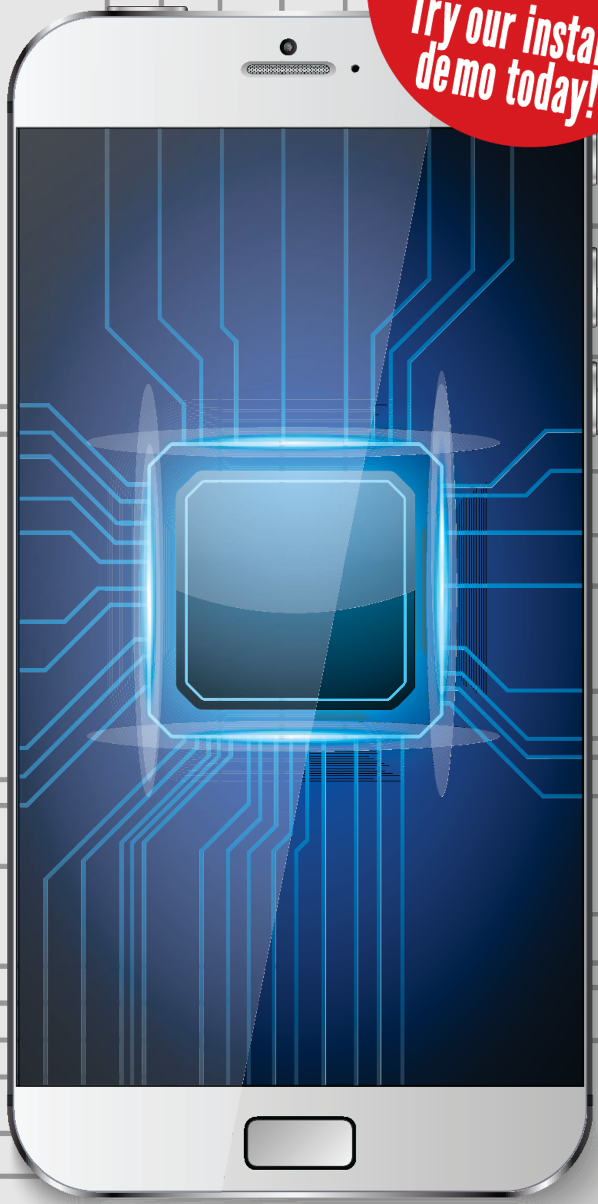
CU Management

JANUARY 2017



Fearing Fintech Disruptors?

Top tools for setting payments strategy

Meet Steph Sherrodd, CCE

2016-2017 CUES Board Chair

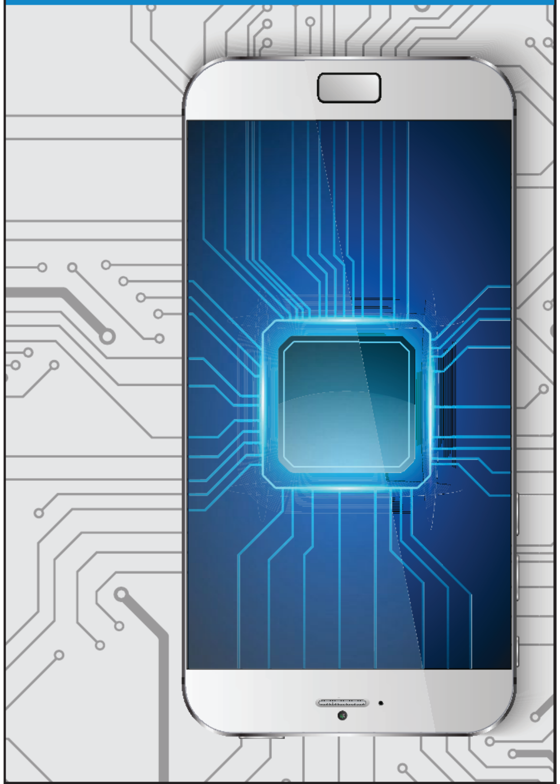
Your 2017 Career Roadmap

8 steps to help employees reach their goals

Know Your Hackers

Break the chain that allows intrusion

CU Management

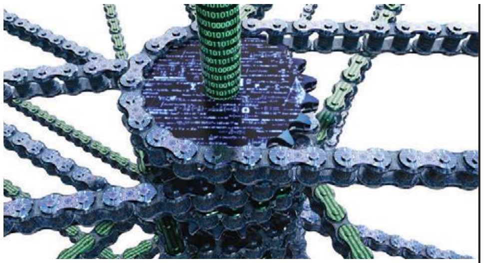


JANUARY 2017 vol. 40 issue 1

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

Articles

In Every Issue



JANUARY 2017

Web-Only Bonus

Will Blockchain Help CUs?

(bonus from "Fearing Fintech Disruptors," p. 14)

This two-part online series responds to the question with two points of view.

cues.org/1216blockchainpart1 **and** ***cues.org/1216blockchainpart2***

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New! CUES Podcast

Episode 6: Mergers and Acquisitions

What are the biggest mistakes in the merger process that CUs should avoid? David Ritter, strategic M&A advisor at Doeren Mayhew, shares his thoughts.

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CFO Focus: Post-Election Economic Outlook

Surprising market reaction may reverse itself, but be prepared for continued volatility.

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CCUBE Members-Only

Video: Director Compensation

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Launching 2017

Are you currently making personal and professional resolutions? At CUES, we get a jump start on the new year because our fiscal year begins Oct. 1.

We set our company-wide and individual goals in August and September. By the time Jan. 1 rings in, we're well into fiscal 2017 and already seeing results from our planning and work.

In addition, with a young child, I tend to set certain personal resolutions and goals at the start of the new school year. For these reasons, January can feel a little anticlimactic. But I still relish the opportunity to pause and reflect. A few months in, how am I performing at my individual goals for the year? What have I accomplished already? What needs my focus now?

January is also a great time to think about education and learning goals. In my new role, I am dedicated to honing my leadership skills and have identified several resources that can help (including WOCCU's Global Women's Leadership Network, *www.CUWomen.org*).

If your goals include improved leadership skills, I have some resource suggestions from CUES. Two of our free, online-only columns are designed to provide a quick leadership boost: Leadership Matters (*cues.org/leadershipmatters*) and NextGen Know-How (*cues.org/nextgenknowhow*). With such provocative topics as "Is Your Head in the Sand?," "What CEOs Don't Know Can Hurt Their CUs," and "4 Signs You Should Not Be a Leader," you'll find yourself thinking about them long after you finish reading.

Laurie Maddalena, a leadership coach and former CU exec based in northern Virginia, does an outstanding job writing the NextGen Know-How column. In this month's magazine, she authored "A 2017 Career Roadmap" on p. 34. "If you don't know what the career goals are for each of your employees, finding out should be one of your top priorities in 2017," she writes.

A CUES membership makes a tremendous gift for your employees and shows them you value their professional development. And our members-only webinars are a popular benefit. This month we present "Get Your C-Legs: Living at a Strategic Level." Because the skills that make managers perform at their best are different from those required of an effective C-suite leader, this webinar is ideal for newly promoted executives or those who simply want to be more forward-focused. I'll be signing up! If you want to attend, visit *cues.org/webinars*. (If the topic seems familiar, it might because it's based on a 2016 *CU Management* article, available at *cues.org/0216clegs*).

If 2017 is the year you decide to make an investment in yourself, take a cue from CUES member Stefanie Rupert, CIE, president/CEO of $980 million Collins Community Credit Union (*www.collinscu.org*), Cedar Rapids, Iowa. In "An Environment for Broad Thinking," p. 25, she describes her experience at Strategic Innovation Institute™ and concludes with a powerful statement: "This course is expensive, but certainly many of your board chairs and directors like mine feel you are all worth the investment. It's our bravery and stamina that will carry the credit union mission to unbelievable heights, but not without continuous lifelong learning."

Happy New Year! How will you invest in yourself and your team this year? Tell me at *Theresa@cues.org.*

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

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

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

Partners FCU's brings the branch to its Walt Disney "Cast Member" members.

Branch On Demand

Animal Kingdom is one of the more remote destinations in Walt Disney World—not a place where you'd expect to find a credit union office. But Disney "Cast Members" who belong to Partners Federal Credit Union can count on regular visits from a mobile branch that rolls up to their exotic workplace.

Partners FCU launched its branch on wheels in September as a way to better serve members working across the 45 square miles of the Orlando, Fla., destination. Leaders at Disney parks and resorts can reserve visits from the mobile branch, and its 30-day schedule is available online, says Chris Parker, chief member services officer of the $1.5 billion CU serving 126,000 members in California and Florida (*www.partnersfcu.org*).

"The goal is to increase access and convenience for all members by delivering personalized service wherever they may need it," Parker says.

The idea for the mobile branch grew out of an annual Team Innovation Lab the credit union organizes to encourage cross-functional teams on both coasts to develop and share ideas via video presentations. Out of the 20 presentations shared in the 2014 lab, the proposal for a mobile branch for which leaders around the Disney complex could schedule visits "won us all over," says CEO and CUES member John Janclaes, CCD.

The mobile branch, which was custom-built by MBF Industries, Sanford, Fla. (*www.mbfindustries.com*), is a full-service branch with a walk-up ATM and three member service stations inside and a 55-inch LED TV under the awning outside so business development officers can share video presentations with prospective members. (Watch a video of the branch at *http://tinyurl.com/PartnersFCUVideo*).

It can be outfitted as a mobile education/conference center with room for a dozen people attending a financial seminar, Parker says. The vehicle also provides business continuity in case of natural disasters, like the recent threat posed by Hurricane Matthew. In fact, the vehicle was stocked up with bottled water and other supplies in case it was needed when the hurricane rolled through in October.

When not in use, the mobile branch is stored in a secure domed facility operated by Golden Sands (*www.goldensandsgc.com/*), which also supplies its drivers.

Partners FCU is collecting and analyzing data from the first few weeks of mobile branch service: transaction volume, services requested and most popular hours. The branch is typically on site for an eight-hour shift, from 8 a.m. to 4 p.m. or 9 a.m. to 5 p.m., for example, but the CU might test later hours to see if an occasional 11 a.m. to 7 p.m. shift works better for members. The costs to outfit, operate and maintain the mobile branch might end up being about the same as a stationary facility, but the level of member service and visibility it offers make it a worthwhile investment, Parker says.

"There is no way … to participate in an authentic leadership experience without fear."

Steve Farber, president of Extreme Leadership Inc., on his website (*www.stevefarber.com/extreme-leadership*). Hear Farber at CUES Symposium: A CEO/Chairman Exchange, Jan. 29-Feb. 2 (*cues.org/symposium*)

Identify Your CU's Board Type

If you want to change the board—to become a more engaged board—you first need to know what type of board you are, said Peter Myers, vice president of CUES Supplier member and strategic partner DDJ Myers (*www.ddjmyers.com*), during the webinar "Put the Passion Back in the Board Meeting."

There are five types of board archetypes, he explained.

- **Hostile**—Characterized by a polarized board and management; the CEO is guarded; the CEO shares minimal information; directors lack trust and confidence in the CEO, and the tone is interrogatory.
- **Entrenched**—A mindset of perseverance; board members take comfort with the status quo; they offer inconsequential contributions; frequent challenging of the CEO; the board is organized around keeping things they way they are.
- **Imperial**—The CEO runs the credit union and the board; the CEO influences who is on the board; the board is more tactical.
- **Independent**—Board nominations occur in a vacuum; there is increased use of executive sessions; board members are serious about their role; decisions are made by the board without dialogue with management.
- **High-performing**—There is clarity of roles and focus; a competent and effective chair leads a balanced board; the board functions with a culture of trust, respect and dignity; it is engaged in the right conversations at the right time.

Read more from this webinar at *cues.org/1016passion*.

3 Ways EMV Chip Cards Are Changing the Fraud Landscape

vantiv®

By Kelly Witteride

The U.S. adoption of EMV continues at fever-pitch. Consumer use of EMV chip credit cards is increasing—more than 80 percent of general-purpose credit cards in the U.S. will contain a chip by the end of 2016, according to Mercator Advisory Group (*http://tinyurl.com/EMVin2016*). And, despite early year delays in certification of installed EMV terminals, deployment of certified and enabled terminals is on the uptick.

One thing is clear—the move to EMV has had a major influence on how consumers and financial institutions think about and respond to card data security and fraud threats. Consumers are getting smarter about protecting their information, and fraudsters aren't wasting time. These realities can help your credit union implement the solutions and best practices that protect your members and meet their expectations for secure financial experiences.

So what affect has the chip card rollout had across the fraud landscape. Let's look at three important areas.

1. Consumers Are More Aware of Fraud

High-profile data breaches first drew consumers' attention to the threat of fraud, but EMV chip card issuance brought it home. According to the Gallup 2015 Crime Survey (*http://tinyurl.com/jh94y3z)* card fraud and identity theft are the types of crime consumers are most concerned about. Educating consumers about the increased security features of EMV chip cards has brought greater awareness of the threat of card fraud. Issuing EMV chip cards provides an opportunity for your credit union to reiterate its commitment to securing payment transactions for your members.

2. There's a Stronger Sense of Shared Responsibility

A consumer survey conducted by Vantiv and Socratic Technologies (*http://tinyurl.com/VantivSurvey*) revealed that 72 percent of consumers and 70 percent of card companies feel that they are equally responsible for protecting themselves against credit and debit card fraud. Card controls and other security monitoring practices give credit unions a means to share this responsibility with their cardholders. Account monitoring tools like MobiMoney from Vantiv (*http://tinyurl.com/vantivmobimoney*) put cardholders in control of their cards and help ease the burden of fraud protection for credit unions, merchants and consumers alike.

Recognizing that no two cardholders are alike, cardholder control features put your members in the driver's seat. They let your members manage prepaid, credit and debit cards online, providing them with real-time usage updates and giving them the power to turn cards off or on. They also let cardholders define card usage parameters based on personal preference—for example, geographic location, merchant and transaction type, and dollar threshold. Beyond their influence in stemming fraud-related losses, cardholders in many instances are becoming an important line of defense in the fight—and will remain so as more fraud moves online.

3. Other Types of Fraud are Increasing

That sense of shared responsibility and the empowerment of cardholders is crucial. As awareness and action to stop point-of-sale fraud explodes, so do the efforts of card criminals who are moving their activities online. Since EMV only protects against counterfeit card present transactions, moving crime online is the natural next step for fraudsters. Elevating awareness and actively empowering defenses among cardholders and merchants alike is creating bigger thinking about data security and fraud across all points of sale.

During the first half of 2016, more than half a billion data records (*http://tinyurl.com/554million*) were compromised in 974 publicly disclosed breaches worldwide. Additionally, account takeover and identity theft are becoming more common. Thieves are going after unprotected personally identifiable information, targeting healthcare and government organizations in particular. They're also tapping into niche areas of criminal opportunity. For example, automatic fuel dispensers (AFDs) equipped with the readers that allow us to self-serve gasoline, have the potential for being a target for fraudsters. In addition to being difficult and costly to upgrade, AFD operators have more time to prepare to accept EMV chip card payments in order to avoid counterfeit fraud liability.

No doubt, the EMV migration will have a permanent impact on card payments and credit union offerings. Being aware of this technology's impacts on fraud and across the consumer experience can put you in a competitive position to meet member expectations now and into the future.

Kelly Witteride *is senior product manager/EMV at* Vantiv. *In her role, she is responsible for product development of the EMV program for financial institution clients, assisting them with the design and implementation of their programs. She is actively involved with the EMV Migration Forum and other EMV organizations. Kelly has been with Vantiv for more than 12 years and has been working directly with financial institution clients her entire career with the company.*

A Vision for Professional Development

2016-2017 CUES Chair Steph Sherrodd has a passion for supporting the learning of her staff and executives in our industry.

By Diane Franklin

It takes a strong vision to be a truly great leader. That's what Stephanie Sherrodd, CCE, brings to the table as president/CEO of TDECU (*www.tdecu.org*), a $3 billion credit union based in the Houston suburb of Lake Jackson, Texas. Sherrodd, known to friends and colleagues as "Steph," has a vision for what she wants TDECU to accomplish under her leadership. As a result, the CU has done exceedingly well.

"I'm focused on outcomes," says Sherrodd, a CUES member. "As a purpose-driven organization, TDECU has the luxury of being focused on long-term outcomes for our members, but we accomplish this through a series of integrated short-term plans and initiatives."

TDECU is the largest CU on the Texas Gulf Coast, serving a total of 250,000 members with a service area that encompasses Houston and Dallas. Sherrodd's outcome-oriented focus has propelled TDECU's growth. For example, she saw that growth opportunities were possible by investing in new technology and opening new locations. She also had the foresight to strengthen the CU's partnership with the University of Houston by pursuing the naming rights for its football stadium. This has given greater recognition and visibility to TDECU in the Houston area.

"Over the past few years, we've made these investments in TDECU, and as a result, we've grown from $2 billion to our current asset size of nearly $3 billion in about three-and-a-half years," Sherrodd says. "And our TDECU board was instrumental in making this happen."

Sherrodd knows the value of a good board. Named to the CUES Board of Directors in 2013, she has now taken on the pivotal role of board chair. Since joining the board, she has appreciated the dedication and interaction among directors that has helped propel the organization forward. "The CUES board (members) know that our respective employees are our greatest asset. So, we share a passion for professional development and also have a passion for what CUES has meant to the support and development of our industry."

A CEO's Journey

That passion for professional development resonates with Sherrodd. In fact, her own development has been critical to her stepping into the role of CEO. Starting at TDECU 12 years ago in the roles of VP/retail delivery , she became VP/diversified services and then VP/chief operating officer, working closely with then-CEO Edward Speed.

"I was fortunate to work for a leader who believed in employee development and advancement and provided the resources to make it a reality," Sherrodd says.

During her time at TDECU, Sherrodd began to show her leadership acumen. In 2011, *Credit Union Times* named her a "Woman to Watch." And in 2012, following Speed's retirement, she was named to succeed him as TDECU's CEO.

Sherrodd first learned about CUs growing up a small town in Wyoming. "My parents were credit union members," says Sherrodd. "They belonged to what I would describe as an 'old

school'-type credit union. My dad worked at a mine and refinery, and the credit union's only location was an on-plant site. This was before they had debit cards, so it was a really big deal when they opened up a branch in town because it meant we didn't have to wait for my dad to go to work ... if we needed to make a transaction."

Sherrodd first worked at a credit union while at the University of Wyoming. "Warren Federal Credit Union (in Cheyenne) was looking for an intern," she recalls. "I already knew what a credit union was, which was very helpful in the interview and probably the reason I got the position. It was a paid internship, so that was huge. I spent my summer doing their first member survey."

Sherrodd completed her education at the University of Wyoming, earning an undergraduate degree in marketing and returning for her MBA. After obtaining her undergrad degree, she worked in retail elsewhere in Wyoming. Eventually she had the opportunity to work at Warren FCU, where she had interned. "While working at the credit union, I had a number of different roles—HR, lending and eventually COO," she says.

At the time of her employment, the asset size of Warren FCU (which has since changed its name to Blue Federal Credit Union, *www.bluefcu.com*) was under $100 million. "But I was looking for an opportunity at a larger credit union, and I also wanted to be a CEO someday," Sherrodd recalls. "I had the opportunity to come to Texas, and it's been great. I've really enjoyed living here and raising our family here."

As she moved through the TDECU ranks, Sherrodd prepared for the CEO position by participating in CUES' CEO Institute (*cues.org/institutes*), earning her designation as a Certified Chief Executive in 2008.

"I had the opportunity to learn from others in the industry, and I continue to network with them years after attending the school," she says. "... it was excellent preparation for taking on the role of CEO."

Reaching Full Potential

As CEO, Sherrodd practices what she learned from her predecessor by focusing on helping her staff—all 750 employees—to reach their full potential. "By investing in people, you're also investing in the organization. That's always been important to me. We're very focused on development at TDECU.

"The partnership with CUES is a natural for us. CUES likewise focuses on professional development," she says. "We want to be that resource for leaders asking, 'How do I prepare my team?' We want to make sure CEOs and other executive leaders know what's available at CUES."

> "By investing in people, you're also investing in the organization. That's always been important to me."
> Steph Sherrodd, CCE

At TDECU, employee performance is tied to development. "We use development road maps," Sherrodd says, "in which we work with employees to outline their goals and map out the training that is associated with reaching those goals."

Oftentimes, this includes giving employees a "stretch assignment."

"For example, if you want to deepen your career and you work in marketing, have you thought of asking to be considered for a role in lending for a couple of years? It provides background in a core business area ... and can support individual skills in marketing once you return," Sherrodd says.

"This type of development leads to more well-rounded employees who are able to bring more value to interactions with TDECU's members," she notes.

Facets of Leadership

Sherrodd's team appreciates her focus on development as well as the way she empowers employees to achieve. "She's a great boss, a great leader and a great visionary," says CUES member Chuck Smith, SVP/chief lending officer.

There's that "v-word" again—vision. "Steph is focused on the future and what is good for the credit union," Smith adds. "She listens to the employee and stays in contact with what is happening on the front line. She lets you as a business leader run your business. She works closely with us to develop our strategies and then she'll let you go execute."

Smith also is impressed by how effectively Sherrodd leads by example. "She never asks you to do anything she wouldn't do herself," he reports. "She's a true servant leader who is always there for the credit union."

Another important component of Sherrodd's leadership is her involvement in the community. She continues to nurture the CU's relationship with the University of Houston—providing financial education, forming partnerships with students and providing internships. She also serves on the boards of the hospital foundation for CHI St. Luke's at Brazosport (*www.brazosport regional.org*), which offers trauma, cardiac and cancer care, and the Advocare V100 Texas Bowl (*www.advocaretexasbowl.com*) football event.

"I do quite a bit of community outreach and am involved in various community organizations," Sherrodd says. "I feel it's important, but I also feel my primary role is here at TDECU. It's all about balance."

Personal/Professional Balance

Sherrodd also strikes a balance between her professional and personal life. She and her husband, Kevin, have two sons, ages 15 and 13. "I am blessed to have a great family," she says. "We enjoy traveling and spending time outdoors together."

In addition, Sherrodd has been an avid runner for about 20 years—mostly, she says, to stay in shape and "burn off my extra energy." This past year, Sherrodd crossed an item off her bucket list when she participated in the New York City Marathon. She spent much of the year training, often in Texas summer heat.

"It's a real lesson in endurance and preparation," she says. "I like to have races to train for; they help keep me motivated and out the door at 5 a.m."

It's already a busy life, but Sherrodd is looking forward to new challenges as CUES board chair this year, especially as it relates to her passion for professional development. "Regardless of our role or position, we are never done learning and developing ourselves," she says. "CUES can play a role in how that development comes to life."

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

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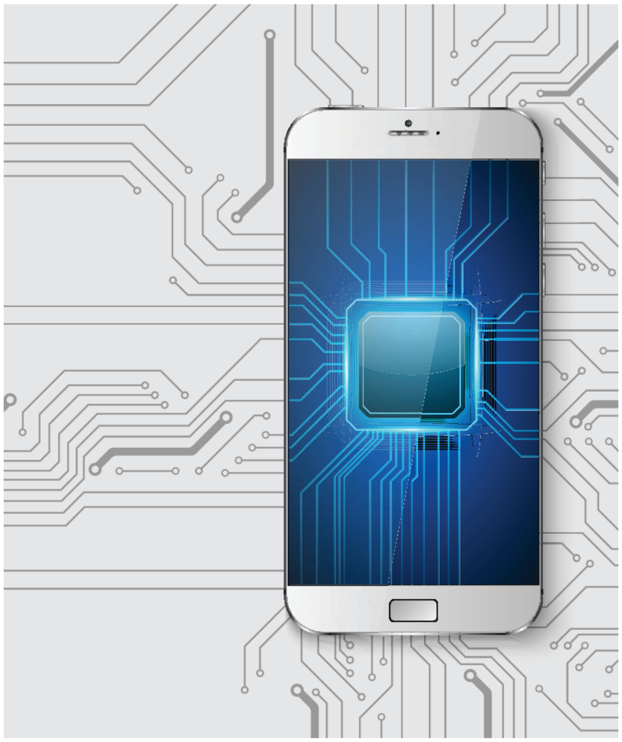


Fearing Fintech Disruptors?

Top tools for setting payments strategy

By Richard H. Gamble

The mobile revolution is posing a big challenge for credit union planners. Some of the innovations and disruptions designed to make payments faster and more convenient—but still secure—could be opportunities. Some are threats. Faced with too many choices and an uncertain future, how can CUs craft a winning payments strategy?

Start by analyzing your own operations data, urges Nick Lane, contracts consultant at CUES Supplier member and strategic provider Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz. Study reports from your card processors, and zero in on key drivers and usage trends. "The big three categories to watch are penetration, activation and usage," he notes.

Also, use surveys to sound out member preferences. Some members won't necessarily know what payments features they want until they hear about them or try them, Lane concedes, but there's a general awareness of what technology can do—like "when you watch TV you see Discover Card commercials that tell you you can turn a card on and off," he points out.

And it's definitely smart to encourage staff members to use innovative payments options the CU doesn't offer yet and report back on their user experience. It's even a good idea to cover the staff person's expense for experimenting on behalf of the CU, he adds. It's economical market research.

Knowing costs is critical. Most CUs are under-informed about how much they actually spend on payments, argues Jon Ungerland, founding partner of DaLand Solutions (*www.dalandsolutions.com*), based in Denver. Charting future strategy should start with discovering current costs and being able to compare them accurately to future alternatives.

Developments like electronic wallets and mobile pay solutions are causing some CUs to jump on board and others to wait, Lane notes. Even though member adoption has been slow so far, adding a mobile option can be something a CU feels it has to do, based on member preferences and what the competition is offering, he says. Signing up for fintech mobile payment solutions usually is not resource-intensive—it doesn't take a lot of time or money, he observes, unless a CU chooses to pay for aggressive marketing. Other developments like same-day ACH are mandatory for every CU. (Read more about same-day ACH at *cues.org/1216techtime*.)

What to Read

A lot of innovations are impacting the payments space, but there is also a lot of information out there describing those changes, notes CUES member Caroline Willard, CCE, EVP/markets and strategy at CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), Rancho Cucamonga, Calif. So keeping up with the innovations is feasible for even small CUs, but it takes work.

Payments Reading List

Caroline Willard, CCE, EVP/markets and strategy at CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), Rancho Cucamonga, Calif., recommends getting the e-newsletter or reading articles or white papers from the following sites:

PYMNTS.com (*www.pymnts.com*)
BI Intelligence (*www.businessinsider.com*)
Fintech Weekend (*www.fintechweekend.com*)
Mercator (*www.mercatoradvisorygroup.com*)
Gartner (*www.gartner.com*)
Forrester (*www.forrester.com*)

"Spend the first half hour every day looking over all the payments blogs and trade and industry dailies to find out what's happening," she recommends (see box on previous page). "They know."

An example of the kind of news you can find? The high-profile product announcement of Visa's new B2B Connect, a cross-border payment tool. (Read pymnts.com's coverage of that at *http://tinyurl.com/pymntsb2bconnect*).

Then read white papers from independent research firms, Willard suggests. "Those papers are objective and well researched—very reliable," she notes. Many are written by former payments executives. Some are pricey; some are free. CO-OP Financial Services and CUES Supplier member TMG (*www.tmg.global*), Des Moines, Iowa, recently partnered with Mercator to publish research on blockchain, she notes. The research brief, "Are Blockchain Solutions Ready? Three Blockchain Solutions Put to the Test" is available free to CUs at *http://bit.ly/blockchainbrief*. A strategic decision framework developed by the three companies to help financial institutions evaluate the impact and implications of blockchain solutions can be found at *http://bit.ly/blockchainframework*.

When you're ready to engage on the tactical level, call in your payments processor or processors for discussions, Willard recommends. "They can tell you what's possible, what fits your infrastructure and what it will cost. And their advice usually is free." Consultants (she mentions Cornerstone Advisors) can be valuable, especially for a complex strategy, she adds, noting the importance of paying attention to whether the consultant serves on the board of a vendor and making the appropriate allowances for possible bias. "There's a huge amount of noise in the market now, and a good consultant can sort through it," she observes.

Finally, consult peers selectively. "Peer input is great, but not all peers know all the niches," Willard says. "You have to know whom to call, based on your questions."

CO-OP Financial Services is taking the lead on the payments content that will be presented at CUES's new Payments University (*cues.org/payments*). The program will zero in on cost and revenue drivers and how to plan for "the next big thing," Willard reports, and be a blended offering, combining online coursework with an in-person event in April. Preconference homework will tackle such tactical issues as mobile wallets, real-time P2P payments and same-day ACH. Conference sessions will address broad strategic topics like heeding weak signals and achieving buy-in for payments decisions, says Sarah Bang, CO-OP Financial Services' EVP/industry relations.

> "Most of our clients use a vendor other than their payments processor for mobile banking, but the mobile vendors are not payments experts. Their forte is letting members get balances and move money among accounts."
>
> Jon Ungerland

Consider Following Vendors' Lead

The great simplifier in many cases is that CUs have to connect to innovative payment solutions, and those connections usually will come from such vendors as payments processors, core processors and mobile banking providers, and compatible applications offered by those vendors' technology partners. Most CUs will be limited to commercially available components, so success lies in picking the right pieces and making them work together in safe, convenient, efficient ways, Ungerland says.

However, trusting vendors to scope out the new technology and then craft the best offerings may be too passive for many CUs, whose leaders will try to blaze a trail through the information jungle.

Is a payments vendor that is heavily invested in the status quo the best source of guidance for a forward-looking payments strategy? That's hard to say, Lane suggests. Winning solutions may come from new vendors, some of them fintech firms, he agrees. But he cautions, "You have to ask if they are solving a real problem. I think the Starbucks payments app is a case where it does solve a real problem. Not only can you pay with the app, but you can order ahead and skip the line, which makes that solution popular and tough to compete against. Some of the others haven't made the case."

Adopting a progressive, forward-looking payments strategy may be easier than many CUs expect because they may already have the tech backbone of the future, thanks to investments they have made in their core systems, Ungerland suggests. "There's a big buzz about 'silver bullet' solutions like blockchain," he notes, "but there is no silver bullet.

"A lot of the noise, he explains, comes from the biggest financial institutions that are struggling to keep their 40-year-old payments technology alive with high-tech patches," he says. "Many CUs, on the other hand, have implemented good core technology over the past 20 years that lets them react to marketplace demands and innovations." Their core technology can interface with emerging systems; many cores allow CUs to transact in real time, he notes. They already have flexible technology they can leverage.

But not all core systems are created equal. "Some are struggling to catch up; others have great forward-looking solutions," Ungerland notes. But always, when considering innovative transaction sets, talk to the core vendor first about what they can support, he emphasizes. Expect them to pitch their own solutions, and consider them, but look beyond what they offer. The vendor may be able to support better platforms using application programming interfaces, aka "APIs," than the solutions they own, he reports.

If you think mobile payments are the key to a winning payments strategy, don't expect to lean on your mobile banking provider, Ungerland cautions. "Most of our clients use a vendor other than their payments processor for mobile banking, but the mobile vendors are not payments experts," he warns. "Their forte is letting members get balances and move money among accounts. Their innovation in the payments space will be slow and risky."

And don't rely too much on card processors when charting a shrewd payments strategy, Ungerland warns, because they're really vested in old technology. "They're wedded to their established rails and their 16-digit card numbers. That's where their revenue comes from," he notes. And they may have a role to play in 2017 but maybe not 2025, he suggests.

"Their days are numbered. If you're thinking plastic long-term, think again."

À-la-Carte Environment

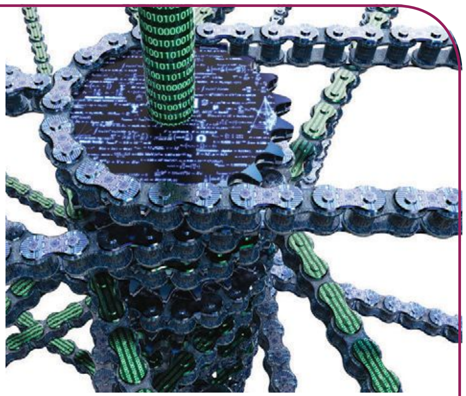
Granted, there are too many fintech players and innovative payment options to consider each carefully. And granted, the outcome of all this innovation and competition is unclear. However, a CU manager can cut through a lot of the clutter by consulting a highly trusted payments vendor for free, or by hiring a payments consultant. Some decisions like offering same-day ACH are no-brainers; it's mandatory. Others like blockchain are so hypothetical at this point that any decision would be premature. Ideally, a CU would craft a payments strategy that fits its membership and business plan and then pick the right pieces to build that strategy. However, in today's fragmented, à-la-carte payments environment, it may be necessary to choose good pieces and link them into a sum-of-the-parts strategy.

But don't downplay the power of change. Emerging payments technology should cause CU leaders to rethink their traditional strategies, says Monica Eaton-Cardone, co-founder and chief operating officer of Chargebacks 911 (*https://chargebacks911.com*), Tampa Bay, Fla. Many CUs expect to survive by emphasizing relationships, but that's "a bad strategy," she insists, "because members increasingly don't like to come into branches. They want to escape relationships that bind them."

Still, CUs need to hang onto members because they are a CU's most valuable asset, she says. "The game will be all about monetizing a customer base, so loyalty and retention will be critical." But it's the members' transactions, she insists, more than their deposits and loans, that will bring future revenue.

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

The Buzz About Blockchain and Zelle



Blockchain is a seasoned technology for trading cryptocurrencies like bitcoin that is starting to look like a promising technology for financial institutions. The nation's biggest banks and an influential group of credit unions are investing in research and testing.

"Virtually every big bank has invested in efforts to 'productize' blockchain and bring something to market," reports CUES member Caroline Willard, EVP/markets and strategy at CUES Supplier member CO-OP Financial Services (*www.co-opfs.org*), Rancho Cucamonga, Calif., "and CUs through CU Ledger are building intellectual property they will own that would use blockchain as the underlying technology."

The focus so far, she reports, is on building a secure chain of custody for data ("a secure handshake for passing along identity credentials") and supporting "sovereign ID"—which makes sure user credentials correspond uniquely to a person instead of to individual websites or application providers, she explains.

Blockchain certainly could upend the payments world. Could it kill ACH (*www.nacha.org/ach-network*) and Fedwire (*http://tinyurl.com/frbfedwire*), the real-time gross settlement system of central bank money used in the United States by its Federal Reserve Banks? "Hopefully," says blockchain fan Monica Eaton-Cardone, co-founder and chief operating officer of Chargebacks 911 (*https://chargebacks911.com*), Tampa Bay, Fla.

"Current payments are incredibly inefficient," she notes, "full of float, blind spots and loopholes, many of which cost consumers, but which may benefit some players that can make money from the inefficiencies. Blockchain could fix all that, she suggests. She concedes that the new technology poses security challenges and will need a mechanism for dispute resolution that is lacking today.

It's theoretically possible to use blockchain to build a distributed ledger system in which individual bank and CU ledgers would be sub-ledger nodes and payments could settle in near real-time as on-us transactions—without external clearing houses or settlement networks—concedes Jonathan Patrick, strategic and innovation analyst and advisor at Jack Henry & Associates (*www.jackhenry.com*), Monett, Mo. But it would be very expensive to build, require virtually all FIs to participate and pose big security challenges, he points out. "Is there enough benefit to justify all that disruption?" he wonders. "Maybe decades from now, but not in the near term," he concludes.

Other ventures are afoot that promise real-time payments. Both CO-OP Financial Services and Jack Henry & Associates have signed up with Early Warning Systems (*www.earlywarning.com*), to offer its Zelle P2P product (*www.zellepay.com*) to connect clients to the 100 million checking accounts of the seven largest banks for real-time payments. Perhaps by late summer 2017, members will be able to open the Zelle mobile app and send money to other persons identified by their email addresses or mobile phone numbers with no need to know account numbers. Zelle is designed to compete with Venmo (*www.venmo.com*), the popular money-transfer service from PayPal known for helping users "split the bill."

Payments-Related Web-Only Bonus Articles

- Mobile Wallet Adoption (*cues.org/1216mobilewallets*)
- Tech Time: Faster Train on Old ACH Rails (*cues.org/1216techtime*)
- Will Blockchain Help CUs? Part 1: Probably (*cues.org/1216blockchainpart1*)
- Will Blockchain Help CUs? Part 2: Probably Not (*cues.org/1216blockchainpart2*)

Payments, Tech Leadership Learning

Payments University (*cues.org/payments*)

CUES School of IT Leadership™ (*cues.org/soitl*)

CRM Mistakes

Poor planning is number one.

By Stephanie Schwenn Sebring

For any company that implements customer relationship management, the goal is to sell more products or services to customers, nurture relationships and boost the bottom line. The financial services world is not excluded.

But has CRM been the silver bullet to unlocking more sales potential? Not yet, or so it seems. As reported by C5insight on LinkedIn (*www.slideshare.net/C5insight/crm-failures*), which included studies by Gartner Research, Butler Group and others, CRM projects fail between 30 and 60 percent of the time.

So, if CRM hasn't been the catalyst for increasing sales, why is this so?

The Most Common Reason: Poor Planning

Ryan Myers, a director at CUES Supplier member and strategic provider Cornerstone Advisors Inc. (*www.crnrstone.com),* Scottsdale, Ariz., says a lack of planning is the No. 1 mistake CUs make. "Many CRM users, including CUs, have no concept of how the new system will fit into the organization," he explains. "They make a decision to start using a CRM system right away without planning on how it aligns with their overall strategy. No matter the size of your institution, the first step is determining how and why you want to use the system—not only on a broad organizational scale but among departments and individuals."

Developing an internal map is a must before vendor selection. "If you don't, you're more apt to let the vendor drive your strategy," adds Myers. "Only you, as a CU, know what your goals are, what the internal workflow looks like, and how users across the organization should use the system to serve members." Implementing CRM without knowing what these interactions look like can create interruptions in service and be a hindrance rather than a help.

Lack of a Strategic View

"Being strategic in your approach to system selection and implementation leads to greater success with CRM," says Floyd Salamino, VP/consulting for CUES supplier member Marquis (*www.gomarquis.com*), Plano, Texas. "Systems are feature-rich, so it's tempting to try and achieve all that's possible with CRM right away. However, it's important to maintain a sharp focus and concentrate on using the features that will support attainment of your goals and facilitate the sales and service process for your staff."

A valued CRM partner can help you to focus on what's most important for greater success and to work toward all that's possible. "Think big, but start small," adds Salamino. Like Myers, he agrees that this can only happen once you fully evaluate the sales process and a plan is laid out on how CRM can assist with the process and employee's work queue.

"Building out your workflow will help you to see how CRM impacts each department and each employee, individually and together. How will CRM impact the call center, branch and mobile channels? Will it reshape, assist or slow down member service?"
Brett Wooden

Letting the Decision (and System) Overwhelm You

The CRM vendor landscape is also amazingly large, submits Myers. "And there is a huge variety in vendor partners and what their software is trying to accomplish. It can be overwhelming to view numerous CRM products if you haven't developed a strategy, roadmap and goals first."

"Consider too, that successful CRM is not necessarily about getting the *maximum use* from the system, but rather *optimal performance,*" says Salamino. "You may not (and probably shouldn't) use all of the functions of your CRM system. Instead, use the features and functions that support your goals."

Not Realizing How CRM Impacts Service

Brett Wooden, chief retail officer for $160-million Providence Federal Credit Union (*www.providencecu.org*), Portland, Ore., has witnessed CRM implementation from many perspectives: within a large CU environment, as a consultant to other CUs, and in his current role at Providence FCU. "Building out your workflow will help you to see how CRM impacts each department and each employee, individually and together," he submits. "How will CRM impact the call center, branch and mobile channels? Will it reshape, assist or slow down member service?"

Wooden says to think about the number of screens employees use to open an account and how the implementation of a CRM system will affect this number. The goal is to keep the process streamlined for staff and limit the number of applications needed to open or add an account. "This can make or break frontline support, and their adoption of CRM is what will ultimately drive success," says Wooden. "I've seen the C-suite make assumptions and these assumptions can cause the downfall of even the best CRM."

Ultimately, the goal is to create a seamless experience for members. "CRM needs to support cross-functional teamwork in its design," adds Myers. "One department's proposed workflow may be extremely different from another, and stakeholders need to address this during the planning process." When mapping your CU's workflow, it's important to determine who is performing what task, in which workspace, and how these workflows will eventually interact.

Not Developing CRM as a Team

"Think broadly. Who are you going to impact when implementing CRM?" asks Wooden. "If you implement CRM without collaboration, you begin to work in silos, and you can lose the transfer of knowledge, especially if departments are not used to having conversations or their workflow dependent on one another."

He adds that often the business development team is the first to get CRM for sales. Then the CU may seek a separate system for the retail side and, subsequently, the two systems don't talk to each other. "Business development wants to know about their SEGs and may make a quick push for a CRM." But don't be tempted to roll it out on the business development side first, advises Wooden. "You may end up with a different CRM system when it comes time to implement it on the member side."

Employee Resistance

A lack of buy-in and support for CRM within your organization can quickly—or systematically over time—cause a breakdown. "If people are not using the system consistently, referrals and follow-ups will fall through the cracks," explains Salamino. "Staff involvement is crucial, so seek their participation early in the process to create ownership and buy-in." Because employee resistance can contribute to CRM failure, Salamino advises recognizing the individuals who tend to resist change and working with them to strengthen buy-in. Anticipate and manage their resistance, perhaps by including them directly in the selection and implementation process.

CUES member Jackie Buchanan, president/CEO of $2.1 billion Genisys Credit Union (*www.genisyscu.org*), Auburn Hills, Mich., an ardent CRM user, says that a thorough review or "due diligence," must occur before you implement CRM.

"For example, if you have a solid sales culture, then you should know what (CRM) tools you need to enhance it to become more efficient and meet future objectives," she says. "Involve your sales team (including the frontline staff) with the selection and implementation of CRM right from the beginning. Ensure your CRM partner has what you need today, and that they have a proven track record of providing enhancements as well as listening to clients."

Assuming CRM Will Develop a Sales Culture

"I think the old saying, 'you can lead a horse to water, but you can't make it drink,' applies to CRM," continues Buchanan. "You can buy all the CRM technology you want, but until the horse is thirsty, it won't drink. And until you have a solid sales culture brewing, the team won't have a need for CRM, the system won't get used. Just implementing CRM does not create a sales culture. At Genisys, we built our sales culture first. Once we had it built, the team then craved a way to track their sales and looked for ways to increase performance."

A healthy sales culture is imperative to CRM success. "If your staff does not know how to make an offer from their CRM prompts, they may just bypass the step altogether," adds Wooden. "Or if an employee doesn't understand the importance of updating the system after making a sale, there could be duplication. Having an established sales culture in place beforehand is critical to adoption."

Wooden also reminds us that CRM can go wrong if not used the right way. "Use CRM to enhance your sales and service culture and create stronger member relationships. If you don't use it appropriately, consider what happened to Wells Fargo and its lack of sensitivity in executing cross-sales. As a CU, you want to ensure you have the sales culture built to benefit the member, not push unwanted products."

A high-performing sales culture empowers staff and measures individual and group performance. Salamino stresses that your team *wants* clear expectations, ongoing feedback, and timely coaching and training. And a good CRM system will make that possible.

> "At Genisys, we built our sales culture first. Once we had it built, the team then craved a way to track their sales and looked for ways to increase performance."
> Jackie Buchanan

Not Giving it Time to Develop

Buchanan says it takes time and patience to get the most out of CRM. "Some CUs may not be patient enough or have unrealistic expectations for their employees—even the ones who have been with them for many years. A CU may also feel that success should follow just because employees now have the right 'tools.' I've seen CUs implement a CRM system thinking it will be the 'be-all-end-all' only for it to become very expensive shelfware."

And don't shortchange yourself on the amount of time needed to implement a system. When executing across the entire CU, Wooden says to allow six months or up to a year and perform 30-, 60- and 90-day assessments along the way.

Biting off Too Much

Trying to do too much with CRM can drain internal resources and cause friction and frustration among staff. "Financial institutions aren't as equipped as other industries for CRM implementation because they're used to relying on point-specific solutions with minimal need to collaborate across functions," explains Myers. "Instead, let objectives drive the CRM you select and features you turn on. Also, roll out the system in controlled phases over several months for the best success."

Wooden adds that if a CU doesn't roll out the system properly or communicate with employees what it is trying to accomplish, failure is more likely. "Poor planning, a lack of communication, and overwhelming your staff can create negative thinking. Instead, ask employees a lot of questions right at the start. Find out their needs and look for potential roadblocks. Every organization is different, but your goals can be common."

He also cautions not to choose a system just because it has a lot of features. "That's why determining needs first is critical. If not, you may end up with a system that doesn't meet your objectives or pay for features you don't need. Knowing what you want and can afford is pivotal to making a sound decision."

Bad Data

A weak data architecture can lead to CRM disappointment as well, and strong data must feed into the system for optimal results. "How accurate is your information and where is it coming from?" asks Myers. "CRM can become a platform to better serve your members, but it can only use the information that's already in your environment. So if you have a lack of data or bad data, results will suffer. A mature data environment is essential."

Not Setting Benchmarks or Monitoring Results

Establishing key performance indicators and benchmarks will help quantify (and prove) results of a well-executed CRM system. "At the C-level, regularly review reports to track KPIs so you can measure how effectively CRM is impacting the attainment of your strategic objectives," recommends Salamino. "Supervisors and managers should also review separate reports to track and measure how employees are using the system.

For example, are employees logging interactions and keeping up with their work queue? Your CRM partner should be able to suggest the appropriate and frequency of reports for review. Examine your expectations and share results with staff."

He adds that there will be no benefit to the system if you don't know the outcome of interactions the system is helping you track. There also won't be any benefit if there's no accountability, feedback and expectations.

"Most employees want to do a good job," offers Salamino. "But they need clear expectations and timely feedback on how they're using the system." Sharing results also helps the employee to see what they do impacts the bigger picture.

Buchanan says that at Genisys CU, giving staff the tools to monitor their sales in real-time has led to CRM success and improved member relationships.

"We don't measure services per household like many CUs," she continues. "Instead, our goal is to ensure we're doing

Before You Implement CRM ...

1. Map the process or employee's workflow from beginning to end—for working with brand-new accounts as well as adding a service to an existing account.
2. Review **and strive to reduce** the number of screens or applications an employee uses during the sales process. (This is crucial to analyzing the workflow.)
3. Determine the integrity of your data—how accurate is it and where does it come from? When was the last time you verified all systems?
4. What percentage of members' email addresses do you have? (The number of email addresses you have controls your ability to extend offers or make timely follow-ups.)
5. Outline the questions members ask during the sales process. Questions will vary by channel (i.e. call center, in-branch or mobile).
6. Recognize the challenges of both the employee and member, including the member's overall experience.

right by the member. We realize this goal by presenting relevant and timely offers to save our members time and money. Through data analytics, staff can determine which products to offer through the various touchpoints. And because of CRM, our frontline team knows exactly which direct mail and email offer a member has received and can reinforce the message."

Expecting a Miracle

Unfortunately, there's no silver bullet for successful CRM implementation, but proper planning can achieve a lot.

"Create the vision of what you want out of the system," says Myers. "Map actual cases of the member journey and see how CRM can be most impactful. Use these examples to start conversations across departments before CRM implementation. Prepare for and fill in the planning gaps. And keep the benchmarks you're aiming for clear and concise. What metrics are you trying to improve? Is it loan growth, enhancing the member experience or something else?"

Then communicate the objectives and results with staff, and continue to reevaluate and revise your plan.

Myers is adamant that buy-in and adoption of CRM are critical to success, and executives must be prepared to show their teams how it is helping to achieve their goals.

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

CRM Resources

Playing Your Cards Right: Data analytics sharpens focus of credit card marketing (*cues.org/0716playing*)

Getting Smart With Member Data (*cues.org/0116insidemarketing*)

Igniting CRM Strategy (*cues.org/0116 igniting*)

School of Strategic Marketing™ I and II (*cues.org.sosm* and *cues.org/sosm2*)

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Know Thy Hacker

Strategies for blocking the seven steps a fraudster's likely to take trying get inside your systems

By Jim Benlein, CISA, CISM, CRISC

Detecting, analyzing and preparing for the ever-increasing types of cyberattacks can be a daunting prospect for a credit union's management team. Being told these attacks are growing in complexity and sophistication does little to lower anxiety levels. While it is true the cyber-threats we face today are more sophisticated than in prior years, it is also true we have a better understanding of the ways these attacks are carried out. Just as we use our knowledge and experiences with a member to understand better their needs, desires and goals, we can use our understanding and experiences with cyberattackers to understand better their processes, methods and ways to defend against them.

Predicated primarily by research and a paper developed by Lockheed Martin (*http://tinyurl.com/lhpaper*) is the idea of a Cyber Intrusion Kill Chain for examining and understanding the steps taken by attackers to gain access to a network and remove data. As a chain, each link or stage is connected one to the next to the next. There are seven stages in the model: reconnaissance, weaponization, delivery, exploitation, installation, command and control, and actions on objectives.

For an attacker to succeed in his or her goals, he or she needs to move through to the final, seventh stage. If the CU is able to "break the chain" at any prior point, the attacker's plans fail. With security controls and countermeasures designed or applicable for each stage, a CU can create a layered defensive system to detect, deny, disrupt or degrade an attack.

Seven Steps Explained

During the reconnaissance step, the attacker gathers data on the target. This includes

researching CU personnel and systems, reviewing its newsletters, and trolling its social media sites and postings. It can also include looking for CU information on vendor, industry association and government websites.

In the weaponization stage, the attacker uses the intelligence gathered during reconnaissance to determine how the attack will be carried out and to build the "payload." For example, will a malicious file be sent via email or as a link to a malicious website?

The delivery stage involves getting the attack payload onto CU systems. Common delivery systems include website "drive-bys," through which malicious code is downloaded when the user views a compromised Web page or an HTML-based email message that links to a website; malicious email attachments; malicious USB drives, dropped with the hope that someone will plug them into a computer or device; or even direct physical access (Read more about this at *cues.org/051414skybox*).

Exploitation occurs when the delivered payload takes advantage of a vulnerability and activates. While vulnerabilities are often technical (software or hardware issues), they may also be systemic or organizational, such as poorly written policies and insufficiently trained staff.

With installation, the file or files within the malicious payload are installed, and the attacker gains a presence within the environment. This is when unwanted files become "live" within the network, such as through a botnet (a network of computers created by malware and controlled remotely), remote access or backdoor entry bypassing authentication.

Command and control is the stage where outbound communication back to the attacker is established. With the completion of this stage, the attacker has gained access to the network and has his or her "hands in the cookie jar."

Once the actions on objectives stage is reached, the attacker achieves his or her goals. These may include extracting or changing data, disrupting system or operations, or using the acquired access to jump to other systems or networks.

Cyber Intrusion Kill Chain

Stage	Examples
Reconnaissance	Social engineering, web searches, passive system scans, membership
Weaponization	Programming and coding
Delivery	Spear phishing, man-in-the-middle attacks, dropped USB drives
Exploitation	Vulnerability review and analysis
Installation	".exe" files, shellcode
Command and Control	Requests/communication via HTTP, Telnet, SSH to remote host
Actions on Objectives	File copying, deletion, or change

Breaking the Chain

Understanding attackers are using various resources to gather information on

Integrating Cyber Intrusion Kill Chain Defenses with NIST Cybersecurity Framework

Kill Chain Components	NIST Framework Components				
	Identify	Protect	Detect	Respond	Recover
Reconnaissance		Social engineering training	NIDs/NIPs		
Weaponization	Inventory of information assets	Data Classification			
Delivery		Proxy filtering	Email anti-virus scanning	Log (proxy, email) monitoring	
Exploitation		Software whitelisting	HIDS	Log (whitelisting, HIDS) monitoring	
Installation			HIDS anti-virus scanning		
Command and Control		Firewalls	NIDs/NIPs	Log monitoring	
Actions on Objectives				Incident response plan	Backups

the CU and its personnel during the reconnaissance stage, the CU can look at ways to prevent this or minimize available information. This would include providing employees training on social engineering attacks; development and use of a data classification security schema to minimize the release of confidential or privileged information; and creating an understanding within the organization that neither the CU's size, type nor location are protections against attackers. From a technical perspective, network intrusion detection and network intrusion prevention systems and firewalls come into play.

While weaponization takes place "offline" and isn't something directly seen or felt by the credit union, understanding the process is important. Attackers weaponize payloads by understanding the systems (hardware and software) in use and the vulnerabilities of those systems. For the credit union, defenses in this stage would include maintaining inventories of hardware and software used in the credit union; assessing the criticality of the systems and the level of sensitivity of any data stored on them; and ensuring that knowledge of system vulnerabilities is transferred to appropriate personnel.

For the delivery stage, the attack moves into areas and defenses generally more familiar to the credit union. Defenses here would include web and email traffic proxy filters; in-line email anti-virus scanning and spam filtering. In this stage, employee security training, particularly regarding phishing attempts, also comes into play.

To counter exploitation, the CU needs to limit the vulnerabilities on its systems and the ability of the malicious payload to execute. The primary way to limit system vulnerabilities is through continuous patching and keeping operating systems and software current. The ability for malicious software to do damage can also be limited with the use of host-based intrusion detection systems (which monitor the internals of a computing system); data execution prevention (which marks areas of memory as either "executable" or "nonexecutable," and allows only "executable" data to run); and software white-listing (registration provided a particular privilege, service, mobility, access or recognition).

For installation, the CU is looking to stop the creation of new files on systems, or the replacement of existing files with malicious versions. Defenses for this include system (PC, server, device) anti-virus packages; host-based intrusion detection systems; and limiting user administrative privileges often needed to install or update files or software.

At the command and control stage, the CU is looking to deploy defenses against outbound traffic. Defenses deployable here are similar to those used to prevent in-bound attack traffic—just turned around. For example, firewall access rules can deny outbound traffic, and network intrusion detection and prevention systems can scan network segments.

For the actions on objective stage, the defenses the CU has deployed have failed to stop attackers. As one security consultant has put it, "At this point, the fire is burning in the office, and your hope now is to limit and control the damage."

The table at left provides examples of how the various discussed defenses can integrate into the NIST Cybersecurity Framework (*www.nist.gov/cyberframework*).

In reviewing, analyzing and determining how the information in this article can be integrated into the credit union's cybersecurity program, it is important this process not be viewed as a one-time exercise. As the credit union gathers intelligence on attacks against themselves or others, this threat intelligence should be matched against the kill chain stages and current defenses. And just as the credit union uses data gathered on loan approvals, rejections, delinquencies and charge-offs to analyze and update its loan program, threat intelligence gained from attacks should be used to analyze, refine and update cybersecurity defenses.

Jim Benlein, *CISA, CISM, CRISC, owner of KGS Consulting, LLC (*www.kgs-consulting.com*), Silverdale, Wash., offers insights to CUs on information technology governance, information security and technology risk management.*

FinCen Guidance

Oct. 25 "Advisory to Financial Institutions on Cyber-Events and Cyber-Enabled Crime" (*http://tinyurl.com/fincencyberguide*)

More on *cues.org* From Benlein

Tech Time: Cybersecurity Assessment Tool (*cues.org/0316techtime*)

Tech Time: Make the Most of Cybersecurity (*cues.org/07232014techtime*)

Security, Inside and Out (*cues.org/1015security*)

Face-to-Face Learning

School of IT Leadership in September in Orlando, Fla. (*cues.org/soitl*)

Innovation Incubator

Strategic Innovation Institute breaks down barriers and opens up possibilities.

By Stefanie Rupert, CIE

With much anticipation I headed to the airport to catch my 5:30 a.m. flight. I had mixed emotions about attending my second segment of Strategic Innovation Institute™ only because work was absolutely crazy busy and I was giving up a week of my summer. In Iowa that really means something. While I had heard great feedback from other participants, I was still consumed with all the other tasks and projects on my to-do list. Spoiler alert! The course was amazing!

Off to Innovate

The flight was smooth sailing and to top it off I was upgraded to first class seating. An earlier discussion with a friend had primed me for the possibility of going via Uber to Stanford University's campus. While I was fearful at first, I downloaded the Uber app when I reached the airport after looking at what appeared to be the longest taxi line ever. Since I was attending an innovation class, it seemed only fitting.

The Uber driver was uber friendly. We chatted all the way and the time just flew. Occasionally I would look out the window and see all things tropical. The stress of my task list disappeared. My mind switched gears. I was ready to engage in learning. It was only later I discovered that as part of the Uber experience I was being evaluated by the driver as well as me rating her. How revolutionary. Thank goodness I was my cheerful self and she couldn't have been more pleasant.

The Schwab Residential Center at the Stanford Graduate School of Business check-in process was a breeze and the executive housing staff was friendly. It had been years since I lived on a college campus. The setting was so feng shui with courtyards, water features and native plants. "Am I on vacation?" I thought to myself. When I got to my room, I unpacked immediately and settled in. I was anxious to see my old friends from the first segment of the institute.

The itinerary indicated lunch was provided and to meet in the lobby. Boy was I glad I re-read the instructions because, and much to my surprise, it required casual clothes and comfortable shoes. My interest was piqued. The team building exercise was incredible and definitely provided a spring board for creating the right learning platform for the rest of the week. While I experienced some bewilderment with this instructor-led, outdoor workshop, rest assured that it's well worth arriving in time for it. Not to worry, it's not a ropes course or a circle of trust, but instead the foundational building blocks for a great week, plus a stellar way to grow collaboration and share ideas quickly.

Up and at 'em! A personal training team led an early exercise program each morning from 6-7 a.m. outside by the basketball court. The morning workouts were optional of course, but when in Rome do as the Romans. Many of us made it a daily routine. What an incredible way to start the day. Dinners and lunches were provided by amazing chefs. As a vegetarian, I often have limited options, but the choices here were colorful and plentiful.

Setting the Stage

Why do I tell you all of this nonsense? Strategic Innovation Institute is all about creating an environment of broad thinking. It's about breaking down barriers and removing obstacles to everyday problems. It's about possibilities. It's about trying new experiences. It's about failing often, fast and moving forward.

You would expect me to boast about the faculty and with good reason. Stanford University's line up is most impressive.

Short of Condoleezza Rice walking in and teaching a section, it was perfect. Starting off with Hayagreeva Rao, “Huggy” is well known for his recent co-authored book with Tom Sutton, “Scaling Up Excellence” (*www.scalingupexcellence.com*). Standford Professor Hau Lee spoke about global value chain innovations, supply chain management, global logistics, inventory modeling, and environmental and social responsibility. And finally, we heard from Stefanos Zenios, the main architect of Startup Garage (*www.thestartupgarage.com*), which works with entrepreneurs in early stage, high-growth companies to attract investment and get out of the “garage.”

The curriculum was phenomenal. Each day built on the last until we ultimately had the opportunity to take the teachings and apply them to ordinary problems in the design center. This is the business of harnessing the collective intelligence of others and stretching the capacity for continuous improvement through developing organizational leadership skills.

This course is expensive, but certainly many of your board chairs and directors like mine feel you are all worth the investment. It’s our bravery and stamina that will carry the credit union mission to unbelievable heights, but not without continuous lifelong learning.

CUES member Stefanie Rupert, *CIE, is president/CEO of $980 million Collins Community Credit Union* (www.collinscu.org)*, Cedar Rapids, Iowa.*

Ready to Innovate?

Innovation Still the Right Thing for CUs (*cues.org/112816skybox*)

Six Barriers to Effective Innovation (*cues.org/101216skybox*)

Innovation is as Close as Your Living Room (*cues.org/022416skybox*)

Strategic Innovation Institute (*cues.org/sii*)

Hear about “new and next” ideas in March at Execu/Summit (*cues.org/es*)

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The CEO-Chair Pair

Is the relationship of this duo dynamic or dead? Whatever your answer, here are ways to strengthen it and—therefore, your CU's leadership and direction.

By Jamie Swedberg

The relationship between a credit union's CEO and board chair is one of the most significant relationships in the organization. Obviously, all the relationships in the board and the management team are important. But if the CEO and board chair don't work well together, there can be a domino effect that has the potential to touch every volunteer, employee and member.

"As much as some people try to hide it or mitigate it, a negative relationship between these two is almost universally noticed at the board level and the senior team level, and it is counterproductive to the leadership efforts within the credit union," says Michael Daigneault, CCD, principal and founder, Quantum Governance L3C (*www.quantumgovernance.net*), a CUES strategic provider (*cues.org/qg*) based in Vienna, Va.

When consultants work with credit union boards to try to make them more effective, they sometimes focus almost exclusively on the structural elements of governance, such as how many people should be on the board, what committees are needed, or what the wording of key documents should be. But the CEO-chair relationship sets the tone of the board and potentially has a larger impact on board dynamics than any of these other issues.

"They don't have to be best friends, and they don't always have to agree," Daigneault points out. "Indeed, I think one of the hallmarks of a great chair is the ability to ask hard questions and to be the critical mouthpiece of the board in holding the CEO and the senior management accountable. But they have to have an effective, ongoing, sustainable relationship such that the work of the credit union can get done."

Mutual Advice and Counsel

The optimal relationship between a CEO and a board chair is embodied in the phrase "trust, but verify." They should be able to, willingly and without defensiveness, seek each other out for mutual advice and counsel. They must be supportive, but they must never be each other's yes-men.

"I've asked some CEOs, 'Who on the board would you go to for advice?' and gotten heartbreaking answers: no one, or just one or two select people," says Daigneault. "But in an ideal situation, I'd want them to be able to say 'I can go to the chair.' What I wish for them is that the chair can be a great resource, sounding board, advisor, and counselor for how to think things through, or how to frame things, or how to work with the board to get the work of the credit union done.'"

CUES member Liza Edinger, president/CEO of $120 million Ripco Credit Union (*www.ripco.org*), Rhinelander, Wis., counts on her board chair to be a voice for the members.

"At last month's board meeting, we had a discussion about a coin machine fee that had been instituted," she recounts. "It had been discussed before, and we had explained it, but the concern behind this conversation was whether it was right for the members. Our chairman always says, 'We're here to act on behalf of the membership.' I think that's a critical part of his success—he really cares for the membership. He's not just there for the title."

CEOs and chairs who work together well also tend to have a clear understanding of their roles: directors' strategic and high-level fiduciary oversight and the hands-on operational leadership of management.

"You need strong leadership on both sides of the house, volunteers and management," says CUES member Rick Skaggs, president/CEO of $560 million USF Federal Credit Union (*www.usffcu.com*), Tampa, Fla.

"Ultimately our business plan is built out of the [board's] strategic planning process. I really seek their input and ensure that we have alignment there, because if I get alignment on strategic vision and the business plan, then they really let me do the implementation side of that."

USF FCU Chair Scott Besley, Ph.D., says his board really avoids doing the work of management. "We're involved with strategic planning and policy," says the CUES Director member. "If we think we're getting down there, or management thinks we're getting down in the weeds with them, we back off."

Edinger says it's important for board chairs to understand that too much micromanaging can be stressful on the CEO.

"All the board chairs I have dealt with know where those boundaries are and respect them," she says. "But that doesn't mean that we can't openly converse about some things. Even if he knows I'm going to make the decision ultimately, he might share a concern ... then he leaves it to me."

Despite the governance-operations divide, board chairs can sometimes offer CEOs wisdom on management issues, and vice versa, Daigneault says.

"Some people say it's not the job of the board or the board chair to manage, but I disagree," he says. "It's the board chair's role to manage board operations. So think about that kind of partnership: The board chair and CEO can heed each other's advice and counsel on the groups they are managing."

CUES member Liza Edinger says her chair, CUES DIrector member Steven Ferch, is always reminding, "We're here on behalf of the membership." The pair serves members of $120 million Ripco Credit Union (*www.ripco.org)*, Rhinelander, Wis.

Better Interactions

What, then, should CU CEOs and board chairs do if they believe their relationship is less than optimal, or if they want to push a good relationship to the next level? They can start by addressing four critical areas:

1. Communication styles. When CUES member Matt McCombs, CCE, president/CEO of $565 million Vibrant Credit Union (*www.vibrantcreditunion.org*), Moline, Ill., first joined the organization as CEO three years ago, Chair Teri VanDyke was also brand new—the CU rotates board chairs every three years. Initially, it wasn't smooth sailing, although Van Dyke says the outgoing chair was a supportive and helpful coach.

"We had a learning process," McCombs admits. "We probably approach work very differently as far as where we're at in our careers, the way in which the previous leadership team had operated. There just was a lot of change. I think it took us six months to a year to really find a common understanding of the language we use, the approach we have to the day, and the way we handle conflict, and to bridge that gap."

This is a common issue for new CEO-chair pairs. Unaccustomed to each other's styles, they may misinterpret intentions or feel unheard. Cognizant that the board and the board chair are the CEO's supervisors, the CEO may tend to accentuate the positive and neglect bad news. And initially, both parties may hesitate to pick up the phone because they feel uncomfortable. The only solution is a mutual goal of open communication.

Edinger says she and her chair have an excellent relationship, but it didn't happen by magic. "I have been told that years ago there was a little bit less discussion between the former president and chairs," she says. "But now, he and I always discuss the agenda each month before it actually goes out. What I like about our relationship is he's very supportive, and yet on the other hand, not afraid to speak his mind. We don't always agree on everything, but if he tells me he has a concern, it's never done in an antagonistic way. It's 'Let me share this with you.' I think having a little bit of humility ... helps."

Skaggs says these relationships are about mutual respect," says Skaggs. "Sometimes the whole picture is not known, so if you can get in there and talk in a respectful way and understand where the other person is coming from—a different paradigm—sometimes that can change your outcome."

CUES member Matt McCombs, CCE, and his chair, Terry Vandyke, connect at commitee meetings and supplement that heavily with emails and phone calls as they lead $565 million Vibrant Credit Union (*www.vibrantcreditunion.org*), Moline, Ill.

2. One-on-one meetings. Almost all CU CEO-chair pairs recommend regular one-on-one meetings outside of board meetings . But Daigneault says one size doesn't fit all.

"Different board chairs and different CEOs will have different styles," he says. "One chair might say, 'Listen, I want to sit down with you face to face over coffee once every two weeks, and let's just talk things through. Let's stay on the same page, no surprises. ... And that works for them, and it's a great way to do it.

"But there are other board chairs that don't have time to meet face to face every two weeks. They might say, 'I'm here, I'm a resource, I'm a sounding board, and I'm a counselor and an advisor. You might call me three times in one day, and you might not call me again for three weeks.' And for that chair and that CEO, that might also be best practice."

Skaggs is in the first group. He and his chair and vice-chair have a set meeting every month, just for them. Edinger and McCombs are in the second group. They see their board chairs at committee meetings and supplement that contact heavily with emails and phone calls.

3. Governance models. In addition to setting informal meetings, CEOs and board chairs should agree on two other important processes: development of board agendas and the utilization of the executive committee.

"One of the places where the intersection [between the CEO and the board chair] takes place most acutely and most importantly is how the board agendas are set," says Daigneault. "It is a collaborative effort ... Together they begin to talk about and craft the board agenda—perhaps not only for one board meeting, but for a pattern of board meetings throughout the year."

Maybe for part of the year the board will work on budgets, and another part of the year they'll look at the audit process. The executive team and the board volunteers may have a say, but the schedule of agendas should be the CEO and chair's mutual brainchild, and should reflect their collective vision.

4. Conflict resolution. Finally, if the relationship is fractious, intervene early. Don't pretend that the problem isn't real or that it will somehow go away. Address it courageously. Call in a trusted intermediary, such as a board member or ex-chair, or bring in a professional to help. Whatever frustrations exist, the CEO and chair must find their common ground and build upon it.

"I view it as a team relationship," says CUES Director member Steven Ferch, Ripco CU's chair. "Ultimately, the board chair/board relationship with the CEO should not be adversarial in nature, as they are both working toward the same goal—that goal being what is in the best interest of the members."

Edinger, Ferch's CEO counterpart, thinks these CU leaders need to end conflict as soon as it arises or bad things happen. "So if I sense any type of conflict, I try to get to the bottom of it before those walls go up. If I had [a tense relationship] with the board chair, if there were anything I felt was making my job harder because of the interaction between the two of us, I would very humbly, respectfully try to have that conversation."

Sadly, not every relationship can be fixed. In a very few cases, the divide is so severe that it can't be reconciled. If that's the case, the chair and CEO must put the credit union's first and one of them must step down, Daigneault says.

But in most cases, the CEO and the chair can build a working relationship that will strengthen the credit union and its ability to serve its members. It all comes down to trust and respect, says Rick Will, vice chair of USF FCU, who will assume the role of chair in 2017.

"When I think of the CEO-chair relationship, the first thing that comes to mind is communication," he says. "But I have to tell you, that is a given. That is going to be sufficient, but it's not going to make you have a great relationship. What it takes is a two-way street of respect and trust. I really feel that our CEO respects the board's opinion. He trusts that we're going to do the right thing—and the right thing is our commitment to our members."

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

Help for CEOs and Chairs

Unconventional Thinking: Who Does What? at *cues.org/0711unconventionalthinking*

Your CEO's Wish List at *cues.org/0116CEOwishlist*

CEO Relations section of Center for Credit Union Board Excellence (*cues.org/ccube*), email *cues@cues.org* for a free 30-day trial

Board Chair Development Seminar at *cues.org/bcds*

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Wow! A Great Board

CUs celebrate when they successfully onboard willing, able and (sometimes) young directors.

By Charlene Komar Storey

Finding willing candidates to fill seats on credit union boards can be a difficult undertaking. The need to find willing candidates who are also qualified can ratchet a hard task into a grueling one.

Today, board membership involves a fiduciary responsibility and requires a grasp of ever more complex concepts and topics from strategic planning to technology. Not everyone is eager—or able—to handle these obligations.

Then there may be the need to ensure that merged-in credit unions' members and those living in farther-flung geographic areas still feel represented. And bringing on millennials as board members is definitely a goal for some credit unions.

Sometimes things are further complicated when open elections result in well-meaning candidates who simply don't understand a key fundamental of serving on a board today: the enormous commitment that's required in terms of time and effort.

Yet many credit unions are meeting the challenges. They're finding ways to groom volunteers to eventually become board members, and they're managing to avoid ill-equipped aspirants.

"The bottom line is you need experienced board members who understand the governance role and are willing to invest the time to learn what they need to know. General call-out elections can't guarantee that outcome," says CUES member Marita A. Hattem, chief experience officer at Connexus Credit Union (*www.connexuscu.org*), Wausau, Wis. She adds that in the 1970s and 1980s, just having candidates pop up and be elected may have worked. But starting with the Enron debacle when the board missed important red flags before the company collapsed in 2001, Hattem says, things began to change.

Since then, board members have faced increasing burdens in terms of what they must know. Besides a plethora of new rules and regulations from different sources (get more about the director financial education rule at *cues.org/123112financialedpolicies*), credit unions have grown in size, resulting in a need for a more sophisticated grasp of strategy. In all, credit unions have had to step up their games in filling board seats.

Nominating Committee Key

When the $1.3 billion Connexus CU holds elections for directors, it first does a call-out for recommendations, and those suggested are vetted carefully by the organization's nominating committee.

"You need a year-round nominating committee, constantly taking recommendations," Hattem advises. The recommendation process is open, so there is freedom of choice, but the nominating committee endorses one person for each open position. That also avoids any embarrassment for individuals who may lose an election but would be valuable in another volunteer position at the CU. "We've also realized that really great people can feel embarrassed or disenfranchised running in an election and losing. We don't want to put anyone in that position," she adds.

Hattem says that the nominating committee makes sure potential board members understand the responsibilities of the position. She adds that it's just not possible to have a board composed of knowledgeable, committed individuals when using a random election process.

That philosophy has been explained to Connexus CU members at an annual meeting, and no members have raised objections, Hattem says.

Planning for Younger Directors

South Burlington, Vt.-based NorthCountry Federal Credit Union (*www.northcountry.org*) has a board that's diverse in age and gender. It didn't get that way without planning.

"We had a great nominating committee that started the process a couple of years ago by making a list of young professionals in technology-based companies," says CUES member Bob Morgan, CSE, CCE, CEO of the $515 million CU. Talking to the individuals allowed the nominating committee to identify those who were interested in volunteering at the credit union.

That effort started a snowball effect. "It builds on itself," Morgan says.

"They're energetic, committed and smart. They're ready to contribute if they feel they're being listened to. You have to truly be open to listening and to change."
Bob Morgan, CSE, CCE,
on having millennials as directors

"We became more engaged in making volunteer activity more attractive to younger people," Morgan says. "We're sincerely interested and open to their input and guidance. We're ready to embrace new ideas."

Morgan says it's the same with the millennials on NorthCountry FCU's staff. "They're energetic, committed and smart. They're ready to contribute if they feel they're being listened to. You have to truly be open to listening and to change."

"We constantly show their contributions are appreciated," adds Kathy Sweeten, chair of the NorthCountry FCU board, which is a member of CUES' Center for Credit Union Board Excellence (*cues.org/ccube*).

Age isn't the only important characteristic. NorthCountry FCU also wanted to build a board that would fairly represent its increasing physical reach.

"When looking at board succession, we are also looking at geographic diversity," explains Sweeten. The credit union is in 10 of Vermont's 14 counties. Although Chittenden County, where NorthCountry is based, is the most populous in Vermont, the credit union is eager to reach out to Green Mountain State counties with fewer residents as well.

The result of all these efforts, Sweeten says, is a pool of candidates who are now waiting in the wings.

Mirroring Merged Members

The issue of making sure all of a credit union's members are represented can get even more complicated when mergers have taken place.

Elgin, Ill.-based Corporate America Family Credit Union (*www.cafcu.org*) has merged in a number of credit unions over the years, many of which were small, says CUES member Peter Paulson, CCE, president/CEO. Many of the merged credit unions were in Illinois, but a number were out of state; the $615 million, 70,000-member credit union now has a presence in 11 states, from Connecticut to California.

In a couple of cases, no directors of merged CUs wanted to continue. "Sometimes, directors are ready to step down," Paulson observes. "And they feel they found a safe place for their credit union to land." But some have been interested in joining the Corporate America Family CU board.

Many are content to become nonvoting "emeritus" board members. "It lasts about a year," Paulson explains. "It's an ideal way for them to stay involved through a merger. They get all the information that voting members do. It's a great way to be heard." And, says the CEO, it leaves them with the confidence that the merger was the right decision and their members and staff are being well taken care of. At the same time, it gives Corporate America FCU the perspective of the members of the merged credit union's members, making it a win-win situation.

Other board or supervisory committee members from merged credit unions want to be full-fledged directors. "We ask the other credit union board to recommend one or more candidates, and then those people are interviewed by our nominating committee. They're typically invited to attend our board meeting," Paulson says. Four of the credit union's nine current voting directors came via mergers.

If there are more interested individuals than needed to serve as voting board members, some become associate directors.

"It's a great way for them to learn about the board, and for the board to learn about them," Paulson says. "It's very likely that the nominating committee will be interested in presenting them as future voting board members." Other associate directors are recruits not from merging credit unions.

Charlene Komar Storey *is a veteran credit union writer based in New Jersey.*

Committees as Training Ground

CUES member Gerd Henjes, president/CEO of E. Syracuse, N.Y.-based Countryside Federal Credit Union (*www.countryside.org*), says, "If you want to get on our board, or I should say get nominated for an open board position, our expectation is that you will work our various committees for a few years and then potentially move up. That's how it works, and I'm very proud of the board that we have assembled, with honestly no real desire to experiment."

Henjes points out that two Countryside FCU board members hold Ph.D.s, with one also having earned a CPA designation. Both teach at local colleges. The seven-member board also boasts another accountant, a high-level manager, and an IS manager who specializes in networks, as well as an individual who works for a fee-only investment advisory firm. There are five male and two female directors; three directors serve on the asset-liability committee, and two on the loan review committee. There are also five supervisory committee members, one of whom serves on the board.

More on Board Committees

The Benefits of Board Committees (*cues.org/1116boardcommittees*)

CUES' Center for Credit Union Board Excellence (*cues.org/ccube;* email *cues@cues.org* for a free trial)

Consulting from Quantum Governance (*cues.org/qg*), CUES' strategic provider of governance services

CUES' Supervisory Committee Development Seminar (*cues.org/scds*)

A 2017 Career Roadmap

Eight steps for helping employees reach their goals this year.

By Laurie Maddalena, MBA, CPCC, PHR

If you don't know what the career goals are for each of your employees, finding out should be one of your top priorities in 2017.

One of the most important competencies of leadership is facilitating employee learning and development. Yet most managers don't spend nearly enough time understanding the values, needs and goals of their employees.

It is the responsibility of leaders to provide employees with meaningful feedback and frequent coaching that supports them in developing their skills. Various research studies point to growth opportunities and career development as an important factor for employee satisfaction. But career development is not just beneficial to employees. Consistently coaching and developing employees increases engagement, retention and productivity. And that contributes to the success of your leadership and the bottom line.

Retain the Top

According to CEB (*www.cebglobal.com*), a top reason employees leave is a lack of future career opportunities. A survey conducted by Deloitte (*www2.deloitte.com*) found that 71 percent of millennials likely to leave their jobs in the next two years are unhappy with how their leadership skills are being developed. And research by the Hay Group (*www.haygroup.com*) found that the biggest gap between employees planning to stay with a company and those planning to leave within two years was "confidence in ability to achieve my career objectives."

Many organizations talk about retaining and engaging employees, but few put in the consistent effort and energy to create a plan for supporting and developing employees toward their future goals. Thinking that you don't have time to develop your employees is a mistake that will be costly to the organization and your own leadership. Employees today expect their leaders to invest in them, and they will leave for better opportunities if they don't receive the feedback, coaching and support they crave.

If you want to compete for top talent and attract—and keep—the best employees, you need to be actively involved in supporting and helping your employees reach their career goals.

Employees today want approachable leaders who will engage them at a deeper level and get to know them as people with desires, goals and needs. Exceptional employees want opportunities for growth and development, and they want to understand what the future holds for them at your CU.

The Leader's Impact

As a leader, you have a big impact on employee engagement, recognition and career growth. Ideally, your efforts are augmented by a broader strategic approach to development spearheaded by the talent or HR department. Typically, HR is equipped to conduct a needs analysis to determine the future talent needs of the organization and a talent assessment to understand the skills and abilities of each employee. But even if your CU doesn't take a strategic approach to development, you can still have a significant impact on developing and retaining your employees.

A way to successfully develop the skills of your employees is to create a career roadmap. A career roadmap is a plan that details the steps needed to reach the overall goals. It's an effective way of taking a long-term goal that can often seem out of reach and creating a plan for achieving it.

Following are eight steps you can take to create a career roadmap for your credit union and each of your employees for 2017.

1. Assess Each Department

Creating a career roadmap should not be done in a vacuum. For your efforts to be effective, you should first look at the broader picture of your departments. Here are some questions for managers and department heads to consider:

- What are the future needs of the department?
- If the credit union is poised for growth, what additional positions and skills will be needed in the next one to five years?
- What is the likelihood of attrition, through retirements or resignations?

It would be valuable to create a departmental chart that projects the talent needs for the next one to five years in your functional area. Having this broad perspective will help you to fill any talent gaps and better prepare your department.

2. Conduct a Talent Assessment

Next, assess the current skill level and talents of each of your employees. This information will be helpful for creating individual development plans as well as understanding the overall needs in each department.

- How would you rate each employee on the required competencies and skills in the respective position?
- Are any employees showing potential for a higher-level role or leadership position? Is anything currently being done to support this growth?
- Are there any talent gaps in the department?
- Are there any themes around skill gaps in the department? Do you need to provide additional training for skills that are lacking among several employees?

Thinking that you don't have time to develop your employees is a mistake that will be costly to the organization and your own leadership.

For example, if you notice that a number of your employees struggle with planning and prioritization, perhaps a training session on this topic would be valuable.

Taking a strategic approach to career development allows you to see the broader departmental and organizational needs and take these factors into account when creating individual development plans.

3. Hold an Initial Career Discussion

Once you have done some preliminary analysis of your needs and gaps, you can focus on individual employee development. If you typically conduct an annual performance evaluation in January, this may be a good time to hold an initial career discussion with each employee.

Set the stage by letting the employee know you want to spend some time during the evaluation meeting to talk about career growth. Ask each employee to come prepared to share their personal and professional goals, and specific areas or skills they would like to develop.

During the meeting, facilitate an engaging discussion around the employee's career growth and goals. Below are some examples of questions you might ask to create a meaningful dialogue:

- What are your career goals?
- What do you want to be doing five years from now?
- What is important to you in a position?
- What do you like best about your position? Least?
- What areas would you like to develop more skill in?

Once you understand the employee's career goals, you can use coaching questions that lead to a more specific discussion around skill gaps and goals for the year. For example, if the employee wants to prepare for a leadership role, you can share the required competencies for a leadership position and facilitate a discussion around the employee's strengths and development opportunities as related to the position. You might ask:

- Of the competencies required for this leadership position, which do you feel are your strengths?
- What competencies or skills do you need to develop to be successful in the leadership role?
- Based on what we've talked about, what specific goals do you think would make sense for this year?

You can also share your perspective and suggestions of areas the employee should focus on developing.

4. Create an Individual Career Roadmap

Once you have a clear understanding of each employee's career goals, you can create an individual career plan that provides specific steps that will lead the employee to achieve the goals. Creating this roadmap should be a dual responsibility and not left up to the manager.

Many employees mistakenly think their manager is in charge of their development. While the leader plays an important role, you want the employee to take ownership of the process with involvement and support from you.

Using the initial career discussion as a foundation, ask the employee to summarize his overall career goals and create an outline of a monthly career roadmap that includes actions or education that addresses skills gaps and goals.

You can coach the employee through this process by providing ideas and suggestions for the roadmap. For example, if the employee wants to prepare for a leadership role, you may suggest she enroll in a leadership training program, attend specific credit union networking events and lead an organizational project. Involve the employee in this discussion by asking for her ideas as well.

Breaking the roadmap down into monthly actions will ensure that the plan gets implemented, and doesn't get put on the back burner.

5. Schedule Regular Coaching Sessions

This is one of the most important aspects of career development. Creating the plan is just the beginning; actually implementing a growth plan takes commitment and time from both the leader and the employee. Regular coaching sessions are an excellent way to have meaningful conversations with your employee throughout the year. This will ensure that progress is made and that the plan doesn't lose importance.

Many managers mistakenly think meeting with employees is the same as coaching. Coaching is about asking the right questions to get to a deeper conversation, as well as providing support, encouragement and resources. Your goal in these monthly sessions is to lead the employee in taking ownership of her career roadmap by requiring her to come prepared to discuss challenges, successes and progress.

6. Be an Engaged Leader

Employee development is a process, not an event. For development to be successful, both the employee and the manager need to be engaged in the process. As the leader, your job is to provide feedback, support and resources to your employee. Feedback should be timely, specific and meaningful. Telling the employee she is "doing a great job" is not helpful feedback. As a leader, you should look for opportunities to share positive as well as constructive feedback.

Being engaged in the development of your employee also means pointing out opportunities that reinforce her specific career goals and taking an active role in supporting her. Share articles, learning opportunities or other resources that would benefit the employee.

7. Create Experiences

Development doesn't need to be limited to regular coaching sessions or formal training programs. Perhaps attending a weekly executive meeting or a board meeting would be a valuable experience for the employee. Delegating a high-profile project could provide an employee the opportunity to build leadership skills. Presenting a departmental initiative to the leadership team could give an employee an opportunity to polish her presentation skills. Create experiences that will support the development of key skills or competencies.

8. Create a Mentoring Program

Pairing less experienced employees with more senior-level colleagues can be a valuable way to teach skills, provide support and keep employees engaged. Make sure you are clear about the goals of the program and you get buy-in from senior-level leaders and mentors.

As a leader, one of your most important key result areas is the coaching and development of your employees. It's a privilege to be a leader, one that should not be taken lightly. Investing time in the growth, development and coaching of your employees will not only lead them to higher levels of success and engagement, but will contribute to your own leadership success as well.

Laurie Maddalena, MBA, CPCC, PHR, *is a certified executive coach, leadership consultant and founder of Envision Excellence LLC* (www.envisionexcellence.net) *in the Washington, D.C., area. Her mission is to create exceptional cultures by teaching leaders how to be exceptional. Maddalena facilitates management and executive training programs and team-building sessions and speaks at leadership events. Prior to starting her business, she was an HR executive at a $450 million credit union. She also writes the monthly "NextGen Know-How" column for* cues.org. *Contact her at 240.605.7940 or* lmaddalena@envisionexcellence.net.

Career Development Resources

CUES Advancing Management Group membership (*cues.org/membership*)

Articles:

- Helping Them Soar (*cues.org/0916soar*)
- NextGen Know-How: Develop Your Leadership Brand (*cues.org/1016nextgen*)
- NextGen Know-How: 5 Strategies for Earning a Promotion (*cues.org/0916nextgen*)
- NextGen Know-How: 4 Signs You Should Not Be a Leader (*cues.org/0616nextgen*)

Leverage Vendors to Execute on Strategy in 2017

The New Year is here, and your credit union's strategic plan is in place. Now it's time to execute in an environment that offers never-before-seen challenges. One element of that execution will include managing vendor relationships.

"Every year no matter how hard we work and how well we do, we always face an industry that's going to force us to up our game and get better and get stronger," said Steve Williams, principal at CUES Supplier member and strategic partner Cornerstone Advisors (*www.crnrstone.com*), Scottsdale, Ariz.

"Radical uncertainty" is what Williams saw coming for the financial industry when he spoke to CUES members in the webinar "Results-Based Strategic Planning."

"We're in a macro economic environment that's never been navigated before," Williams said. "In the history of central banking, the hundred years of the Federal Reserve, we've never had this type of economic environment. And we are approximately seven years and three months since our last recession ended; our next five-year planning cycle of planning probably includes a recession of some type."

Add to that big banks are closing the gap on service. There are 55 million active mobile banking users between Bank of America, Chase and Wells Fargo. "When consumers get activated with mobile banking, more than any other self-service channel in the past, their satisfaction goes up. So ironically, while the big banks used to be horrible at scaling bureaucracy, they're actually pretty darn good at scaling software," Williams said.

Credit unions typically exceed banks in service, but Williams sees the theme remain: "As more consumers use digital banking, their distaste for large banks is reduced."

So how do credit unions keep improving, keep winning on service and scale software? They make key vendors a part of their strategy.

Credit unions, in large part, do not develop their own technology. They rely on vendors. So to the extent that "every company is a technology company," as Forbes magazine said, credit unions must rely on vendors to grow.

Williams said, "We think one of the most strategic things going forward is the concept of vendor performance management." He sees a credit union taking 10-15 key partners—those they utilize to deliver technology, member experience and services such as payments—and managing those relationships on a more strategic level.

Instead of viewing vendor management as a dictate from the National Credit Union Administration (*www.ncua.gov*) to remain compliant, strategic vendor performance management involves cost management, risk management and benefit management.

"Our opinion is for too long, this [vendor management] has been relegated too much from a risk side down in compliance and ERM; from a cost side, maybe too much in finance; from a benefits side, maybe too much in IT. This is an executive-level thing that we have to look at our partners as a key component of our strategic plan," Williams said.

A good test to see where a credit union lands on the spectrum of vendor management: What is the partner health report that a credit union's executives have on hand? Doing well on that test, says Williams, looks like a dashboard showing the vendor's performance on cost, risk and benefits. The dashboard would easily show termination dates, as well as deadlines to submit notification if a contract is terminated.

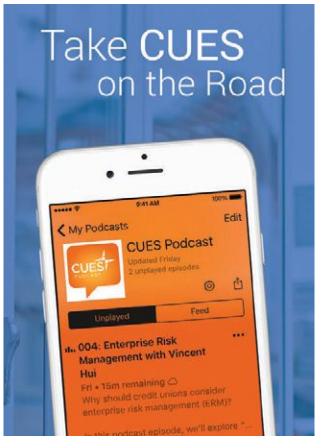
Leveraging vendors at a strategic level will help elevate the credit union game in 2017 and beyond.

Resources

Read more about Cornerstone's take on strategy in "A Balanced Strategy" by Steve Williams (*cues.org/1016balanced*).

Listen to the full webinar recording of "Results-Based Strategic Planning" (*cues.adobeconnect.com/p1xj6lf4qjq)*.

CUES Launches Free Podcast Series



CUES is pleased to announce the CUES Podcast series is now available, featuring industry leaders and cross-industry experts discussing their perspectives on the latest credit union topics and trends.

"We'll explore mergers, marketing, strategic planning, risk management and much more," says James Lenz, CUES' professional development manager and CUES Podcast host. "CUES is focused on bringing the best talent development opportunities to credit unions, and the CUES Podcast offers a free and easy way for the industry's professionals to hear directly from experts."

CUES Podcast episodes currently available include:

- "Achieving a Strategic Rhythm in Your Credit Union," featuring Les Wallace, Ph.D., founder, Signature Resources;
- "A Hero-Friendly Culture," featuring Jim Bearden, leadership and accountability speaker, decorated Vietnam veteran and former corporate executive;
- "Enterprise Risk Management," featuring Vincent Hui, senior director, Cornerstone Advisors Inc.;
- "A Culture of High Accountability," featuring Doug Samuels, president/CEO, Space Coast Credit Union; and
- "Mergers and Acquisitions," featuring David Ritter, shareholder in the Strategic Advisory Group, Doeren Mayhew.

"New podcasts will be published twice a month," says Lenz. "Listeners will find the CUES Podcast offers the same quality of content credit union executives and board members have come to expect from CUES, in a portable format."

The CUES Podcast is available in Google Play, iTunes, and Stitcher. Listen or subscribe using your favorite podcast app. You can also link directly, and learn more, at *cues.org/podcast*.

CUNA Mutual Group Is First CUESolutions Partner

CUES is pleased to announce CUNA Mutual Group (*cunamutual.com)* as a Platinum CUESolutions partner, for its Executive Benefits Program and CUNA Mutual Retirement Solutions.

CUESolutions is a new program designed to easily connect credit unions with suppliers who have the products and services they need to evolve and elevate their success.

"The relationship CUNA Mutual Group and CUES have forged over the years is very important to us. It has provided valuable thought leadership to the industry since 1999, and both have played a vital role in helping credit unions grow and thrive," says John Pembroke, CUES president/CEO.

"CUES member credit unions are clearly committed to developing their leadership talent and we value the opportunity to help them accomplish that," says Mike Defnet, SVP/sales and marketing at CUNA Mutual Group. "Our Executive Benefits and Retirement Solutions programs will help credit unions attract, retain and reward their high-performing executives, and we are proud to be the first CUESolutions partner."

"This partnership is especially important when you consider that, according to the *2015 Compensation Best Practices Report* from PayScale, 63 percent of companies report employee retention is their top concern," says Pembroke. "Retaining talented leadership is critical in meeting a credit union's strategic and financial goals. The partnership between CUES and CUNA Mutual Group makes perfect sense. It's a force in the industry—one that will get even stronger through CUESolutions."

To learn more about CUESolutions, contact Karin Sand, CIE, CUES' VP/supplier relations, at *800.252.2664* or 608.271.2664, *ext. 341*, or email *karin@cues.org*.

CUES Members: Track and Analyze Your Learning

CUES Learning Tracker is a powerful data analytics tool available free to CUES, CCUBE and CUES Director members. It not only easily tracks what you've learned online, it also helps you determine the best next steps in your education.

Each time you log into *cues.org*, CUES Learning Tracker goes to work, automatically tracking what you've learned on the CUES website.

You can also use the CUES Learning Tracker Bookmarklet as you explore the web outside of *cues.org*; any time you encounter something you wish to document in your learning history, simply click the bookmarklet, and your activity will be recorded in CUES Learning Tracker.

CUES Learning Tracker also transforms information into meaningful data, pinpointing gaps so you can leverage your time efficiently. Easily keep track of your recertification needs, and show auditors and your HR department what you've learned—without manual recordkeeping.

CUES Learning Tracker is backed by Rustici Software. Watch a demonstration video and learn how CUES Learning Tracker can help you track and finess your learning at *cues.org/clt*.

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Attend CUES School of Business Lending™ I, II and III this year in Orlando and Seattle. Then sit for the new CUES Certificate in Business Lending in 2018.

Get Certified in Business Lending

Building upon more than a decade of business lending schools, CUES is set to offer CUES Certificate in Business Lending, March 28-30, in Madison, Wis. This program is a new course, assessment and, ultimately, a certification in member business lending.

CUES Certificate in Business Lending will feature two-and-a-half days of in-depth lending education and will be taught by Jim Devine, chairman and CEO, and Bob Hogan, president and COO, Hipereon Inc., the same instructors that bring industry leaders the CUES School of Business Lending series.

Concluding with an assessment and a three-hour certification exam, attendees will learn about mastering accounting principles and tax returns; financial analysis and diagnostic assessment; as well as cash flow and risk analysis. Participants will also leave with a deep understanding of capital budgeting techniques, industry sector risks, credit risks and much more.

Interested credit union leaders must complete the first three CUES School of Business Lending segments within 24 months of sitting for the certificate. However licensed CPAs may waive CUES School of Business Lending™ I. Past graduates of the series are eligible to take the assessment under a grandfather clause.

If your lenders have not yet attended CUES School of Business Lending, send them through the program in 2017.

- CUES School of Business Lending™ I: *Business Lending Fundamentals* is May 1-5 in Orlando;
- CUES School of Business Lending™ II: *Financial Analysis and Diagnostic Assessment* is July 17-21 in Seattle; and
- CUES School of Business Lending™ III: *Strategic Business Lending* is Sept. 18-22 in Orlando.

CUES members receive a discount on tuition for each segment of CUES School of Business Lending when they register for all three at once. Learn more at *cues.org/sobl*.

Learn more about CUES Certificate in Business Lending at *cues.org/blc*. Register early as rates increase $400 after Feb. 11.

2017

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

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

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

NEW
PAYMENTS UNIVERSITY
Developed with CO-OP Financial Services
April 3-4
Holiday Inn San Francisco
International Airport

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

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
May 1-4
Embassy Suites by Hilton Orlando
International Drive Convention Center

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *CREDIT ADMINISTRATION*
Aug. 21-25
Embassy Suites by Hilton Denver Downtown Convention Center

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

Look Beyond 'Engagement'

By Holly Buchanan

Employers are constantly trying to find new and better ways to create employee engagement. They want to know how to "motivate, inspire and engage" employees—in the hope of increasing productivity. But what do employees want?

Part of the problem is that employee engagement is framed from the perspective that the employer is the leader that has to inspire and engage employee-followers. In reality, employees want to be leaders, not followers. When employees lead, they are more engaged than when they follow.

I heard the CEO of a large financial company tell a large audience of college students, "If you want to be leaders, you have to have followers." I couldn't disagree more. Given the choice, most employees would rather lead than follow. They don't want to be inspired, but to inspire others. They don't want to be engaged, but to be engaging.

Start with small leadership opportunities. One credit union manager wanted to train her staff on how to handle member problems. Instead of presenting her own ideas, she asked employees to share solutions they had devised to resolve member issues. She shared some advice but also acknowledged that some of the staff's solutions were brilliant.

Here's another example: When employees at a regional bank make a mistake, their manager asks them to come up with three ideas on what they could do differently next time. In both of these examples, the employees take the lead in their own training.

Spell it out. Set out exactly how employees can advance their careers and become leaders. You can help them progress by defining the leadership qualities they need to get there. By nurturing initiative and accountability, you can bring out the leaders on your staff—and improve performance and productivity in the bargain.

Holly Buchanan *is the author of* Selling Financial Services to Women: What Men Need to Know and Even Women Will Be Surprised to Learn *(*www.sellingfinancialservicestowomen.com*).*

Comment on this post at cues.org/111616skybox.

Learn about "visionary" and "extreme" leadership at CUES Symposium: A CEO/Chairman Exchange, set for Jan. 29-Feb. 2 in St. Thomas, Virgin Islands.

Recent Posts

"Board barnacles love to talk glory days, opine risk mitigation, and associate blame for transactions long passed. They are not interested in pushing your institution forward, helping you find the talent you need, or learning about contemporary data-marketing techniques."

John Waupsh, chief innovation officer at Kasasa (*www.kasasa.com*), Austin, Texas, on "Pressure Wash Your Board's Barnacles": *cues.org/112116skybox*

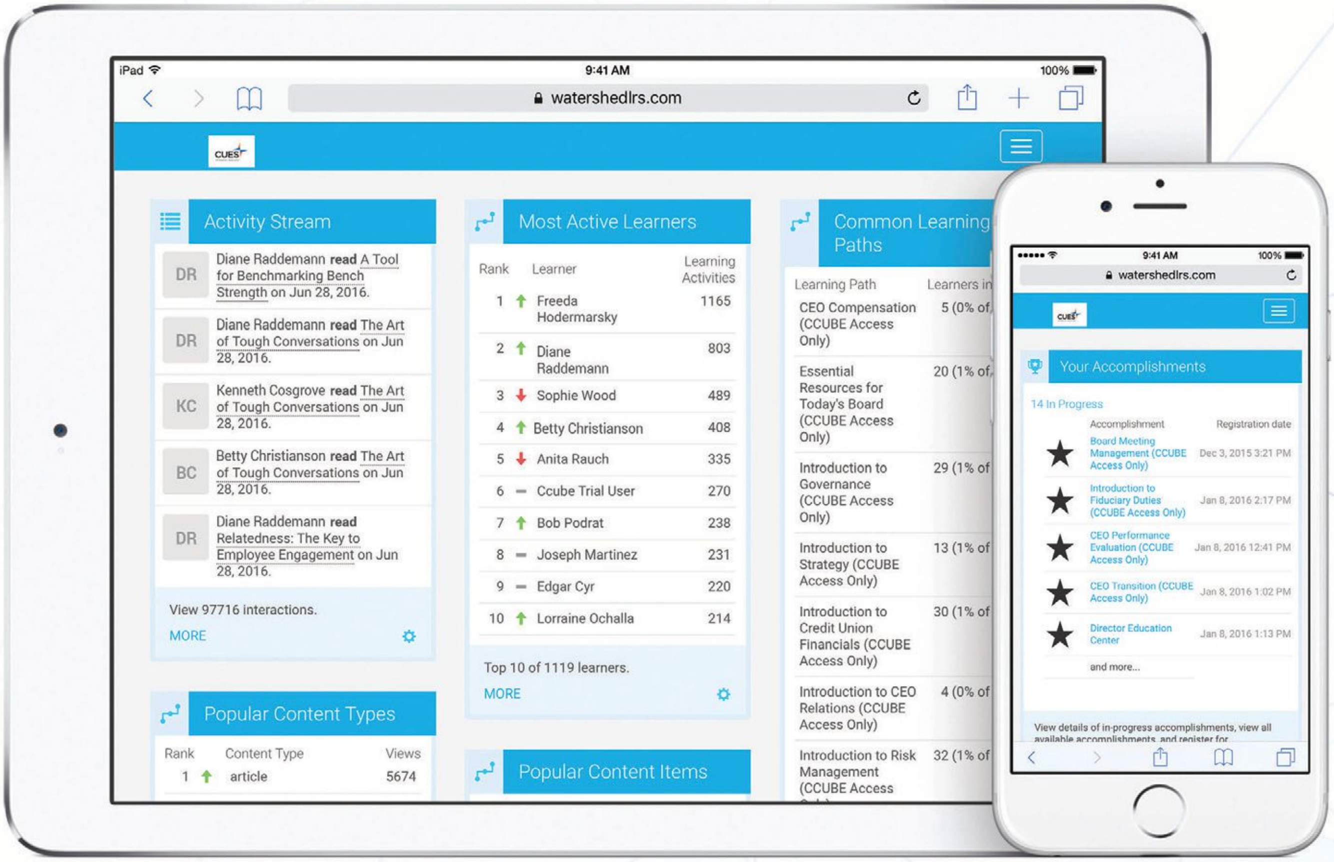
"A credit card can be the best and sometimes only option members have for dealing with unexpected expenses life throws at them. Offering a good, low-interest credit card is like giving them a financial insurance policy."

Bart Scott, marketing communications coordinator for LSC (*www.lsc.net*), Naperville, Ill., on "Help Members Stay on Track": *cues.org/110916skybox*

"Executives and their teams have the ability to transform adversity into opportunity, creating powerful solutions to seemingly impossible problems. Since the primary obstacle standing in the way is what is going on in between each employee's ears, how can leaders assess mindset?"

Hugh Blane, president of Claris Consulting (*www.clarisconsulting.net*), Seattle, on "Leadership Mindset Assessment": *cues.org/110216skybox*

CUES **LEARNING TRACKER**



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- Goes beyond test scores; transforming information into meaningful data, pinpointing gaps so you can leverage your time efficiently
- Helps you track recertification needs—no more forms to fill out, no more manual record keeping
- Shows auditors and your HR department what you've learned

CUES Learning Tracker makes logging your professional development milestones effortless! Learn more today at **cues.org/clt**.

CUES Learning Tracker is a benefit of CUES, CCUBE, and Director Membership!

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