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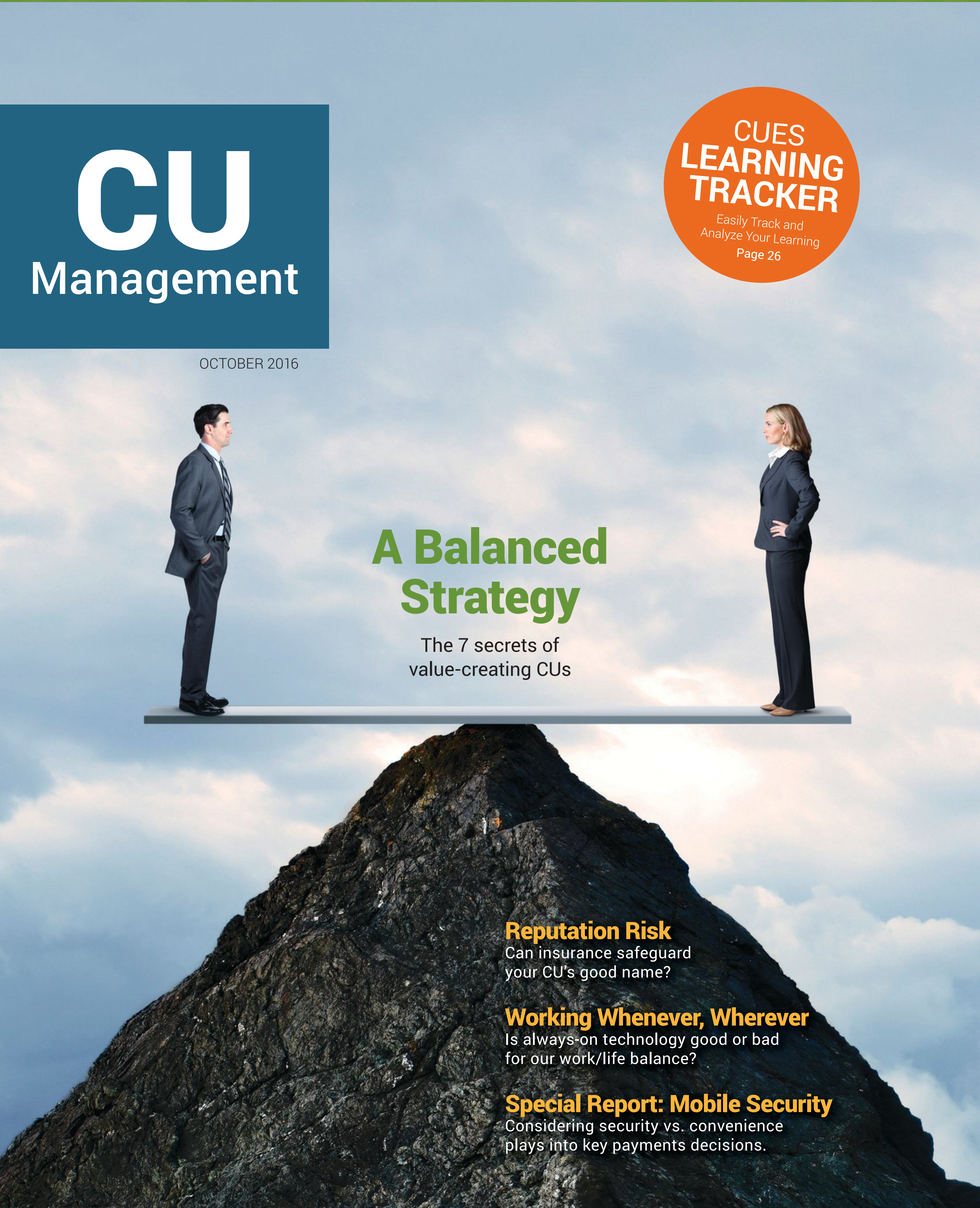

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## A Balanced Strategy

The 7 secrets of value-creating CUs

### Reputation Risk

Can insurance safeguard your CU's good name?

### Working Whenever, Wherever

Is always-on technology good or bad for our work/life balance?

### Special Report: Mobile Security

Considering security vs. convenience plays into key payments decisions.

# CU Management

**OCTOBER 2016** vol. 39 issue 10





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OCTOBER 2016 vol. 39 issue 10

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# App-Only Content


## How To Zap Executives Out Of Their Comfort Zones

What happens when a corporation's leadership is engaged, talented and competent—but so stuck in their ways that they can't quite grasp the importance of acting as a strategic, forward-thinking team? It could be time for drastic measures—so drastic that company vice presidents might be left mumbling, "What just happened?"

Download the myCUES app (*cues.org/mycues*) to read this article under "Spotlight."

# Online-Only Columns


## NextGen Know-How: 5 Strategies for Earning a Promotion or Raise

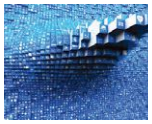
Are you ready for the next step in your career? Sure you can ask but a better approach is to strategically position yourself for a promotion or raise.

cues.org/0916nextgen

## Loan Zone: Payday Lending Rules in Two Countries

Many consumers in both the United States and Canada rely on small-dollar, short-term loans. However, each of these countries has its own regulatory landscape, which poses differing obstacles for credit unions in developing and offering loans to help members with their short-term borrowing needs.

cues.org/0916loanzone



## CFO Focus: Steering with Business Intelligence

With the right solutions, CFOs can base decisions on actual metrics rather than trends or industry benchmarks.

cues.org/0916oncompliance

## Leadership Matters: What CEOs Don't Know Can Hurt Their CUs

In the CU world, some CEOs constantly work "in" the business with little, if any, strategic inclination. This article focuses on the pitfalls that may arise for chief executives at the other end of the spectrum—those who work "on" or even "above" their business to the point that they miss important components of the operation. Some CEOs either spend significant time away from their CUs or have created so many organizational layers beneath them that they are unaware of crucial operational details.

cues.org/0816leadershipmatters

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REPORT

It's a Money Thing: Clever Financial Education Content Increases Engagement

Cynthia Campbell
Director of Impact, Filene Research Institute

*Foreword by* Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University

Grounded in Filene Research Institute's extensive research in this critical and developing area, It's a Money Thing will help your credit union engage and build relationships with young adults.

Ten credit unions from the United States and Canada participated in an It's a Money Thing pilot conducted by Filene. Business results and young adult engagement were very positive.

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*— Annamaria Lusardi, Denit Trust Distinguished Scholar and Academic Director, Global Financial Literacy Excellence Center, George Washington University*

*Lisa Hochgraf*
*Senior Editor*

*Theresa Witham*
*Senior Editor*

# Risky Business

When we planned this issue several months ago, we didn't set out to make it all about the perils credit union face. But perhaps it's fitting that it worked out this way. After all, the Halloween month is about embracing fear and darkness.

What's keeping you up at night this October and throughout the year? We have a hunch it might be one of the topics we're covering in this issue. If so, we hope you find some relief in the tips and strategies suggested in the articles.

In "Which Way is Up?," freelancer Karen Bankston finds that even the pros are challenged in applying current market trends to asset/liability management. *Volatile* might not be the best word to describe the economic environment, but *unprecedented* certainly fits, says Steve Williams, principal of CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz. How do CUs manage ALM risk in today's up and down world? Read more, p. 20.

Online account opening is risky whether you offer it or not. If you don't, you risk losing millennials who expect a high-tech experience. But if you do, the threat of fraud and identity theft is high. Add in a lack of full control for the CU—most use third-party vendors to implement the technology—and the danger can seem even higher. What do experts suggest, and what are CUs doing? Find out, p. 24. Balancing security with convenience is also tackled in our special report on mobile banking security, p. 27.

Something else that may scare us about technology is how it is impacting the way we live day to day. With a smartphone in hand, we can work from pretty much anywhere. But what are the consequences to our personal and family lives? Writer Lin Grensing-Pophal explores the answer on p. 38.

"But of all of the risks a credit union must manage, reputation risk is always the most important," says Jeff Chesky, president/CEO at Insuritas (*www.insur itas.com*), an insurance management agency in East Windsor, Conn. He and other experts discuss just how far insurance coverage can go to safeguard your credit union's good name on p. 32.

What else worries you? Please let us know (*lisa@cues.org* or *theresa@cues.org*) so we can cover it the future.

Lisa Hochgraf Theresa Witham

# CU Offers Business Services—and Know-How

Conexus Credit Union (*www.conexus.ca*) is supplementing its already broad range of business products and services with a new program to help business members enhance their management and marketing acumen.

Courses offered through the Conexus Business Accelerator program cover two dozen topics, from bookkeeping and budgeting to recruiting to networking and social media, in online and in-person sessions, offered free to members and nonmembers alike.

"At first we weren't going to open enrollment to nonmembers, since we're offering the courses free of charge," says Maggie Sinclair, VP/business banking of the $7.15 billion credit union serving 121,000 members throughout the province of Saskatchewan. "But in order to sign up, they have to go to the Conexus website, go through the course offerings, decide what they want to take and then sign up. We figured if someone has gone to all that work, maybe they want to become members. And why wouldn't we offer this training to anyone wants to learn?"

Conexus CU partnered with Meyers Norris Penny, a leading Canadian accounting, tax and business consulting firm (*www.mnp.ca*), to develop the curriculum for the courses (*https://conexuscourseregistration.net*). MNP also provides the subject matter experts from its own staff or other business experts to lead the courses.

Enrollment has ranged from 35 to more than 70 attendees, and feedback has been positive, Sinclair says. The credit union continues to refine course offerings and schedules based on business members' input. For example, some courses are split into two half-day sessions so enrollees can decide to attend one or both sessions, and the credit union will be offering some evening and lunch-hour sessions to accommodate the schedules of busy business owners.

Conexus Business Solutions manages accounts for more than 10,500 business members across sectors including oil and gas, health care, manufacturing, retail, agriculture and commercial real estate. Launching the educational component of its business services coincides with the credit union's efforts to widen the focus on commercial lending of its 85 business advisors to a more holistic approach of serving business members' needs, Sinclair notes.

> "You run towards that which you fear, that which challenges you, that which is oppositional."

Dr. Natalie Stavas, a physician who was about to finish the Boston Marathon when bombs went off. Instead of fleeing with the crowd, she ran towards the chaos and saved four lives. Hear from her at CUES Directors Conference (*cues.org/dc*), Dec. 11-14 in Maui.

## Innovation Teams

Sooner or later, you're going to be asked to lead an innovation team, writes Robert B. Tucker, president of The Innovation Resource (*www.innovationresource.com*). This will be your time to shine, if you're up to the challenge. He offers the following to guide success.

**1. Keep team size small, even for big projects.** In Silicon Valley, the "pizza rule" has taken hold. If you can't feed a team with two pizzas, your team is too big. Once a group gets beyond five to seven people, productivity and effectiveness begin to decline.

**2. Pay attention to group chemistry and emotions.** Pay attention to how the people you're inviting onto your team relate to others. Acknowledge people's selfless behavior and achievements. Always give credit to your team rather than take credit yourself, and practice empathy at all times.

**3. Calculate people's Teamwork Factor**. Will Wright, developer of The Sims, Spore and other best-selling computer games, analyzes what he calls a person's teamwork factor. "You can have a great person who doesn't really work well on the team, and they're a net loss," Wright told interviewer Adam Bryant. "You can have somebody who is not that great but they are really very good glue, and [they] could be a net gain." Team members Wright considers "glue," share information effectively, motivate and improve morale, and help out when somebody gets stuck. Consider the needed skill sets, but also who works well together and who does not.

Read the complete blog post, with four more fundaments at *http://tinyurl.com/znq4quc*. And hear Tucker in person at CUES Directors Conference (*cues.org/dc*), Dec. 11-14 in Maui.

# A Balanced Strategy

## *The 7 secrets of value-creating CUs*

By Steve Williams, CIE

The credit union industry has always understood the value of strategic thinking and making a commitment to long-term planning. Yet despite this energy and excitement about strategy, only a portion of credit unions are able to truly drive member value creation through their planning processes.

When my firm, CUES Supplier member and strategic provider Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz., works with banks on strategic planning, the scorecard is very clear: Drive up earnings per share and the institution's stock price. With their cooperative structure, credit unions have a more complex means of defining value creation.

For credit unions, value creation can be defined as "increasing the value provided through pricing, convenience and advice delivered to members, while generating financial results that ensure sustainability and support the growth of the organization." Like a balanced scale, credit unions create value by delivering member benefits and financial sustainability, all while keeping a risk profile that allows for consistent success.

In working with hundreds of financial institutions on strategic planning, I have noticed seven key characteristics and habits of the organizations that truly create value. Let's review how each of these factors drives real member value creation.

**1. Differentiation.** While most credit unions understand that being different from competitors is a classic element of strategy, the very best leaders drive this discussion in a disciplined and skeptical way. These organizations work to define key areas in the service experience, product line and operating model where differences can add value.

For instance, one credit union determined that its contact center would drive the engine of its sales processes and that a completely different profile of contact center agent and compensation plan would be needed

to support this differentiation. Another determined that a laser focus on the female/mother segment within the family household would be the best way to push a differentiated brand in a market crowded with big banks. These credit unions truly developed different strategic "personalities" that make it easier to develop future priorities and filter new ideas.

**2. Bets are bold and focused.** Leaders that drive value realize that pursuing a battle on too many fronts results in dilution and confusion. While there are always more opportunities to pursue than resources allow, great credit union executives know how to unfold their strategies as a series of big chronological bets and commitments.

For instance, one large CU first made a bet for a number of years on expanding past its dominant specialty employer group, including mergers. Then it bet big on performance improvement through a stakeholders and operational improvement focus. Finally, the CU moved to a third stage in which it went to the board for a huge, multi-million dollar commitment to a five-year digital transformation. In making these bets, this credit union also defined what it will not be: It will not be community-focused. It also won't run complex operations nor expand branches. This type of focused "betting" gives power and leverage to a CU's value creation.

**3. Creative leaders drive revenue growth.** Credit union value creation is primarily a function of finding ways to grow revenue in a commodity industry and slower growth economy. High-performing credit unions do more than wait for loans and shares to come through the doors. Instead, they build a troop of business and product line leaders who are always digging deeper for new ways to grow revenue.

For instance, these credit unions typically have a payments leader (see also *cues.org/0713payments*) who owns the credit and debit card products and implements new ways to increase usage, balances, purchase volume and cross-sell. One of Cornerstone's clients who created this position saw the role more than pay for itself in increased interchange revenue, reduced fraud losses and greater credit card balances. Also, a large number of credit unions that have recruited talented mortgage leaders who fit the cooperative culture have seen great market share gains and literally millions of dollars in increased gain-on-sale and servicing revenue.

**4. Design matters.** One of the most important trends in the future of financial services is that the discipline of design has become recognized as a primary means of creating value. Think about lessons from outside finance. Uber took an old business of hiring transportation and innovated the design of the ordering and paying processes. It wasn't a new strategy, but a new design. In financial services, robo-investment firms are going after the design of delivering basic investment advice using more technology at a much lower price point. Credit unions that drive value know that everyone wants to grow loans, provide outstanding service and operate efficiently. High-performing credit unions have similar strategies, but are more obsessed with getting design right.

For instance, a large credit union worked for several years to ensure its online membership and account opening process could support its growth ambitions. (Read more about online account opening on p. 24.) With the leadership of a senior virtual delivery executive, this credit union got design right and now opens thousands of accounts online per month.

**5. Metrics drive the culture.** Value-creating credit unions go way past basic earnings and "staying on budget" metrics when executing their strategies. Indeed, they create cultures in which each business line, product owner and operational support area has clear metrics for excellence. The mark of a manager in these cultures is the ability to spout off key performance indicators and their positions vs. best-in-class, as well as

| | Elevations Credit Union | Idaho Central Credit Union | CU Industry |
|---|---|---|---|
| Net Worth 12/08 | $63.1 million | $52.5 million | $83 billion |
| Net Worth 12/15 | $153.4 million | $201.2 million | $132.8 million |
| % Increase in Net Worth | 143% | 283% | 60% |
| # of Branches 12/08 | 9 | 18 | 18,318 |
| # of Branches 12/15 | 12 | 27 | 20,852 |
| % Increase in Branches | 33% | 50% | 14% |

initiatives being implemented to improve these metrics.

**6. Execution accountability.** In recent years, credit unions have recognized the need for more disciplined and professional project management. While this trend has allowed for minor improvements in project performance, high-performing credit unions are marked primarily by the level of accountability they place on their teams for completing strategic initiatives. Put bluntly, high-performing cultures define accountability with consequences for not executing on their commitments. One large credit union now brings execution accountability to its board. It reports the number of delayed projects that are defined as "30-plus days past original due date." One can bet that this transparency and accountability all the way to the top keeps the entire organization focused on project completion.

**7. The board partnership.** Finally, in driving true, consistent value for members, it is critical that the right tempo and cadence be set with directors. There are simply too many value-creating strategies available to credit unions today for an executive's time to be spent "managing the board." Credit unions creating the most value have boards that provide active participation into the visioning and strategy development process, but then stay committed to holding management accountable for execution of the plan. High-performing boards do not add distraction with new ideas, dictums or priorities that fall outside the agreed-upon strategic direction and priorities. To make this partnership work strategically, it's important for credit unions to have a clear measurable scorecard of strategic outcomes that the board can monitor, as well as a tracking report that shows progress toward strategic initiatives such as technology deployment, new products and new market entries. The very best credit unions use simple visual tools to keep a busy volunteer board apprised of strategic goals and deliverables. (Read more about dashboards at *cues.org/0716dashboard* and *cues.org/0915dashboard*.)

## Great Examples

When these seven factors are working together, great value creation can occur. Let's take two specific examples for illustration. Since the Great Recession, $2.4 billion Idaho Central Credit Union (*www.iccu.com*), Chubbuck, Idaho, and $1.6 billion Elevations Credit Union (*www.elevationscu.com*), Boulder, Colo., have both implemented focused strategic plans geared toward growth and member value. As the table above illustrates, both credit unions have been able to grow the value of their net worth faster than the credit union industry while also adding branches and investing in digital channels and new product lines.

- Idaho Central CU has been honored for three years straight as an SNL Financial (*www.snl.com*, now part of S&P Global) top-performing credit union. (Read about the leadership of 2013 CUES Outstanding Chief Executive Kent Oram, CSE, CCE, at *cues.org/1113greatexpectations*.)
- Elevations CU became the first credit union in history to win the prestigious national Malcolm Baldrige Award. (Read how 2015 CUES Outstanding Chief Executive Gerry Agnes, CIE, helped make this happen at *cues.org/1115goalgetter*).

Both of these credit unions have generated tremendous financial value while adding branches, upgrading digital platforms, and adding more products and services. Both credit unions also offer free checking and highly competitive loan, mortgage and credit card offerings. These real-world examples clearly demonstrate that strong leadership teams with partnering boards focused on value creation can do amazing things. These institutions prove the link between strategy and value creation.

As credit unions review their current strategic visions in preparation for a tumultuous 2017, it's important for leadership to answer seven key questions.

1. Are we working in key areas to clearly differentiate ourselves from our competitors?
2. What are the bold bets and commitments we are making for the future?
3. Do we have the right leaders in each business and product line to creatively grow future revenue?
4. What key member experiences, product solutions and operational processes do we need to redesign to be a best-in-class institution?
5. Do we have the right balanced scorecard to monitor strategy with our board and do we drive excellence with metrics at all levels of the organization?
6. How strongly do we enforce accountability for project execution and how well do we monitor our results?
7. Are there any situations where our board is a distraction or impediment to strategy? How can we address these challenges?

Credit unions are growing and profitable with solid net worth. The time has never been better for leadership teams to build the disciplined connection between strategy and value creation.

Steve Williams *is a principal with CUES Supplier member and strategic partner Cornerstone Advisors* (www.crnrstone.com)*, Scottsdale, Ariz.*

### Resources

Steve Williams will present "Winning Through Digital Engagement" at CEO/Executive Team Network (*cues.org/cnet*), Oct. 23-26 in Savannah, Ga. Attend and you'll also see this year's Outstanding Chief Executive award and CUES Next Top Credit Union Exec awards presentations (*cues.org/recognition* and *nexttopcreditunionexec.com*).

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# Which Way Is Up?

***Even the pros are challenged in applying current market trends to ALM.***

By Karen Bankston

The job of the asset-liability committee would be a breeze if only it could predict the future path of interest rates, the demand for consumer loans and deposit accounts, and the evolution of the credit union's balance sheet.

Unfortunately, it's never been easy to forecast economic conditions and interpret market trends, and that challenge has gotten even more daunting during and following the Great Recession—even for the professionals whose business is understanding the economy. Economists have been predicting with such regularity over the past year that interest rates will begin to rise that credit union executives "kind of take with a grain of salt what we are saying," says economist and business strategy consultant Bill Conerly of Conerly Consulting (*www.conerlyconsulting.com*), Lake Oswego, Ore. "The economics profession has an imperfect track record of forecasting, and that's being polite."

Instead of aiming to predict where the market is going, ALCOs may be better off monitoring market conditions and stepping up their readiness to respond with an array of strategies corresponding to up and down swings and gradations in the middle.

## Big-Picture View

If current economic times seem especially volatile, that may be because of the contrast with the previous quarter-century of unusual calm. In fact, the American economy in the years from 1983 to 2007 was so remarkably mild, with only shallow curves upward in boom times and downward in recession, that economists refer to this period as the Great Moderation, Conerly notes.

That era also happens to be the time when many of today's credit union executives came up through the ranks and developed their management skills and industry perspectives, he adds. As a result, the recent past and current market conditions may seem especially unfathomable.

*Volatile* might not be the best word to describe the economic environment, but *unprecedented* certainly fits, says Steve Williams, principal of CUES Supplier member and strategic provider for technology and ERM services Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz.

"There's a disconnect between the real economy and what interest rates are doing," Williams says. "The interest rates are being influenced by the fact that the government is

expanding its central bank balance sheet and creating the demand for the bonds themselves, which is keeping rates low. It's not necessarily the case that the economy is guiding that.

"With the central bank holding rates low for so long, we have no history to tell us what the exit is. That just increases uncertainty because we don't have history as a guide," he adds.

The following strategies may be helpful in identifying and monitoring ALM strategies in these uncertain times.

## Test Assumptions Regularly

"The future is uncertain in terms of five key factors: economics, technology, social attitudes, government policy and competition," Conerly explains. "I recommend that managers of credit unions and other organizations be a little bit humble about their ability to predict those things."

What ALCO members can and should do is to carefully and regularly consider their underlying assumptions about these factors, he says. For example, a credit union's strategy for pricing loans across credit tiers is likely based, in part, on assumptions about consumer spending. At regular intervals, say quar terly or biannually, the team should be checking in "to see if the world is conforming to their assumptions" by monitoring economic data from federal agencies, trade associations and consulting firms that is available at low or no cost.

"The most important thing is to recognize deviations from your assumptions as quickly as possible so you can make adjustments," Conerly says. In some organizations, a "visionary leader" may opt to stick with a strategy even when the assumptions underlying that approach are not borne out by reality.

## Be Prepared for Down—and Up—Movement

Optimal ALM planning considers drastic shifts in market conditions in both directions. "It's been common in finance to consider downside scenarios beyond what regulators say they want to see—for instance, what happens if more loans than expected go bad," Conerly notes. "But good times bring their own challenges. Successful organizations have thought through questions like, 'If business booms, do we have the resources to serve those additional members? Do we have the staff? Do we have the systems in place? Do we have the real estate to serve members in new markets?'"

Taking a wide view can help credit unions be prepared for unprecedented economic conditions—as in the launch of new products and services to produce noninterest income to counteract the persistent low-rate environment and in identifying cost-cutting options before an economic downtown begins. A willingness to consider the unlikely—that the mortgage market might collapse, for example, or interest rates might go flat for a decade—can pay dividends, Conerly says. "Sometimes it takes challenging times for managers to consider alternatives."

Williams agrees on the need to be prepared for the unexpected—but not to attempt to predict it. "While it's imperative to monitor the interest rate environment, it's important not to be in the mode of predicting interest rates, because you will fail," he says. "The goal is not to predict but to dial different scenarios into your planning and ALM model to stress-test based on those differing scenarios."

Stress testing should occur at either end of the spectrum, Williams says. "We should be aggressive on the types of scenarios we test given the level of uncertainty. We've had seven years of low rates already. What happens if it stretches out a decade or more? What does that do to our margins, our ROA, and our capital? Can we execute our strategic plan under each scenario?"

Asking the question, "What if rates go up?" represents classic ALM management, he suggests, but the flip side of "What if rates stay low for another two or more years?" is just as compelling and will help prepare for the full range of eventualities.

## Watch the Competition

Credit union executives and financial analysts on the ALCO also need to monitor competitors' pricing and credit spread, Williams advises. "It's very important to look at your market share in auto loans, mortgages, credit cards and business loans and talk about, 'Where are our competitors growing? Who's gaining market share on us, and who are we gaining on?'"

The next questions become "Do we agree with their risk appetite? And do we need to match that, or do we have a different view of risk?" he adds. "Have a healthy argument around questions like 'If GMAC (Financial Services) is killing us on rates, do we agree with their assumptions about risk?'"

## Ask Not When Rates Will Rise

"It's often the first question I get: When are interest rates going to start rising? They ask eagerly but often with doubt that they can believe me," Conerly says. "Most economists have been anticipating interest rates to begin rising for over a year. It's around the corner, around the corner, around the corner. It's happening at an agonizingly slow pace."

Instead of waiting for rates to rise, some credit unions have introduced or expanded business lending with the aim of increasing loan volume and getting a better return on their assets and launching business services that return higher fee income than consumer products.

"This is a period of time when credit union leadership is scanning quite aggressively for these kinds of solutions, which has its pluses and minuses," he cautions. "Sometimes organizations get desperate and pursue solutions they really shouldn't. On the up side, there are some good options out there, and credit unions should be taking a look at those."

## Balance Risk and Reward

Balancing credit risk with the yield across credit tiers is another key consideration. A "very healthy exercise" for the asset-liability committee is looking at returns on various types of loans at 60 months, 72 months and 90 months out, for example, Williams suggests.

"If the pricing margins get very thin, it might compel wider explorations about where else the credit union might be investing to enhance the return for members," he says. "A current example is that some credit unions that have grown extensively through indirect lending are now taking a step back to see that terms are very long, that there's a little softening on the credit quality, and that they're paying dealers a fairly generous fee for those loans. They might decide to manage the exposure in indirect lending and expand business lending or even invest in some mortgage securities to diversify the balance sheet."

## Aim for Consistency

"There's a view that says individual investors shouldn't follow the market too closely, and the same might be said for credit union managers watching the broader market: Don't agonize too much about it," Conerly advises.

Instead of focusing on every market gyration, it might be more productive to identify the factors you believe are most relevant for your credit union and track them on a consistent basis. Human beings have a tendency to look for evidence that confirms their biases, he notes.

Optimists read the paper and see only the good news. Pessimists can read the same paper and come away with only bad news. If the CEO asks a junior analyst for some market information, that analyst will be inclined to support the chief executive's predilection for viewing the market in the type of data selected for the report.

"Picking the indicators you're going to track and following them consistently protects you from cherry-picking data that will confirm your biases," he adds.

## Cast a Wide Net

In the quest to manage their balance sheets, monitor demand for loans and deposits, and be ready to respond to interest rate shifts, many CU executives and analysts maintain a "casual curiosity" about what is driving the economy and consumers' financial decisions, Conerly says.

That curiosity may extend to national politics and the potential impact of the presidential election on the economy. "When people wonder who's going to win the election, I tell them it's not going to have a big impact in the short run," he suggests.

Another form this curiosity takes is in such questions as whether millennials differ from baby boomers in their borrowing habits and how technological advances will affect regional economies. Except for the largest organizations, CUs may not have the internal resources for such analyses, but they may look to external partners and information sources to aid in ALM and strategic planning.

Rather than being diverted by distractions like the current political furor, "it's important to pay attention to macro trends in economic data that relate to our lending business," Williams says. "Look for good objective data that helps us understand our risk profile in managing the balance sheet."

For example, monitoring auto sales, trends in lease vs. purchase, and loan lengths can provide useful information as can trends in home sales and new construction in managing mortgage products, he says. "And the volume of asset purchases is very important in the credit union industry."

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

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# Path Through the Jungle

***How CUs can and can't confirm that their online account openings are working as promised.***

By Richard H. Gamble

The case for offering online and mobile account opening is a strong one, but the process is complex and the stakes are high. How can a diligent CU be sure this important new growth channel is working as advertised?

Online account opening is usually a team sport, with the CU setting the rules and a vendor applying them. The vendor typically receives the application data, searches the relevant databases (such as those for drivers licenses or credit scores), applies rules the CU has set and exports the result to the CU's systems. That automation has a lot of fast-moving parts that CU staffs can't actually view, so there's a degree of faith that the vendor is executing as promised. How much faith is OK is under debate by security and operations pros.

With a good vendor and good systems, having faith is all right, says Alissa Fry-Harris, director of marketing at CUES Supplier member Bluepoint Solutions, Henderson, Nev., which offers OpenAnyware for Credit Unions (*http://tinyurl.com/bpsoa4cus*).

"Best practices and regulations set the standards for authentication, and full compliance is fundamental," Fry-Harris notes. "Safeguards are built-in because the same highly automated, fully-compliant processes already in use are followed, including out-of-wallet questions, email authentication and gathering of information from multiple sources such as drivers' licenses, government-issued IDs, credit cards and data from mobile carriers."

Be suspicious and test continually, counters technology consultant Sabeh Samaha, principal of Samaha & Associates Inc. (*www.ssamaha.com*), Chino Hills, Calif. Test website design; test log-ins, transactions and log-outs, he urges.

"Open and monitor test accounts. Use them continuously to try to break the system," he advises. "That's the only way to get best-in-class security." And network with peers, sharing information about any fraudulent activity you see and finding out what they're seeing. Touch base often. Also read about security solutions and fraud. Question your vendors, but don't rely solely on them; CUs have to control their own destinies, he concludes.

Find the rational balancing point, suggests Maria Arminio, senior director of the Electronic Funds Transfer Association (*www.efta.org*), Fairfax, Va. Organizations usually won't spend more on fraud protection than they can offset with the fraud losses they prevent, she observes.

"It all boils down to a financial decision of how much certainty you need to buy to secure online account opening," she points out. Getting to 80 percent certainty might be easy to achieve and relatively economical, she explains. The remaining 20 percent might be difficult and expensive. Each organization has to find where it stops getting a return on its investment, she concludes.

There are lots of databases and security vendors out there, Arminio continues. A financial institution can increase security by adding more layers. The right amount may vary by the size of transactions or by the type of account an applicant is able to open remotely, she notes. A deposit account is less risky than one that allows credit, and low credit limits are less risky than high ones. But CUs are up against competitors that thrive by making funds available online and almost instantly, she notes.

## Adjusting the controls

CUs are finding their paths through this jungle. User-friendly online account opening is particularly important to branchless \$4.6 billion PSECU (*www.psecu.com*), Harrisburg, so the CU recently upgraded to a system from the Temenos Group that, from mid-June to mid-August, had seen 25 percent of 5,678 completed online account applications opened within

15 minutes in a totally automated process.

"Members are happy, and staff is happy," attests Andrew Coy, PSECU's AVP/lending. "It's quicker and more efficient than our former process."

The accounts opened are share/checking accounts with ATM cards; getting credit is an additional process, but one that can be quick and automatic for certain applicants and certain credit products like indirect car loans and unsecured term loans, he reports.

Testing to see that the process is working as it's supposed to is more occasional than continuous, Coy says. "You build a rigorous testing methodology, and you use it for each system iteration or update, each release of a new code or process," he says. "Once it passes those tests and you gain a comfort level, you don't need to test as intensively."

For the vendor, testing is continuous, says Larry Edgar-Smith, SVP/product evangelism for Temenos (formerly Akcelerant, *www.temenos.com*), a CUES Supplier member headquartered in Geneva, Switzerland.

At $1.1 billion Firefly Credit Union (*www.fireflycu.org*), Burnsville, Minn., automated account opening is part of a vendor-run package the CU bought from MeridianLink (*www.meridianlink.com*), Costa Mesa, Calif. It's set up to screen applications pretty conservatively. If there's almost any discrepancy—such as a knowledge-based question the applicant can't answer or an IT address in a different part of the country from the mailing address—it doesn't get opened automatically but referred to people in the collections department for security review, explains CUES member Rick Blood, CSE, SVP/member services.

"If they can't resolve it, the application goes to the new account people, who typically call the applicant and may open the account by phone or direct him or her to come into a branch," he says.

That process gets high marks for safety but not for efficiency. "I wish we saw fewer accounts go into the investigation queue," Blood says. "We get a lot of false negatives, just hiccups in legitimate applications. I'd like to find ways to reduce those."

The CU has limited visibility into how the vendor's data collection and crunching is working, Blood concedes, so the tests come mostly after the fact. For Firefly CU, that means that all approved applicants get a phone call and a welcome letter. Once an apparent applicant said, "That wasn't me," Blood explains, and the account was closed.

In the 31 months the service has been available, approximately 2,300 accounts have been opened automatically, and only one fraud has been perpetrated successfully, Blood notes. In that case, the fraudster had all of the applicant's information the system required. The follow-up call and letter went to the fraudster, who subsequently applied for and got a credit card. The CU realized the fraud when it was unable to collect on the delinquent credit card account and the balance in the share account had dropped to $5. "If they have all the right answers, there's not much you can do to stop them," Blood concludes.

## Partial Automation

Managers of $1.1 billion Columbia Credit Union (*www.columbiacu.org*), Vancouver, Wash., knows whether the fraud-prevention measures around its online account opening are working as intended because it controls those measures—no online account opening application is approved automatically. The application can be completed online—and 90 percent of the people who start the process complete and submit applications. But once the application is received, the applicant is thanked and informed that the application will be reviewed by people and that they will be contacted. Approval is never instantaneous but often comes in minutes or sometimes hours, reports CUES member Lindsey Salvestrin, SVP/chief experience officer.

With this strategy, Columbia CU is not opening large numbers of new accounts from online applicants, but also not experiencing fraud losses.

Strategies tied to internal comfort levels may win the battle but lose the war. Taking a defensive approach to the security around your online account opening is a mistake many CUs make, insists Richard Crone, principal of Crone Consulting LLC (*www.croneconsulting.com*), San Carlos, Calif. The big risk is not that you get defrauded by cyber thieves, but that competitors eat your lunch, he says. The winners offer true online account opening, something that offers almost instantaneously functioning accounts, including loan accounts.

Many CUs distrust that process and truncate it, accepting online applications but taking the time to process them manually. Along the way, they lose the applicant, often to savvy technology players with names like Prosper, SoFi and Lending Club, Crone points out. That breakdown sometimes occurs at CU vendors, and sometimes at CUs themselves, due to their conservative culture. "Everyone needs a mobile-first mindset today," he adds.

Progressive providers, many of them not chartered financial institutions, are using completely automated multifactor authentication in online/mobile account opening to provide instant credit and transaction accounts. At stake is who gets the primary financial relationship for a generation or more of consumers, Crone says. CU leaders need to trust the new security technology more, not less.

Right, agrees cyber security expert Alisdair Faulkner, chief products officer at ThreatMetrix (*www.threatmetrix.com*), San Jose, Calif. Build trust with tools, not time, he argues. Otherwise, the risk is high that cautious CUs will lose the member or prospect to other financial players that have the tools and risk appetite to give full access to products and services instantly. "The quicker you can collect and analyze data, the more business you will attract, the faster you will grow, and the more profitable you will be," he reasons.

Even if you investigate and confirm that your online account opening process is performing as promised, that doesn't mean it will continue to do so. Fraud and security are both evolving, and it's possible to speculate about the future. As EMV, tokens and biometrics stop fraudsters from card-present and card-not-present theft, they will turn their attention to account takeovers and new account opening, predicts Jamie Topolski, director of alternative payment strategies at CUES Supplier member Fiserv (*www.fiserv.com*), Brookfield, Wis. Identity theft is a problem that is still searching for solutions, he notes.

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

### Resources

Read more about online account opening in the articles at *cues.org/0316verifying* and *cues.org/0416newmembers.*

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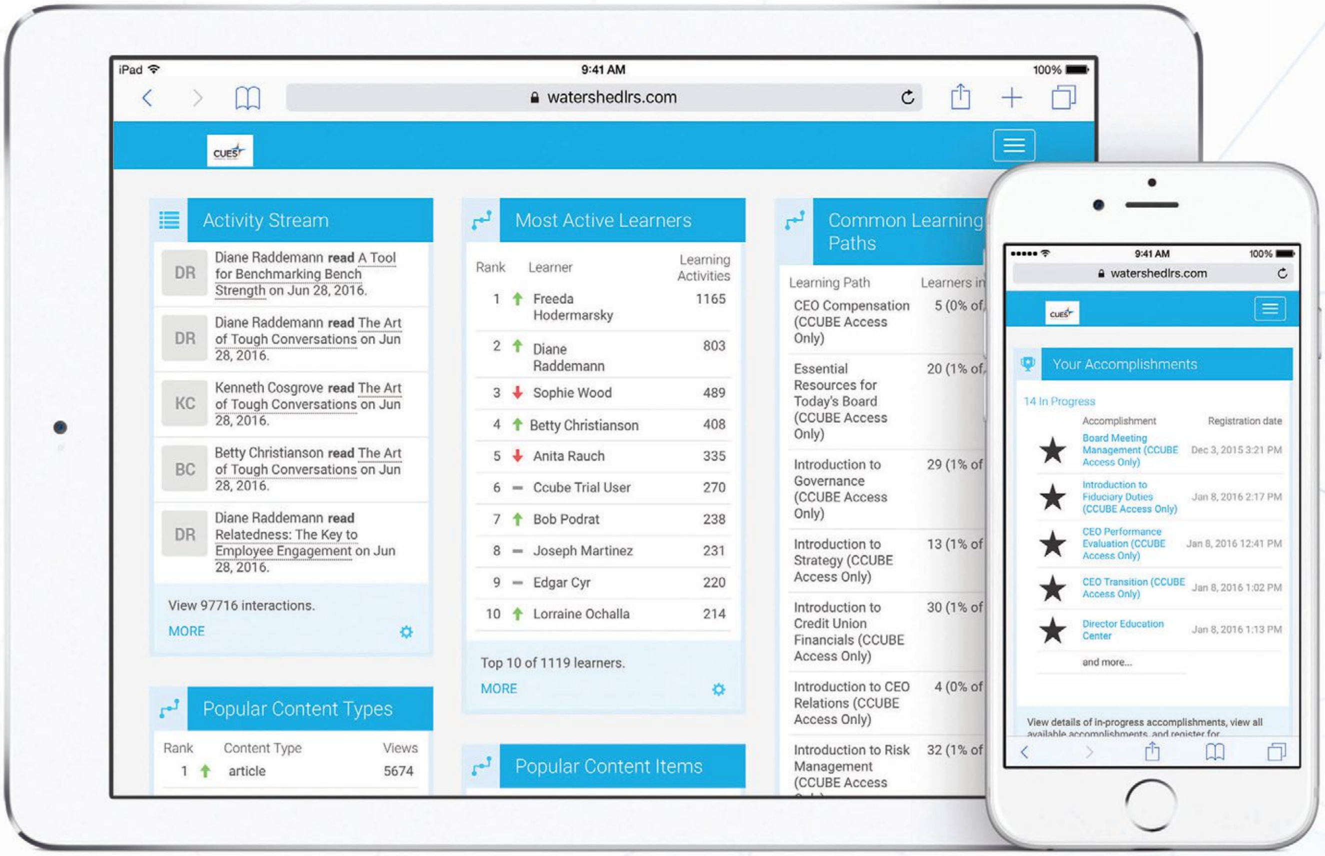


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Card Controls

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# Card Controls

***Enlist your members in the fight against fraud.***

By Mick Oppy

Fraud is in the news and on your cardholders' minds, and it's not going away anytime soon. More than a billion data records were compromised in 2014, an increase of 46 percent from the previous year.[1] Credit unions can suffer hard losses in dealing with and recovering from fraud; replacement cards were sent to nearly 90 percent of credit card fraud victims in 2014, costing issuers as much as $12.75 per card, according to Javelin.[2] In order to win the fight against fraud, credit unions must take a more proactive role in identifying and preventing the occurrence of fraud—and implementing card controls is one way to do that.

## Taking Control

Card controls provide members an easy way to manage their debit and credit cards. In addition to turning their cards off or on, a card control app allows members to set instant alerts to be sent to their mobile device. Members can set controls to align with spending habits, limiting card usage based on merchant type, location, transaction type and threshold amounts. Innovative features like these help credit unions reduce fraudulent transactions while increasing cardholder trust, loyalty and card usage.

In addition to designating where, when and how their own cards can be used, members can control cards used by others in their household. For example, parents can set card controls for their teenagers to allow purchases up to a certain amount at specific locations such as the school lunch room, the supermarket or the local movie theater, while limiting usage at restaurants and bars. Using card controls, members can set both spending and geographic limits that allow, for example, purchases up to $50 at the shopping mall, but only at specific types of stores. Business names can be added to an "approved" list, ensuring the card can only be used in designated stores.

Card controls also address the problem of lost or stolen cards. If a member forgets a card at a restaurant, instead of cancelling it, the member can simply use the card control mobile app to turn the card off until it is safely back in his or her hands. While the card is turned off, it cannot be used by anyone else. Members who are nervous about carrying cards while traveling can turn their cards off until the moment before they are used. And, consumers can turn certain cards off entirely for specific uses, like making purchases online or over the phone.

## Stopping Fraud in its Tracks

In addition to increasing a credit union's ability to control fraud, giving your members control over their cards offers many other benefits. When members set their own card controls and use the mobile app, fraud discovery and resolution time can be drastically reduced. Many cardholders leave their cards turned off until they are ready to make a purchase, which limits the opportunity for transactions to be made with lost, stolen or counterfeit cards. Credit unions save on fraud dispute costs, and their members do not have to deal with the time and hassle of disputing charges on their account.

Credit unions also benefit from card controls by "outsourcing" the responsibility of the card to the user. Members register their cards with your credit union's branded app, and then take control of how and where their cards are used. Giving members the power and responsibility to track how and where their cards are used helps mitigate fraud since members now have an active role in sharing the responsibility of who is using the card and how it's being used.

## A Team Effort

More and more credit unions are seeing the value in giving their members control of their debit and credit cards. With frequent, fast and more sophisticated attacks, managing fraud today is harder than ever. And it's not easy to protect members' accounts and assets while not adversely affecting their ability to manage their finances. Card controls give credit unions the means to walk this fine line between protecting members and giving them the freedom to use their cards when, how and where they want.

1. *http://tinyurl.com/datafraud*
2. *http://tinyurl.com/javelincosts*

Mick Oppy *is VP/financial institution products at Vantiv* (www.vantiv.com)*, Symmes Township, Ohio. After getting his start helping to build some of the first online banking experiences, Oppy built technology solutions across the U.S. in a variety of verticals. After helping to rebuild a mobile services team for a start-up, he came back to the financial world to dive deep into the mobile space, including mobile banking, wallets and loyalty solutions.*

# Team up with your members to fight fraud

Frequent, fast, and sophisticated attacks make it harder than ever to manage fraud. Card controls give your credit union an extra advantage in the fight against fraud by engaging cardholders.

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# Go! Wait!

***Balancing security with convenience plays into key payments strategy decisions.***

By Richard H. Gamble

As payments proliferate, CU leaders hear two very different voices advising them on how to respond.

One says, "Be careful." Fraudsters are using fraudulently acquired personal data to gain even more data and take over accounts, often by implanting malware in consumers' devices, observes Ravi Loganathan, chief market development officer at Early Warning (*www.early-warning.com*), Scottsdale, Ariz. "There has been more of an uptick in fraud around mobile transactions because it's newer and financial institutions are less prepared."

Technology consultant Sabeh Samaha, founder of Samaha & Associates (*www.ssamaha.com*), Chino Hills, Calif., agrees. "The encryption in telecom networks can be hacked, and then information can be stolen," he says. "The risks are real, and it's very dangerous to introduce mobile payments without understanding them fully and having in place a rapid detection and mitigation plan."

The other voice says, "Be opportunistic." "The 'deny first' mentality, so prevalent today in CU fraud shops, hurts potential revenue," says Patrick Davie, VP/card services risk solutions (*www.fiserv.com/payments/card-solutions.aspx*) for CUES Supplier member Fiserv, Brookfield, Wis. The huge migration of financial activity into the cyber world is an opportunity for alert CUs to take a fresh look at their card fraud management protocols, he says.

"CUs need to get smarter about how they can use data and analytics to approve more transactions and thereby improve their revenue and member satisfactions. CU fraud shops have historically scrutinized transactions for reasons to decline them. They can now start looking for reasons to approve them. It's time for the paradigm to shift."

So should CUs quickly embrace the innovative payment initiatives or hold back until security concerns are satisfied?

"It's not either/or," insists Frank Macrina, VP/e-services at $3 billion Virginia Credit Union (*www.vacu.org*), Richmond. "It's a balancing act. You need to stay competitive and offer your members the convenience they want, but you can't ignore security."

For Virginia CU, that has meant a quick jump into digital wallets (the CU participates in Apple Pay, Samsung Pay, Microsoft Wallet and MasterPass). On the other hand, the CU is waiting and watching the P2P payments space. "We're still evaluating our options and looking for the right partner."

Digital wallets were a go because they give members convenience and enhance payments security, Macrina notes. But both merchants and CU members have to have the right equipment—merchants need NFC-capable terminals and members need enabled smartphones. "The activity is new and small so far," he reports, "but the members using it use it a lot."

## EMV

The biggest threat to payments security today comes from a lag in technology, not the advances—the old magnetic stripe on the back of plastic credit and debit cards, Macrina says. Like other CUs, Virginia CU is fighting a surge in counterfeit credit and debit cards as fraudsters exploit data acquired from merchant breaches before EMV security can close the door.

"We're fighting skimmers, merchant compromises and external network intrusions," he says. "Card reissues are a costly, necessary step we take to protect our members."

Meanwhile, the Wendy's data security breach that exposed a lot of credit and debit card data is the first major breach since the EMV conversion started, so the response is tempered by the chip, explains Kelly Witteride, senior product manager at card processor Vantiv (*www.vantiv.com*), Cincinnati. Even if the card was swiped, a service code identifies the card as containing a chip, she notes, so EMV cards are less marketable on the black market than chipless cards. "They won't be the first BINs that thieves sell, which reduces issuer concern somewhat," Witteride says.

Many CUs are getting processors to run impact reports that single out all the cards that were compromised at Wendy's, reissuing those and watching the rest, she says.

Smarter hackers and vulnerable data bases are causing much of the trouble, and EMV is supposed to bring the solution. EMV should cause a major shift in card-present fraud prevention, Davie suggests. "Counterfeit cards have accounted for the lion's share of card fraud to date," he notes and EMV, once it's fully implemented, should pretty much end counterfeiting. As a result, CUs need a whole new approach to assessing the likelihood of a transaction being fraudulent.

"EMV makes it safer for fraud-prevention routines to be adjusted, so that fewer transactions are declined," he notes.

Another tool to support more approvals are alerts that go out immediately to cardholders' smartphones as soon as every transaction is completed. Typically, Davie notes, a fraudster makes 2.5 to 3.5 transactions with stolen payment data before the fraud can be detected and blocked.

If a cardholder spots a bogus transaction and notifies the issuer right away, that cuts the fraud more than in half, he points out. In the future, it will be possible to identify cardholders who check their smartphones often and respond to alerts and more readily approve these blue-chip members, he adds.

"Marketing and member-service staffs are starting to see these opportunities, as the fraud tools themselves evolve," he reports.

## Biometrics

Card-present fraud based on counterfeit plastic may become quaint in the not-too-distant future, but in the burgeoning world of mobile and Internet payments, reliable authentication is the primary challenge. Here, biometrics are a futuristic but promising solution. It's definitely the way that many payments will become more secure and more convenient, insists Conor White, president for the Americas at Daon Inc. (*www.daon.com*), in Reston, Va., a company that specializes in authenticating humans by their biometric traits.

"The key to payments security is authenticating the human," he says. "Using a proxy like something the human should have or know provides imperfect authentication, but if we can authenticate the person through his own body, we have a higher level of trust that a person is who he claims to be."

One survey shows that 92 percent of consumers would rather use biometric authentication than passwords, tokens and personal identification numbers, White says. "That's an amazing consensus, identified through an independent survey of real consumers," he enthuses. "But it's logical because it takes less than three seconds. And while people might forget a PIN or the answer to a knowledge-based question, they never forget their fingers, face or voice."

The most popular biometric authentication options identify a human by his fingerprint, voice, facial characteristics or, just starting to catch on, iris. The process presupposes a person with a smartphone that has a camera, a microphone and possibly a fingerprint pad, although these elements could be attached to a desktop computer as well. It may sound like single-factor authentication, but it's actually two factors, since the device itself is authenticated to the owner, separately from the biometrics, White explains.

Which biometric do consumers prefer? They want all three or four, White reports. "They'll almost always go for a choice if they can get it," he notes, which is—of course—the most convenient option. If consumers need to make a payment while they're outside on a cold day wearing gloves, they'll bypass fingerprint for voice or face. If they're skiing, with ski mask and sunglasses, they might pick voice. If they're at a rock concert, fingerprint or face might be easier.

Users have to register their biometric characteristics in their device or an external database, White explains, but that process takes 25 seconds or less, he claims. Authentication is the match between the registered characteristic and the on-the-spot characteristic when the payment is attempted. It's especially useful for preventing fraud in card-not-present situations, he notes.

## Preparation

Faced with this shifting jungle landscape, what can CUs do to prosper?

- **Encrypt.** While end-to-end encryption and two-factor authentication should be required for all mobile payments, we are not quite there yet, says Adam Levin, chairman and founder of Identity Theft 911 (*www.idt911.com*), which has global offices. Encryption is becoming more common, and more institutions are using two-factor authentication, depending on the circumstances. For example, if a mobile member logs in on a device that is detected as unfamiliar, his or her phone is sent a one-time code that must be entered, in addition to their static user ID, to gain access.
- **Test.** Test systems continuously, Levin recommends, and hire a third party to do penetration testing. Be especially vigilant during systems upgrades when integration is in progress, he emphasizes. "Hackers watch for tiny cracks; then they creep in and hide until they're ready." Segment data and keep member information separate from daily operating systems, he adds.
- **Hire.** Payment security is not a job for IT at most CUs, Levin insists. Having a chief information security officer is valuable. If a CU can't afford a full-time expert, leaders can ask a trusted vendor to provide a virtual CISO. "It takes a 24/7 focus," he explains. "A clear danger signal is to hear IT say, 'We have it covered.'"
- **Mitigate.** Have a tested damage control solution in place that can be deployed quickly when all efforts at prevention fall short. If there's a breach, "Respond urgently, transparently and empathetically," Levin advises. "Bite the bullet and get out ahead of the problem by openly communicating with your members and the media to preserve your reputation and the trust of your members. Game various scenarios. Conduct drills until it becomes muscle memory." And know the notification laws and requirements. Offer resolution services in addition to credit and ID monitoring. Prepare to deal with people who feel violated.
- **Stay tuned**. Convenience is driving payments, with security struggling to keep up, but help is coming. Google is working on a hands-free mobile payments option, Levin reports. Visa has embedded a payment device in a ring. Mastercard has a project where you can pay using your face, as long as you blink to prove you're alive.

Fighting payments fraud is necessarily a team effort, notes Jamie Topolski, director of alternative payment strategies at Fiserv. "Issuers, merchants and processors all have to agree on the steps to take and take them together," he points out. Organizations like the U.S. Payments Forum ((*www.emv-connection.com*) can help coordinate participants.

"CU issuers have to be engaged in the effort, but they won't be called upon to build the solutions." Traditionally, security and convenience involved tradeoffs, but it's now possible, Topolski notes, to employ technology tools in an automated environment that improves both security and convenience.

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

### Resources

Read more about the convenience/security tradeoff at *cues.org/0616convenience*. Also, read more articles about payments security at *cues.org/1015safeyet* and *cues.org/0916atm*.

CUES' new Payments University (*cues.org/payments*) is slated for April 2017 in San Francisco. It is being developed in cooperation with CUES Supplier member CO-OP Financial Services, in honor of CO-OP Financial Services' retiring CEO, Stan Hollen

Download a copy of "The Future of Payments: Scenarios for Credit Unions 2018" at *cues.org/paymentsscenario*.

# Managing Reputation Risk

## *Can insurance help boards protect their CUs?*

By Jamie Swedberg

What is one of the most neglected, yet most important responsibilities of a credit union board? Jeff Chesky, president/CEO at Insuritas (*www.insuritas.com*), an insurance management agency located in East Windsor, Conn., says it's the management of reputation risk.

"We always tell our partner credit unions that they have several categories of strategic risk, including capital, execution, security and regulatory risk," he explains. "But of all of the risks a credit union must manage, reputation risk is always the most important."

Why? For one thing, credit unions trade on their good reputation and their connection to their membership. If the CEO of a credit union were sued for sexual harassment, for example, the fallout would have the potential to be much more severe than a similar incident at a bank.

"The members think to themselves, 'I'm a member, and this has been going on in my organization!'" Chesky says. "Credit unions are always saying 'We're a membership organization, and this is your credit union.' Well, that comes around pretty quickly when something like that happens."

At the same time, reputations can be damaged much more quickly and dramatically than they used to be.

"In the past, if a credit union had an exposure, if a director acted in bad faith, if a CEO committed a fraud, if a computer system was hacked, if an ATM was breached, the news cycle would be tied to the daily publication of the local newspaper," Chesky says. "But today, your problem can be viral in an instant. And because your reputation is presented not only on your own website, but on all kinds of third-party sites that claim to offer a perspective on your business, social media can accelerate the damage to your reputation in terms of how quickly it hits you, how broadly it hits you, and how out of control it gets."

### What Can Insurance Do?

One of the most straightforward and best-understood ways of managing risk is insurance. But to what extent can insurance help a credit union mitigate a hit to its good name?

When the damage has to do with an information or credit card breach, insurance definitely helps offset the reputational damage incurred. Cybersecurity policies (*cues.*

*org/0716cybersecurity*)—which are among the newest and fastest-changing insurance products on the market—generally include coverage for the costs of notifying members of a breach, as well as the costs of providing ongoing support and credit monitoring services for affected members.

"These policies are still evolving to cover the softer expenses of 'reputational risk' or 'business downturn' that impacts the credit union from an adverse event," says Chesky. "These policies will also often provide some levels of coverage from lawsuits from affected customers unsatisfied with the remedies the credit union is offering."

Scott Simmonds (*www.scottsimmonds.com*), an insurance consultant based in Gulfport, Miss., notes that there are some other specific policies that provide similar benefits to aid in the reputation-rebuilding effort after an incident.

"I hesitate to even mention it because the sums are insignificant—for example, $50,000 worth of coverage within your kidnap and ransom insurance to deal with public relations that falls out from an executive being kidnapped," he says.

But what about other types of PR nightmares? There, insurance only helps in a tangential way.

"Say you have a natural disaster, such as a tornado," says Roger Nettie, senior consultant, risk management for CUES Supplier member and strategic provider CUNA Mutual Group (*www.cunamutual.com*), Madison, Wis. "A credit union location or branch gets damaged or wiped out. You have to find temporary locations to serve those members if you don't have other branches close by. There is a coverage called extra expense [that helps with] costs to get a temporary facility up and going, and then the costs to rebuild."

That type of coverage, Nettie explains, can help members feel secure and well cared for during a dark time. That's generally the way other insurance products help with reputation risk as well.

Chesky notes that some types of errors and omissions insurance cover the cost of defending and paying damages for negligent acts affirmed in a civil lawsuit. There are also policies that can protect against such ethics and integrity exposures as fraud, bribery and corruption, and security risks, any of which could significantly impact revenue and brand value loss, leading to a further erosion in reputation.

"When credit unions are in the news for unfortunate events such as embezzlement, sometimes they will make a statement saying that they had insurance coverage to cover that loss and that as a result their financials aren't going to be damaged," Nettie says. "They're saying, 'Members, you don't have to worry about our solvency, and we're going to continue just as before.' We don't encourage [making statements like these], because the coverage we provide credit unions is for the credit unions' benefit. We're cautious not to imply that the members get any direct coverage from the credit unions' policies. But those things do get stated when a credit union feels it may help member concerns."

## The Limitations of Insurance

Unfortunately, insurance addresses risk with money, and money can't always buy a good name. Let's say a credit union is robbed and a member is hurt or killed. There's insurance to cover hospital bills or compensate the family. If the family sues the CU, claiming that the institution's negligence caused the injury or death, there's insurance for that. But what if everyone simply stays away? What then?

"That's the tough part," says Nettie. "Insurance as a concept is there to indemnify someone for their loss, to put them back to where they were prior to an unexpected event happening. Your house is damaged in a storm, you repair it. The challenge with reputation is that when something bad happens, you can't spend money just buying your reputation back to what it was last week or last month. It's not something that can just be fixed with dollars. That's where it gets really, really challenging to apply insurance directly to reputation."

Of course, there's nothing stopping a credit union from putting aside money in case it needs to launch an emergency public relations effort. Self-insuring is something all organizations do to some extent, even if it's just socking a few dollars away for a downturn; but if the board advises the credit union thoughtfully, it can be a well-calculated and effective strategy for dealing with reputation risk.

"Maybe I'm worried about a risk," Simmonds says. "I am going to fund that risk by putting $10,000 aside every year. Once every five years, the event I'm worried about happens and it costs $50,000."

Boards typically understand not every risk can be covered down to the penny, says Chesky. So management should include the board in their decisions on levels of coverage. And, more importantly, they should be transparent with the board about potential exposures.

"Particularly with the strategic [issues]—cyber risk, D&O risk, E&O risk—management should take the time to explain the coverages to the board," he says. "Cyber risk, in particular, is an evolving insurance product. It's literally brand new, and the underwriters, the carriers, are designing it and molding it as they go. So the cyber-risk policy coverages that you might have been able to buy two years ago will be different than the coverages available today. If there is a breach or exposure, the reputation risk can be expensive, and you never want the board to say, 'We didn't know how we could protect ourselves.'"

## The Board's Role

Insurance is only one of many potential loss control methods available, and it's not always going to be the appropriate one or an available one. Reputation risk, in many cases, is not technically insurable. So what can the board do to make sure a CU has its bases covered?

The answer, says Nettie, is looking at the problem through a risk assessment lens. The board should examine all the CU's activities and tease out the possible risks. Then, once the risks are identified, board members can set overall guidelines for how the CU will address them. Maybe they'll avoid certain activities because the risk is too great to assume. Maybe they'll self-insure for others, and maybe they'll double down on certain coverages where insurance can be a help.

For example, Nettie says a CU in Wisconsin made the news for opening an account for a firearms dealer, then closing the account again when it discovered how difficult it was to manage the Bank Secrecy Act and currency transaction report requirements associated with such a cash-heavy business. Members of the community didn't understand the regulatory burden and saw the account closing as a politically motivated act. It's the role of the board to oversee risk assessment ahead of time. If the risk can be identified and mitigated, any blow to the CU's reputation can be avoided.

"The board really has a duty to make sure they have adequate policies in place on what types of businesses or accounts they are going to provide," he says. "They should make it clear what's desirable and what's not desirable ahead of time so the credit union doesn't find itself in a situation it has to try and undo."

In addition, the board should set policies and training guidelines to minimize reputation risk, no matter how much insurance the CU is carrying. Start with an ironclad public relations policy, Simmonds suggests.

"What if one of your tellers is caught embezzling?" he asks. "Many financial institutions try to keep that quiet, but it eventually hits the news. Your organization has to have a plan, and everybody has to know that plan. Certainly, you don't want a branch manager making comments to the local newspaper. Everybody needs to know that the conduit for press inquiries is through the CEO's office, or whoever it is. You need somebody who has some training and some ability to stand in front of a reporter."

To protect the credit union against reputational damage from natural disasters or criminal acts, the board needs to work with management to implement training, including what to do when there's a robbery and how to protect employees and members if there's a weather alert.

Most of all, the board should never be afraid to ask questions. Access experts, Chesky says. Invite your agent of record to do a presentation or to prepare an overview, a white paper or summary for the board.

"Say I'm a board member and I've been to two years worth of meetings and no one's ever talked about reputation risk," Simmonds says. "I have a responsibility to talk to the executive team about reputation risk. In most CUs, that would mean setting up an agenda item or introducing the idea of reputation risk as new business at a board meeting. 'Here's a really good article that talks about reputation risk. I am interested in what our organization has done to plan for managing the risk that we face of an assault against our reputation in some fashion, either through an accident or some event that occurs.'"

According to National Credit Union Administration rules, Nettie says, the board should be reviewing and signing off on the insurance program annually.

"Insurance isn't going to cover a lot of reputation risk," he says. "But it's a board duty to understand the insurance program that they have. And after all, they have a vested interest, because the D&O coverage protects them too. So they should know how they themselves are protected."

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

### Resources

Read more about cybersecurity insurance at *cues.org/0716cybersecurity.*

CUES' Center for Credit Union Board Excellence website (*cues.org/ccube*) features videos and articles about managing risk. Not yet a member? Sign up for a 30-day free trial by emailing *cues@cues.org.*

Directors Conference (*cues.org*), slated for Dec. 11-14 in Maui, will include a session on how to set your CU's risk appetite.

# Skills Supporting Strategy

***CUES Governance Leadership Institute attendee describes how he is using what he learned.***

By Stacey Crawford, CCD

While Prospera Credit Union has always supported professional development at both the board and staff level, over the past 12 months we have enjoyed a heightened level of engagement in governance and leadership for the purpose of building skills that strengthen our contribution to the development and implementation of our new enterprise-wide strategic plan.

As a result, several board members and staff have committed to strengthening their strategic leadership skills and, in June this year, the senior manager of governance and planning and I attended CUES Governance Leadership Institute™ (*cues.org/gli*).

Top takeaways for me from this summer's institute include the big ideas of governance effectiveness through committee structure and organizational performance through good governance.

As the chair, I gained a great deal of insight from the case studies. I was particularly impressed with the level of class discussion and how open the participants were in sharing their opinions and experiences on the various governance topics being explored.

I took notes non-stop and was particularly influenced by the discussion on high-performance boards, especially the discussion on the importance of board mandate and committee structure. Equally impactful was the time spent exploring the relationship between credit union governance and performance. This was particularly relevant as I considered performance expectations associated with the development and execution of our organization's new strategy.

## Committee Mandate and Structure

Within the instruction on high-performance boards, we explored a variety of processes and tools boards can apply to enhance governance effectiveness. Establishing mandates for board committees was an important component of the lesson that validated my thoughts around reorganizing our own committee structure to support the development and implementation of our new organizational strategy.

The faculty member from Rotman School of Management at the University of Toronto reinforced the important role that committees play in doing the work of the board, and the review of committee guidelines and best practices helped me with the language to pursue discussion with our own board to consider committee restructuring.

Beginning the conversation with the premise that periodic review of board committee structure is a good governance practice, I requested the board determine if the appropriate committees were in place to increase the board's effectiveness in supporting our new organizational priorities.

The result was a formally facilitated evaluation of our committees in September to align our structure to support key strategic priorities, as well as to address new regulatory emphasis on what is considered priority work for the board.

## Board and Organizational Performance

One of the more intriguing learnings was the study presented on Day 3 that explored the relationship between credit union governance and performance. This 10-year research project demonstrated that there is little statistical correlation between effective board governance and organizational financial performance. While I had initially assumed the board had a more direct impact on the balance sheet as a result of setting strategy and working directly with the CEO, this clearly demonstrated that the role of most effective boards is less directly connected to operational results.

The takeaway for me was how important it was to become more deliberate about our focus on the future, rather than spending a lot of time on operations. Focusing board time and resources on key areas—such as strategy, risk management, CEO evaluation, member satisfaction and ongoing governance

**Row 1 (from left):** Leiha Fiddler (CUES), Shalla Jefcoat, Lynda Nicolino, Vanda Wutzke, Erin Nesci, Evelyn Kasahoff, Dennis Trinkle, Terrence Clay Jr., Dave Moscall; **Row 2:** Paul Cuthbert, Brian Benzel, Bob Nesbitt, Lester Wingrove, Jeannette Schuler, Pauline Ziehl Grimsrud, Gene Creelman, Kelly Marshall (executive in residence), Tim Klassen, Brenda Haines, Barbara Buchanan, Tim Reed, John Janclaes; **Row 3:** Stacey Crawford, Sandra Doell, Mark Churchill, John Lamb, Susan Borrows, Lon Cullen, John Driskill, John Walsh, Alice Perez, Jim Thomson, Nick Leute

training and board renewal—will do more for board effectiveness and organizational success than focusing more so on compliance and operations. For Prospera CU, this applies directly to the purposeful restructuring of our board committees to support our new strategy—our future—and emphasizes where the board needs to focus its time and effort.

## The Prepared Board

There is no question that CUES Governance Leadership Institute and the faculty at the Rotman School of Management refined my skills and understanding of good governance. All board members interested in learning how to address the biggest challenges credit union boards face will benefit from this comprehensive and practical course. I left knowing I would be able to contribute more meaningfully to our credit union, and I am grateful for the experience.

Stacey Crawford, *CCD, is chairman of $3 billion Prospera Credit Union* (www.prosperacreditunion.ca)*, Abbotsford, British Columbia.*

### Resources

Slated for Dec. 11-14 in Maui, Directors Conference (*cues.org/dc*) will include the session, "Three Keys to Redefining Your Credit Union's Credit Culture."

Check out the educational benefits of becoming a CUES Director member or signing up your whole board for the Center for Credit Union Board Excellence at *cues.org/membership*.

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Director
Inspirus CU
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**Susan Borrows, CCD**
Chief People/Culture Officer
CU Central of Alberta
Calgary

**Barbara Buchanan, CCD**
Chief Administration Officer
Tyndall FCU
Panama City, Fla.

**Ken Cameron, CCD**
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Servus CU
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**Mark Churchill, CCD**
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**Lon Cullen, CCD**
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SunRise CU
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**Paul Cuthbert, CCD**
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Noventis CU
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**Sandra Doell, CCD**
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Access CU
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**John Driskill, CCD**
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Vantage West CU
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**Brenda Haines, CCD**
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### Class of 2017 Now Forming!

CUES Governance Leadership Institute (*cues.org/gli*) will next be held June 11-14 in Toronto. By attending, you'll also earn your Certified Credit (Union) Director—or CCD—designation.

# Working Wherever, Whenever

***Is always-on technology good or bad for our work/life balance?***

By Lin Grensing-Pophal

In the "old days," employees would burn the midnight oil in the office. They needed to be physically present in order to get the job done. Technology has changed all of that.

Today, employees can work from anywhere, any time. Most are connected through their smartphones, tablets and other devices on an almost 24/7 basis. They check their email and text messages when they rise in the morning and before they retire for the night. The always-on environment we live in today has had a dramatic impact on work lives and personal lives. In fact, the two really don't seem to start and stop anymore. That can be both a good thing and, potentially, a not-so-good thing.

"It's an interesting time to be in business, and specifically an interesting time to be in human resources, because that connectivity concept of technology really has expanded the traditional workplace boundaries," says CUES member Bryon Nabors, VP/talent at $1.7 billion GTE Financial (*www.gtefinancial.org*), with 500 full-time equivalents in Tampa Bay, Fla. "In the past couple of decades, technology has gotten to the point where we never really know where the line lies between work and our personal lives."

Engaged employees, the kind that every organization and every CU wants on board, are especially prone to using their devices to stay connected, says Nabors. "They're engaged, they want to contribute, and their productivity can be much higher from a business point of view."

But, he adds, from an HR perspective: "Our job is to build a workforce that is very productive and, simultaneously, protects employees from overwork."

In an always-on environment, is it too hard to turn devices off and leave work behind?

## Technology Can Benefit Balance

While technology may sometimes be a distraction and a burden, there are certainly times when it can provide benefit as well.

CUES member Michelle Hedges, EVP/chief talent and knowledge officer for $570 million Power Financial Credit Union (*www.powerfi.org*), with 20 FTEs in Pembroke Pines, Fla., notes that prior to the technology that allows employees to connect with their workplace remotely, they had to come in physically to deal with any issue that would arise. Today, that may not be the case. "If you're in the back office, you can do almost anything from home that you used to only be able to do at work," Hedges says. That's been an aid in

recruiting for some positions that may not have been as attractive previously, she says.

Power Financial CU allows telecommuting on a part-time basis to meet both business and personal needs. Telecommuting is offered to individuals who work in the IT department and certain exempt-level positions that may be required to work on weekends or at night. IT is an area that is particularly attractive from a remote work perspective because employees working or on call have the flexibility to meet the needs of the organization easily from a remote location, says Hedges.

Technology also provides balance and flexibility when dealing with personal or family health needs. Hedges personally saw this value when her husband was in the hospital. "It [was] easier for me to be there, due to the fact that I was able to access all of my folders, all of my systems. Technology has absolutely made it significantly easier to support my family and my job responsibilities."

$6.7 billion Bethpage Federal Credit Union (*www.bethpagefcu.com*), with 640 FTEs in Bethpage, N.Y., knows about striking the right balance between work and personal life and, says Doug O'Neill, SVP/human resources, it's all driven by culture.

Tech, says O'Neill, can be a double-edged sword. "It's all about being sometimes just too accessible, and that can really extend the workday," he says.

Nabors agrees. "We cannot allow work and life to bleed together, because then we create horribly unhappy, burnt-out employees. The challenge is to respect the boundaries on both sides. Technology is our enemy in that regard."

## Communicating Balance

Communication is key when it comes to helping employees find the right balance between work and personal lives. It's also important to understand the varying demands that employees are dealing with.

Hedges notes that one shift she has seen in terms of work-life balance needs among employees is that more employees today are responsible for caring not only for children or a spouse, but also for aging parents with health issues. "That, absolutely, has impacted the workforce," she says.

Hedges adds that "gender no longer plays a factor" in terms of the pressure employees may have balancing duties both between work and home. "Whether a male employee or a female employee, there's more equal responsibility because both individuals are working in the household," she says.

Understanding these impacts can help CUs ensure they are appropriately considering employees' outside-of-the-workplace pressures and taking steps to let employees know the CU supports them in seeking the balance they need.

"You have to transmit a message in a variety of ways that you value work-life balance," Nabors stresses. "You tie work-life balance to your core values," he says. "The concept of work-life balance has to become a key piece to the culture that you're creating."

## Modeling Balance

A critical component of a CU culture that supports a good balance between work and personal life is setting an example at the top, says O'Neill. He shares an example about a simple, yet impactful, action Bethpage FCU's CEO, Wayne Grosse, CCE, initiated shortly after he joined the organization.

"He will not email you after work unless he has to respond to something you're asking for," says O'Neill. That simple act, he says, has had a major impact on the culture

## Should You Consider Unlimited PTO?

The concept of unlimited paid time off has become a trendy HR topic lately as companies like Netflix and LinkedIn have adopted the practice. The concept really reflects the epitome of über work-life balance. But is it a good idea?

Bryon Nabors, VP/talent at $1.7 billion GTE Financial (*www.gtefinancial.org*), with 500 full-time equivalents in Tampa Bay, Fla., doesn't think so. "For those organizations where the employee is more of a contact point—as in CUs—we serve our members, and unlimited PTO could possibly threaten that member service." For those considering the option, it's important to step back to consider the *why* behind it, he says. "If we're trying to accommodate the creep of technology into our employees' lives, I'm not sure unlimited PTO is the answer to that. I'd rather focus on creating a workplace that recognizes the importance of work-life separation, encourages it and backs it."

Research from the Society for Human Resources Management (*http://tinyurl.com/ptoresearch*) indicates that, of those companies that offer PTO plans, only 6 percent offer unlimited time off.

It's also interesting to note that full-time workers in the United States tend to leave some of their vacation time on the table. Stephen Miller, CEBS, with *HR Magazine* (*http://tinyurl.com/jr35jyy*) reported that full-time workers in the U.S. took an average of 20.3 vacation days a year from 1978-2000; today workers are taking only 16.2 days/year on average. Why? A number of reasons are cited, including not wanting to return to a lot of work, feeling no one else can fill in for them, wanting to show their dedication or wanting to appear irreplaceable. Even those organizations that are offering "unlimited time off" may find that the majority of their staff are still staying within conventional allocations!

of the credit union. "It gave permission for people to disconnect and really enjoy their work-life balance and time with their families," he says. "When it gets modeled from the top, it gives permission to really leave work, both physically and virtually."

### Protecting the Balance

Work-life balance isn't something that is just nice to have. In some ways, from an HR standpoint, work-life balance is essential to ensure credit unions don't run afoul of wage and hour laws. If non-exempt employees, for instance, are emailing about work-related things after hours, that's compensable time.

Managers and HR need to make it very clear to non-exempt employees that they are not to engage in work-related activities during unscheduled work time. At GTE Financial, says Nabors, for example, non-exempt employees don't have access to email outside of work.

"I've found, through my experience with hundreds of companies, that there are two reasons late-night email habits spread from the boss to employees," says Maura Thomas, a speaker, trainer and founder of Regain Your Time (*http://regainyourtime.com*) and author of *Personal Productivity Secrets* (Wiley, 2012).

They are ambition and attention. From an ambition standpoint, she says: "If the boss is emailing late at night or on weekends, most employees think a late-night response is required—or that they'll impress you if they respond immediately."

From an attention standpoint, Thomas notes that many people don't really intend to work when not at work, but "because they have poor attention management skills, they find themselves constantly checking their email and social media websites."

You may see some of your employees, or even yourself, in one of these camps. Neither is a good place to be, Thomas says. "When employees are constantly monitoring their email after work hours, they are missing out on essential downtime that brains need. Time away produces new ideas and fresh insights. Studies show that long work hours actually decrease both productivity and engagement."

### Preventing Burnout

"You want the organization to create an environment that recognizes that working outside of business hours can create burnout and be aware of it and not encourage it in your culture," says Nabors.

At GTE Financial, he says, that message is sent out in multiple ways. For instance, if an employee is on paid time off and sends an email, the employee's manager might email back something like, "What are you doing? I thought you were on PTO. Go spend some time on the beach!" It's not about punishing employees for putting in that extra effort, but it is about ensuring that they understand there is a time for work and a time for focusing on non-work-related activities.

Should *any* employee really be emailing back to the office when they're sitting with a sick child waiting to be seen by a doctor, or when they're on the beach for a family vacation? No, says Nabors. "Please don't think about us when your child is sick!" Nabors says that, as an HR professional, he would hope the tendency to engage with work in these types of settings is a "self-inflicted issue" and "not related to anything that we're doing that sends the message to the employee that the only way to climb the ladder, or the only way to be valued or perceived as productive, is to do the very things we don't want them to be doing."

That can be a very tough message to send, particularly to highly motivated, ambitious employees. It's a message, again, that must be supported through not only communication and policies, but also the actions of senior-level staff members.

If employees observe that the people who get promoted are people who rarely leave the office at 5 p.m. and are always "on," even when off on vacation, that sends a powerful message that is challenging, if not impossible, to overcome through formal communication or policy.

Placing an emphasis on work-life balance can, says O'Neill, "be perceived to be risky." But, he adds, "In reality, it's very low risk to give permission to people to leave at a reasonable hour, to enjoy the rest of their lives." His advice to other leaders is to model the behaviors that support a healthy balance for your employees. It starts at the top.

Lin Grensing-Pophal, *SPHR, is a freelance writer and human resource management and marketing communication consultant in Chippewa Falls, Wis. She is the author of* The Everything Guide to Customer Engagement (Adams Media, 2014) *and* Human Resource Essentials (SHRM, 2010).

### Resources

Get HR articles delivered to your iPhone or iPad when you download the free myCUES app (*cues.org/mycues*).

# Help Offset the Increasing Cost of Employee Benefits

## Executive Benefits Program and CUNA Mutual Retirement Solutions, in partnership with CUES

Employer-sponsored health insurance costs have risen more than 60% in the last 10 years, with a 4% increase in the past year alone[1]. As these expenses continue to rise, employers need to find ways to help offset these costs. Trimming employee benefits is not a viable option for your credit union, where it is crucial to maintain top talent.

This is where CUNA Mutual Group's Total Benefits Pre-Funding (TBPF) Program can help. This customized program is a proven way to help you offset these increasing costs, while allowing you to retain and recruit the executives and employees you need to stay competitive in the marketplace.

A TBPF program gives your credit union the potential to generate a greater ROI than it can from traditional credit union investments. National Credit Union Administration (NCUA) rules allow federal credit unions to offset the rising cost of employee benefits with potentially higher-yielding investments that the NCUA would otherwise deem "impermissible."

At CUNA Mutual Group, we have a proven, successful track record of managing TBPF assets, with credit unions nearly doubling their investments in our program bringing the total to $1.5 billion over the past two years[2]. The increased revenue can be used for funding employee benefit obligations including employee health, life and disability insurances, 401(k) and pension plans, and executive benefits plans.

CUNA Mutual Group works with industry-leading financial services firms in order to offer you multiple, non-proprietary plan designs and funding options, to customize your TBPF program based on your credit union's risk tolerance and investment preferences.[2] These options include managed investments, annuities, mutual funds and life insurance, among others.

Firmly rooted in the credit union industry, CUNA Mutual Group's Executive Benefits Program currently manages 25% of the industry's total assets, including the investments of more than 1,200 credit unions[2]. CUNA Mutual Group has been committed to credit unions for more than 80 years, so you can rest assured we'll be there to support you during the entire life of your TBPF program.

Our fully licensed Executive Benefits team provides comprehensive fiduciary and compliance services, including a yearly review of your program to help in your due diligence efforts. We also work closely with your attorneys and accountants to establish and maintain compliance—even meeting regularly with the NCUA to discuss current and emerging regulations.

**To learn more about CUNA Mutual Group's Total Benefits Pre-Funding, Executive Benefits Program, and Retirement Solutions, visit cues.org/CMG or call 800.356.2644, ext. 665.3272 today.**

[1] The Kaiser Family Foundation and Health Research & Educational Trust "Employer Health Benefits: 2015 Summary of Findings"

[2] CUNA Mutual Group Internal Data, 2016



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# Looking Within

***Pima FCU finds talent from its ranks***

By Kerry Liberman

At Pima Federal Credit Union, employee advancement and career development are taken very seriously. In fact, the CU's employees rank opportunities for advancement very high. This is why I included the $473 million/55,000-member CU in the People Perspectives Distinguished Credit Unions of the Year, an award I created to feature some of our successful clients. Of all the CUs that conducted employee surveys with my company in 2015, Pima FCU had one of the highest overall averages for both employee satisfaction and engagement. Not only that, but Pima FCU had the highest average of all of our clients on the opportunity for advancement dimension. Let's find out what they're doing that has led to such high marks from its staff.

## Promoting from Within

Pima FCU (*www.pimafcu.org*), Tucson, Ariz., is dedicated to promoting from within whenever possible. Open positions are posted internally for five days, and priority is given to the qualified applicants who are already members of their team.

In 2016, Pima FCU has already filled 12 management positions, with more than half (58 percent) filled internally. According to CUES member Angi Griffin, VP/human resources, "It is a great morale booster for our staff to see their co-workers taking on new challenges and seeing the results of Pima's confidence in and dedication to our employees."

Additionally, Pima FCU is steadily growing, which provides more new positions and more opportunity for internal growth.

On the other hand, if an employee who applies for an open position does not have the required qualifications, the hiring manager contacts the employee and provides feedback about the decision. Then the manager, often in conjunction with the employee's current manager, has a career pathing discussion with the employee. "By doing this, we hope to show employees that we are truly interested in their growth; plus, it allows us to understand their interests and preferred paths so we can help them get there through mentoring, coaching and training," says Griffin.

## Career Development

Pima FCU has what it calls an Employee Exchange Program, which enables employees in one department to shadow an employee in another department. For instance, if the CU has an open loan officer position, a teller can shadow an officer for a few hours to learn more about what is done in that role on a daily basis. This not only allows employees to better understand their own desired career path, but also establishes better rapport between employees, creates awareness of what other departments do, and opens the channels of communication between departments and employees.

"All of this contributes to higher morale, higher levels of teamwork, better service to our members and a heightened awareness of the importance Pima holds for internal career development," says Griffin.

Pima FCU also emphasizes empowerment. Employees are encouraged to learn different aspects of their positions and take on tasks that may not traditionally be included in their everyday duties. They are also encouraged to be involved in various committees within the CU, which allows them to be exposed to different areas and ideas.

In addition to internal development, Pima FCU supports and encourages employees to seek professional certifications and take advantage of educational opportunities through industry associations. Plus, the CU reimburses employees for a portion of their higher education tuition costs.

"Once someone joins the Pima team, our goal is to develop them and provide them with opportunity to build a career, not just fill a position," says Griffin.

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

### Resources

Read the first three articles in this series: "Employee Engagement & Satisfaction Done Right" at *cues.org/0416employee*; "Happy Boss, Happy Office" at *cues.org/0616happy*; and "A Satisfied Staff" at *cues.org/0816satisfied*. Read more articles by Kerry Liberman at *cues.org/kerryliberman*.

And read an article about career pathing at *cues.org/0916soar*.

Pima FCU's leadership team (which has a CUES Executive Group membership) includes, from left, Cindy Fisher-Campano, CSE, chief lending officer; Laura Ward, VP/risk management; Eric Renaud, president/CEO; Bruce Baca, chief retail officer; Georgina Beattie, executive assistant; Danny Smith, VP/consumer lending; Angi Griffin, VP/human resources; Gary Angeles, former Pima FCU chief operating officer (currently president/CEO Chocolate Bayou FCU); and Tricia Norman, VP/retail support and development.

## Pima FCU Takeaways for Other Credit Unions:

**1. Be genuine.** Provide honest feedback and have frequent conversations about performance so employees understand both their strengths and opportunities for growth and are ready for the next opportunity.

**2. Promote internally whenever possible.** Don't be afraid to promote internally, even if the learning curve is a little steeper than hiring externally. Your efforts will be rewarded with dedicated, loyal employees and higher morale.

**3. Encourage open lines of communication throughout the organization.** Starting from the top, promote frequent and transparent communication; encourage employees to trade feedback and ideas.

**4. Invest in your employees' development.** Show a personal interest in each employee, find out what interests them and help them get there.

**5. Create a culture that values employees and make the tough decisions necessary to protect it.** By defining who you are as a company and then making sure your actions both promote and protect that culture, you naturally build trust, respect and dedication with your employees.

# Remarkable Remarketing

## *Stay in front of members with strategic online advertising.*

By Matthew Maguy

Have you ever considered buying a pair of shoes online and right before you check out you abandon the idea and then a week later begin to notice an ad for that very pair of shoes everywhere? It comes up while you're browsing your favorite news site, or on Facebook.

It's obvious this isn't a coincidence. When you visited the site that sells those shoes, there is a program that installs a cookie in your browser files. This creates a direct link between this site and your browser. Ads can now be served to you within this browser and on any and all participating websites.

Remarketing is a powerful way to keep prospects in your sales funnel. With some strategic planning, you can go beyond reminding people of what they saw on your site and begin to develop a new kind of narrative for your products.

There are a few key areas where remarketing can prove to be incredibly powerful.

### Converting Indirects

Indirect members—the holy grail for credit union marketing departments everywhere—are those who have only one product or service you offer and sometimes don't even realize they're a member.

Credit unions across the country have been trying for years to get the attention of these folks. And for many, it's proven nearly impossible.

At James & Matthew, we've identified a way to retarget indirect members successfully across the internet by using nothing more than an email address. This process leads to success because: a) most credit unions have their indirect members' email addresses, and b) up until now, the only way to reach them was through email. Email has its place in a marketing strategy, but it is no longer the most efficient way to market to indirects; remarketing is.

When indirect members see your ads on the websites they frequent, not only will they be reminded of your existence but you can use the opportunity to showcase other products and services and work to increase profitability of these members.

### Building "Wallet Share"

A member's profitability increases as that member uses more products and services that your credit union has to offer. This is another great angle for remarketing. If

members are already using one or two of your products, then there's a good chance they're visiting your website often. This is an excellent opportunity to use remarketing to upsell these folks on your other products and services.

The other great thing about this tactic is that it's completely scalable. If you have enough traffic on other pages of your site, you can serve different ads from there as well.

This is where understanding your members and their behaviors really can help you. For example, if someone visits your rates page, you could serve them ads with rates-based creative, as it is, of course, part of what they care about.

Likewise, you could serve ads about your mission and brand to people that visit your "about us" pages. Going even deeper, you could target people based on a specific action that they perform on your page such as starting a loan application or clicking a "learn more" button, etc.

## Non-Interest Income

Interchange fees from credit and debit cards are a great form of non-interest income and one that is highly sought after by CFOs. With the holidays right around the corner, it's a good time to think about driving more credit and debit card usage.

Increase the volume of card applications by remarketing to those that visit your card products pages. Encourage card usage by showing ad creative that showcases not just the card itself, but the benefits your current members get from the cards.

In 2014, we used a very similar tactic for one of our credit union clients to stimulate card usage around the holidays, and the client experienced a 20 percent increase in usage while the campaign was running.

## It's an Evolution

The greatest thing about almost any form of digital marketing is that you can adjust and make changes. It's driven by your ambition and your ideas. In March, we developed more than 800 remarketing ads for one single campaign, because it was what made the campaign get the results needed to be a success.

Having a simple understanding of what your remarketing analytics are telling you allows you to pivot and adjust. You can start new ads very quickly and stop existing ads just as quickly.

Industry average click-through rates for remarketing ads are roughly .04 percent, so anything at or above that and you know you're headed in the right direction.

Another place to monitor is your Google Analytics (*www.google.com/analytics*) account. Here, it isn't just about the quantity of visits or traffic that your site is getting from your remarketing ads—it's also about the quality of those visits.

Pay close attention to the bounce rate and TOS (time on site), and assess the number of page views and unique pages views acquired.

As you run remarketing on social platforms, take the time in Google Analytics to analyze how each channel is performing—again TOS is a great reference point for quality.

Excellence in digital marketing is about being efficient, and that means being nimble as well as adjusting to any trends that you may see.

Remarketing is a powerful way to keep prospects in your sales funnel. With some strategic planning, you can go beyond reminding people of what they saw on your site and begin to develop a new kind of narrative for your products.

## Frequency and Creative Really Matter

For a campaign to be effective, you'll want to limit the frequency of impressions that are served. Too much remarketing, and you run the risk of banner blindness. Your ads will fall into the category of "advertising white noise," which is not a place you want to be.

We've found that a good rule of thumb for credit unions is to limit impressions to roughly 40 per month.

While you are considering the frequency of when your ads are served, you should also be thinking about the quality of the creative you're using. Is it on-brand, bright, colorful and attention-getting?

Remember, these ads are competing with other content on news sites and social media platforms. Spend the money to have a specialist work your ads for you. Fitting information into all the different sizes and shapes that the ads take can prove to be a real challenge for someone who isn't expert in display advertising.

## Start With the End in Mind

With remarketing, you have to consider what it is you're trying to accomplish in your calendar year.

One thing that never ceases to amaze me is how disorganized credit unions are when it comes to digital marketing. Let me also say that I'm specifically talking about strategy, not tactical execution. You may even be using some of the digital marketing platforms I'm suggesting in this article, but have you sat down and thought about how all of these different platforms work together towards a particular end that you desire?

Awareness of this concept is what separates the great strategies from the mediocre. With digital marketing, it's easy to get excited about new forms of media and tactics that are working well for others, and want to jump in with reckless abandon.

## Follow a Narrative

Remember your brand when developing your digital remarketing strategy. These ads are an ongoing touchpoint for many potential members, so make sure they are a reliable representation of your brand's key messages and ideas.

If you took all of your remarketing ads and opened them up on one artboard, do they feel consistent? Is there a narrative around your products, services and brand that the ads are consistently reinforcing? The answer should always be yes.

One advanced technique that we employ for our retail clients is adjusting the frequency and creative based on where a person is inside your sales funnel. This ensures that people are served different ads based on where they might be at in the buying decision. This develops an ongoing narrative about the products and leaves room to test cross-selling and upselling different products.

## Stick to What You Can Execute

One thing we often see here at James & Matthew is credit unions appearing everywhere online simply because they feel like they have to. There is nothing more ludicrous than that idea.

If you can't execute well on a given platform, then you should avoid it. Stick to the areas that you can have an impact on potential members.

Platforms like Google and Facebook offer remarketing options, along with many others. It can be a little tricky managing all of these resources at once, so if you're new to remarketing or strapped for time, a third-party solution like AdRoll (*www.adroll.com*) might be a great option for you.

With technology, growth is exponential and keeping up on the latest social media platforms and digital targeting tactics really can be quite the task. Remarketing is a great place to start and offers the opportunity for larger potential gains than other forms of digital marketing.

Matthew Maguy *is co-founder of James & Matthew* (http://jamesandmatthew.com), a marketing and advertising agency specializing in credit unions in Shirley, Mass.

### Resources

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

Also read "No Cookie-Cutter Solution" (*cues.org/0616cookie*) about effective marketing teams and "Playing Your Cards Right" (*cues.org/0716playing*) about using data analytics for improved marketing strategy.


Good service and product selling are not enough to grow membership or keep current members coming back for more. Your credit union must navigate toward a discernibly more convenient and customized member experience, and ServiStar® Member Experience Builder can help.

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# 10 Quick Wins in Branching

*Big ideas are also important, but these tips cost less and can be done straightaway.*

By Paul Seibert, CMC

Branches remain the best place to connect with members. Eighty percent of all new accounts and loan relationships originate in a branch. These branches are expensive to develop and operate, so we must ensure we are taking full advantage of every branch opportunity.

In my work developing high-performance branch prototypes and network strategies, I audit hundreds of branches each year. At the conclusion of these visits, I am asked what can be done to improve performance. The answers range from big-picture solutions with global impact on performance to opportunities at individual locations.

The right big-picture improvements can return millions of dollars in performance. These three big-picture tasks are especially essential to the revitalization of credit union branch network performance:

- **Engineer the member and staff experience to be on-brand.** Can every employee explain the customer experience to members in two sentences or less? Is your technology aligned with the desired brand experience and seamless between in-branch and remote engagement?
- **Develop a variety of business models to maximize different market opportunities, and match investment to opportunity.** Do you operate freestanding branches, community financial centers, express branches, in-store locations, kiosks or business offices?
- **Locate, relocate, close, downsize, repurpose, renovate or divest in branches** to ensure you are optimizing branch network performance.

The above strategies are proven to be highly effective, but can take months and years of planning. What can be done quicker and at a lower cost? Here are 10 small ideas:

**1. Greet every member when they enter.** A greeter is perfect in large branches where rotating staff actively engage with members. In smaller branches, the layout must be designed so staff can see the entry and then respond to the member's presence. I worked with Larry Carr of the FBI in the development of SafeCatch (*cues.org/0813facilitysolutions*), a program of training and design that substantially reduces robberies and fraud while increasing member engagement. The principles can enhance the many engagement opportunities presented as a member moves through a branch and staff members take action.

**2. Monitor staff performance on a regular basis.** Let's say staff have just been trained in a new engagement procedure. How do you know if they are performing? You can visit the branch where staff will perform for your observation. Better yet, supplement these visits with ongoing observation of individual and group performance using your security cameras.

**3. Ensure ergonomics don't get in the way of performance.** Add a footstool under high teller chairs to reduce leg strain. Configure certain engagement areas—such as a desk—to allow employees to sit next to members. Position computer screens for easy viewing. Check the keyboard position to allow staff to see the lobby and talk with members without shifting.

**4. Add a small-business display area.** This can be a movable greeter's podium that doubles as a display area for a visiting small-business owner. This shows the importance of small business to the credit union and can bring positive change to the normal experience.

**5. Add remote scheduling to conference rooms and hoteling offices** so that their square footage can be maximized for meetings of in-branch and remote staff, including those from your mortgage, small business and investments areas.

**6. Ensure visual access.** The branch must offer both accessibility and different levels of privacy. But during about 20 percent of my branch visits, I find the exterior blinds are shut 24/7. The reason is to keep the sun out, but they are never raised. A branch is a retail space. You want people to see in, and for security you want your staff to be able to see out. Your branch should be a huge sign that says we are in business and we want you to come in. This goes for interior offices as well. I often find the blinds drawn for "privacy" and learn from the staff they are never raised. Managers should be leading by example, including connecting with members at every opportunity.

**7. Match opening times to market needs.** A few years ago, I observed that branch use and performance declined as we moved farther away from the city center. I noted that all branches had the same opening and closing times for ease of staff planning. But most people commuted to the city center for work, so when they left in the morning, the branches were closed as they were when they returned home. Saturday hours help, but when we matched open hours to commuter density, branch use and performance increased.

**8. Make the staff experience as important as the members.** Staff perform best when they know they are held in high regard. But if employees leave a pleasant lobby to lunch in a dreary break room, the experience thread is broken. Put some brand color on the walls or add a small shelf in the lavatory where you can place a scented candle. Make the break room a place to relax in the same level of fit and finish.

**9. Directly communicate with members.** A few credit unions have told me they do not need to merchandise, as members know what they offer. Nice thought, but when these CUs conducted a study of member product and service awareness, they found their numbers were well below those of their competitors. Well-conceived and -delivered merchandising can also be a powerful communicator of your values and focus through images.

**10. Connect viscerally.** If you are going to offer food or drink, it must be done right. Don't serve popcorn because of the ongoing smell. Don't serve bad coffee, even if it's cheap. Keep the coffee near the entry door. It is best to position the coffee so it can be used as a gracious start to a meeting, prepared by staff and brought to a member. Cookies are also a good connection for credit unions. Water is very important to communities in warm regions and is often welcomed when arriving from a 100-degree parking lot.

There are dozens of ways to improve every branch and network. Close observation of your branches will reveal where you can make improvements that matter. If you keep your desired brand experience in mind during every observation, you will make positive changes to your branches and the bottom line.

Paul Seibert, CMC, *is principal/financial and retail design for CUES Supplier member* NELSON (www.nelsononline.com)*, Seattle.*

## Resources

Paul Seibert, CMC, writes our monthly Facilities Solutions online column. Find past issues at *cues.org/facilitysolutions.*

Also read "A Spectrum of Branch Risks" at *cues.org/0816spectrum;* "The Writing's on the Wall" at *cues.org/0816writings;* and "Member Self-Service Options" at *cues.org/0416selfservice.*

# Put the Passion Back in the Board Meeting

Passion, attentiveness and enthusiasm at the board level have a trickle-down effect. As leaders of the credit union, board members help set the tone with their engagement in the organization. The opposite is also true; a lack of passion and attentiveness at the board level will affect the entire organization.

Peter Myers, vice president of CUES Supplier member and strategic partner DDJ Myers (*www.ddjmyers.com*), presented the webinar "Put the Passion Back in the Board Meeting," and he explained just how impactful the board's zeal can be to the entire credit union.

"Undoubtedly, the culture and tone of the board and CEO relationship absolutely cascades and waterfalls down and impacts the daily operation of the organization," Myers said. "If I have a hostile board and the CEO is spending 30 percent of [her] time working with that board but it's more like 90 percent of [her] energy, that's absolutely going to affect operations. If I have a strategic, engaged board, that's absolutely going to affect and create better strategies and engagement."

## Low-Hanging Fruit

Myers encouraged webinar attendees to look at some low hanging fruit to get some easy wins in moving the board toward a higher level of engagement.

One idea is to look at the culture of the board to see how it compares to the credit union's culture. Boards should make sure there is a common set of goals and tasks. "This helps us to target and orient ourselves to become more accountable and high-performing," said Myers.

Increasing diversity on the board also promotes better discussion. "Research shows us the more diverse board we have, the better we are at creative thinking and problem solving," said Myers.

Myers also suggested looking at the board's governance framework. Myers asked webinar attendees to think about their own governance structure. Ask: "Does the way we govern as board member enable the strategic plan? Does it at times impede the strategic plan or our operation's effectiveness? Do the policies and proceeds we have support and encourage and help us strive for bigger and greater goals? Or does it have a certain amount of process that, although well intentioned, actually prolongs the time line?"

Finally, Myers encouraged board members to continue to evolve—not to become complacent and not to live on past successes. Being passionate requires the board to continue to evolve. "The less we hold ourselves as legends in our mind [and] the earlier we start a conversation absolutely impacts the [number] of options available to us moving forward. So, are we ready?"

Read a longer version of this article at *cues.org/1016passion*.

### Resources

Find out more about DDJ Myers and its work with credit union boards at *cues.org/ddj-myers*.

Listen to the complete webinar "Put the Passion Back in the Board Meeting at *cues.org/passionplayback*.

Board members, attend Director's Conference (*cues.org/dc*), Dec. 11-14 at the Hyatt Regency Maui Resort and Spa.

CUES Symposium: A CEO/Chairman Exchange (*cues.org/symposium*), Jan. 29-Feb. 2 at the Frenchman's Reef and Morning Star Marriott Beach Resort in St Thomas, will offer unique ways to align your top team.

# Canadian CEO Kelly Marshall Appointed to CUES Board

Kelly Marshall, CCE

Kelly Marshall, CCE, CEO of Summerland Credit Union, Summerland, British Columbia, has accepted an appointment to serve on the CUES board of directors.

"I'm so pleased Kelly will be joining us," says Joe Hearn, CCE, chairman, CUES' board of directors, and president/CEO, Dupaco Community Credit Union, Dubuque, Iowa. "He'll be a real asset not only to the board but to the CUES' membership base as well."

"Kelly will bring the Canadian point of view to our board. This is extremely important, as Canadian CUES membership has tripled since January 2014," says John Pembroke, CUES' president/CEO. "We are strengthening our commitment to Canada and expanding our position as an international membership association."

Marshall will fill the remainder of the term left vacant by Teresa Freeborn, past chair/director of the CUES board, and president/CEO, Xceed Financial CU, El Segundo, Calif.

"I'm grateful for this opportunity. As a graduate of CUES' CEO Institute program, and attendee of several CUES' conferences, I firmly believe that CUES is at the forefront of executive, director and future leader development for North American CUs," says Marshall. "Also, I know I have big shoes to fill, as I have always admired Teresa Freeborn and the passion she brings to seeing our organizations flourish and ultimately our CU systems succeed."

Marshall has worked in the credit union industry since 1990, when he started his career with Prince Albert Credit Union. He joined Summerland Credit Union in 2006; under his leadership, the credit union earned many honors including being named in the "Top 100 Most Profitable Companies in BC" and "Top Ten Companies to Work for in British Columbia."

Marshall has worked to increase collaboration among credit unions; he was the inaugural chair of the Solutions Centre, a Canada-wide enterprise offering services to credit unions, which include guidance for setting up credit union service organizations, member advocacy and contract maintenance with vendors. It also serves as an information hub for member credit unions.

# Real World Solutions, Inspiring Networking

Each fall, credit union execs gather at CEO/Executive Team Network (*cues.org/cnet*), an event that combines leadership development, laser-focused strategy and powerful networking. Don't miss the opportunity to hear from top speakers on the following topics, Oct. 23-26 at the Hyatt Regency Savannah in Georgia.

- Talent is Overrated—Unexpected Truths of Great Performance;
- Credit Unions: From the Left and the Right;
- Putting USAA Success Strategies to Work at Your Credit Union;
- Building a Constructive Partnership: Aligning Your Board & CEO;
- CU 2020: Five Key Success Factors;
- Linking Strategies and Measures of Success;
- Winning Body Language: Stand Out, Win Trust and Credibility;
- Payments: Looking Ahead to 2017;
- Trending: Credit Unions 2025; and
- Winning Through Digital Engagement.

# CUES Next Top Credit Union Exec Finalists

Five 2016 CUES Next Top Credit Union Exec Finalists will face off in Savannah, Ga., Oct. 24 during CUES' CEO/Executive Team Network™ (*cues.org/cnet*) for $20,000 in prizes. The Finalists are:

- **Shannon Cahoon,** community outreach coordinator at $967 million Fibre Federal Credit Union, Longview, Wash.,
- **Ali Fett,** AVP/talent development at $760 million Verve, a Credit Union, Oshkosh, Wis.,
- **Nicole Haverly,** senior portfolio manager at $1.8 billion Affinity Plus Federal Credit Union, St. Paul, Minn.,
- **Michael Murdoch,** marketing specialist at $236 million NW Priority Credit Union, Portland, Ore.,
- **Colleen Tilton,** director/staff development at $440 million Blackhawk Community Credit Union, Janesville, Wis.

Shannon Cahoon

Ali Fett

Nicole Haverly

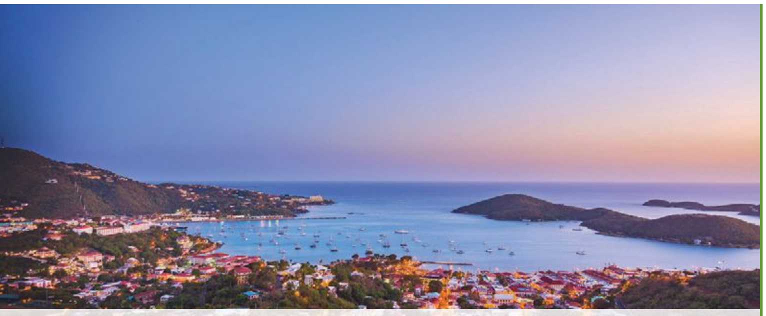
Michael Murdoch

Colleen Tilton

A combination of public vote and a judging panel determined the Top 15 entrants. Since the results of that vote were announced in mid-July, all 15 young professionals have been providing updates to their projects at *www.nexttopcreditunionexec.com*. These updates and entrants' earlier video applications were evaluated by a judging team composed of Deedee Myers, CEO of DDJ Myers, Phoenix; Ashley Kohlrus, chief operations officer at $1.2 billion Allegacy Federal Credit Union, Winston-Salem, N.C.; and Matt Levandowski, president/CEO of $415 million Heritage Family Credit Union, Rutland, Vt.

"The five Finalists were selected from a unique and highly skilled group," said John Pembroke, CUES' president/CEO. "We had many fantastic entries this year. Our judges had quite the challenging task in determining which of the Top 15 would move through to the Finals."

In addition to two coaching sessions provided by challenge sponsor and CUES Supplier member DDJ Myers, the five Finalists each receive registration, accommodations and airfare to CUES' CEO/Executive Team Network™ in Savannah, Ga., Oct. 23-26. There, they will face off for the grand prize, a CUES educational package valued at $20,000, and the honor of being named 2016 CUES Next Top Credit Union Exec on Oct. 26.



Attend CUES Symposium: A CEO/Chairman Exchange, Jan. 29-Feb. 2 in St Thomas, U.S. Virgin Islands.

# Take a Close Look at Your Top Team

CUES Symposium: A CEO/Chairman Exchange, Jan. 29-Feb. 2 at Frenchman's Reef and Morning Star Marriott Beach Resort in St. Thomas, is designed to build and improve that key relationship and help align leaders' strategy and vision. Each breakout session will be interactive, providing the opportunities for the CEO and board chair to share ideas, problem-solve, and develop plans to bring back to their CUs.

Sessions include:

**Extreme Leadership: Your Radical Leap Forward at Work and Beyond:** Steve Farber, president of Extreme Leadership Inc., Poway, Calif., will demonstrate how to use the LEAP framework—Love, Energy, Audacity and Proof to radically improve your organization and your life.

**Sound Decision Making and Harnessing Collective Wisdom:** Francis Flynn, the Paul E. Holden Professor of Organizational Behavior at Stanford University Graduate School of Business, Stanford, Calif., will consider the upsides and downsides of intuitive managerial decision making and offer a sound approach for reaching sound decisions on a regular basis. You will participate in a group decision-making task in the context of a team meeting and then examine the results in a full-class discussion.

**Predictable Results Through Strategic Alignment:** Joel Trammel, founder/CEO of Khorus, Austin, Texas, delivers a proven process for getting the board, the CEO and the credit union at large on the same page.

**Visionary Leadership:** With Lisa Petrilli, CMO/COO of the To Be A Woman Global Empowerment Platform, Chicago, attendees will learn the full spectrum of implications of a well-developed vision and will work together to create a vision for their CU that is fully ready to be presented to the organization upon arriving back at the office. This will support them in becoming truly exceptional leaders in the coming year.

Fortify your credit union's future—register your top team today at *cues.org/symposium*.

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

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

## 2017

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

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

**PAYMENTS UNIVERSITY** NEW
April 3-4
San Francisco

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

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

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

**CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS***
May 1-5
Embassy Suites by Hilton Orlando
International Drive Convention Center

**CUES GOVERNANCE LEADERSHIP INSTITUTE™**
June 11-14
Rotman School of Management
University of Toronto

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

**MERGERS & ACQUISITIONS INSTITUTE**
June 26-29
Booth School of Business
University of Chicago

**CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT***
July 17-21
Crowne Plaza Seattle

**CUES SCHOOL OF CONSUMER LENDING™**
July 17-18
Crowne Plaza Seattle

**CUES ADVANCED SCHOOL OF CONSUMER LENDING™**
July 19-20
Crowne Plaza Seattle

**CUES SCHOOL OF STRATEGIC MARKETING™**
July 17-19
Crowne Plaza Seattle

**CUES SCHOOL OF STRATEGIC MARKETING™ II**
July 20-21
Crowne Plaza Seattle

**STRATEGIC INNOVATION INSTITUTE™**
July 23-28
Stanford Graduate School of Business, Stanford University, Stanford, Calif.

**SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR**
July 24-25
Hyatt Centric Fisherman's Wharf
San Francisco

**BUSINESS LENDING FOR DIRECTORS**
July 24-25
Hyatt Centric Fisherman's Wharf
San Francisco

**CUES DIRECTOR STRATEGY SEMINAR**
July 26-28
Hyatt Centric Fisherman's Wharf
San Francisco

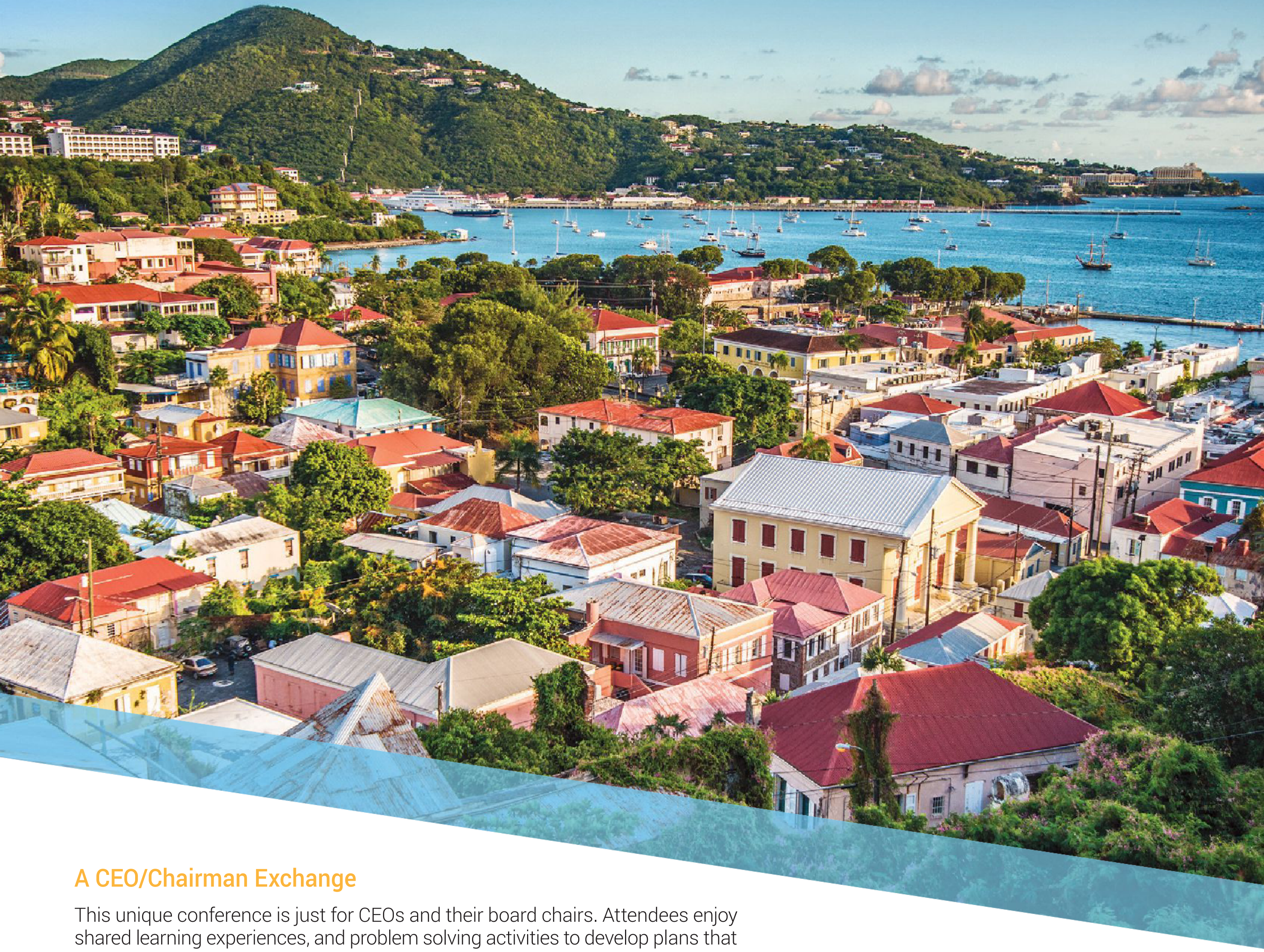
**EXECU/NET™**
Aug. 20-23
Grouse Mountain Lodge
Whitefish, Mont.

**CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT (SUMMER SESSION)***
Aug. 20-25
Darden School of Business
University of Virginia

# CUES SYMPOSIUM

## January 29–February 2, 2017
## Frenchman's Reef and Morning Star Marriott Beach Resort
## St. Thomas, U.S. Virgin Islands

CUES Symposium's unique format is designed for the CEO and board chair to attend together—be sure to register them at the same time!



### A CEO/Chairman Exchange

This unique conference is just for CEOs and their board chairs. Attendees enjoy shared learning experiences, and problem solving activities to develop plans that are ready to take home and implement immediately.

This year's dynamic speakers are:

- **Steve Farber, President**, Extreme Leadership, Incorporated
- **Francis Flynn**, Paul E. Holden Professor of Organizational Behavior, Stanford University Graduate School of Business
- **Joel Trammell**, Founder and CEO, Khorus
- **Lisa Petrilli**, CMO/COO of the To Be A Woman Global Empowerment Platform

Learn more and register at the early bird rate before December 15 at **cues.org/symp**.

CUES
POTENTIAL, REALIZED.™

# Will Blockchain Change the World?

By Pam Brodsack

While blockchain will not tip the planet's axis, this technology may very well accelerate the pace of change in today's world by helping leaders reimagine business models, processes and solutions.

Blockchain technology is, in essence, an unchangeable, shared ledger in which transactions are encrypted, recorded chronologically and shared publicly. The technology is a mash-up of other technologies, including distributed database and cryptography.

Its promise is to inject transparency and immutability into any situation, project or process it's tracking. These qualities make it possible for us to imagine a single source of truth, an ultra-secure system that stores every piece of data we will ever need, never forgets it and makes it available to everyone.

Blockchain lends security by storing precious digital cargo in blocks that are digitally stamped and distributed across multiple sites. If a block is maliciously altered, this action is immediately detected, and an unaltered version is retrieved from another digital location.

At this early stage, it seems this technology's greatest contribution to the financial industry will be transparency and security. People, businesses and all manner of things have become more connected in the digital space, creating the emerging need to maintain our individuality—or, more to the point—to protect our identities.

Blockchain could help people and businesses protect the digital version of their sensitive data and have a dramatic impact on the way we authorize everyday financial transactions—if the developers of this technology can overcome the challenges of interoperability, ownership, blockchain's complicated history and integration.

Blockchain may be capable of advancing the goals of the world's community financial institutions and the consumers they serve. If the opportunities are out there, TMG intends to find them. Stay tuned.

Pam Brodsack *is chief technology officer of CUES Supplier member TMG* (www.tmg.global)*, Des Moines, Iowa, and one of several industry leaders working on a series of blockchain studies.*

*Comment on this post at* cues.org/skyboxblockchain.



## Recent Posts

**Successful collaborative work is built on factors including "a mutual sense of purpose (What pulls you together? Why do you exist?), shared goals based on your purpose (make your purpose concrete with goals—specific, real achievements that fulfill the purpose), and a team-based reward system (teams work interdependently and must be rewarded that way—whether in dollars or accolades)."**
CUES Senior Editor Lisa Hochgraf summarizing a CEO Institute II session in "5 Success Factors for Collaborative Teams" on CUES Skybox: *cues.org/081516skybox*

**"Prepaid cards function like traditional debit cards, while offering even more safety and security as they're not linked directly to a share draft account. They are easily reloadable, and because they cannot be overdrawn, they also work as a great budgeting tool."**
Bart Scott, marketing communications coordinator for LSC (*www.lsc.net*), the Illinois Credit Union League service corporation, in "Got Members Without Checking Accounts?": *cues.org/081016skybox*

**"Members can—and should—play an active role in card security. Let your members know that the best way for them to prevent fraudulent transactions is with a tool for card controls and alerts. EMV education is a valuable service you can provide to members to help them understand the technology and embrace its many changes."**
Michelle Thornton, director/product development for CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), in "Manage Members' EMV Expectations": *cues.org/080316skybox*