CU Management

FEBRUARY 2017

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Generating Loans

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

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FEBRUARY 2017

Web-Only Bonus

So Long, Millennial Speed Limit

(bonus from "Generating Loans by Generation," p. 10)

Two strategies to consider when making car loans to this large segment that's now actively borrowing.

cues.org/0117millennialautoloan

myCUES App

7 Characteristics of a Highly Successful Leader

In which of these do you excel? What do you need to work on in 2017?

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Online-Only Column

Loan Zone: Reduce the MBL Cap Threat

Three strategies you can use besides trying to change the reg.

cues.org/0117loanzone

CCUBE Members-Only

Video: Attracting Millennials

In order to serve millennial members, CUs—and the board of directors—need to understand who millennial members are and what they want.

Center for Credit Union Board Excellence members can access this at *cues.org/ccubeattracting*. Not a member? Get a 30-day free trial by emailing *cues@cues.org*.

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The More Things Change ...

... the more they stay the same, the French say. That phrase has been with me this week as I've been in CUES' Madison, Wis., headquarters helping clean out our archives.

CUES' content has certainly changed a lot since we published the first issue of *CU Management* in 1978, making this our 40th year. The online and app-only articles we produce today likely would have amazed the founding editors, but some topics are evergreen. For example, our first cover story was on measuring marketing's return on investment. Another article—"How do you Rate as a Communicator?"—could fit in this issue!

While we'll probably never again publish an article about why "safe deposit boxes are tops," the CU execs of yesteryear were concerned about technology trends, including getting the most out of their core operating system. Some things never change. Or do they?

In "Fitting the Core to the Pieces," Brad Smith discusses the changes occurring in the CU technology arena as a result of the rise of fintech players.

"As CUs spend more of their technology dollars on member-facing systems like Internet banking, mobile services, online account opening, and loan origination and payments systems, core vendors are buying up digital and payments providers as a way to keep that revenue. In fact, many core vendors now make upwards of 30 percent of their revenue from payments, where margins are significantly higher," writes Smith, a managing director with CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz. Read more on p. 18.

Another topic we have explored frequently within the pages of *CU Management* is the need to attract younger members. When I first started at CUES in 1999, we focused on capturing the attention of Gen X. We have moved on to millennials (and even to Gen Z), but CUs will always need to be relevant to each new generation.

On the other hand, don't forget about your older members, especially when it comes to lending. This month's cover story by consultant Bryn Conway outlines strategies for marketing loans. To grow your portfolio, "you need to lend successfully across the generations. Regardless of their generation—baby boomer, Gen X or millennial—your members are borrowing and buying much more than previous generations, and the key to success is to be relevant to each," Conway writes. Turn to p. 10 for her excellent article, "Generating Loans by Generation."

If you are wondering why I left Baltimore to spend a week in Madison in the middle of a very cold and wintery January, I assure you it wasn't just to clean out the archives! On Jan. 9, we were pleased to welcome new Assistant Editor Danielle Dyer to our team. Danielle has a degree in journalism from New York University and spent several years in the health care technology industry. Her excellent writing skills, combined with her tech background, are a huge asset to CUES. Welcome her at *danielle@cues.org* and look for her byline soon.

We're excited to get Danielle's fresh perspective on our content. What topics do you seek fresh, in-depth information about this year? If there is something you'd like to see us cover, please let me know at *theresa@cues.org* or 800.252.2664 ext. 307.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

"We're making it more convenient for members to conduct business with us by streamlining processes and increasing efficiency through deep integration enabled by XP2 from Fiserv."

Tyler Grodi
CEO
EFCU Financial

CU Promotes Business Lending as 'Good Neighbor'

Offering business loans is not just good for members and your organization's bottom line, suggests Honor Credit Union CEO and CUES member Scott McFarland. It benefits the entire credit union movement.

"The more credit unions are doing business lending and doing it well, the better off we are as an industry. Every time a member goes into a credit union only to be told, 'We don't do that,' it's a setback for all of us,'" he says. "We have to be the kind of organization that can provide the financial services members want and need, and commercial lending is one source of that value."

Honor CU (*www.honorcu.com*), Berrien Springs, Mich., which has long made commercial residential loans, began expanding its business loan and deposit offerings in 2009. The credit union currently serves about 500 business members with a range of credit options, checking, payroll processing, and ACH and merchant services, says Business Services Manager Kathy Becht.

Its expansion of business services coincided with rocky economic times, which actually boosted $706 million Honor CU's efforts to build business member relationships. "When the market turned south seven years ago and banks were calling loans, small businesses turned to us, and we were able to make a lot of those loans," McFarland says.

Describing the credit union's approach to business lending as "conservative to mid-conservative," McFarland says Honor CU extends its member promise—"providing solutions for financial success"—to its approach to serving business members in agriculture, hospitality, service and other sectors.

"That promise speaks to a partnership rather than just delivering a product," he says. "With all the technology and convenience of remote everything, many of the businesses we serve are based in small and mid-sized communities where people still value being able to come in and talk to someone."

The credit union relies on "old-school rainmaking" by business development officers out in the communities it serves as a primary means of marketing business services, McFarland says. "There's no magic bullet. It really comes down to good old-fashioned hard work in getting to know people."

Business development officers partner with branch managers to call on business members in the area "to make sure we're providing all the services they need," Becht says. "And many of our business members handle all of their personal financial services with us as well. They know us. They like us. They trust us."

Read a longer version of this story at *cues.org/0117neighbor.*

> "As marketers, it's great to have the data but you need to know what question to really ask."

Ben Stangland, VP/operations and principal at CUES Supplier Member Weber Marketing Group, Seattle, in the CUES Podcast Episode 9: Data Mining, Segmentation and Branching. Listen at *cues.org/podcast.*

Social CEOs Good for Business

New research from Development Dimensions International Inc. suggests that CEOs who are active social media users are good for business.

DDI's High-Resolution Leadership study (*www.ddiworld.com/hirezleadership*) examined C-suite executives (both the current CEO and next-in-line candidates) listed among Harvard Business Review's "Best-Performing CEOs in the World" to see how active they are on Twitter and LinkedIn. DDI found that social CEO candidates excel in six behaviors and are:

- 89 percent stronger than non-social CEO candidates at empowering others;
- 46 percent stronger at influence;
- 52 percent stronger at compelling communication;
- 36 percent stronger at cultivating networks;
- 19 percent stronger at passion for results; and
- 16 percent stronger at decision making.

In addition, social CEOs share personality traits that make them better at business judgment, according to DDI, including being:

- 13 percent more sociable;
- 23 percent more action-orientated;
- 15 percent less argumentative;
- 19 percent less avoidant; and
- 15 percent less perfectionist than nonsocial CEOs.

The darker side of sociability? Social CEO candidates are 29 percent more likely to be attention-getting than their peers. Read more about the results at *www.ddiworld.com/socialceo.*

'Igniting' Innovation

Ideas to improve products and processes can and should come from all levels of an organization, but support from the executive team and board is essential for fostering a culture where the fruits of innovation can blossom, suggests the authors of a "field manual" on innovation.

There has to be buy-in from management—a commitment to fund ideas that show promise and to send the message that "it's OK if some ideas don't pan out as long as we learn from them," says David J. Neff, who coauthored the book *IGNITE: Setting Your Organization's Culture on Fire with Innovation* (*www.theignitebook.com*) with Randal Moss.

A good starting point for creating an innovation culture is "hiring people and bosses who are naturally entrepreneurial, willing to dive in and test and solve problems," Neff says. "They understand that solutions might not work on the first attempt. We failed, and that's OK. We can apply what we learned."

Entrepreneurial thinkers need a process in which to develop ideas, and that's the role of a formal innovation program—to gather and assess ideas, implement those with the most promise, and celebrate successes in ways that encourage others to get involved by sharing new suggestions.

Innovation is *not* the end result—"another cup holder for a minivan," as Neff puts it—but a repeatable process that leads to new directions that may be either incremental or disruptive in their impact on the organization, its customers, and the marketplace.

Successful innovation programs rely on having the right people, processes, technology, and culture in place. The second element is often what holds nonprofit organizations back, he suggests. Neff and Moss both previously worked with the American Cancer Society, and their first book, *The Future of Nonprofits: Innovate and Thrive in the Digital Age*, offered solutions to the challenges facing not-for-profit organizations like credit unions.

"Because of concerns over how they spend their money, nonprofits tend to be more risk-averse," Neff says. "They have more concerns around the return on their investment in innovation. Big companies can look at it as a learning opportunity, but nonprofits worry about the costs of failure."

Sales Incentives Work But ...

Here are my thoughts on sales incentives: Incentives work. It's just a shame that they do.

In my experience, and using the results of every employee survey we've conducted at MNA Consulting Inc., recognition is more powerful than financial incentives.

Now, that does not mean incentives don't work—they do. If you pay people enough money, and put enough pressure on them, they will do lots of things.

Unfortunately, if you incent them to do something that is not right for the member, and you pay the employee enough money and put on them enough pressure, you'll get some bad things happening. That is the story of Wells Fargo. Incentives did not cause this immoral behavior. An organizational environment caused these behaviors. Incentives have been offered for years and years without a "Wells Fargo-like" incident.

My clients that lead and coach well, and recognize employee achievement and improvement, outperform my clients that use sales incentives. Unfortunately, too many leadership teams find it easier to budget incentives than use effective leadership and coaching behaviors.

An organizational culture that mandates that the standard behavior is to attempt, with every member interaction, to find a way to save the member money and time will create employees who are engaged in the behavior. Engaged employees will outperform employees who are paid incentives.

Michael Neill, CSE, is the founder of MNA Consulting Inc. (*www.mnaconsulting.org*), Franklin, Tenn., which leads the CUES' ServiStar programs (*cues.org/servistar*).Neill is also the lead faculty for the CUES School of Member Experience™ (*cues.org/some*).

Insights

"If I'm a small business owner and I start looking for a financial services provider … why would I pick your credit union?"

It isn't just access to capital and better rates that matter to owners, says Jim Devine, CEO of Hipereon Inc., and lead faculty for the CUES School of Business Lending™ (*cues.org/sobl*). "At the end of the day, what I'm looking for is help from somebody that knows something about business and, better yet, my business," he continues in the CUES Podcast Episode 7 (*cues.org/podcast*).

Generating Loans by Generation

Baby boomers, Gen X and millennials have different lending needs and wants. Does your credit union have the right loan products—and the right marketing message—to appeal to each generation?

By Bryn C. Conway, MBA, CUDE

Read just about any "About Us" page on a credit union's website, and you'll be told a story about how many decades ago a dedicated group of people came together to start a credit union to help members of their community save and borrow.

When credit unions began, we were the financial disruptors of the marketplace. Members would come to us to borrow money to finance cars and homes when no other traditional financial institution would lend to them.

Today, we often hear that credit unions aren't relevant to younger generations. Credit union members are aging—the average age of a member is 48—and we're struggling to find ways to keep from becoming a savings club where growth is stagnant. We need to get back to our bread and butter—lending to members!

To grow your loan portfolio, you need to lend successfully across the generations. Regardless of their generation—baby boomer, Gen X or millennial—your members are borrowing and buying much more than previous generations, and the key to success is to be relevant to each generation. Let's take a look at each generation's beliefs and perceptions, what lending products you should be marketing to them and the messaging each generation finds relevant.

Baby Boomers: The Optimists, Idealists and Individuals

The baby boomers, those individuals born between 1946 and 1964, are a generation characterized by optimism and individuals who want to put their own stamp on the world. Now between the ages of 52 and 70, boomers control 70 percent of the wealth in the U.S., have $7 trillion in buying power, and by the end of 2017 will control over 70 percent of the disposable income. Boomers are marching toward retirement as empty nesters, looking for simplification and wanting to experience all the adventures they missed when they were working and raising families.

Though this generation is primed to continue to buy and borrow long into the next decade, marketers often write them off as being past their prime borrowing years. But boomers are the majority of your members, numbering over 75 million.

Plus, baby boomers are much more likely to borrow than generations before. Debt for adults between ages 50 and 80 has increased 60 percent in the last 12 years. Reasons for this may include: 1) the Great Recession hit some boomers' retirement savings hard; they would rather leverage a monthly payment and contribute more to retirement rather than take a large amount out of their savings to make a purchase; and 2) some boomers borrowed against homes to help their children go to college, so again, they would rather manage a payment than sacrifice cash reserves for purchases.

The question becomes: Are you going to meet the needs of this generation or are you going to let all that purchasing power be financed elsewhere?

Top Boomer Products

Autos—Baby boomers came of age at the time when most Americans were having a love affair with their automobiles, when getting a driver's license and having one's own set of wheels symbolized freedom and independence. Boomers' affinity for the car is still strong and will likely continue long into their retirements.

According to the American Marketing Association (*http://tinyurl.com/jjo5k4c),* boomers spend close to $90 billion a year on automobiles, 28 percent more than the younger generations combined. Create financing options that allow them to purchase the classic cars they like and the new cars they need. Baby boomers will continue to drive the vehicle part of your loan portfolio for years to come.

Home equity—Though baby boomers lost significant wealth in the Great Recession, the Progress in Lending Association reports that they still retain on average $200,000 in home equity (*http://tinyurl.com/boomer-homes*.) As many are looking to retire, pursue travel and relocate, this equity can be vital to their ability to pursue their goals. Market home equity to boomers and be specific with how your equity loans can help them live the life they want.

Homes—Boomers are estimated to spend over $1.9 trillion or more on home purchases in the next five years. That's buying power that can't be ignored! They may be looking to buy a house in the country or on the water, maybe both. As this generation is set to put their own stamp on retirement, make sure you impart that you are here to lend to them and that you have options to fit their needs.

MESSAGE: *Promote the experience; forget the rate*

Research suggests that baby boomers see themselves as a good 10 years younger than their actual age. The saying, "50 is the new 40"—you can thank the boomers for that! It is really important to understand the right messages and imagery to present to your baby boomer members because of this perception of themselves.

Boomers are vibrant, vigorous and vital. They take care of themselves, and this generation is not going into retirement wearing cardigans and slippers sitting in their paid-off homes as their parents might have done. For them, it's about marketing the experience and their belief that they can still experience the world and put their own stamp on it.

Most of the time, rate, features and benefits are what we market when it comes to loans. However, recognize that even

though in your surveys members might tell you that price is the reason they choose a product, for baby boomers, this is not the case. Henry Ford once said, “If I had asked people what they wanted, they would have said faster horses.” Although baby boomers may say that the rate is important, they want to think about the experience and how it will make them feel. They aren’t buying the convertible because it’s 1.5 percent APR; they are buying it because they want to feel the wind in their hair as they cruise down the highway. Be competitive in your pricing, but sell the experience to boomers and you’ll get their loans for the rest of their lives.

Generation X: The Skeptics, Realists and Independents

Generation X, those individuals born between 1965 and 1980, has repeatedly been told that they are the first generation in America likely to be worse off economically than their parents. Now ages 36 to 51, Gen Xers came of age during the recession of the early 1990s. 10 years later, just as they were getting their economic footing, the dotcom bubble burst. We often hear about millennials shackled with student debt; however, members of Gen X are still paying off their educations while raising families and caring for parents. On average, Gen X carries a debt load of $142,077 per person and 60 percent have more debt than someone the same age did in 2000. Forty percent of Gen Xers have children under the age of 18, and a quarter have parents who live with them.

The news for Gen X is not all bad. Gen X is considerably smaller than the boomers before and the millennials after them, numbering a mere 49 million—only 23 percent of the U.S. adult population. Seventy-seven percent of Gen X is gainfully employed and will have ample opportunity to earn and save more as the baby boomers exit the workforce. Credit unions should be courting Gen X like no other generation because its members are comfortable having loans. Their loan demand spans most lending products, and members of Gen X are entering their prime earning years.

Products for Gen X

Homes—Generation X has a median annual income of just under $105,000, and 27 percent are in the market to buy larger homes to accommodate their growing families. Gen X buys the most expensive homes of all homebuyers with a median purchase price of $263,000. Make sure they are financing these homes with you! Gen Xers know they need a bigger home, but are going to be skeptical about taking on a larger payment. Position your mortgages to provide options and solutions that help bring stability to Gen Xers’ financial lives.

Refinance—Gen Xers have loans. Lots of them, with balances, and you can be certain they are not all at the same financial institution—Harland Clarke reports nearly 60 percent of Gen X is not brand loyal (*http://tinyurl.com/silent-genx*.) Market refinance options to your Gen X members. Most won’t think of saving money by refinancing an auto loan or by refinancing their mortgage. Personalize the offer, make it relevant and ask for the business.

Any Loan Product—Homes and refinances are at the top of the list for targeting Gen Xers, but understand that their demand for any loan product is second only to millennials. They are buying cars, using credit cards and paying off student loans. This doesn’t mean that you should send them every loan offer you have, as you run the risk of not being relevant; instead, look at their credit reports and find ways to help them. Gen X will be borrowers for many decades to come.

MESSAGE: *Transparency, advice and empathy*

Messaging and marketing to Gen X is about being transparent. They don’t believe traditional promotional messages–it’s a skeptical generation, after all. Position a mortgage using the monthly payment or talk about options to put more money in their pockets. Members of Gen X need to feel that by saving money they can start to take control of their financial futures.

Of the three generations, Gen X is the least likely to believe in the “American Dream” and is also least likely to consult a financial advisor. This creates an opportunity for your credit union to bring the financial advice to Gen X. Do this with targeted relevant messaging. Position your credit union to be a financial partner and to help where Gen X needs it—prioritizing debt, having enough insurance and, ever-so-slowly, building savings.

Empathize and listen to what members of

Gen X are telling you about their financial needs. For them, it's about raising families and worrying about the present and the future. Communicate empathy when marketing your products and position yourself to help, not judge. They already know they have a tough road; your credit union can show them there is a way to take care of their present and their future.

Millennials: The Diverse, Collaborative and Connected

The millennials, those individuals born between 1981 and 1996, are so desired and discussed by every sector of the economy—with good reason. This generation is huge—nearly 42 percent of the U.S. adult population! Plus, they contribute more than $1.3 trillion in spending annually.

Millennials, now ages 20 to 35, are the most diverse and highly educated generation in history.

However, they paid dearly for that distinction. Six in 10 millennials have student debt, with an average student loan balance of $25,500. Their debt and difficulty finding a job when they left college have meant the prolonging of milestones. The average age of marriage for a millennial is 27.9, and millennials are waiting until age 33 to buy their first homes.

Ten years ago, as the first millennials were leaving college, figuring out what type of loans to market to a millennial was nearly impossible. Millennials were believed to support a sharing economy so they would not buy cars; they lived at home with mom and dad, so they had no desire to be a first-time homebuyer; and most had experienced the crushing reality of student loan debt so they weren't interested in a credit card. Today, as members of this generation age, their economic prospects as well as credit unions' ability to fund their pent-up lending demand is improving greatly. You should be working hard to be millennials' lender of choice.

Products For Millennials

Autos—Five years ago, millennials accounted for just 14 percent of new car purchases. Today it's over 25 percent. In the next 12 months, 23 percent of millennials expect to purchase or lease an automobile, and 61 percent plan to do it in three years (*http://tinyurl.com/millennial-lending*.) The even better news is that 60 percent of the younger millennials and 35 percent of those in the older segment would rather apply for a loan online vs. through a dealership. Market auto loans to millennials and make it super easy to borrow from you online.

Homes—One in 10 millennials live at home with their parents, and four in 10 rent. Millennials account for 32 percent of homebuyers and 68 percent of first-time homebuyers. Plus, because their down payments are lower, their mortgages are larger. A full 70 percent of millennials would like to purchase their first home in the next five years. Develop first-time homebuyer programs that provide flexible down payment options and send information about those programs to millennials' parents. They can help make the referral to the credit union and finally achieve their dream of the empty nest!

Credit cards—Millennials don't use cash. Only 23 percent carry cash, and for those who do, that balance is on average $5 a week. The rest is being filled in by plastic or digital payment. Millennials accounted for 27 percent of recently opened credit cards. Market credit cards to millennials, but make sure you get them a rewards card. They expect to be rewarded for choosing your credit card.

MESSAGE: *Recommendations, content and referrals*

Millennials are less likely to be influenced by traditional media than other generations. They are comfortable interacting with companies online, with 66 percent following brands on social media. Millennials are also more likely to view companies using social media as trustworthy rather than those using traditional means. Get your products reviewed and encourage recommendations in all channels.

Though millennials are very interested in the digital space, make sure your content is relevant, concise and easily understandable. Millennials report that their financial institution provides content, but only 20 percent find it interesting with most feeling it's too salesy, boring, long or hard to understand. What millennials would like to see is articles from experts, information on how to get through a financial crisis and non-financial content imparting local information.

Millennials love their communities—whether online or in-person. According to Harland Clarke, over 90 percent of millennials have bought a product after hearing about it from family or friends (*http://tinyurl.com/jm6wcrh*.) Millennials trust the recommendations from their friends and family much more so than traditional marketing. Use the referral power of your current members to reach millennials.

Though millennials are often the focus, don't overlook the lending power of baby boomers and Gen X. Both generations offer great potential for lending growth for years to come and can likely be your ally to help turn millennial's attention your way. Let's get back to doing what we do best—helping members borrow in ways that are as unique and dynamic as the many generations we serve.

Bryn C. Conway, MBA, CUDE, *principal of BC Consulting, LLC (*bccstrategies.com*), based in the Washington D.C. area, is a longtime member of the credit union community and helps credit unions define their brands, develop their leaders and grow their market share.*

More Lending Articles

Loan Zone: Creating Options for First-Time Home Buyers (*cues.org/1216loanzone*)

Creating Card Contenders (*cues.org/1116cardcontenders*)

Lending in the Fast Lane (*cues.org/0916lending*)

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Measuring the ROI of Financial Education

Shannon Cahoon's unique tracking system earns her the 2016 CUES Next Top Credit Union Exec honor.

By Diane Franklin

Credit unions have a reputation for championing financial education. It fits well with the CU philosophy of "people helping people." Often neglected, however, is an analysis of the impact of finacncial education on the CU's bottom line.

CUES member Shannon Cahoon, community outreach coordinator for $985 million Fibre Federal Credit Union (*www.fibrecu.com*), Longview, Wash., has filled that void. Her system for measuring the return on investment of her CU's financial education program earned her the title of 2016 CUES Next Top Credit Union Exec (*www.nexttopcreditunionexec.com*). CUES presents the award (*cues.org/recognition)* to a person under the age of 35 with exceptional leadership potential.

"Financial education gets to the heart of what credit unions are all about," says Cahoon, who was chosen for the honor from five finalists during CEO/Executive Team Network (*cues.org/cnet*) in Savannah, Ga. "Many credit unions put financial education and community empowerment in our mission statements and vision statements. We feel it's the right thing to do, but few of us can articulate what those programs bring to our bottom lines. Being able to prove that these programs are creating a profitable outcome is the best way to ensure their survival."

To measure the ROI on Fibre FCU's financial education program, certificates are handed out to students who attend the CU's financial presentations. Students redeem the certificates for a cash incentive when opening a new account. CU staff accepting the certificates put a code on the new accounts so Cahoon can track such factors as number of accounts opened, average number of accounts per member, total and average loan and share balances, and point-of-sale transactions per account.

"Ultimately the report will allow us to compare the cost associated with these accounts with the revenue generated to determine the overall profitability of our program," Cahoon explains. "We also can compare the cost of obtaining a member by this method versus our traditional cost."

A Widespread Need

Serving on the executive committee for the National Youth Involvement Board (*www.nyib.org*), a network of CU financial educators and marketers, Cahoon has seen a need for such a system at other CUs, too.

"There are a lot of credit unions across the country that have fantastic financial education programs that reflect the very heart and soul of our movement," Cahoon says. "But increasingly we're having to justify where we're spending our dollars. The idea is to be able to stand before your CEO and defend the value of your program."

Cahoon believes the NTCUE judges were impressed by her system's flexibility.

"It can easily be tweaked to measure the ROI of other efforts, such as community outreach, business development, new member on-boarding, second-chance accounts and much more," she says.

A Career Highlight

Winning the NTCUE competition is so far the highlight of Cahoon's career, which started 5.5 years ago when she graduated from Washington State University with a bachelor's in management, operations and business administration. She had already noted Fibre FCU as a place friends had liked working. Her application timing proved fortuitous, as VP/Marketing Angie Leppert was hiring for the newly created position of community outreach coordinator.

Leppert recognized in Cahoon a person with strong leadership skills. "Shannon has the highest level of professionalism; she is very determined and goal-oriented," says the CUES member. "From the very first time I interviewed her, I sensed she would be a wonderful fit."

Cahoon not only oversees the CU's financial education program but also community events and sponsorships, outside business relationships, the CU's volunteer program and its Credit Union Legislative Action Council program. "Basically, if it's something happening outside of our walls, I'm probably involved in it," she says.

Cahoon's NTCUE victory has thrilled everyone at the CU, including President Christopher Bradberry, who recently undertook the CEO role as well. "The entire credit union was rallying around Shannon during her competition," says Bradberry, a CUES member. "While we were all so excited to see her win, none of us was surprised by her success. She is a very creative individual who is dedicated to the credit union movement and Fibre Federal Credit Union."

A 'Nerd' for CUs

For her win, Cahoon has been awarded an education package valued at more than $20,000. It includes registration and travel expenses for two of CUES' CEO Institutes (*cues.org/institutes*) and remote coaching sessions from CUES Supplier member, strategic partner and challenge sponsor DDJ Myers (*www.ddjmyers.com*), Phoenix.

Cahoon has already attended workshops and training programs sponsored by the Northwest Credit Union Association and gone to some national conferences.

"Earlier this year, I had the opportunity to crash the GAC," she reports, referring to the program that allows young professionals to attend the CUNA's Governmental Affairs Conference (*www.crashthegac.com*) in Washington, D.C. "I cannot adequately put it into words how valuable it was."

When not working, Cahoon enjoys camping with her husband, Duane. "We have a fifth wheel, so we take our Great Dane and our Rottweiler, and we just go," she says. "Other than that, I'm basically just a credit union nerd."

Cahoon is open to a range of professional possibilities, with her ultimate goal a C-level role. As a NTCUE finalist, she took part in a coaching call with DDJ Myers CEO DeeDee Myers, Ph.D., MSC, PCC, who posed the question: "Do you want to be a CEO?"

"At the time, I said I don't know, but she helped me envision the possibility," Cahoon reports. "At this point, I can see myself moving more toward being a chief marketing officer or a chief experience officer, but I've definitely learned that you never rule anything out."

Cahoon is grateful to CUES, DDJ Myers and challenge partner and CUES Supplier member Currency Marketing (*www.currencymarketing.ca*) of Chilliwack, British Columbia, for helping her define her career potential.

"One of the many things I love about our industry is the way that it embraces young leaders and outstanding performers," Cahoon says. "I think it really bodes well for our future."

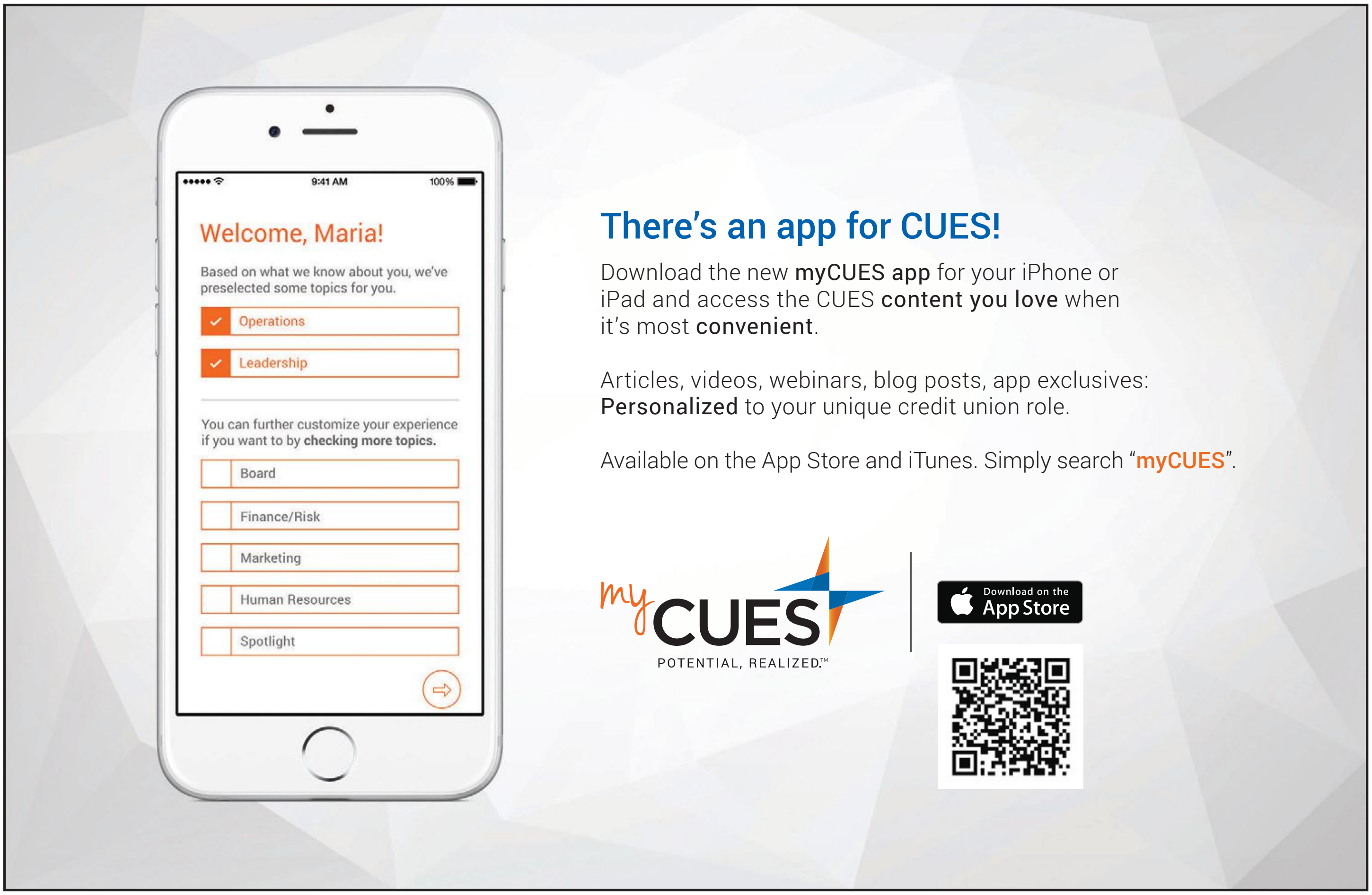
Diane Franklin *is a freelance writer based in Missouri.*

Financial Education Articles

Mentors Help Students Build Financial Know-How (*cues.org/0916mentors*)

Extra Credit for Financial Education (*cues.org/1015extracredit*)

Teaching Money Skills (*cues.org/0615teaching*)



Dump Dated Sales Training

Most sales cultures are broken and out of step with members. Here's a more member-friendly approach.

By Bob Romano and Barbara Sanfilippo

The unravelling of Wells Fargo's sales culture is causing ripples throughout the bank and credit union industries.

Bad press about the bank's sales practices makes some credit union execs fear credit unions could be painted with the same broad brush.

The boards from some of our credit union clients have asked their CEOs to ensure their sales training, incentives and other sales practices don't get them into the same quandary.

What Does it Mean for CUs?

You may feel removed from this sales debacle at a Goliath bank like Wells. You may be thinking, "We just don't do heavy cross-selling like Wells."

But assuming your credit union has invested in a sales culture with the *conventional* cross-selling model focused on transactional selling, you may be at risk of becoming a commodity and losing business from members who no longer visit your branches.

We feel confident in making that statement because in our work with both banks and credit unions, we've observed that many sales cultures are broken (see sidebar, p. 17) and rely on outdated sales training and practices that date back to the 1980s and are out of step with today's consumers.

Very often we hear credit union execs say, "We need to get back to our roots."

The good news is there's an approach to generating sales revenue that's better for members and more in line with your credit union's values.

It removes the focus from transactions and products and places it squarely on getting to know members and positioning the credit union as their trusted financial partner in every life stage.

> The Wells Fargo debacle is the result of a problem that's been brewing for 25 years or more in both banks and credit unions.

Myth: If Sellıng Leads to Revenue, Sales Training Must Be a Good Thing

Well, not all sales training.

Look, we know you need to generate sales and your staff needs to cross-sell. Cross-selling is not inherently bad.

However, the Wells Fargo debacle is the result of a problem that's been brewing for 25 years or more in both banks and credit unions.

Over the years, we've seen sales cultures morph into a catalog of bad selling habits, ill-conceived incentive programs and sales goals that take credit unions dangerously close to antagonizing and even repelling members.

At the root of the problem is sales training designed to focus your staff on getting a product sale rather than getting to know the member first.

The dilemma with this type of training is that many times member service reps can be so focused on selling products that they skip the questions that would enable them to get to learn about a member's broader needs for a lifetime of business.

Instead, they jump on the first cue they hear and ask questions to zero in on a specific product.

They proceed to engage in transactional conversations about products instead of engaging in relationship-building conversation about the member's dreams, goals and aspirations.

The MSR makes a short-term sale but neglects to develop a trusting relationship that would lead to multiple sales from that member in the future.

That's what conventional sales training teaches. It focuses on transactional product selling, which is very tactical and generates mostly short-term sales from mostly "not so loyal" members who view you as a commodity.

They may or may not seek your advice for more significant, future financial needs. Your credit union becomes just another errand.

Redefine How You Generate Sales: Be a Financial Partner, Not a Sales Person

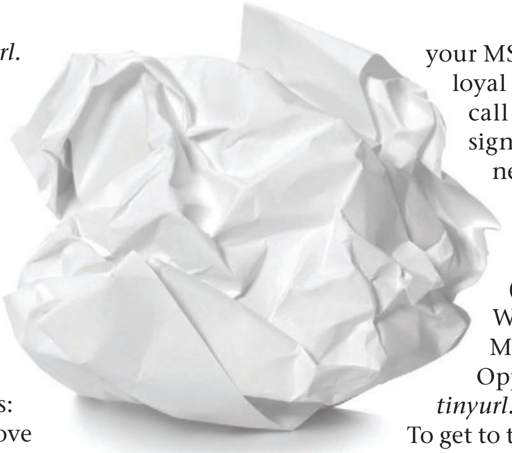
Instead of just trying to sell, sell, sell, credit unions need to do a better job of listening to understand the member's financial anxieties and dreams, building a trust relationship and searching for opportunities to improve members' financial health.

Out of this relationship-building approach, sales will materialize. It's what consumers say they want (according to

Gallup, *http://tinyurl.com/hj69fw5*).

This approach requires a change of mindset.

Rather than asking, "How many products can we sell our members?" staff needs to embrace such member-centric questions as: "How can we improve the financial well-being of our members?" and "What don't we know about this member?"



Get Back to Your Roots: Focus on Advising and Educating

To get back to their roots and core values, credit unions need to stop the focus on selling and start advising and educating.

Rather than looking at a member as a short-term transaction, position your credit union as a trusted financial partner in all your members' important life events.

The results can be impressive. When members observe their financial health improving based on suggestions from your MSRs, they become loyal advocates and will call you first when significant financial needs come up. This is how you grow a credit union organically!

(See "Financial Wellness—Are You Missing a Growth Opportunity" at *http://tinyurl.com/gm423db*.)

To get to this point requires creating a relationship-building culture instead of a conventional sales culture.

Instead of simply pitching products, staff uses relationship-building skills that incorporate cross-selling but at a higher level.

Credit unions that don't re-evaluate the way they generate sales revenue may be doomed to relying on decreasing branch traffic and increasingly unprofitable transaction business instead of organic revenue from loyal members with whom the credit union has a genuine relationship built on trust.

Does your sales culture need a makeover? Check the sidebar to see if your credit union has any symptoms of a broken sales culture.

Bob Romano *and* Barbara Sanfilippo *are co-founders of High Definition Banking®* (www.HighDefinitionBanking.com)*, a national consulting, training and motivational speaking firm that partners with credit unions to increase sales, deepen member relationships and turn members into loyal advocates.*

10 Symptoms of a Broken Sales Culture

- Our people are so incentive-driven they sometimes avoid solving member problems in order to focus on opportunities that can lead to a sale and extra cash.
- Our staff makes excuses and avoids making onboarding calls so they don't get to know the member well enough to generate follow-up opportunities.
- We've been using the same sales training approach for years, focusing mostly on identifying cues and matching a product.
- Our managers tell staff they need to generate more sales but they spend more time focusing on numbers and reports than actually coaching, observing and developing their staff.
- Our brand and/or mission statement says we are focused on improving the financial well-being of our members; however, our goals and incentives encourage a short-term "sell whatever you can" approach.
- We're not growing organically because we focus heavily on walk-in and new members, neglecting to reach out and do relationship building with existing customers who no longer visit our branches.
- Our staff doesn't consistently capture members' conversations, life events, dreams and challenges in a member profile, so we really can't anticipate members' future needs and be viewed as a financial partner.
- Our staff has not embraced and adopted our customer relationship management system as a true relationship-building tool.
- Our onboarding and sales processes are very transactional and product-driven, which sometimes repels members.
- We have financial calculators and resources on our website, but our staff still functions more as order takers than financial coaches.

Create a Better Member Experience

Turn to p. 9 for more about sales incentives.

ServiStar Member Experience Builder (*cues.org/servistar*)

The Buzz About Member Journey Mapping (*cues.org/0716buzz*)

Setting the Sales Dial (*cues.org/0516salesdial*)

Hiring for Great Member Experience (*cues.org/1215hiring*)

Why Selling is Serving (*cues.org/0416sellserve*)

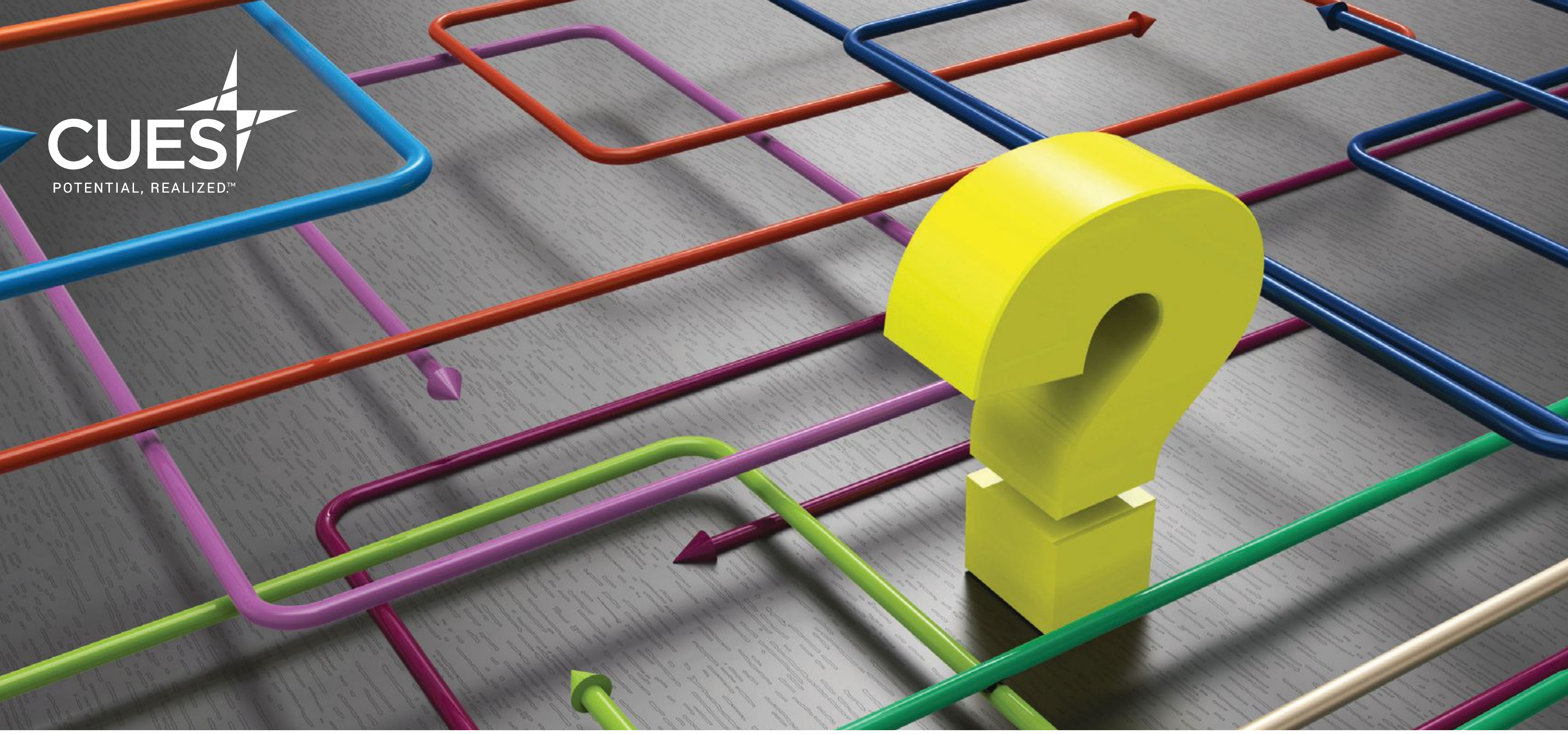
Culture of Compliance (*cues.org/1216compliance*)

Bacon is Not Canadian Bacon: *What credit unions can learn from Dominos Pizza about creating and domination member experience* (*cues.org/0716bacon*)

Build a Member Driven Organization (*cues.org/0616callcenter*)

How to Personalize the Call Center Experience (*cues.org/0316personalize*)

CUES School of Member Experience™, Sept. 18-19 in Orlando (*cues.org/some*)



Fitting the Core to the Pieces

As tech spending shifts from transactional systems to fintech, credit unions face integration and vendor management challenges.

By Karen Bankston

In this Q&A, Cornerstone Advisors' Brad Smith describes the lay of the credit union technology arena, the challenges credit unions face in integrating and managing many technologies and vendors, and some strategies they can use to get the best return on their technology investment.

Q: There's a lot of hype about technology in the credit union space. What's really going on?

Smith: As CUs spend more of their technology dollars on member-facing systems like internet banking, mobile services, online account opening, and loan origination and payments systems, core vendors are buying up digital and payments providers as a way to keep that revenue. In fact, many core vendors now make upwards of 30 percent of their revenue from payments, where margins are significantly higher.

Fiserv (*www.fiserv.com*) and Symitar (*www.symitar.com*), the two largest core processing vendors, use their core accounting systems as the glue that bonds them to customers for digital, payments and a large number of add-on services.

Brad Smith is managing director with CUES Supplier member and strategic provider Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz.

The dominance of Fiserv and Symitar is being shaken by Corelation (*www.corelationinc.com*), a small, relatively new core vendor that is making an impact as a market disruptor. Started by several former Symitar employees, Corelation has benefited from a slick-looking demo and a market frustrated by the Big Two.

Whether or not credit unions buy into the risk of early stage market disruptors, Corelation and others like it can have a positive impact on the marketplace by raising customer expectations and forcing other companies to up their game. It will be interesting to see what happens with core systems going forward.

Q: What does this shift away from core mean for credit unions?

Smith: As credit unions buy all this new technology outside of their core systems, they are focused on how to get all those vendors to play nice with each other. How do you get your Fiserv, Symitar or other core vendor to work well with your internet banking provider or loan origination system? Integration is a big pain point for many credit unions.

Twenty years ago, the information technology department controlled an organization's technology, often serving as both system administrator and subject matter expert. Now, the subject matter expertise and vendor relationships have become much more distributed. These days, the head of loan operations is probably the SME for the lending systems, while a key person in retail or payments owns the digital vendors for those areas. Understandably, this evolution of the IT support, governance and security control models creates challenges for the credit union.

Q: Does the integration of all these new systems add to the IT workload, or does operations get involved as well?

Smith: Sometimes, in larger credit unions especially, the IT department doesn't know what's going on in every line of business—even though it's up to IT to make sure everything runs securely and on time. IT typically owns the processing, backups, cybersecurity and overall information security, even if it doesn't control all the vendor relationships.

We're clearly in the middle of an evolution of how to run the IT department and technology functions. Today, the business line managers want to control the choice of vendors. They want to talk directly to the vendor support people when they have issues. But they really don't want to be responsible for running the systems and dealing with the headaches of integration, daily processing, security and disaster recovery.

There are some parallels with human resources. HR owns the payroll process and benefit vendors and oversees the employee review process, but when it's time to hire a new employee, a business line manager does the interview and makes the hiring decision. Once employees are on staff, business line managers oversee their work, and human resources provides administrative support. IT is getting closer to that model. It offers resources and administrative support but doesn't control every part of the process.

Q: Is this changing the focus of examiners when they look at technology in credit unions?

Smith: At most credit unions, IT is expected to "own" security even if it is not the owner of *all* vendor relationships. Examiners are looking for consistent processes, and they will have issues if there are gaps and confusion about who owns what.

Q: So how can a credit union best manage the "vendor relationship" and "vendor management compliance"?

Smith: "Vendor management" is a top priority for examiners. The pain point for credit unions is balancing who owns the day-to-day vendor relationship with who owns vendor management compliance and reports about it to examiners and the board.

A majority of credit unions still have the compliance part of vendor management under IT, but others assign it to compliance. Some larger credit unions have put their chief risk officer in charge of vendor management.

If IT is nominally in charge of vendor management compliance, the business owner of each system still owns the relationship day in and day out. That raises the challenge of who should do the due diligence, including conducting the annual vendor risk reviews and asking for financials and audit reports. The line of business typically doesn't want to do that, and IT doesn't always have enough information to do it well.

One of the reasons examiners push so hard to make sure credit unions' vendor management programs and annual vendor reviews are reported to the board level is because it enables them to confirm whether any of these controls are getting lost between IT and the lines of business.

It's hard to say that vendor management should always be in one area or the other. The reality is that a committee or team approach can add perspective and save the CU time and resources.

Here's an example of how an enterprise view of risks can be helpful and may even be worth paying an outsider to get: Asked about system priorities, the accounting department would probably say accounts payable is a mission critical system. But from a holistic, enterprise-wide viewpoint, accounts payable is probably pretty low on the list of vendor management priorities. A CU could go a day or two without accounts payable, and because that system doesn't store members' Social Security numbers, the exposure is considerably less than that of an outsourced core provider.

Q: When it comes to vendors, are the stories of bad performance and client satisfaction exaggerated?

Smith: There are a number of reasons so many vendors have a bad reputation when it comes to performance and satisfaction. But the truth is, vendor dissatisfaction is not always the fault of the vendor. A credit union-vendor relationship should be a partnership, with each side upholding its end of the deal, and there are many things credit unions can do that can strengthen or impede the relationship.

The issue: The credit union bought the "wrong system." ***The bottom line:*** This sentiment is often a result of an ineffective review process. A credit union that did not spend the time and effort to painstakingly evaluate several competitive solutions to ensure it chose the solution that best meets its needs has only itself to blame. On the other hand, maybe the vendor is not doing everything it can to ensure the CU is fully utilizing all of the system's features.

The issue: The vendor's solution is not performing up to the CU's expectations. ***The bottom line:*** A credit union that is only using 50 percent of its vendor's solution needs to take advantage of training and participate in vendor product update webinars so it can use *all* the functionality of *all* the technology at its fingertips. A 90-day or annual review of the vendor's performance as well as the credit union's utilization of the system will help ensure the solution is consistently meeting the CU's expectations.

The Secret Sauce of a Successful Conversion

By Alison Van Pelt

The conversion of $3.7 billion Space Coast Credit Union (*www.sccu.com*), Melbourne, Fla., to Fiserv's DNA core platform (*www.fiserv.com*), Brookfield, Wis. and more than 10 surrounding products was one of the most complex, memorable and successful projects I've ever led. The "secret sauce" that led to the project's success was made up of a unique combination of ingredients, including the following:

- **Accountability and follow-through.** Space Coast CU held its staff accountable at every step. This created trust with Fiserv, which enabled a more collaborative and pure, goal-oriented focus than is typical in a high-pressure initiative.
- **Consistent communication.** Space Coast CU and Cornerstone Advisors created a culture of discipline for meetings, minutes, commitments, status updates and escalations—decisions, risks, changes or issues that arise as a result of the project and require executive approval to move forward.
- **Vendor and consultant collaboration.** Cornerstone and Fiserv resolved to be partners with a common goal: a successful conversion on behalf of our mutual client, no matter the challenges or obstacles.
- **Change control.** As the project management office, we put strict change policies in place to protect the success of the conversion, and Space Coast CU executive sponsors rightly embraced them.
- **Risk mitigation plan.** Space Coast CU evaluated the risks and developed mitigation strategies around each critical component of the conversion, including "Plan B" options. How about a class-4 hurricane on conversion week to test these strategies? That happened, and Space Coast CU responded with conviction.
- **Proper resource allocation.** Space Coast CU was generous with its resource allocation, which fit its objective of a large, transformative conversion.
- **Celebrate success.** Space Coast CU frequently took time to genuinely recognize the project team members' achievements throughout the project, which increased the buy-in to the change at all levels and kept staff energized and morale high.
- **Playbook.** Cornerstone developed a 1,500-line conversion playbook that was an accumulation of all vendors' and teams' tasks. It is the step-by-step recipe for the conversion event. It is used one time for mock conversion, then revised for the actual go-live event. It is archived with all project documentation in the project archives.

Alison Van Pelt, PMP, *is a director for CUES Supplier member and strategic provider Cornerstone Advisors* (www.crnrstone.com)*, Scottsdale, Ariz.*

The issue: The credit union is paying too much for its system. ***The bottom line:*** Every credit union I've ever negotiated a vendor contract for —and I've been doing this for 25 years—is paying its vendors too much and getting too little in return. Pricing is not transparent, and unfortunately there's no free *Consumer Reports* to tell CUs how much they should be paying.

Q: How can CUs ensure they are getting the most for their tech investment?

Smith: The very first step is for CUs to redefine their "vendor management" programs as "vendor performance management" programs. This new way of thinking reinforces that they should be working across the enterprise to improve their vendor benefits, lower their vendor costs and manage their vendor risks.

As member expectations evolve and technology investments increase outside of the IT department, it's critically important that credit unions develop and manage rolling three-year technology plans; establish sound governance processes around vendor evaluation, contracting and implementation practices; and expand their vendor management programs to include vendor benefit and vendor cost management on top of existing vendor risk management efforts.

Karen Bankston is a long-time contributor to *Credit Union Management. She is the proprietor of Precision Prose, Portland, Ore.*

Learning and Help for Technology Leaders

Payments University (*cues.org/payments*): online segments March 14 and 28; in-person segment April 3-4 in San Francisco

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[1] TruStage Insurance Policyholder Analysis, July 2016

[2] TruStage Insurance Program Analysis of 2015 non-interest income median growth rates for credit unions with >$1B in assets

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Answering the Phone

The 5 biggest call center challenges CUs are facing right now.

By Jamie Swedberg

Call centers don't have a reputation as the most exciting aspect of credit union operations, but maybe they should.

There's a growing realization in the credit union world that with the slow, inexorable decline in branch traffic, call centers are increasingly the best chance at having one-on-one interactions with members. They're a way to demonstrate a CU's focus on member service, despite rarely seeing members face to face.

They're also one of the day-to-day necessities that members may take for granted. They may not have a strong opinion about the CU call center now, but they definitely will if the call center does its job poorly.

"Our average [from our member owners] is that somewhere around 25 percent of membership calls in on a monthly basis," says Frank Kovach, director of contact center and operations consulting for CUES Supplier member Advisors Plus (*www.advisorsplus.com*), an independent consulting group within CUES Supplier member PSCU (*www.pscu.com*), a CUSO based in St. Petersburg, Fla.

"Now, that could be one member calling in five times, but you're still averaging a lot of phone calls coming through. You have to answer the phone. In this day and age, if you don't answer the phone, they treat you badly in the marketplace."

Answering the phone—and doing it well—is more complicated than it sounds these days. CUs face unique operational challenges in the management of their call centers. More and more, their success or failure in tackling the following five challenges will color the way members feel about their CU.

1. Making up for Lost Traffic

For call centers to fill the niche of in-person interactions, they need to do two things: deepen the member relationship and cross-sell products. One can't exist without the other, or the CU will suffer.

"The biggest challenge I think in call centers today is [that] we're having fewer and fewer member interactions with our members, so organizations must turn what historically has been a member service-focused inbound call center into more of an outbound-focused profit center," explains Eric Weikart, managing director and call center expert at CUES Supplier member and strategic provider Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz.

"How do we get more member interactions? How do we get our call center or contact center to drive more sales? It's not sales versus service. It's in addition to. We have to be sales-focused to drive business because we don't have the interactions that we used to in our branches. We're continuing to see steadily decline, and in five years that's going to be an issue. It's something that we have to start planning for now."

Weikart says many of the CU call centers he talks to are focusing on becoming more efficient in their telephone interactions—on spending less time on routine tasks so they can spend more time being helpful. For example, some are automating the authentication process so that call center representatives don't spend half their call time asking members for their zip code and their mother's maiden name. They're also streamlining interfaces with CRM and core systems so there's less wait time.

Bob Davis, founder, president and CEO of Robert C. Davis and Associates Inc. (*www.robertcdavis.net*), a contact center consulting firm in Alpharetta, Ga., says his consultancy focuses primarily on deepening the relationship CUs have with existing members. Call center calls cost about $4 each, he says, so credit unions had better make them pay off.

"What we work on is the whole idea of treating a member like a member and having a quality conversation with them," he says. "It's very easy in a contact center to have the transaction be just that—very transactional. But if that's all you're doing, it can be done online, in other ways that are a lot less expensive."

Members often call in to ask simple questions, such as whether an automatic deposit has posted. The goal of call center reps should be to answer those queries, then engage members by asking high-quality discovery questions so they can offer products that are in the members' best interest.

"When the member asks if check number 702 is cleared, and the agent is looking through the account and seeing all these payments to Target, Kohl's and Home Depot, they could say something along the lines of 'Many of our members tell us they're paying very high interest rates with their store credit cards. Have you found the same thing?' And the member says, 'Yeah, I've got a Home Depot card and I'm paying 33 percent interest on it.' Then we can add some value. We can talk about the fact that they're eligible for a 9.9 percent credit union credit card, and you can add value to that conversation."

2. Hiring and Keeping the Right People

Not all member questions are balance inquiries. Kovach points out that many members call in to ask for assistance with such online services as bill-pay, and that means call center agents must be able to supply technical help. That's in addition to the other requirements of the job, such as being comfortable in a retail environment. Therein lies the problem: Turnover for call center representatives is extremely high, and many CU call centers are lucky if they can hang onto agents for two years. How can they possibly retain the most talented people in these positions?

CUs have an easier time finding good agents in environments such as college towns, Kovach says.

"We're real big on trying to do some type of adaptability or aptitude test when they come in, something to see if they can handle call center work and understand what call center work is," he says. "Most CUs are looking for prior call center experience, but a lot of them are now looking just for some retail experience so that those people are comfortable talking on the phone or talking with people. The challenge is finding that mix, getting those technical people in."

To keep them over the long term, he says, credit union call centers must offer a clear path to advancement. When agents master new skills, have good scores on their monitored calls, show up on time, work hard and educate themselves, they should be able to move up to Call Agent 2 or a lending position. If they have a way to increase their responsibility and pay, they may stay.

The other part of the equation, he says, is the management side: making sure managers engage with call center employees and understand and solve their issues.

Davis agrees. "I think that the key to having a quality conversation with the member is how well agents are trained and supported," he says. "If the turnover of the first-line agent is high, then having a

quality conversation is a challenge. So the key to first-line agent retention is the supervisor. Does the supervisor spend enough quality time with the agents? Do the agents trust the supervisor?

"A lot of times that relationship is sick because the supervisor is bogged down with so many other administrative duties that they're not spending the quality time with their agents, helping them to continue to grow and develop. So we've got to free up the first-line supervisor's time and give them the proper coaching skills so that they can become effective in dealing with their agents."

3. Regulatory Rigor

In some ways, the Telephone Consumer Protection Act (*cues.org/0716oncompliance*) is old news. The 1991 legislation restricts telemarketing and the use of automatic dialing equipment. But in 2014, Capitol One Financial Corp. and several other entities paid more than $75 million to settle a class action lawsuit that alleged that it used an automated dialer to call customer cell phones without consent. The lawsuit involved informational calls, not sales.

In the wake of that ruling, litigation around TCPA exploded, and in 2015, the Federal Communications Commission issued a number of clarifications that made it easier to prosecute businesses for violations. Among the clarifications: TCPA prohibits the use of automatic telephone dialing systems to call wireless phones or to leave prerecorded telemarketing messages on landlines without consent. Consent to receive calls can be revoked at any time, in nearly any way. And consent must come from the party that is reached, not the intended recipient of the call.

Most credit unions don't do much outbound calling. Those that do are unlikely to use automatic dialers and are even less likely to rely on recorded messages. But some do one or both of these things, especially in the context of collection, and as technology progresses and call centers become more important in member interactions, they're more likely to do so. It's clear, based on the new clarifications, that innocently meant informational calls could run afoul of TCPA if CUs are not mindful of regulatory issues. Automated welcome calls for new members, for instance? Not OK.

"I was at a big credit union call center conference last October, and this came up," Kovach says. "Some credit unions that did do a lot of outbound calling were pulling back until they could get their legal teams to understand the changes. A lot of people were scrambling."

4. Peaks and Valleys

Weikart advocates separating inbound and outbound call agents so they're not working at cross-purposes. Service should be the primary goal of the former, he says, leaving the latter to compete over sales numbers. He also dislikes the idea of call center agents handling chat messages while they're on the phone, since only the most experienced operators can multitask well enough to pull it off. Unfortunately, creating these silos makes staffing and scheduling a little more inflexible, and that can be a major operational challenge.

The call centers of even the largest credit unions are small by call center industry standards, says Kovach. So much of the technology that is available to larger call centers for workforce management and scheduling is too costly for CUs to consider. That leaves call center managers in the position of having to juggle schedules manually—and it's not easy.

"You try to staff for an average volume coming in," he says. "You don't want to hire for Monday and then find out everyone's sitting around on Thursday afternoon. So it's a real struggle to try and meet those volumes, and that's one of the reasons we [at PSCU] have overflow services through our Total Member Care group to help level out some of the volume differences that a credit union can see on a Monday or after a holiday."

When CUs contract with an outside vendor for overflow call center services, they have two choices: either use an automated call distribution system to route the simplest, most transactional calls to the outsourced provider; or simply set a timer on the ACD and send calls out once they've been on hold for, say, two minutes. Most credit unions choose the latter, because it's simpler.

"With any ACD, it gets hard to get the member to go where you want them to go," Kovach says. "A lot of them are so used to dialing in that they're going to press the button they're always used to pressing, and they don't really listen to the message."

Call center overflow vendors have access to financial institutions' core systems, so they can answer complex questions ably. However, it's a trade-off, because member interactions are an expression of brand identity, and many CUs would prefer to handle them themselves.

5. Managing Expectations

There's a myth that when members use online and mobile banking a lot, call center traffic will drop. Sadly, it's not true. This is because the channels work in tandem.

"While call volumes might be decreasing a little bit, actual talk times and handle times are increasing at a faster rate," Kovach explains. "It happens because the calls are no longer 'What's my balance?' They're 'I can't get bill-pay to work,' or 'My Apple Pay isn't working.' In our analysis, it's actually taking more people to answer fewer calls."

Additionally, any kind of online conversion or update causes a dramatic spike in call center traffic, because "everyone freaks out a little bit anytime you touch their online banking," Kovach says. Call center managers understand this, but sometimes CEOs and chief operations officers don't.

One sure route to healthier call center operations, then, is good communication among the CU's management team.

"When we go into credit unions, we ask how often senior management come to the call center," Kovach says. "What types of reports and metrics are being passed up to them? If you're a 100,000-member credit union, you're getting 30,000 calls a month. That's a good chunk of your interactions. The call center is the most member-facing direct interaction branch that a credit union has, so you need to keep a pulse of what's going on there."

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

More on TCPA and Strategic Management

On Compliance: Telephone Consumer Protection Act (*cues.org/0716oncompliance)*

CUES School of Applied Strategic Management (*cues.org/sasm*), May 1-4 in Orlando, Fla.

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Pushing 401(k) Participation

Data and one CU's experience show education and technology are key.

By Tom Eckert

Millennials are all doing their retirement planning on mobile phones while baby boomers are chiseling their retirement calculations into stone tablets. Right?

Nah. Willis Towers Watson reported in August 2016 (*http://tinyurl.com/retirementtech*) that according to its most recent Global Benefits Attitudes Survey comprising nearly 5,100 U.S. employees, 66 percent of boomers *and* millennials ranked mobile apps and tools as either important or very important for managing and tracking the value of their retirement savings.

Is your credit union's retirement savings program friendly to employees who prefer mobile technology? Don't make the mistake of believing that only your younger employees will benefit from tech-based features.

"There is a misconception that boomers don't have much need or use for technology, especially when it comes to preparing for retirement and managing their finances once their working days are over," says Steve Nyce, senior economist at Willis Towers Watson, in a press release about the survey. "In reality, all generations of employees feel vulnerable about their long-term financial security and ability to retire comfortably, and recognize that technology can help them engage in and make important decisions about their health and personal finances."

Web Tools Help Put 401(k) on the Radar

A way web content can improve on quarterly snail-mailed paper statements is to show plan participants their progress in reaching their retirement goals sooner and more frequently than paper.

Almost six in 10 millennials (59 percent) in the Global Benefits Attitudes Survey said they placed a high value on tools to help monitor when they will be able to retire and how much income they can expect in retirement. Roughly the same percentage of boomers (54 percent) felt the same way.

CUES member Michael Matthews, CCE, president/CEO of $193 million Mutual Credit Union (*www.mutualcu.org*) in Vicksburg, Miss., has seen firsthand the difference an easy-to-use website for 401(k) plan participants can make.

When Matthews became CEO in 2015, Mutual CU employees didn't have online access to their 401(k) information. They couldn't adjust their contribution amounts or investment choices themselves, and they couldn't see how their investments were performing.

"By the time we got our quarterly paper statements, they were two months old," says Matthews.

Then Matthews began talking with CUNA Mutual Retirement Solutions and, in 2016, shifted Mutual CU's 401(k) to the company. The new program included a website for plan participants, called "BenefitsForYou," that is optimized to work on any size web device, including mobile (and now an app version is also available).

Matthews credits the website, in part, for increasing Mutual CU's plan participation from 32 of its 55 employees in 2015 to 47 of 55 in 2016. And he expects participation to continue to grow. "With the BenefitsForYou site, everyone can log in and see their progress, marked to market daily and manage their accounts," he says.

The website includes the RetireOnTarget™ planning system with graphics showing participants whether they're currently on track to meet their retirement income goals, and how much monthly income their investments are projected to generate.

Matthews said Mutual CU employees seem far more engaged in monitoring and managing their 401(k) accounts now. "Now I'll have someone from accounting walk by and say, 'Hey, I'm making 13 percent this year on my 401(k)—what are *you* making?'" he says. "It's like a competition."

Face-to-Face Guidance Helps Drive 401(k) Participation

In addition to the improved online resources, Matthews pointed to another key driver of the increased participation in Mutual CU's 401(k) plan: education.

Before changing plan providers, Mutual CU didn't have an educational outreach program to help employees understand and use their 401(k) accounts, he says.

"We got the highest enrollment in the 401(k) that we'd ever had after an employee from CUNA Mutual Group came out and did a face-to-face course on understanding your 401(k). She also does a quarterly conference call now for all the participants," Matthews says.

He adds that he's planning on setting up another face-to-face session to encourage employees to increase their contributions.

Employees Want Investing Education

There appears to be a strong appetite among employees in general for more education about retirement planning.

66% of boomers *and* millennials ranked mobile apps and tools as either important or very important for managing and tracking the value of their retirement savings.

Source: Global Benefits Attitudes Survey, 2016, Willis Towers Watson

According to a 2016 survey of nearly 4,200 U.S. workers sponsored by the Transamerica Center for Retirement Studies (*http://tinyurl.com/transamerica17*), more than two of every three respondents agreed with the statement "I do not know as much as I should about retirement investing."

This statement is backed up by several other telling responses from survey participants, such as:

- **One in five is "not sure" how their retirement savings are currently invested.**

The table, below, shows how respondents described how their retirement savings were invested.

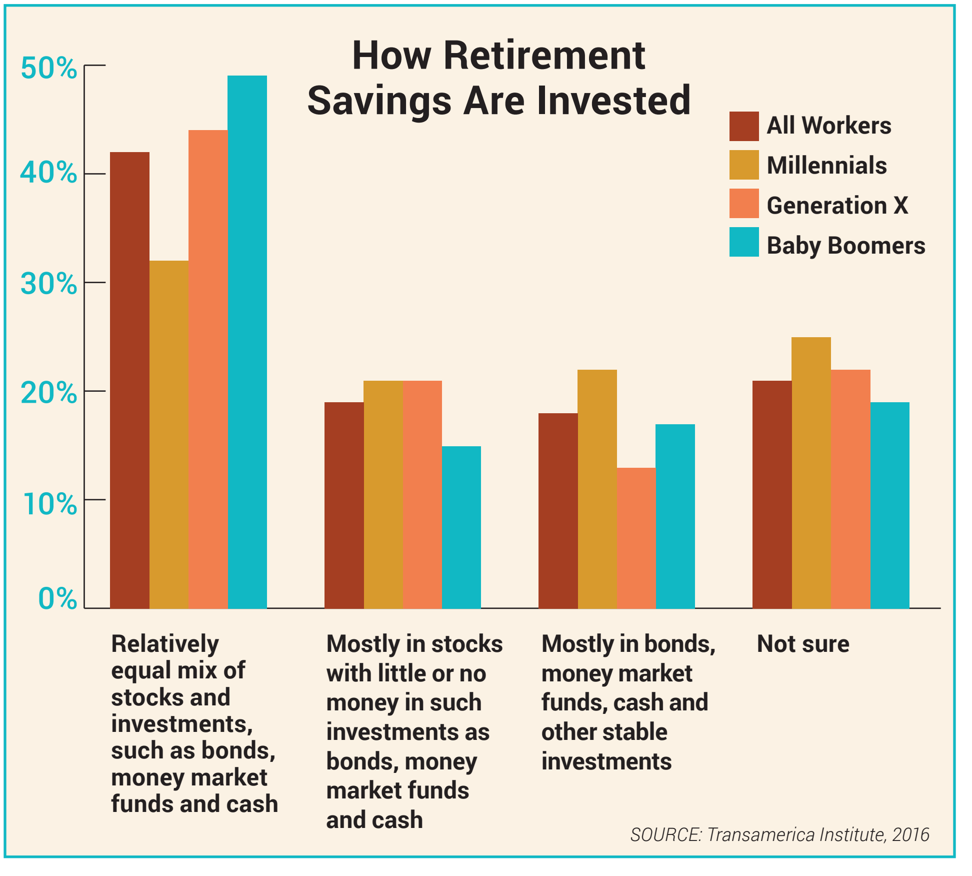
Perhaps a retirement planning expert might be concerned that too few boomers in this sample are invested in the more conservative mix of mostly stable investments, or that too few millennials are mainly invested in stocks. But the most troubling response is that, on average, about one in five respondents *do not even know* how their retirement savings are invested.

- **Almost half of employees simply guess at how much they'll need to save for retirement.**

The median amount the surveyed employees estimated they'd need to save for retirement was $500,000. How did they come to that number? Forty-seven percent of them said they simply guessed.

Even 42 percent of baby boomers—a generation that is mostly a few years on either side of age 60—said they guessed at how much they'll need.

For the whole group of respondents, the



Write a Retirement Strategy

The 17th Annual Transamerica Retirement Survey of Workers (*http://tinyurl.com/transamerica17*) lists a broad range of factors to include in a written retirement savings strategy. Only 16 percent of the nearly 4,200 U.S. workers surveyed said they had a written retirement strategy. Forty-seven percent said they had an unwritten strategy.

Of those who said they had a written or unwritten strategy, here are the percentages that included the following key factors:

- Social Security and Medicare benefits (55 percent);
- ongoing living expenses (52 percent);
- savings and income needs (52 percent);
- total retirement savings and income needs (49 percent);
- healthcare costs (46 percent)
- plan to ensure savings last throughout retirement (40 percent);
- investment returns (37 percent);
- inflation (37 percent);
- pursuing retirement dreams (27 percent);
- long-term care insurance (27 percent);
- tax planning (21 percent);
- estate planning (19 percent); and
- contingency plans for retiring sooner than expected and/or for savings shortfalls (14 percent).

What percentage of your employees do you think have a written retirement savings strategy that includes these critical factors? If your credit union works with retirement planning advisors and/or has information and tools employees can use to create a comprehensive written plan including the critical factors, be sure to promote these resources regularly.

next most popular methods of calculating their retirement savings goal were:

- estimated based on current living expenses (23 percent);
- used a retirement calculator (9 percent);
- expected earnings on investments (6 percent);
- read/heard that is how much is needed (5 percent);
- completed a worksheet (4 percent); and
- amount given to me by a financial advisor (4 percent).

Do your employees have an easy-to-use retirement savings calculator available on your intranet or through your retirement plan provider's website? If so, do they know how to use it? You don't want your retirement plan participants to match the population in this survey, in which fewer than one in 10 employees use a retirement calculator.

This isn't to say that an online calculator provides anything but a rough estimate of what an employee might need to save for retirement. There are simply too many variables the employees can't know, mainly how long they'll live after they retire.

Still, it's a useful tool to get people started thinking about what goes into setting a realistic retirement savings goal. And with that goal in place, it will be easier for them to monitor whether or not they're on track to meet it.

• Only 16 percent of the surveyed workers have a written retirement savings strategy.

A big step up from a retirement calculator is a written retirement income strategy. A basic strategy includes retirement income needs, projected costs and expenses, and risk factors, according to the Transamerica survey report. (See the sidebar "Write a Retirement Strategy.")

Employees Want Retirement Education from Employers

Two of every three workers in the Transamerica survey either strongly agreed or somewhat agreed to this statement: "I would like to receive more information and advice from my company on how to achieve my retirement goals."

The majority of survey respondents (59 percent) also said they want some level of advice about saving and investing for retirement. Of that group, 42 percent said they want education and advice, but that they'll ultimately make their own decisions, and 17 percent said they preferred to have someone else make retirement saving and investing decisions for them.

If your credit union employees even somewhat match these national statistics, there is clear demand for information—and active guidance—about retirement savings from you as an employer. Simply having written instructional materials in the form of brochures or online articles, however, probably isn't enough.

Think about Matthews's experience at Mutual CU. Face-to-face guidance on using an investment savings program and a mobile-friendly website that clearly shows savings progress can rapidly increase participation and active management for 401(k) accounts.

If your credit union has an arrangement with in-house or visiting certified financial planners, encourage employees to work with them. In addition, schedule regular training for your retirement savings program participants from your plan provider, including face-to-face and/or webinar training.

The avenues have never been broader for technology-based tools and personal assistance for employees who are saving for their retirement. Just as you actively use these resources to work with members to ensure that they're financially prepared for the future, do the same for your employees.

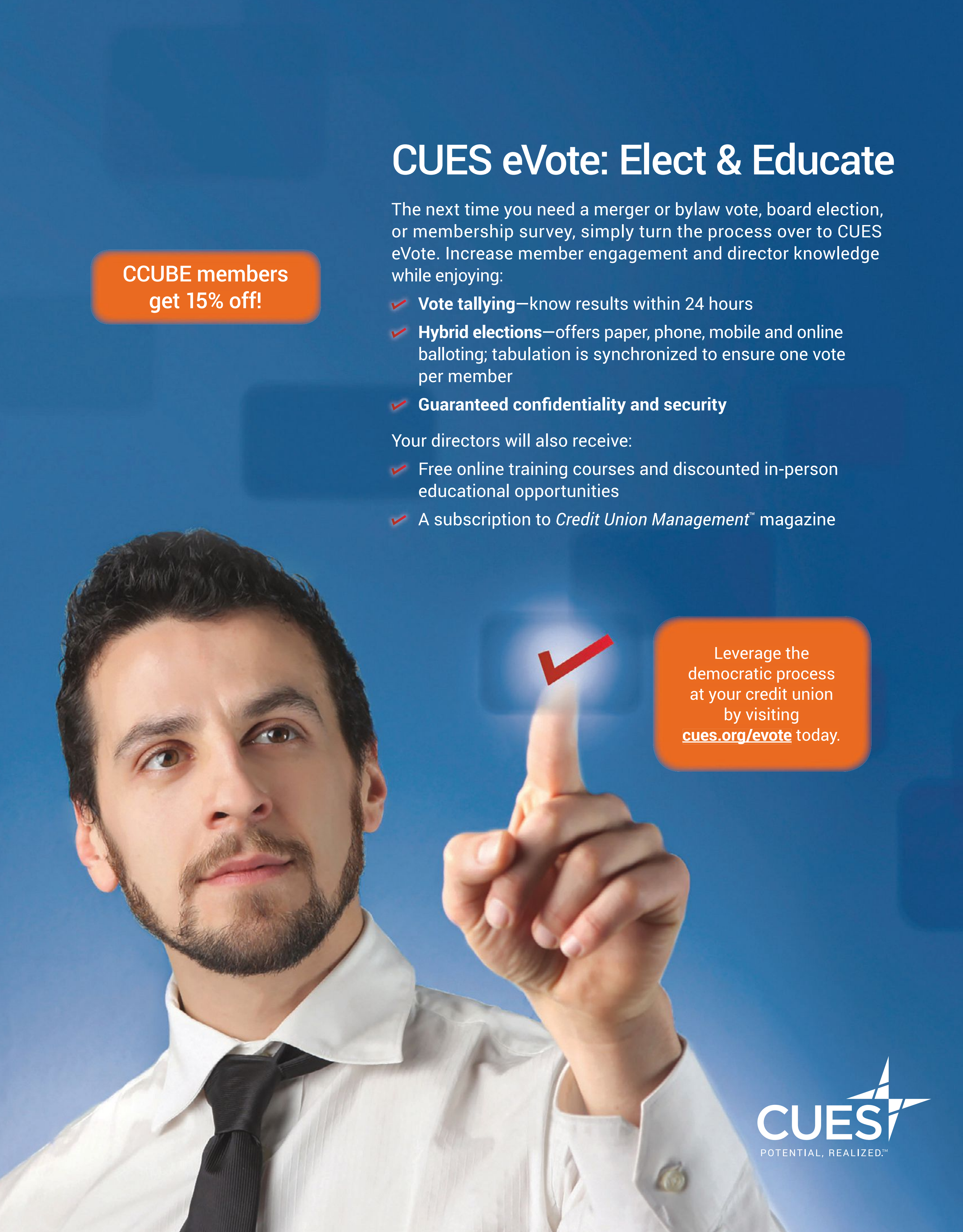
Tom Eckert *is a vice president at CUESolutions Platinum provider CUNA Mutual Retirement Solutions (*www.cunamutualgroup.com*), Madison, Wis. Reach him at* tom.eckert@cunamutual.com. *Learn more about CUESolutions by emailing* kari@cues.org.

Retirement Reading

Financial Wellness (*cues.org/1116financialwellness*)

Retirement Plans: The Cobbler's Children Have No Shoes (*cues.org/0316retirementplans*)

Are Boomers Ready to Retire? (*cues.org/0716boomers*)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Perform Better Without the Pyramid

Support your CEO's efforts to create an organizational culture that can transform at the speed of change.

By Sheri Nasim

Picture this. Fifty years ago, there were so few international phone lines that some companies with global offices hired squads of "dialers" (*http://tinyurl.com/hbrdialers*). Their only job was to dial the telephone all day in hopes of getting an open line.

By 1992, technology began to collapse the boundaries of time and space. That's when global internet traffic reached 100 GB per day. Within five years, that number increased to 100 GB per *hour*. By 2002, the rate of traffic reached 100 GB per *second*. Last year, that rate exploded to 20,235 GB per second, and according to a recent study by Cisco (*http://tinyurl.com/ciscospeedstudy*), could reach 61,386 GB per second by 2020.

Information is the new raw material. Performance now depends on turning information into knowledge—and knowledge into service—as quickly as possible.

Unfortunately, most credit unions are underprepared to handle the information tsunami—not necessarily because they lack the technology and business acumen, but because they are stuck in an information-clogging, pyramid mindset.

Today's CUs are trying to tackle 21st century challenges with structures that have been in place since the rise of city-states in ancient Mesopotamia. For centuries, the pyramid model kept monarchies stable, dictated the rank-and-file system of the military, and enabled factories to manufacture highly reproducible goods from assembly lines. It's a model that worked well in a world that was relatively stable and predictable.

But today's business world is anything but stable. A hierarchical organization has virtually no ability to respond and adapt to the rapid flow of information. Today's leaders must remove the layers, get rid of the bottlenecks and stop rewarding the "information is power" mindset. Those who can do so will create cultures that can transform at the speed of change.

This is not to suggest that your CEO should be pressured into a wholesale restructure. Transforming a culture is not about flattening the org chart or experimenting with

Source: Center for Executive Excellence

Two Truths Successful Change Leaders Know

If you're engaged in the effort to mold a new culture at your credit union, here are two truths that can guide you.

1. People don't resist change. They resist being changed. As management guru Peter Senge suggests, resistance is greatest when change is inflicted on people. If you can give people a chance to offer their input, change is more likely to be met with enthusiasm and commitment.

2. A journey of a thousand miles starts with a single step. Big goals can seem overwhelming and cause us to freeze. This simple truth, attributed to Chinese philosopher Lao Tzu, is a reminder to get moving. Take the first step, however small it may seem, and the journey is underway.

This is excerpted from "6 Things Successful Change Leaders Know" at www.executiveleadership.com/blog.

the holacracy model (*http://tinyurl.com/hbrholocracy*) like Zappos. Every organization is different. What separates successful 21st century organizations is not the organizational structure itself—it's the leadership psyche embedded *inside* the structure.

Reasons to Change

Here are three reasons the pyramid paradigm may be keeping your CU from moving forward:

1. Acquiring and protecting power. People naturally want to learn, grow and be their best both personally and professionally. Under the pyramid model, people must climb their way to the top, squeezing out others along the way. Holding onto their positions requires leaders to continuously fight to acquire and protect their power.

2. Limiting our circle of influence. A leader who is keen on acquiring and protecting power tends to surround himself or herself with a team of direct reports who do not pose a threat to that power. When our circle of influence is made up of people who want to keep their positions by pandering to our ego, our ability to assess reality correctly is severely limited.

3. Operating in a paradigm of scarcity. As we work our way to the top of the organizational pyramid, fewer and fewer positions are available. The pyramid shapes our paradigm of scarcity. Scarcity begets fear. We fear that someone will take our position. We fear never having enough time. We fear that if someone else wins, we lose. This creates stress, tension and a drive for success as a destination that we continually struggle to reach.

How quickly is your CU turning information into knowledge? Are you sharing and responding to information freely, or are people trying to protect their power positions? It's time to ditch the pyramid and move your CU into the 21st century.

Sheri Nasim *is the founder and CEO of Center for Executive Excellence* (www.executiveexcellence.com)*, a leadership consultancy in San Diego. Reach her at 760.521.6382 or* snasim@executiveexcellence.com.

If You Liked This Article

Nasim will present "Re:Imagine Leadership" during Execu/Summit (*cues.org/es*), March 5-10 in Snowmass Village, Colo.

Improve Income Using Insurance

BOLI can be used to boost a CU's bottom line or charitable contribution.

By Bill Rissel

National Credit Union Administration reports show the average credit union return on assets stood at a mediocre .78 percent as of September 2016. As a result, every credit union must actively search for new and inventive ways to improve its bottom line.

CUs' investment yields are a dismal 1.4 percent. Rates have begun to rise slowly, but remain at near record low levels. Increasing at a faster rate, however, is employee benefit expense. In addition, in keeping with their social purpose, CUs continue to increase their charitable contributions.

Fortunately, NCUA now allows CUs to offset employee benefits with higher yielding investments than CUs were previously permitted to make. This is often called "benefits pre-funding" (*cues.org/0216cfofocus*). CUs also are allowed to offset charitable donations (*cues.org/0216cfofocus*) with such investments.

A way to do make these previously impermissible investments is through business-owned life insurance. BOLI has been used by CUs to fund executive retirement plans—including 457(f) (*cues.org/1213makethemchooseyou*) and split-dollar (*cues.org/1212ontimeforretirement*) arrangements—for years. NCUA 5300 reports show that a high percentage of billion-dollar CUs take advantage of these plans to provide benefits for senior-level employees and charitable donation accounts. Smaller CUs may want to do so as well.

The difference in the investment potential of traditional investments and investments through BOLI (which essentially allows CUs to invest in an insurance company's investment portfolio) is significant. In the following example, shifting an investment to life insurance doubles the credit union's revenue.

Compared to the average CU investment yield of 1.4 percent, current BOLI crediting rates are 3 percent. Instead of $14,000 per million/year, BOLI could easily yield $30,000 per million. *A $10 million investment could increase net income by $160,000.* This crediting rate fluctuates annually and nearly always exceeds investment yields.

It takes some effort to initially set up a BOLI and requires life insurance on a key or several key executives—possibly at higher benefit levels than those executives have now. Executives often hesitate to suggest such plans as it may appear self-serving. For that reason, directors may need to take the lead in suggesting investigation of BOLI. BOLIs may be used to replace—and increase at no cost—the amount of life insurance on the executive, while increasing the bottom line. This is an example of a true win-win.

Life insurance companies are highly regulated and required to retain high levels of capital, but a few have failed. Credit unions looking to invest in BOLI should review the financial strength of institutional insurance providers and deal only with those that are well capitalized and understand financial institutions—especially credit unions.

Experienced, specialized vendors will assist credit unions through the BOLI pre-purchase and post-purchase analyses per NCUA guidelines/regulations. They also will help a credit union periodically monitor financial ratings of the institutional life insurance carrier to ensure the ongoing quality of the BOLI portfolio investments.

In today's environment, credit unions must seek creative alternatives to improve their strategic advantage. BOLI can provide substantially better investment yields. As with any investment, however, credit unions must do their own research before purchasing.

William J. (Bill) Rissel *is the former CEO of Fort Knox Federal Credit Union. During his 23-year tenure, the credit union consistently achieved a ROA of over 1.3 percent. Though retired, he still assists credit unions in income improvement, strategic planning and governance. Reach him at* wjrissel@gmail.com.

More on BOLI

CFO Focus: Demystifying Business-Owned Life Insurance (*cues.org/1016cfofocus*)

CFO Focus: Institutional Insurance (*cues.org/080912cfofocus*)

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Advisors Plus works with credit unions to help them meet their business challenges and grow. Our consultants create insightful, data-driven financial and marketing solutions that lead the industry in measurable results. Find out how your credit union can take advantage of Advisors Plus expertise and analytics to create marketing growth campaigns and portfolio, contact center, and operations optimizations that you can take straight to the bottom line.

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O.M. Financial is an independent financial services company with offices throughout the country. O.M. specializes in credit union supplemental executive retirement plans, designed to both reward and retain key executives. O.M. pioneered Collateral Assignment Split Dollar SERP programs for the credit union industry, and specializes in helping credit unions offer competitive, cost-effective employee benefit solutions. O.M. is dedicated to continually helping credit unions grow stronger and more profitable.

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CUES' Schools feature top instructors with real-world knowledge, convenient locations and short time spans. You'll find topics for every leader at your credit union, with curriculums diving deep into the matter at hand. Check out these offerings happening in Spring 2017:

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July 17-21 | Seattle

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Planning for the Future: Hard and Soft Trends

Strategic planning asks credit unions to take a wide view at trends and patterns around us—and to plan for the future accordingly. An oft-asked question about that process, according to board consultant Michael Daigneault, CCD, is "How are we supposed to guess what is going to happen in the future?"

One approach to strategic planning begins by identifying trends as either hard or soft. Daigneault, founder and CEO of CUES strategic partner Quantum Governance, L3C, presented this concept during the CUES webinar "Strategic Thinking and Planning: Setting the Stage for Your Future Success."

Determining the type of trends occurring around the industry and their likelihood to continue is a key to strategic planning. "Strategy is an ever-evolving, ongoing attempt to determine the most effective approach—the best pattern of behavior—to achieve the credit union's mission," said Daigneault.

Citing the book *Flash Foresight* by Daniel Burrus, Daigneault suggested that categorizing trends as hard, unchangeable facts or soft, changeable developments gives the credit union a starting point for predicting the future, or at the very least preparing for foreseeable consequences.

Hard trends are absolute facts. They are trends that are already taking place and will inevitably continue to take place in the future. Hard trends can be either linear or cyclical hard trends. Daigneault pointed out two universal cyclical trends: The sun will rise each day, and the seasons will change. And a linear trend is something similar to the limited amount of actual oil in the ground. There will be less and less oil over time; even if we find new pockets of oil, the trend will continue.

Soft trends shape the future but don't amount to a future fact—they can change. Is the trend something that could change, stop or reverse? If not, it's a soft trend; if yes, it's a hard trend. If you spend too much time debating whether a trend is hard or soft, then it's likely a soft trend.

Examples of Trends

Across all industries, Burrus points out as a hard trend our reliance on electronic devices. This includes increasing the bandwidth with which we exchange information. Data exchange is unlikely to slow down; it will only continue to get faster.

An attendee at the webinar suggested that digital banking is another hard trend. Daigneault agreed. "The whole world seems to have gone in the digital direction, and it's hard to conceive, absent things like Armageddon, that the world will go away from a more digital format," Daigneault commented.

Daigneault recently discussed with credit unions at a conference decreased car buying as a trend, because millennials are buying fewer cars. "Is this a hard trend or soft trend? There was a lot of discussion about this, and the group ended up identifying it as a soft trend," said Daigneault. "With new types of cars such as electronic and robotic, and services such as Uber and Lyft, fewer individuals may purchase cars. But possibly car services like Uber and Lyft will purchase cars on a larger scale. At this point, the trend is soft."

Webinar attendees suggested increased regulations and mergers were also trends in the credit union industry.

"There tends to be more and more regulations over an industry over time," said Daigneault. "But it is conceivable that it could reverse at some point in the future. There could be an administration or business climate that says, 'Let's deregulate the CU industry.' In the short run, we can look at it as a hard trend, but in the long run, we may need to look at it as a soft trend, believe it or not."

The same can be said of mergers; while mergers appear to be a hard trend today, it is possible the number of mergers could plateau or decrease at some point in the future.

"The whole point here is not to spin out every single hard and soft trend, but to acclimate you to the difference between hard and soft trends," said Daigneault. When we're planning for the future, we have to be wary of the difference between them, he added.

Resources

Listen to the entire webinar "Strategic Thinking and Planning: Setting the Stage for Your Future Success" (*http://tinyurl.com/strategicwebinar*).

Good Governance: Moving Beyond the Strategic 'Moment' (*cues.org/0916goodgovernance*)

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CUES Elite Access Offers High-Level Online Education

CUES is pleased to announce CUES Elite Access Virtual Classroom is now available. This online series was designed to maximize educational value, while minimizing travel and time away from work. Each course consists of two, 60 minute live-taught online classroom sessions, plus pre-work and between segment assignments.

"CUES Elite Access is truly an innovative take on online learning," says John Pembroke, CUES' president/CEO. "CUES Elite Access is highly interactive; attendees will be taught live by top instructors, so they can ask questions and relate in real-time with their colleagues. It provides a much deeper dive into the subject matter at hand than webinars or other online learning opportunities.

"We developed CUES Elite Access based on feedback from our members," he continues. "We understand busy professionals can find it difficult to find time to attend traditional education events. CUES Elite Access fills this professional development gap by combining the best of all worlds—access to great instructors and the opportunity to connect with colleagues, plus it's reasonably priced and no travel is required."

These CUES Elite Access Virtual Classroom courses are currently available:

- ***Credit Union Board Liaisons—Roles, Responsibilities and Best Practices:*** Feb. 2 and 8;
- ***Fundamentals and Trends in Payments Enterprise Risk Management:*** Feb. 14 and 21;
- ***Getting Serious about Strategic Alignment:*** Feb. 28 and March 7;
- ***Best Practices in IT:*** March 21 and 28;
- ***How Credit Unions Can Innovate with Fintech:*** April and 11;
- ***Double Your Loan Volume Through Marketing Analytics:*** June 7 and 14; and
- ***Kickstarting a Culture of Efficiency:*** July 18 and 25.

For a full list of courses and to learn more about CUES Elite Access Virtual Classroom, visit *cues.org/eliteaccess*.

Participate in Two Compensation Surveys

CUES is asking CUs across the U.S. to participate in two important industry surveys: *CUES Executive Compensation Survey* and *CUES Employee Salary Survey*. Both surveys are open for participation through March 31, and participating CUs get a 20 percent discount when purchasing the surveys.

CUES Executive Compensation Survey (*cues.org/ecs*) features valuable compensation trends, tools and data to help credit unions attract and retain well qualified professionals.

CUES Employee Salary Survey (*cues.org/ess*) offers pertinent data to attract new hires and tools to help CUs retain their top employees. It also includes the CUES' *JobWrite*™ tool, which helps craft customized position descriptions based on job-related duties, qualifications and responsibilities.

The results are an important way to keep the industry strong. They help credit unions of all asset sizes and locations determine if they are competitive in their geographic area, and they also help them become more efficient with information about productivity levels, human resources management and budgeting. Both surveys:

- offer compensation information on a wide range of positions;
- provide relevant data for credit unions of all sizes;
- supply customized results that can be sorted with up to nine criteria, including region, assets, metropolitan area and CU name; and
- offer easy and secure online participation.

For more information, contact CUES Survey Support at 866.508.0744, or email *surveysupport@cues.org*.

CUES Announces eVote Giveaway Winner

CUES is pleased to announce that The County Federal Credit Union (*www.countyfcu.org*), Presque Isle, Maine, is the lucky winner of the CUES eVote: Elect & Educate giveaway, valued at up to $13,000.

The County FCU was among 63 credit unions that entered to win by completing the online interest form at *cues.org/evote*.

CUES eVote can handle a variety of services, including votes regarding mergers and bylaw changes, board elections and membership surveys. The County FCU will determine how they will use eVote.

Credit unions using CUES eVote can choose from two service levels. The full-service option includes vote tallying, customer service for your staff and members, and hybrid elections combining online, phone and paper ballots. With the online-only option, credit unions design the ballots, send out emails and gather results, but use eVote's secure platform.

CUES eVote's setup also offers an educational component for directors, including online training courses, an online discussion and Q&A forum, a subscription to *CU Management*™ magazine, discounted in-person educational opportunities, and a library of sample policies and resources provided by peers. Learn more about CUES eVote: Elect & Educate at *cues.org/evote*.

CUES' Mergers & Acquisitions Institute at The University of Chicago Booth School is designed to help your credit union take best advantage of the opportunities a merger presents.

Mergers & Acquisitions Institute™ Returns

A successful partnership between CUES and The University of Chicago Booth School of Business will continue this year with Mergers & Acquisitions Institute, June 26-29.

The program brings executives and directors vital information on this important component of CU growth strategy. Merger and acquisition transactions provide a way for CUs to build their market presence, scale to meet the needs of members, carry the significant regulatory burden on institutions of all sizes and successfully compete in the financial services marketplace. The three-day program's focus includes analyzing strategic alternatives, developing evaluation strategies and developing an acquisition integration framework.

Stephen Morrissette, Ph.D., adjunct professor of strategic management at the University of Chicago's Booth School of Business and co-lead faculty for Mergers & Acquisitions Institute, urges credit unions considering merging to start by asking some simple questions.

First is, "Are we under some financial stress?" If the credit union is strong, then ask, "Do we feel we can best serve our members as an independent, or do we need to combine with a larger CU" to offer better service? If the CU faces some financial challenges, Morrissette says, then comes, "Can we fix our own problems and keep serving our members well?"

In both scenarios, the key question is, "Which path forward will allow us to serve our members best?" he says. (Read more about this in "Mergers Not About Nerve" at *cues.org/0216mergers*.)

"Credit union leaders who select this program hosted by Booth should be prepared for intense and challenging instruction," says Marc Knez, clinical professor of strategic management at Booth and faculty director of CUES' Mergers & Acquisitions Institute. "We are confident they will leave with the knowledge needed to create a successful strategy to take advantage of lucrative growth opportunities."

Register and learn more at *cues.org/mai*.

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International Drive Convention Center

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

CUES GOVERNANCE LEADERSHIP INSTITUTE™
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Rotman School of Management
University of Toronto

MERGERS & ACQUISITIONS INSTITUTE™
June 26-29
The University of Chicago
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July 17-18
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CUES ADVANCED SCHOOL OF CONSUMER LENDING™
July 19-20
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CUES SCHOOL OF STRATEGIC MARKETING™ I
July 17-19
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CUES SCHOOL OF STRATEGIC MARKETING™ II
July 20-21
Crowne Plaza Seattle

STRATEGIC INNOVATION INSTITUTE™
July 23-28
Stanford Graduate School of Business,
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SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 24-25
Hyatt Centric Fisherman's Wharf
San Francisco

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July 24-25
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Note: CU directors are encouraged to attend events listed in *blue*. For all future CUES events, visit *cues.org/calendar.*

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Business Lending for Directors Seminar — July 24–25
Learn how your board can help create a viable and sustainable member business services program. **cues.org/blds**

CUES Director Strategy Seminar — July 26–28
Discover ways to improve planning processes, cultivate strategy year-round, and build a strong foundation of strategy development. **cues.org/dss**

See all our Director Seminars at **cues.org/seminars**.

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Pressure Wash Your Board's Barnacles

By John Waupsh

Barnacles create such significant drag that the U.S. Naval Academy estimates they increase the Navy's petroleum expenditures by $250 million a year.

Community financial institutions can have their own barnacles, typically in the form of an aged, unimaginative, unresponsive, disinterested board. This is a shame, because a great board can positively transform an organization. As early PayPal CFO-turned-Sequoia-Capital-Lead Roelof Botha suggests, "Good board members act as shock absorbers."

At a time when the nimbleness of smaller boats would be an advantage, credit union trawlers have significant hull drag. For once, small isn't small enough. There's something smaller and faster than you. They're the feared "disruptors."

These days, board members are required by regulators to be deeply involved with their institutions. Unfortunately, barnacles hide behind this fact and use it as an excuse to require undue reporting, which ultimately increases expense and frustration. Board barnacles love to talk glory days, opine risk mitigation and associate blame for transactions long passed.

Conversely, a board with more diverse membership in terms of age, gender and cultural and professional background can help push your institution forward, help find the talent you need and support learning about contemporary data-marketing techniques. For example, one business study found that companies with three or more female board members reported significantly higher returns on equity and investment.

The coming "bankruption" will introduce more challenges for the community banking industry. As community institutions are those that are most at risk for disruption, you will need a team that's stronger than ever to thrive in the new environment. Push accountability of banking knowledge and institutional goals to your colleagues, and treat employees like an evolving team, not permanent family members. And reduce drag on your board hull as soon as you can.

John Waupsh *is chief innovation officer at Kasasa* (www.kasasa.com)*, Austin, Texas. This was excerpted and adapted with permission of the publisher, Wiley, from* Bankruption: How Community Banking Can Survive Fintech *© 2016 by John Waupsh. All rights reserved.*

*Develop leadership that helps propel your ship: Send your whole board to CUES Governance Leadership Institute (*cues.org/gli*), slated for June 11-14 in Toronto, or to CUES Director Development Seminar, slated for Sept. 13-15 in Vancouver, British Columbia.*

Comment on this post at cues.org/112116skybox.

Recent Posts

"Goals will move you along the path to your vision, but without a vision your team won't really know where they're headed or what they can look forward to rejoicing in when they arrive. There's nothing very inspiring about that."
Lisa Petrilli, chief marketing, strategy and operating officer of the To Be A Woman Global Empowerment Platform (*www.tobeawoman.co*), Atlanta, in "Visionary Leadership": *cues.org/121916skybox*.

"To satisfy consumer demand, it isn't enough to put out a digital 'welcome mat.' The entire consumer experience matters—from being able to easily enter the virtual front door to exiting with an active account and a sense of engagement with the provider."
Alissa Fry-Harris, director of marketing for CUES Supplier member Alogent (formerly Bluepoint Solutions) (*www.alogent.com*), Peachtree Corners, Ga., in "Developing an Effective Digital Account Opening RFP": *cues.org/121416skybox*.

"The cost of funds can't go any lower, but competition is squeezing yields on every kind of loan. So although loans and interest income are growing, net income isn't keeping pace. … If we're to maintain or grow net income, we have to reduce expense (again!) or profitably grow non-interest revenues—or preferably both."
Graham Seel, founder and chief consultant at BankTech Consulting (*www.banktechconsulting.com*), Concord, Calif., on "Five Major Innovation Priorities" in CUES Skybox: *cues.org/120716skybox*


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