their process improvement endeavor, the credit union's leaders thought they were decisioning consumer loans in 24 hours—48 at the longest.

After we asked them to support their assertion with data, they discovered that the average time to decision consumer loans was actually 4.7 days. The average time from decision to funding was not stellar either (3.1 days). And the average time from application to funding was more than a week! Their jaws literally dropped. As you can imagine, they needed their rebels to solve this issue ... fast!

After making several changes—such as restructuring the queue, revamping stipulations, and overhauling internal working agreements—the credit union vastly improved its process, resulting in more approved loans being funded, as illustrated in the graph above.

The credit union has also incorporated slicing and dicing this type of information by credit tier and delivery channel. They know the work is not finished but feel great their revolution has begun.

Tip 7: Walk in the customer's shoes.

At times, the obvious is not so obvious. Always look at a process from the end-user's perspective, whether internal or external customers—like our example credit union, above, looked at how long members had to wait for the loan to be decisioned and funded.

A Successful Revolution

You will know your process improvement worked well if you and your team are saying things like:

- "Thanks to our improved processes, we are able to handle the increased volume without adding staff, and our queues are never backed up like they were in the past."
- "We actually have members commenting on how easy it is to get a loan."
- "We learned it's not about the new software. It's about new processes and the mindset to utilize the enhanced capabilities."
- "Focusing on process improvement helped us change our thinking in so many other areas of the credit union."
- "We cut our processing times in half, and are booking substantially more loans without taking on more credit risk."
- "We actually made it easy for people to join our credit union because we finally removed huge roadblocks from the new member process."

It seems like when process improvement goes well, the clouds part, the sun comes out, and life just feels easier. Or maybe it's the mischievous joy that uplifts your mood when a successful revolution has been waged and won. Either way, the credit union wins—and so does its membership.

Charlene Leland *and* Dan Myers *are vice presidents of c. myers corporation.* (www.cmyers.com)*, Phoenix.*

Resources

2015 CUES Outstanding Chief Executive Gerry Agnes, CPA, CIE, led his credit union to win the Malcolm Baldrige National Quality Award. Read more about it in Agnes' profile at *cues.org/1115goalgetter.* Learn more about CUES' awards at *cues.org/recognition.* And learn how to earn your CIE—Certified Innovation Executive—designation at *cues.org/sii-i.*

You may also wish to read "Best Practices: Performance Improvement is Hard" at *cues.org/0415bestpractices.* The article was written by Ryan Rackley of Cornerstone Advisors Inc., CUES' partner in offering strategic technology planning and enterprise risk management services (*cues.org/cornerstone*). (Read an article by Cornerstone about vendor contract negotiation on p. 40 of this issue.)

And read "'Lean' Journey Makes Everyone an Innovator" at *cues.org/101514lean.*

CUES® CEO Institute

The Measure by Which All Others Will be Compared

Wharton
University *of* Pennsylvania

CEO Institute I: *Strategic Planning*
April 10–15, 2016

Johnson
Cornell University™

CEO Institute II: *Organizational Effectiveness*
April 24–29, 2016 **August 7–12, 2016**

University *of* Virginia
Darden School of Business
Executive Education

CEO Institute III: *Strategic Leadership Development*
May 1–6, 2016 **August 21–26, 2016**

Visit **cues.org/CEOInstitute** to learn more today.

Audrey Pappas, CCE
EVP/COO
CAHP Credit Union
Sacramento, Calif.
Assets: $141 million

"CUES' CEO Institute has been the most valuable three weeks of my 24-year credit union career, and I have attended many learning and training sessions in that time. The professors, learning environments, and diverse student body all contributed to a high-quality learning experience. The between-session projects reinforced the learning and application to real-life situations. I wish I could experience it all over again!"

CUES
POTENTIAL, REALIZED.™

CUES
POTENTIAL, REALIZED.™

Contracts by Quadrant

How to negotiate well with vendors.

By Bob Roth

Few of us see ourselves as good negotiators. We lack confidence negotiating car prices, and feel like we have little leverage when negotiating—or *trying* to negotiate—our employees' salaries. The Internet has been a huge help, though. Sites like *TrueCar.com* list what people actually paid for cars, and *Salary.com* gives people some perspective on what other people with similar skills, education and experience are making in similar positions. In addition, these sites often provide tips on how readers can be better negotiators.

Credit union executives are no more confident in their ability to negotiate with financial technology vendors than they are in their ability to negotiate car prices or salaries. Unfortunately, there are no sites to help CU execs improve their skills for negotiating with vendors. Data regarding what financial institutions are spending for specific services isn't as readily available as car prices and salaries. But we can provide some tips, tricks and guidance for helping credit union executives become better negotiators with fintech vendors.

More Than Just Win-Win Situations

We've all heard about "win-win" negotiations, but smart negotiators understand that other types of negotiations might be needed in a particular case**.** The energy a credit union should put into a particular contract negotiation is determined by two dimensions: 1) the nature of the relationship, and 2) the nature of the results.

The relationship dimension (on the vertical axis in the graphic on the next page) is a spectrum from a weak relationship (when the credit union doesn't care about the relationship) to a warm relationship (when the credit union has or wants to develop a strong relationship with a particular vendor).

The results dimension (on the horizontal axis in the graphic) ranges from not impactful (unlikely to have a material effect on the organization) to impactful (the end result will have significant impact for the credit union). Applying the two dimensions to a negotiation points to the following four negotiation tactics:

1. Minimum negotiations. In the lower left quadrant—the intersection of weak relationship and weak (tactical) results—credit unions' negotiation efforts should be minimal. In this quadrant, the credit union feels there is little chance to have much impact on results through negotiation. Negotiations of this type typically consist of price validation and comparison. Of the large number of contracts a credit union will enter into, many will fit into this quadrant and require minimal negotiation.

What to watch out for in this quadrant: *mis-categorization of a contract.* The challenge for many execs is recognizing when a contract that really belongs in one of the other quadrants is wrongly categorized into this one.

For example, when restarting a credit card program, a credit union may be inclined to spend minimal time negotiating because the initial spend on card processing is immaterial. But because a successful program can become very large over time, failing to put enough effort into the initial negotiation may put a credit union in the hole down the line. Credit unions that allow their agreements to auto-renew are erroneously using this technique, usually without even realizing it.

2. Relationship negotiations. Contracts that fall in the upper left quadrant require negotiations that focus on maintaining or improving the relationship with the vendor**.** Because the focus is on the relationship, major drivers of the agreement, such as price and business terms, are rarely or lightly negotiated. This approach equates to trusting the vendor's word when he/she says you have the best deal. Buying new products during a contract term from a trusted vendor without negotiating price is an example of this situation. Credit unions are by nature very relationship oriented and tend to take this approach, often without realizing it.

What to watch out for in this quadrant: underestimating the importance

of the results. The new product being purchased in the middle of a contract term may cost far less than the main product or service procured from a vendor, but may be very important to a particular department within the credit union. To counteract the effects of over-relying on the relationship, effective negotiators should increase the focus on results when possible. A CU that has a "special" relationship with its vendor has all the more reason to park that relationship at times and have open discussions about the results it's trying to achieve.

3. Results negotiations. It is easy to tell when credit union executives are negotiating a contract that falls in the bottom right quadrant. They are tough on the vendors, wanting to extract every ounce of service and every possible dollar. The relationship is seldom discussed. Services are often put out for bid at each renewal. Such commodity purchases as telecom and PC hardware are examples of contracts that naturally fall into this quadrant. With all the pressure from regulators to get more organized about vendor management, more and more credit unions are moving in this direction. The entire relationship with the vendor becomes transaction-driven.

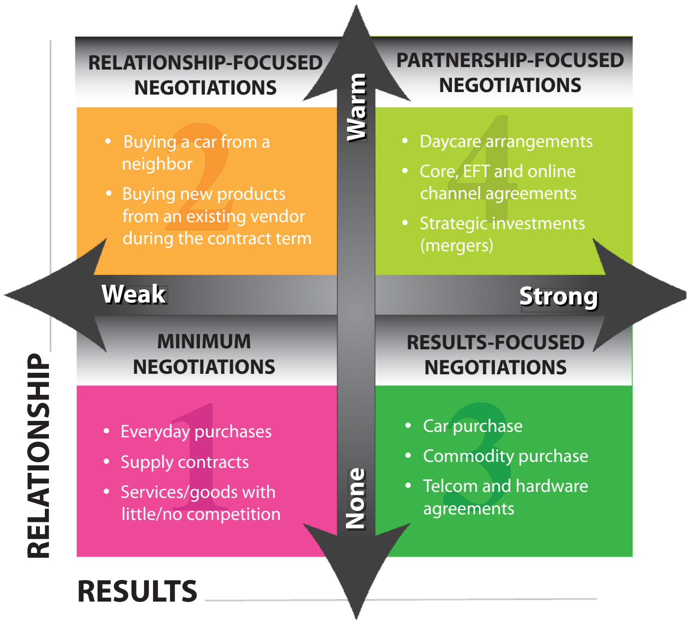
What to watch out for in this quadrant: short-changing relationship opportunities. The problem with this approach is that if everyone took it, the industry model would become unsustainable and short-sighted. What vendor wants to work on 10-year development roadmaps if its entire user community is ready to walk at the next renewal? Credit unions need to maintain healthy relationships with all their stakeholders, including third-party vendors, members and employees. To the extent that all relationships need balance, this quadrant's approach is not balanced. Focusing on results to the detriment of the relationship won't work for a 20-year relationship.

4. Partnership negotiations. Contracts in this quadrant involve looking for aligned interests, and negotiations are typically characterized as "win-win." It should be used for all "material" negotiations (as defined by the Federal Financial Institutions Examination Council, *www.ffiec.gov*), and the success of the vendor should be just as important as the success of the credit union. At the end of the day, credit unions and vendors need each other. Instead of negotiating on price alone, credit unions should attend to all aspects of the relationship. Renewals of such material agreements as core, electronic funds transfer and online banking, and the procurement of new strategic technologies, such as loan origination systems and mobile card self-service, are examples of contracts that fit well here.

What to watch out for in this quadrant: under-estimating the negotiation effort. Major third-party vendor agreements should be treated like any other major project at the credit union and have an executive sponsor immersed in the effort. Contract negotiations in this quadrant take much more effort than those in the other quadrants. They require preparation and working with the vendor in a collaborative manner, including looking with sincerity at its new product offerings.

Significant energy should be put into considering, from a holistic viewpoint, what the credit union is looking for in an extended relationship, including pricing, levels of service, account management, new products, growth plans and development needs.

This type of negotiation shouldn't just be a cost-cutting exercise—but a reinvestment exercise where spending on existing services will be compressed if the savings can be used to fund new technology. With this type of negotiation, vendor issues should be worked out before turning to competitive market tactics, such as requests for proposals.



Walking the Negotiations Tightrope

Credit unions should avoid unduly focusing on results to the detriment of relationships, and vice versa. Simple procurement exercises will be conducted with insignificant vendors while careful consideration of every factor, including the vendor relationship, is reserved for material vendors. A careful consideration of all your credit union's third-party vendor agreements and how they fit into the above model can help you reserve time for the larger efforts.

There is certainly potential for harm in overemphasizing relationship over price, or price over relationship. And most of us have, at one time or another, felt the sting of taking the wrong approach in our personal negotiations. Business is no different.

With the importance that third-party vendors play in credit unions' success, relationships can't be ignored to the benefit of the almighty dollar. On the other hand, costs have to be considered. With the tight margins in banking today, credit unions can't survive by paying more than a fair price. Balance—and the appropriate categorization of contracts—is the order of the day.

Bob Roth *is a managing director with Cornerstone Advisors* (www.crnrstone.com)*, a CUES Supplier member and strategic provider based in Scottsdale, Ariz.*

Resources

Read an article about three strategies CUs can use to negotiate vendor contracts at *cues.org/022614techtime*. Also read this one about how to handle vendor contracts after a merger: *cues.org/0512comparingcontracts*.

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

Hiring Employees for Great Member Experience

Creating a great member experience is essential to keeping members and deepening wallet share. And your staff, according to Michael Neill, CSE, are key to creating that outstanding experience.

When Neill, a CUES strategic partner and developer of ServiStar® Member Experience Builder (*cues.org/servistar*), presented the CUES webinar “Hiring Employees Fitted for Great Member Experience,” he defined member experience in two parts:

1. Ease of doing business. How easy do we make it to do business with our credit union? This involves both in-person channels and remote channels (mobile, online). It defines how uncomplicated, how fast and how few hoops it takes to meet a member’s personal needs. “This is the No. 1 predicator of how likely a member is to spend more money with you,” said Neill, president and founder of Michael Neill & Associates, Inc., Atlanta.

2. Personal branding. Each credit union adds its own personal branding to member experience. For example, Neill worked at a credit union that walked members all the way to their cars. Even if it was raining, they used golf umbrellas. “Going to that next level provides personal and unique branding,” he said.

Delivering both aspects of a supreme member experience takes the right employees, and Neill outlined three criteria to consider when hiring:

- **Skills:** These can be taught. Examples: benefits selling, knowledge of facts, systems and processes.
- **Attributes:** These cannot be taught. Examples: flexibility, trust, tact and judgment. These do not change quickly, if they change at all.
- **Culture fit:** Each organization has a set of values and a unique culture. Employees must fit the culture to thrive.

When hiring to fit these three criteria, openings may take longer to fill. For HR, this may mean a more ongoing interview process.

“When you find the right person, hire them!” Neill advised. “You cannot create an outstanding level of service, a member experience, if you’re constantly short-handed. If we are constantly short-handed or constantly putting the youngest, least experienced, least knowledgeable person in front of the member, then we are not creating a good member experience,” he cautioned.

Employees who will deliver a sterling member experience have a combination of sales and service skills. In a Filene Research Institute study, “Attributes and Skills of High-Performing Sales and Service Staff” (*http://tinyurl.com/salesservicestaff*), the balance of sales and service skills was apparent.

Staff who were very high in service attributes didn’t enjoy selling. Instead, they liked listening to members and troubleshooting for them, as well as making sure procedures were followed exactly. Those who were high in selling attributes didn’t like serving, to the point they often made errors on follow-up paperwork.

Skills in sales and service must be balanced to create optimal performance in both areas. “What we’re really looking for in hiring is at this mid-level of selling and mid-level of service and what we do is coach, and their performance improves as they’re with us,” Neill said.

One way to help find employees with a balance of attributes and skills, is to conduct behavioral interviews, which assesses wisdom, judgment and decision-making. “These are the things you’re not going to teach in a class or through coaching,” Neill said.

Read a longer version of this article at *cues.org/1215hiring*.

Resources

CUES members may listen to a recording of the webinar “Hiring Employees Fitted for Great Member Experience” at *cues.org/webinarplaybacks*.

Sign up for future CUES Webinars at *cues.org/webinars*.

Michael Neill, CSE, will lead the CUES School of Member Experience™ (*cues.org/some*), Sept. 26-27 at the Charleston Marriott in Charleston, S.C.

CUES Honors Outstanding Councils

Four CUES Councils were named CUES Outstanding Councils at CEO/Executive Team Network™ (*cues.org/cnet*), Nov. 10 in Scottsdale, Ariz. Winners in each region are:

- CUES Rocky Mountain Council (*www.cues.org/connect/councils#RockyMountain*), West;
- CUES Michigan Council (*www.cues.org/connect/councils#Michigan*), Midwest;
- CUES Alabama Council (*www.cues.org/connect/councils#Alabama*), Southeast; and
- CUES New Jersey/Metro New York Council (*www.cues.org/connect/councils#NewJersey*), Northeast.

Judges selected these councils for their ability to present timely and important topics to attendees, communicate effectively with their members, and produce actionable marketing pieces to generate high meeting participation. They also encourage nonmembers to join CUES.

CUES Councils are regional, learning groups run by volunteer CUES members. All offer networking and career-enhancing resources. Find a council near you at *cues.org/councils*.

New CUES Chairman Joseph F. Hearn, CCE, accepts the gavel from Caroline Willard, outgoing chair.

CUES Names New Board Officers

The CUES Board of Directors announced its board officers for 2015-16 during CEO/Executive Team Network™ (*cues.org/cnet*). They are:

- **Board Chair—Joe Hearn, CCE,** president/CEO of Dupaco Community Credit Union Dubuque, Iowa;
- **Vice Chairman/Chairman-Elect—Chris McDonald,** president/CEO of Northwest Federal Credit Union, Herndon, Va.;
- **Treasurer—Stephanie Sherrodd, CCE,** president/CEO of Texas Dow Employees Credit Union, Lake Jackson, Texas;
- **Secretary—Kim Sponem,** president/CEO of Summit Credit Union, Madison, Wis.

Completing the 2015-16 CUES Board are: Immediate Past Chair & Director **Caroline Willard**, EVP/markets and strategy for CO-OP Financial Services, Rancho Cucamonga, Calif.; Past Chair & Director **Robert D. Ramirez, CCE, CIE**, CEO of Vantage West Credit Union, Tucson, Ariz.; Past Chair & Director **Teresa Y. Freeborn**, president/CEO, Xceed Financial Credit Union, El Segundo, Calif.; Director **Stu Ramsey, CCE**, president/CEO of Pen Air Federal Credit Union, Pensacola, Fla.; and Director **Greg Smith**, CEO of PSECU, Harrisburg, Pa.

Branca Is CUES Distinguished Director

2014 CUES Distinguished Director Howard Williams, CCD (left) and CUES President/CEO John Pembroke (right) present Frank Branca with the 2015 CUES Distinguished Director award.

Frank Branca was recognized as 2015 CUES Distinguished Director at CUES' Directors Conference (*cues.org/dc*), Dec. 6-9 at the Walt Disney World Swan and Dolphin, Walt Disney World® Resort, Fla.

Branca has been a director of $6.4 billion Digital Federal Credit Union (*www.dcu.org*),Marlborough, Mass., since 2002. He was board chair from 2004 through 2014, and has served on nine committees, including as chairman of and secretary to the supervisory committee. Under Branca's leadership, the board encouraged and enabled management and staff to deliver benefits to a rapidly growing number of Digital FCU members. Among them were efforts to increase affordable lending options, and help members improve their credit and start long-term savings and retirement plans.

Branca also championed policies to operate the credit union in a socially responsible manner. The resulting efforts included DCU for Kids, a non-profit charitable foundation that has donated over $6 million benefiting children and families; the Annual Memorial Scholarship Program, which grants 35 scholarships totaling $50,000 to graduating high school seniors each year; and the DCU Center for Excellence in Financial Services to help financial services start-ups.

The CUES Distinguished Director award is presented to a CU board or committee member who is a CUES Director or Center for Credit Union Board Excellence member, and whose achievements have strengthened their credit union.

Learn more about CUES award programs at *cues.org/recognition*.

CUES Promotes Stevenson

Christopher Stevenson, CIE, has been named CUES' SVP/chief learning officer.

"Christopher's move to chief learning officer, a new position, is indicative of our focus on talent development and education for the credit union industry," explains CUES President/CEO John Pembroke. "Christopher is a strong leader and performer. He led the way in the development and launch of our Strategic Innovation Institute (*cues.org/sii*) and Mergers & Acquisitions Institute (*cues.org/mai*), along with the continued success of our educational offerings."

Stevenson started with CUES in January 2006 as professional development manager, receiving promotions until his most recent role as VP/professional development & innovation.

"I'm excited to assume my new executive role at CUES," says Stevenson. "I look forward to continuing to understand the talent development needs of our members to develop and deliver industry leading educational offerings."

Study payments or busines lending in Chicago this April.

Tackle Business Lending, Payments in Chicago

CUES School of Payments™ and part one of the CUES School of Business Lending™ series are slated for April in Chicago. Focus on business lending fundamentals April 18-22, and payments April 19-20, both at the Warwick Allerton Hotel.

CEOs, payments executives, and marketing and operations VPs/managers are invited to attend the CUES School of Payments. Attendees will discuss economic and regulatory factors in payments; look at payments competition; discuss emerging technology; and consider performance metrics in the payments arena.

This school will be led by Terence Roche, principal of Cornerstone Advisors, a CUES Supplier member and strategic partner based in Scottsdale, Ariz.; and Chris Joy and Norm Patrick, directors at CUES Supplier member Advisors Plus, St. Petersburg, Fla.

At the CUES School of Business Lending I, attendees will focus on accounting basics, price/cost/volume analysis, capital budgeting techniques, and tax return analysis. This hands-on learning is led by the same experts who train state and federal examiners: Jim Devine, chairman/CEO, and Bob Hogan, president/chief operating officer of Hipereon, Inc., Redmond, Wash.

Devine says CUs that are ambitious about member business lending may need more infrastructure. Identifying a member with a business credit need, understanding how that business works, applying good underwriting practices, then structuring, pricing and booking the loan is just one leg on what needs to be a three-legged stool of a stable MBL program. A second leg should be credit administration. The third leg should be depository and cash-management services geared to small businesses. “Otherwise, a business will have to split its business, using a bank for operating services and a CU for credit,” Devine says.

Find out more and register for the CUES School of Business Lending I: *Business Lending Fundamentals* and the CUES School of Payments at *cues.org/schools*.

CUES SYMPOSIUM: A CEO/CHAIRMAN EXCHANGE
Jan. 31-Feb. 4
Grand Wailea Resort Hotel & Spa
Wailea, Maui, Hawaii

EXECU/SUMMIT®
March 6-11
Snake River Lodge, Jackson Hole, Wyo.

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 10-15
The Wharton School
University of Pennsylvania

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
April 18-22
Warwick Allerton Hotel, Chicago

CUES SCHOOL OF PAYMENTS™
April 19-20
Warwick Allerton Hotel, Chicago

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 24-29
Samuel Curtis Johnson Graduate School of Management
Cornell University

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 1-6
Darden School of Business
University of Virginia

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 12-15
Rotman School of Management
University of Toronto

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
June 13-14
Omni Grove Park Inn, Asheville, N.C.

DIRECTOR RISK & COMPLIANCE SEMINAR
June 15-16
Omni Grove Park Inn, Asheville, N.C.

CUES DIRECTOR STRATEGY SEMINAR
June 13-15
Omni Grove Park Inn, Asheville, N.C.

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

ADVANCED DIRECTOR STRATEGY SEMINAR
June 16-17
Omni Grove Park Inn
Asheville, N.C.
NEW

MERGERS & ACQUISITIONS INSTITUTE
June 27-30
University of Chicago
Booth School of Business
NEW

CUES SCHOOL OF CONSUMER LENDING™
July 18-19
Crowne Plaza Seattle

CUES ADVANCED SCHOOL OF CONSUMER LENDING™
July 20-21
Crowne Plaza Seattle

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 18-22
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 18-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 21-22
Crowne Plaza Seattle

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

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.

Innovation's 'Red Lens'

By Kristopher S. Kovacs, CIE

My experience at Strategic Innovation Institute II (*cues.org/sii-2*) at Stanford University in September built on last year's experience of attending Strategic Innovation Institute I (*cues.org/sii-1*) at MIT in more ways than one.

For example, one of the lessons I took away from the MIT experience was to consider more carefully how decisions as strategic leaders are viewed through a series of lenses, including the "red lens of emotion." In other words, as we lead change in our organizations, some people will feel uncomfortable or even threatened by what we advocate.

At Stanford, we dug into the physiology of human emotions and how the brain's natural reaction to stimuli (or change) can have dramatically different effects on different people. This information was not only extremely insightful, but seemed like the natural extension of the MIT course work.

At Stanford, we discussed the value of engaging our teams in positive exercises like pre-mortems, which involve imagining that a project has succeeded or failed, and then working backward to determine what potentially could lead to the failure. These efforts can help uncover hidden information and emotions and allow leaders to consider all input—both factual and emotional—in our decisions.

I think it's important that people not consider Strategic Innovation Institute a class that's just for their "innovative" young professionals. This institute has a lot to give senior credit union leaders as they consider large strategic decisions on a regular basis. This is not a program to teach you a strategy to be innovative ... this is about how to innovate based on strategy. If you can understand the subtle difference between the two, this is a program for you.

CUES member Kristopher S. Kovacs, CIE, *is SVP/chief information officer for $2.5 billion Coastal Federal Credit Union, Raleigh, N.C. Follow him on Twitter at* @ManagementBytes.

Read takeaways from Strategic Innovation Institute I by CUES member Ben Allbee, CUDE, *manager/business process office for $2.8 billion Virginia Credit Union, Richmond, in "Apples to Apples Innovation" on CUES Skybox at* cues.org/applestoapples.

Earn your Certified Innovation Executive designation (CIE) by completing both segments of Strategic Innovation Institute and completing the between-segments project. In 2016, Strategic Innovation Institute I (cues.org/sii-1) *will be held at MIT, Sept. 25-30. Strategic Innovation Institute II* (cues.org/sii-2) *will be held at Stanford University, July 31-Aug. 5.*

SUBSCRIBE TO CUES SKYBOX

Get twice-weekly CUES Skybox posts delivered to your inbox at *http://tinyurl.com/skyboxemails.*

Recent Posts

"If [your] traditions end up making your market segment too small or interfering with the delivery of value that translates into sales/growth, you should change them. Find another way to connect to the past, because those traditions are holding you back."
Jamie Notter (*www.jamienotter.com*), speaker, author, and consultant, writing in "When Should You Change Tradition?" on CUES Skybox: *cues.org/changetradition*. Notter will present "When Millennials Take Over: What it Takes to Attract the Future of Your Members and Employees" at CUES Symposium: A CEO/Chairman Exchange (*cues.org/symp*), Jan. 31-Feb. 4 on Maui.

"Ownership of learning is being transferred from the employer to individual employees. Not surprisingly, research is finding that people's motivation to grow is highest when they feel a sense of autonomy over their own development, especially as they face business challenges they need to overcome to do their jobs and progress in their careers."
Christopher J. Stevenson, CIE, SVP/chief learning officer for CUES, writing in "Log in and Learn": *cues.org/loginlearn.*

"Satisfaction does not necessarily mean the employee will put in extra effort, creatively problem solve, or think outside the box. … Engagement raises the bar to an employee's emotional commitment demonstrated by words and actions on behalf of the organization."
Deedee Myers, Ph.D., MSC, PCC, CEO of CUES Supplier member and partner DDJ Myers Inc. (*www.ddjmyers.com*), writing in "Culture of Engagement: Beyond Employee Satisfaction" on the CUES Next Top Credit Union Exec blog: *http://tinyurl.com/satisfactionvsengagement.*

New Mortgage Models Coming In 2016.

CU Members Mortgage is excited to announce a new lineup of terrific mortgage business models coming in 2016.

Just as new cars have changed a lot over the past 30 years to become faster, safer, more efficient and easier to drive, we too are changing for the better.

For more than three decades, CU Members Mortgage has been your dependable credit union mortgage lender with a reputation for superior leadership and value, while delivering quality service. As we plan for the future, we see the need for a new approach to lead the way and we have some great new changes in the works.

We'll be pulling the tarp off soon. Be the first to join us on this new ride.

Listening. Lending. Leadership.

800.607.3474 ext.3225 *info@homeloancu.com*
www.cumembers.com

CU MEMBERS Mortgage