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Contents

JUNE 2018
VOL. 41, ISSUE 6

FEATURES

10 The New Financial Ecosystem

Some credit unions are partnering—not just competing—with fintechs.

BY RICHARD H. GAMBLE

WEB-ONLY BONUS

A Credit Union-Built Fintech: Constellation

(cues.org/0518fintech)

16 Stepping Sideways

Lateral career moves can be a precursor to moving up.

BY PAMELA MILLS-SENN

20 Brand-Culture Connection

Aim to align your organization around its primary purpose and personality—inside and out.

BY KAREN BANKSTON

34 Tech-Driven Risk Management

The availability of information is spurring new trends.

BY JAMIE SWEDBERG

Contents

ARTICLES

30 Roll Up Your Sleeves
Determining your CU's strategy takes real work.
(cues.org/0618video)

32 Branch Transformation
Adapt your locations to members' changing needs and preferences.
BY RYAN RACKLEY

38 Twitter Is Terrific
Building your credit union's brand, 280 characters at a time
BY STEPHANIE SCHWENN SEBRING

32

SPECIAL REPORT: LENDING

26 **5 Ways to Prepare for 'Carmageddon'**
... whether it comes or not.
BY GLENN HARRISON

WEB-ONLY BONUS
3 More Ways to Prepare for 'Carmageddon'
(cues.org/052218skybox)

SPONSORED CONTENT
28 **Responsive Lending Solutions**
Credit unions can grow membership and ROI with the right loan program.
BY PSCU

IN EVERY ISSUE

6 From the Editor
Finding a Career and Fintech

8 Management Network
Achieving an Innovative Mindset • Injury Inspires Exec

40 Before You Go
Artificial Intelligence Evolves the Member Experience

42 CUES News
Develop Your Managers With Vertex • Apply for NTCUE! • Webinars and Elite Access • Ad Index

44 Calendar
An Agile Payments Strategy

46 Skybox
Early 2018 Economy a Roller Coaster
BY G. MICHAEL MOEBS

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cues.org/0518ccubebrandvid

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Guest Taylor Wells, communications director at On the Mark Strategies and speaker at CUES School of Strategic Marketing™ I (*cues.org/ssm1*) and II (*cues.org/ssm2*), discusses branding, including how to avoid brand misconceptions and overcome brand gaps.

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YOUR THOUGHTS

HOW IS YOUR CREDIT UNION RESPONDING TO THE RISE OF FINTECHS?

>> Email your answer to **theresa@cues.org**.

Finding a Career *and Fintechs*

We've all been bored at work. We've experienced Fridays that never seemed to end. Or mind-numbing Mondays. That's normal and not cause for concern. Unless it's every day.

If you've sat at your desk, bored to pieces, knowing you are ready for a new challenge, knowing your career is stalled but there's nowhere *up* to go, try looking to the side. A lateral career move could jump-start your career. If you only focus on up, you could stay stuck in a job instead of building a career.

"There are too many tangible and intangible variables that explicitly, unintentionally or invariably influence the path our career takes," says Peter Myers, senior vice president of Silver CUESolutions provider DDJ Myers Ltd., Phoenix, in our article "Stepping Sideways." "CEOs change. Strategies shift. Markets move. Family needs evolve. Additionally, too carefully curating a career path may give an individual tunnel vision about the reality that there are many paths to the same summit."

Bosses reading this, you need to have career goal discussions with your employees. If an employee is looking for a new challenge, why not encourage her to apply for an opening in another department? Of course, you don't want to lose a high-performing worker, but if she's bored and stuck, you'll likely lose her anyway—to another organization. Read more about lateral career moves on p. 16.

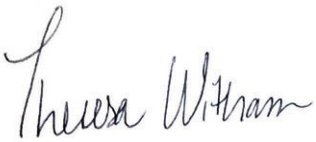
With all the change in the CU industry, it's hard to imagine getting *too* bored. In our cover story, "The New Financial Ecosystem," we talk to several credit unions about how they are responding to—or working with—fintechs.

"Every financial institution needs to be a fintech," says CUES member David Mooney, president/CEO of $10 billion Alliant Credit Union in Chicago. Partnering with these upstart financial services companies can be a way to get there, he says.

But working with unestablished startups can be risky. "Fintechs are attracting a lot of investment dollars. Not all of these companies will make it," says investor Chris Winship, partner at FTV Capital, San Francisco.

"You do take chances, but you take greater chances if you wait for a sure thing. In fast-moving times like these, playing it safe is not playing it safe," says Paul Parrish, president/CEO of $900 million One Nevada Credit Union, Las Vegas, which has worked with and invested in many fintechs.

Finally, I highlighted this quote as I edited the article: "In many ways, credit unions and fintechs are kindred spirits: flexible, innovative, member-centered," says Richard Crone, CEO of Crone Consulting LLC, San Carlos, Calif. Read more on p. 10, and then let me know your thoughts on fintech and credit unions at *theresa@cues.org.*



Theresa Witham
Managing Editor/Publisher

P.S. Did you read the intro to this column and wonder: Who are these bored-at-work people?! If you'd welcome a bit of boredom in your all-too-hectic life, perhaps try these tips from leadership coach Laurie Maddalena, MBA, CPCC, PHR: *cues.org/0218nextgen.*

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Achieving an *Innovative Mindset*

"I think retail banking will go off in 20 years," said Baba Shiv during a Q&A break at CUES 2018 Symposium (*cues.org/symp*). "Branches will disappear. We see more and more the trend where millennials don't want to travel to get their goods and services. Retail banking will have to exist in some form, but it will have to change."

That may be an exciting proposition for innovation experts and enthusiasts, but not every CU leader will embrace such a paradigm shift. Shiv, professor of marketing, co-director of the Strategic Marketing Management Executive Program and director of the Innovative Technology Leader Executive Program at Stanford Graduate School of Business, spoke about how to help them in this transition.

"What we often end up doing to persuade the individual is present rational arguments. But keep in mind ... first and foremost, you've got to play into that person's emotion," said Shiv. Getting buy-in requires the right mindset to explore innovative change.

Shiv illustrated this and the opposing mindset using the "X-framework": The bottom points of the X are negative states, bored and stressed, and the top points are positive states, comforted and excited.

The Type 1 mindset spans from stressed (the lower right point of the X) to comforted (the upper left point). Individuals in this state desire the familiar and trusted, low-risk options. In this mindset, there is a great fear of making mistakes because failure is perceived as painful.

"When your brain is experiencing stress, its first instinct is not going to be to seek excitement, to explore," Shiv explained.

A Type 2 mindset ranges from boredom (the lower left point of the X) to excitement (in the upper right). Individuals in this state fear missing out on opportunities. An person in this mindset will be open to discovery and have a higher tolerance for risk—exactly the environment needed for innovation.

"Do people vacillate between these?" asked Shiv. "Yes. Good leaders can recognize this. The human brain is very sensitive to tone of voice, etc. The dynamics of the meeting can fluctuate. It's the leader's responsibility to make sure the group is in the right sort of mindset."

Read a longer version of this article at *cues.org/041618skybox*.

Learn more from Stanford Graduate School of Business faculty at CUES Strategic Innovation Institute (cues.org/sii)*, July 15-20.*

Injury *Inspires Exec*

Chad Burney

Chad Burney has turned a personal near-tragedy into a mission to help people suffering from spinal cord injuries, and his credit union, $1.8 billion GTE Financial (*gtefinancial.org*), Tampa, Fla., has joined him in that fundraising effort.

Burney broke his spine when he fell nearly 20 feet from a tree while hunting with his son in 2014. After seven months of hospitalization, he was among the 1 to 3 percent of people who recover from a spinal injury to walk again. He recalls long hours watching the busy bayfront outside his hospital window and promising his son Hunter that when he recovered, they'd get a boat and go fishing.

One of their first outings on that boat was on a fishing tournament to raise funds for Tighten the Drag *(tightenthedragfoundation.org*), which supports people paralyzed from spinal cord injuries. At that event, Burney talked to the group's founder and ended up taking the stage to talk about his accident and rare recovery.

"It was an epiphany—I'd found a way to get involved and help others," he says of that tournament.

As the chief operating officer of GTE Financial, Burney and his fellow executives are encouraged to serve on the boards of local charities and to sponsor a "charity of the month" for credit union employees to support.

In March, Burney and his team planned and hosted a chili cook-off, cupcake sale, silent auction and "charity jeans Friday," among other events, to raise money for Tighten the Drag. GTE Financial also sponsors two fishing tournaments annually for the charity, events that are "getting bigger and better every year," he notes. So far in in 2018, the CU has raised about $15,000 for the charity.

Reflecting on the long road back from his injury, Burney says, "It definitely changed my life. I kept wondering, 'Why me?' I went through some dark moments and came out on the other side looking to do some good."

"You cannot create culture without engaged employees. Members will never love your credit union until the employees love it first."

Michael Neill, CSE, president of Michael Neill & Associates, Franklin, Tenn., and CUES' strategic partner in offering ServiStar (*cues.org/servistar*) and the new Vertex Management Development Program (*vertexmanagement.com*)

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The New *Financial Ecosystem*

CUs PARTNER—AS WELL AS COMPETE—WITH FINTECHS.

BY RICHARD H. GAMBLE

For credit unions, fintech companies have become the classic two-edged sword. "They pose a serious threat to credit unions, but they can also play a huge role in a credit union's success," says Brian Kaas, managing director of CMFG Ventures (*cmfgventures.com*), a subsidiary of CUESolutions platinum provider CUNA Mutual Group (*cunamutual.com*), Madison, Wis., that invests in 11 fintechs.

That's partly because some fintechs are created to take business away from regulated financial institutions, and some are created to work with them as productive partners.

"There are enablers and there are disruptors," notes Brian Ley, CEO of the fintech company Alpharank (*alpharank.io*), with offices in New York and San Francisco. The disruptors are a real danger. The enablers? That depends on whether the rewards justify the risks of trying to work with fintech. That topic is the subject of a lot of debate, investigation and experimentation. But credit unions are starting to sign contracts with fintechs, Kaas says, and more will be coming.

Fintechs, notes Paul Parrish, president/CEO of $900 million One Nevada Credit Union (*onenevada.org*), Las Vegas, are "a necessary evil. Things are changing so fast that the big players can't keep up through in-house development. Innovations are coming quickest from small fintechs."

"Every financial institution needs to *be* a fintech," says CUES member David Mooney, president/CEO of $10 billion Alliant Credit Union (*alliantcreditunion.org*) in Chicago. Partnering with private fintechs can be a way to get there, he says.

Alliant CU is in various stages of discussions with several fintechs. One partnership has been in production for 14 months: Payoff (*payoff.com*) is a new digital loan originator that uses a "consumer-focused financial well-being, debt-management approach to attracting borrowers," he reports. So far, he's happy with the results.

FINDING A FIT

Getting there was an initiation of sorts for Alliant CU.

"We approached it as a learning opportunity," Mooney explains. "We wanted to find out what it was like to work with a fintech."

And there were lessons. Even when goals align, culture is likely to be an issue, he notes.

"You have to understand and accept who they are, but stay true to who you are," he advises. The proliferation of fintechs means that even for large credit unions, opportunities exceed resources, "so it's important to find the fit that addresses your highest priorities," he emphasizes. "Of course, you're usually sizing up a potential partner that doesn't have the credentials you'd normally expect," such as audited financials and a book of clients.

So most CUs, if they approach fintechs, do it carefully and talk to those fintechs' other clients, if they have any. "Payoff had a few other credit union connections," Mooney says, "and that gave us some comfort, even though we're all involved in an experiment." In addition, he advises, if it's a big investment or if it involves reputation risk, take it to the board.

Fintechs are still a threat, says CUES member David Pierce, CIE, chief information officer at $2.3 billion Public Service Credit Union (*pscu.org*), Lone Tree, Colo., but also a potential way forward. "The goal should be to find out how their agility can help you as well as hurt you," he says, "and put them on your side when it makes sense. But you can't wait to see who wins. You have to keep abreast of what's out there and move when you find something that meets your members' needs."

What's out there are a lot of fly-by-night players, Pierce notes. "Their technology may look awesome, but you have to consider whether they have staying power." And that's important because CUs are looking ahead to uneventful operations with integrated fintechs, and most fintechs are looking ahead to eventful futures. "Most fintechs, especially those backed by venture capital, are gunning for a profitable exit, usually to be bought up by a big player," explains Ley. "Some will make it; some won't." Either way, it's an event.

So far, Public Service CU has avoided fly-by-night players, signing contracts with just three fintechs—Malauzai (*malauzai.com*), Temenos (*temenos.com*) and QlikView (*qlik.com*)—all of which have been in business for years and have references and track records. Malauzai does mobile banking, Temenos provides the CU's loan origination system. QlikView is a business intelligence dashboard that was popular in the manufacturing world but little used by financial institutions when Public Service CU signed up, Pierce says. "Now many banks and credit unions are using it."

Both Malauzai and Temenos were big implementations. "There were multiple integration points," Pierce notes. Public Service CU brought its core provider, CUES Supplier member Symitar-A Jack Henry Company (*symitar.com*), San Diego, into the implementation discussions. Getting cores and fintechs together is a trend, he says. "The core is becoming the hub of a wheel, supporting many spokes that do a lot of the actual work."

FORGING AHEAD

Not every CU is cautious. Innovation is critical in the One Nevada CU playbook, so it has accepted the uncertainties and forged ahead with plenty of fintech deals. Parrish ticks off the list. There's Money Desktop from MX (*mx.com*), which helps members set up budgets and track their spending. There's Savvy Money (*savvymoney.com*), which provides credit scores, access to credit reports and credit alert services. There's OnDot (*ondotsystems.com*), which provides members with various debit and credit card control functions. There's Relevant Solutions (*itisrelevant.com*), which gives members merchant coupons based on their location. There's Problem Solved (*problemsolved.com*), which provides instant issue of cards in the branches and supports immediate PIN change and new card orders through the One Nevada mobile app.

> **"You won't always win with experimental, innovative technologies, but you can't win if you're not in the game."**
> — Paul Parrish

There's AccuLynk (*acculynk.com*), a P2P service that uses the PIN debit rails for immediate posting and availability and "will compete nicely against Zelle," Parrish predicts. There's CardLytics (*cardlytics.com*), which provides a merchant-funded rewards program tied into the credit union's debit and credit card programs. And there's Connect Financial Software Solutions (*connectfss.com*), an online banking fintech that One Nevada CU helped to launch through a CUSO in 2004, then sold its stake to a partner but continues to use as a vendor. Connect provides product development services for integrated remote and mobile banking, he explains. There's also Navisource (*navisource.com*), a provider of custom, web-based procurement services, which streamlines all the CU's purchasing functions. Parrish calls Navisource "one of the industry's best-kept secrets" for providing efficiency in the operational trenches.

That's a lot of fintech pieces in One Nevada CU's operations, an exposure that would worry many CEOs, but Parrish shrugs it off. "Sure, there are risks in working with startups that have a lot of debt and not much revenue yet, but some of them have killer apps. You do take chances, but you take greater chances if you wait for a sure thing. In fast-moving times like these, playing it safe is not playing it safe."

Doing a lot of fintech deals has meant a lot of integrations. Some of them have been pretty simple. Some have been complicated. "With CardLytics, we have to pass our entire file of card transactions to them each month and do it anonymously. They have to apply the cash reward that each member has earned that month and pass it back to us anonymously. Then that has to dovetail with our posting and ledger process, so integrating that service took some work." But Parrish considers implementations just a necessary cost of being a progressive CU.

Not every fintech that One Nevada CU has embraced has worked out. It was an investor in CU Wallet (rebranded Lifestep Solutions in early 2017, *cusolutionsgroup.com*), a CU-branded mobile payments application that has not gone big. And the CU was part of the "X-card" dynamic card data pilot that was a bit ahead of its time. "FastFunds," a system One Nevada CU co-developed with CUSO Financial Services (*cusonet.com*) that enabled immediate, large-dollar transfers via PIN rails from the credit union's money market account to the member's brokerage account, worked well in pilot but ultimately proved a bit too difficult for most credit unions to implement. All those "misses" failed in the research phase and didn't disrupt operations.

> **"The technology is getting more complex and interconnected. We're less self-contained. That's bringing us real opportunities and real challenges."**
>
> — David Mooney

Parrish sums up his strategy: "You won't always win with experimental, innovative technologies, but you can't win if you're not in the game."

IN A BUBBLE

The stakes are higher than ever, because today's fintech market is hot. "There are lots of options in the fintech market right now and the industry is seeing a little frothiness," meaning potentially overvalued, notes fintech investor Chris Winship, partner of FTV Capital (*ftvcapital.com*), San Francisco. "Fintechs are attracting a lot of investment dollars. Not all of these companies will make it."

Currently, multiple fintechs are hawking very similar solutions, reports CUES member Keith Sultemeier, president/CEO of $4.3 billion Kinecta Federal Credit Union (*kinecta.org*), Manhattan Beach, Calif. That's good, because it provides competition and encourages fintechs to partner with CUs. But it's also bad, because the market hasn't had time to sort out which ones will win, so a CU could pick a loser, integrate it, and then have to start over, he explains.

Whole groups of fintechs are suspect. That's particularly true in the consumer lending space, warns CUES member Chuck Purvis, CLE, CUDE, CCE, president/CEO of $2.9 billion Coastal Federal Credit Union (*coastal24.com*) in Raleigh, N.C.

"A lot of fintechs have popped up for personal, small business and mortgage loans. They want to originate loans and pass them on to credit unions to put on their books," says Purvis. "Most of them have been organized since the financial crisis, so their credit models have not been tested in a recession. I'd be leery of holding loans based on someone else's untested credit model."

Much vetting focuses on how long a fintech can run on committed capital. But having a few million dollars of venture capital funding doesn't always mean a fintech is solid, Sultemeier points out. "Until recently, it's been pretty easy for a fintech to get venture capital," he notes. "Many venture capitalists take big risks to get big payoffs. They expect seven of 10 investments to fail. They'll often invest in multiple providers in the same space. They only need one big winner to get their desired return. Those aren't great odds for a credit union partnering with a fintech for important member services."

Still, more financing is better than less. CU detectives can pick up clues from free websites—like *crunchbase.com*—that track the money raised by private companies, Kaas notes. "Those sites will report when the fintech last raised capital and how much. If you see that they raised $7 million six months ago, that can be comforting. If they only raised $2 million and it was a few years ago, you may want to ask more questions." Some fintechs may also have a credit report available through Dun & Bradstreet (*dnb.com*), he adds.

Many of these startups "don't have much of a balance sheet yet, which is okay," he points out, but that means you have to scrutinize the management team, which should include someone with financial institution experience.

The typical startup-to-exit cycle for a VC-backed fintech is five to seven years, Kaas notes, so there haven't been many yet to observe. He thinks that a couple of the fintechs in CMFG Ventures portfolio could go public, while the others are prospects for a larger tech company, core processor or loan origination system vendor to buy. "We might buy one ourselves," he suggests.

UNRELIABLE PARTNERS

Mitigating fintech risk has to be a top priority, Kaas says. "In many cases, the fintech will have access to valuable credit union data, so ensuring that data is protected in the event of a bankruptcy is important. That question needs to be answered in the contract."

"Fintechs are bought all the time, and that can hurt you," Purvis warns. "You need to provide a way out and be sure it's in the contract."

A fintech's sale isn't necessarily bad for CUs. One indication of what could happen when an established vendor buys a fintech can be seen in FIS's March 2013 acquisition of mFoundry, Ley observes. "mFoundry is alive and well today as FIS Mobile," he notes. "FIS (Jacksonville, Fla., *fisglobal.com*) bought that entrepreneurial energy to nurture it, not squelch it. FIS has kept the spirit, the key people and continues to feed the innovation machine. Now FIS Mobile powers mobile banking apps for over 900 financial institutions."

When a CU starts discussions with a fintech, the CU may be thinking "partnership," but the fintech may be thinking further ahead. Selling to one CU at a time is a slow way to grow, Kaas says, and fintechs want to grow fast, so they're eager to connect to an established distribution channel. "That's why they're talking to core processors and LOS providers," he notes. CUNA Mutual is a distributor for one of its fintech investments, he adds.

In fact, fintech apps riding on core processor platforms should be the way of the future, argues Richard Crone, CEO of Crone Consulting LLC (*croneconsulting.com*), San Carlos, Calif. "The cores could be like Microsoft, providing the foundation on which you run all sorts of defining software."

But don't ignore the short run, Ley insists. CUs have immediate opportunities to partner with small, enabling fintechs, even if it's temporary. "We're small (at Alpharank)—10 clients with 36 interested prospects," he reports. "We're nimble and hungry, so we'll be

Taking Control of the *Fintech Relationship*

Those with experience in fintech partnerships have specific suggestions to help credit unions get positive results.

- ***Alignment is critical***. "The chance of success is best," says Brian Kaas, managing director of CMFG Ventures (*cmfgventures.com*), a subsidiary of CUESolutions platinum provider CUNA Mutual Group (*cunamutual.com*), Madison, Wis., "when the CU has a very specific, high-priority need and the fintech has the right solution for that need."
- ***Look beyond the product at the business model***. "A fintech may have a great product or service," notes fintech investor Chris Winship, a partner at FTV Capital (*ftvcapital.com*), San Francisco, "but may not have figured out how to support it with a sustainable business model." If the business fails, the product is gone.
- ***Anticipate big differences***. "Our situations, our motivations, our risks and our potential rewards are very different," notes David Mooney, president/CEO of $10 billion Alliant Credit Union (*alliantcreditunion.org*) in Chicago. "They want to grow fast. They have no legacy constraints and little if any customer base to protect. We have lots of constraints and members. They're hoping for a big payoff for a few stakeholders. We're hoping for a slight competitive edge or operating efficiency to reward many stakeholders. Satisfying both sides takes a lot of discovery and planning, but home runs are possible if the alignment is there."
- ***Evaluate how the fintech's key people have performed in the past***. In some cases, the fintech company may not have a track record, but the people running it do, Winship points out. "Some fintech CEOs have already launched successful companies. Others are essentially kids starting their first business. It is important to evaluate the management team to understand if the track record is there to support a lasting business."
- ***Don't bet the ranch***. "Take a good look at what would happen if the venture fails," Mooney advises, "and be sure you could walk away if it comes to that."
- ***Investigate the fintech's financial staying power***. A fintech often won't have the credentials a CU expects in a vendor, notes Mooney. "You'd like to see numbers, but they may not be there," he says. "Learn what you can about who their funders are and their level of commitment. How many rounds of financing have they gone through? If they look like they're withholding or gilding their financials, we back off."
- ***Look closely at how they've worked with other CUs***. If another CU has experience with the fintech, talk to them. "References were very important to us," reports CUES member David Pierce, CIE, chief information officer at $2.3 billion Public Service Credit Union (*pscu.org*), Lone Tree, Colo. "We visited two CUs to see how their implementations worked."
- ***Secure proprietary data***. It's important to own whatever code is built by the fintech to handle a CU's business, says CUES member David Araujo, CIE, CCE, SVP/innovation at $8.2 billion Digital Federal Credit Union (*dcu.org*), Marlborough, Mass. "If the fintech fails or gets bought, what happens to that code? Do we get it or is it held in escrow? That needs to be spelled out in the contract."
- ***Don't overlook your leverage***. A fintech startup may need a substantial client more than a CU needs a nifty tech fix. That's true, says fintech CEO Niklil Lakhanpal, co-founder of Narmi (*narmitech.com*), New York, but he prefers that CUs use that leverage to get product features they want rather than lower prices.
- ***Assess whether your operations infrastructure is ready to maximize the value a fintech can add***. "Access to data is critical," Lakhanpal explains. "If all the data is easily available, we can do a lot more than when critical data is locked in separate siloes."
- ***Don't get pushed into moving too fast***. Understand that a fintech probably will want to move quickly, Mooney advises, and don't dig in your heels, but "look for a middle ground and be true to who you are."
- ***Pay close attention to the contract***. Contracts with startups should be shorter than contracts with traditional vendors—typically with a term of a year, Araujo says. Expect the fintech to present the document, Mooney explains, but have your finance, legal, compliance and operations people review it carefully.
- ***Insist on compliance***. Historically, fintechs have been inclined to brush past compliance issues as annoying delays, Mooney says. "Be sure your compliance requirements are explicit and contractual." If you're entering new territory, let the regulators know what you're doing and find out if they have concerns, he adds.
- ***Notice turnover***. Staff leave a sinking ship, so if you find key people leaving the fintech, that could be a red flag, Kaas notes. "Some turnover is normal, but if a partner or the main designer leaves, their future could be in doubt."
- ***Kick the tires.*** Watch the demos, but then get them to run tests on your data, Mooney suggests, and see what the output looks like.
- ***Consider moving quickly to hold onto millennials and gain differentiation***. Partnering with a fintech can be the quickest, most effective way to differentiate, says Richard Crone, CEO of Crone Consulting LLC (*croneconsulting.com*), San Carlos, Calif. "If you wait for the big processors to introduce innovative technology, you'll be doomed to mediocrity."
- ***Or consider waiting for a more settled market***. Fintechs need one-off deals to get started, but that's a temporary strategy, Winship notes. Fintechs working through core processors is a more sustainable arrangement, he says.

more responsive to credit union requests than a big processor with a thousand customers."

Fintech risk is real but manageable, supporters claim. So, don't focus on the wildness of fintechs, Crone urges. "In many ways, credit unions and fintechs are kindred spirits," he says, "flexible, innovative, member-centered. That's why fintechs often want credit unions to be their first clients. And if you invest in a fintech CUSO, you'll have a lot of control and profit as an equity investor if it ever makes sense to sell it down the road," he adds.

Of necessity in a volatile, fragmented market, most fintech deals today are short-term, discrete, tactical moves. But they will have to resolve into sustainable, integrated, strategic solutions.

"More and more," Mooney concludes, "we're not forming discrete partnerships but expanding our financial ecosystem. The technology is getting more complex and interconnected. We're less self-contained. That's bringing us real opportunities and real challenges."

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MORE ON FINTECH

A Credit Union-Built Fintech: Constellation (*cues.org/0518fintech*)

Fearing Fintech Disruptors? (*cues.org/0117fearing*)

Payments University Aug. 13-14, Denver (*cues.org/payments*)

CUES School of IT Leadership™ Sept. 12-14, Denver (*cues.org/soitl*)

Cornerstone Advisors Strategic and technology advisory services (*cues.org/cornerstone*)

Double Benefits *From Owning a Fintech*

CUs owning fintechs is unusual but becoming less so. Some, like Constellation Digital Partners (*constellation.coop*), Raleigh, N.C., are collective, credit union service organization ventures. (See *cues.org/0518fintech*.) Others are CU-fintech partnerships that go well behind a vendor-customer relationship.

Something like that is afoot in Canada, where $1.4 billion Northern Credit Union *(northerncu.com)*, Sault Ste. Marie, Ontario, is actively partnering in the build of a fintech, Asapp Online Solutions (*asappbanking.com*). The aim is for Asapp to be Northern CU's primary source of digital banking technology and also play a secondary role as a business venture that should produce an enhanced revenue stream over the long term.

"We want a front end that provides a gateway for everything our members might want in mobile and online banking," reports CUES member Tony Dunham, CIE, SVP/strategy, innovation and operations. "We looked at all the touchpoints and how different fintechs could enhance them. But we didn't want to buy solutions; we wanted a partnership where we'd have a voice in what they develop and a chance to diversify our income streams through a revenue-sharing arrangement or perhaps an equity stake. Northern expects us to grow together and succeed together."

With Northern CU's support, Asapp Online Solutions, which bills itself as "Canada's most complete omnichannel account origination and loan auto-decisioning solution for retail and small business banking," was launched in 2016 and has signed up six financial institution customers with several others across multiple financial sectors completing their due diligence currently, Dunham reports.

"Asapp was a young company we were using on the marketing and member acquisition side, and we gradually discovered there was potential to do a lot more. It evolved from casual discussions with notes on paper napkins to an ambitious joint buildout of a robust digital banking platform. We had been spending a lot of money on vendor solutions that didn't align with where we wanted to go. So we shifted our capital investment strategy and now we have the alignment we want."

Already member business coming through Asapp is Northern CU's second highest growth area after indirect auto lending, and it results in more products sold per member than the car-loan channel, Dunham reports.

Asapp's financial status is transparent to Northern CU.

"We're their source of financing," Dunham says. "To protect our investment, we have established advisory roles on their board that allows Northern to maintain oversight around their operational needs. They're essentially a captive company at this point. Our initial priority was to meet our own business needs, but now we're starting to see adoption and interest as other CUs sign up as customers. We're reshaping our revenue streams, building non-interest revenue and diversifying our income. At some point, we could profit from a sale of the company."

SUPPLIER MEMBER SPOTLIGHT

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Stepping *Sideways*

LATERAL CAREER MOVES CAN BE A PRECURSOR TO MOVING UP.

BY PAMELA MILLS-SENN

When one thinks of a career trajectory, the image that comes to mind is of linear upward progress, perhaps ultimately landing at the top—or at least *near* the top—of the organizational chart.

Sideways or lateral moves—either within the current organization or to a new one—typically aren't seen as having a place in traditional career progressions. However, discounting this type of career change can be a mistake. Done purposefully, with a clear objective in mind, lateral moves can offer a viable means of eventual advancement, says Peter Myers, senior vice president of CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), a Phoenix-based executive search and development consulting firm.

"Lateral moves can absolutely benefit someone's long-term career strategy," says Myers. "I don't believe we've ever had a board of directors or a CEO search committee frown upon a candidate's historic lateral move. They—and we do as well—hold it as a broadening of their perspective in addition to their toolset."

There are several reasons why someone might opt to take a position with a title, pay and/or responsibilities comparable to their current role, says JoDee Curtis, owner and founder of Purple Ink LLC (*purpleinkllc.com*), a human resources consulting firm focused on recruiting, leadership development training, career coaching and more, based near Indianapolis. These include:

- The desire to learn new skills, become more well-rounded, or gain a deeper, more thorough understanding of the organization or industry.
- The chance to work with different people and/or develop relationships with more people ("And to possibly move away from certain people as well," Curtis says.).
- The opportunity to work with a different style of leader or a more expert one.
- Improved or different benefits, such as more paid time off, better insurance coverage, a shorter commute or less/more travel.
- The chance to work for a company offering a more stable environment or one with a better reputation.

"The ... strategy might be to move up faster in the longer term, and making a current lateral move will allow for that due to the potential, planned retirements [and] larger or more visible roles," Curtis says.

MAKING THE SHIFT

Those contemplating a lateral move should take the chance if it would help meet their "well-thought-out, long-term" career objectives, Myers says. It's also important to consider whether a lateral move would allow more exciting opportunities and challenges, he adds.

These were all reasons why Emily Kelly, VP/talent and administration for $692 million/52,000-member Ideal Credit Union (*idealcu.com*), Woodbury, Minn., eagerly accepted a lateral job move.

When Kelly first joined the HR department at Ideal CU, her title was training and development specialist and remained so for nine years. Her title then changed to HR/training and development specialist, and she was given additional responsibilities including payroll, recruiting, benefit administration, and more exposure to the "big-picture" workings of that department.

"This was considered a lateral move because we hired another trainer ... so I could do half HR and half training duties," she explains. "I was more than willing to take on additional duties and learn the most I could in human resources."

This new role, which she held from 1998 to 2012, helped prepare her for what followed, Kelly says. In 2012, she was promoted to manager of training and development; in 2017, she became director of training and development; this January, she stepped into her current position as vice president.

In 2010, CUES member Susan Rafferty, currently director of finance for $524 million/38,000-member Arbor Financial Credit Union (*arborfcu.org*), Kalamzoo, Mich., made a lateral career move, transitioning from mortgage loan supervisor to financial analyst. Both were at the same level within the organization, she says.

Rafferty, who held the financial analyst position for a year before becoming director of finance, saw numerous career advantages in accepting the lateral offer. These included getting the chance to work with the organization's VPs on growth-driven projects, focusing more broadly on strategic planning, increasing her understanding of risk in the organization's portfolio—including lending, savings, borrowings, concentration, investment and liquidity risks—growing her knowledge, and, ultimately, gaining the ability to go after an executive-level position.

"My ultimate goal was that I wanted to become a valuable asset to the credit union and obtain an executive-level position at Arbor Financial," she says. "Before this could be achieved, I felt I needed to become a manager/director of a department. The loan department already had this position filled, and the finance department didn't have this position. I have a bachelor's degree in management with a financial emphasis, and I believed this qualified me for the lateral move and would offer future opportunities."

ENTERING UNFAMILIAR TERRITORY

Any career move may be accompanied by hesitation or concern—especially since the tasks required by the new role could be entirely different. (And that's pretty much the point, right?)

For example, as a mortgage loan supervisor, Rafferty was responsible for developing mortgage talent, products services, policies and procedures and sales, as well as fostering vendor and member relationships. As a financial analyst, she analyzed and prepared financial and investment reports, analyzed statistical trends, and oversaw and maintained asset liability management, among other responsibilities. She also had to present to the board of directors.

These are vastly different positions, but Rafferty was open to the challenge, welcoming the chance to expand her skills. One hesitation she did have was over missing her mortgages and loan crew. She had established that team and department and hated to leave it. Another worry was working for a different boss—"This turned out to be a non-concern because my [new] boss, Earle Shelner II, VP/finance, ended up being one of my favorites," she says.

CUES member Jesse Jacobs, AVP/lending/HR director for \$115 million/12,000-member Campco Federal Credit Union (*campcofcu.com*), Gillette, Wyo., also had some concerns about making a lateral move in February to her current position.

For the previous three years, Jacobs was the organization's project manager, keeping projects on track and ensuring execution, and also fulfilled HR duties without a formal title. Her hesitation was not about the wisdom of moving laterally—which she regards as a "stepping stone" to the executive role she hopes to achieve (COO or CEO)—but rather about taking a brand-new and still not fully defined position, which was created as a result of the credit union's recent growth spurt.

"Wyoming is known for its boom and bust economy," says Jacobs, noting that much of Campco FCU's membership works in energy, including oil, coal and methane gas. "Our members have recently experienced a bust economy, but this year it feels like our economy is rising, which is having a positive impact on our membership."

Another contributing factor to the better local economic vibe that led to her new position was the CU's 2014 relocation to a new building in a more vital part of town. That move, along with the new building's design, made the location more inviting to members and also uplifted the employees, improving the culture. This brought the opportunity for more employee growth—currently there are 32 full-time and two part-time staff, up from 25 employees prior to 2014—and resulted in the creation of Jacobs' AVP/lending/HR director position, among others.

"I have overcome this [hesitation] and am more excited because I get to develop the job description," says Jacobs. "My long-term professional goal is to become part of an executive team. I realized in order to accomplish this, I needed a global understanding of the credit union I'm a part of. This [position] has given me the opportunity to see Campco from a different perspective."

EXPECT THE UNEXPECTED

What does Jacobs' experience say about the best laid plans? The unforeseen can happen with a lateral (or any) move, sometimes despite the most carefully calculated strategizing. However, if one is willing to embrace the unexpected, the outcome can still be useful and even satisfying.

Gems & *Nuggets*

"I think you should always make the move if it's going to benefit your career development plan. Never say no to an opportunity to better yourself or the organization." *— Jesse Jacobs, AVP/lending/HR director, Campco Federal Credit Union, Gillette, Wyo.*

"If it intrigues you, go for it. Make the move to become more knowledgeable and take the opportunity to grow your career. You'll gain additional skills that will challenge you and give you more exposure, which will make you a more well-rounded employee and help set you up for additional success." *— Emily Kelly, VP/talent and administration, Ideal Credit Union, Woodbury, Minn.*

"We've all heard the expression, 'everyone is a marketer'—until you oversee marketing (or any other function) and realize the complexity of the discipline, compounded by departmental relationships and sometimes competing priorities. Navigating this new terrain, even within the same organization, can reshape an individual's perspective and equip them with more tools to address the organization's overall goals. This can raise their overall consciousness regarding the inner workings of an organization, its people and how to affect change." *— Peter Myers, senior vice president, DDJ Myers Ltd., Phoenix*

"If you are considering a lateral move, remember that you can only control your own actions and have patience. Hard work, knowledge and motivation will eventually help you achieve your ultimate goal." *— Susan Rafferty, director of finance, Arbor Financial Credit Union, Kalamazoo, Mich.*

"I don't believe we've ever had a board of directors or a CEO search committee frown upon a candidate's historic lateral move. They … hold it as a broadening of their perspective in addition to their toolset."

— Peter Myers

"I'd like first to disabuse readers of the notion that we, as capable as we are, have the sole authorship of our careers," says Myers. "There are too many tangible and intangible variables that explicitly, unintentionally, or invariably influence the path our career takes. CEOs change. Strategies shift. Markets move. Family needs evolve. Additionally, too carefully curating a career path may give an individual tunnel vision about the reality that there are many paths to the same summit."

Rafferty, for example, thought her move would get her where she wanted to go—a VP position—faster than it has so far.

"I knew there was a VP of lending position opening up due to the retirement of the [previous] VP," she explains. "This was going to occur within two years of my decision to move laterally. I was a contender and interviewed but didn't land the position. This turned out well, because I've learned so much within the financial area, and if that had happened I would not have gained the experience and knowledge I have today."

There are some potential pitfalls to be aware of when deciding whether to make a lateral move. One involves how making such a move might be viewed by others, says Curtis.

"The organization, either current or a different one the person has laterally moved to, might perceive that employee as not being interested in advancement," she cautions. "Consequently, the organization might pass over the person for other opportunities. I recommend being very transparent about the longer-term goal, so this perception does not occur.

"Also, if the organization has somewhat of an 'up or out' culture, a lateral move might not work," Curtis continues. "Again, I would be transparent in your goals and ask for other advancement opportunities."

There are other ways lateral moves can go wrong, such as in succession circumstances, says Myers. Consider the example of a vice president of finance wanting to broaden her skill set with an eye on becoming a CFO, he says. If this person makes a lateral move to a different credit union, she is no longer part of the first organization's internal succession plan and her former CFO would likely hire a new VP of finance, possibly positioning this new person to eventually become the CFO.

Also, notes Myers, a lateral move can start out well and then take a less positive turn.

"A once-beneficial lateral move can become a staller when an individual's craft and/or perspective become too specialized in a particular discipline several steps removed from their ultimate career desires," Myers explains.

"Another warning sign is when the organization is overly dependent upon you to deliver in your domain, and there is not a strong bench behind you. The organization's or department's core competencies are then too person-specific, inhibiting its ability to pivot and limiting the promotion of growth assignments and cross-training," he adds.

How to wring the greatest benefit from a move and not languish in the career doldrums? In addition to the transparency about your long-term objectives and asking for advancement opportunities mentioned by Curtis, Myers advises that you keep your relationships and options open, never burning bridges.

"Burning bridges is a real thing," Myers says. No matter what career move you're making—whether internal, external, lateral, progressing or even a demotion—being professional and forthright about your career goals builds and maintains trust.

"Again, there are too many variables that end up determining where you end up in your career," Myers continues. "Build and continually nurture a network of influencers who are committed to your success. If they know and understand what is important to you, they will be more willing to go out on a limb."

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

MORE ON CAREER DEVELOPMENT:

Career Advice From a Passionate Retread (*cues.org/0418retread*)

A Roundabout Route (*cues.org/0917roundabout*)

Destination CEO (*cues.org/0417 destinationCEO*)

Building a Career in the Credit Union Industry (*cues.org/0817building*)

CEO Institute III: *Strategic Leadership Development* (*cues.org/inst3*)

CUESolutions and executive coaching provider DDJ Myers (*cues.org/ddj*)

Brand-Culture *Connection*

AIM TO ALIGN YOUR ORGANIZATION AROUND ITS PRIMARY PURPOSE AND PERSONALITY—INSIDE AND OUT.

BY KAREN BANKSTON

People sometimes walk into Trailhead Credit Union to order a latte without realizing they're in a financial branch. Every day is "jeans day," and employees often find that the tattoos they had to cover back when they worked at other financial institutions are now conversation starters.

Those distinctions are the outward manifestations of concerted efforts begun five years ago as the now-$120 million Portland, Ore., credit union (*trailheadcu.org*) sought to identify and build on the distinctive elements of its brand and culture. That commitment has turned around a steady drain in membership, which has grown from 5,573 in June 2013 to 8,627. At the same time, its average age of membership, a key metric for Trailhead, has declined from 47.23 to 43.82, and 37 percent of its members are under 35 years old, says VP/Marketing Kim Faucher.

A credit union's brand and culture can and should be interwoven. Redstone Federal Credit Union CEO Joe Newberry, a CUES member, offers simple, useful definitions for these concepts: *Brand* is how people feel about a business, and *culture* is how people think and behave within the business. When brand and culture are aligned to a credit union's mission, vision and values, good things happen.

BUILDING VALUE FOR MEMBERS

For the $5 billion, Huntsville, Ala., credit union serving 412,000 members (*redfcu.org*), those good things have come in the form of enviable business results, including consistent 1,000-plus net monthly member growth, and recognition for its work on accountability and culture. Earlier this year, Redstone FCU received the Platinum Award for Best Achievement in Organizational Operational Excellence, the top honor presented at the Business Transformation & Operational Excellence World Summit (*btoes18.com*). The CU also received the Ruby Award, recognizing excellence in accountability, leadership and culture, from Partners in Leadership (*partnersinleadership.com*), the consulting firm it has been working with since 2013 to build its corporate culture.

"We are one organization, one team with one mission—to add value for our membership—and our desired results all support that mission," Newberry says. Toward that end, the Redstone FCU board has committed to giving back to members, above dividends, a minimum 40 percent of budgeted net income. That return takes a variety of forms, from a nickel back for every debit card transaction and a dime back for transactions on school-related affinity debit cards to credit card rewards and special offers of no closing costs for real estate loans.

To align its 1,000 employees behind Redstone FCU's "culture of accountability for the member

experience to achieve desired results," every employee participates in two half-day sessions "to help them understand why we're doing what we're doing and how what they're doing in whatever role they're in is a piece of that," SVP/People and Culture and CUES member Jan Bias explains.

Redstone FCU reinforces that focus daily with "huddles" where employees are encouraged to share examples of colleagues adhering to the culture and with other forms of recognition for supporting corporate cultural beliefs.

"We view culture and brand as synonymous," Bias adds. "They're coming from the same place, and they build off each other."

"I think one of our big measures is that employees are happy and proud of where they work. Employees have said, 'I never put on Facebook where I work until now.'"
— Kim Faucher

DELIVERING ON MEMBER & EMPLOYEE EXPECTATIONS

"Brand embodies what the credit union promises to be to its membership. This is accomplished through multiple delivery channels, through the messaging on the walls of the branch, through posts on social media and through its buildings in the marketplace," says Danielle Havlicek, director of design for CUES Supplier member La Macchia Group (*lamacchiagroup.com*), Milwaukee, Wis. "The brand tells a story that ties into the organization's vision and mission statement, and employees bring the brand to life through the experience they provide to members."

If employees are to be effective brand champions, they should be surrounded by a workplace culture that reflects organizational values and models "the standard of care expected for members internally," Havlicek suggests. "That well-defined culture leads to motivated employees who are excited to be part of the organization—and their excitement shines outwardly to the membership to create a positive experience and a positive outward image."

Effectively optimizing brand and culture means carving out a unique niche in a fiercely competitive market as both a financial services provider and an employer—by identifying and delivering on the needs and expectations of members and staff. "I see success in organizations that set out not only to provide the best member experience but also to strive to be the best place their employees have ever worked," Havlicek says.

A memorable logo, a repeatable tagline, noteworthy technology and a striking branch design in a prime location all contribute to brand—but their personal interactions with employees ultimately determine many members' trust in and affinity for their CU.

"A successful building design is a combination of the experience that we as designers help a credit union portray and the roles of the employees in the branch," Havlicek notes. "We can design the most welcoming branch lobby, but employees' actions magnify the overall success of the design."

ADHERING TO A 'NOBLE PURPOSE'

A credit union's brand and culture are shaped, in part, by its history. $15.4 billion Servus Credit Union (*servus.ca*) has become Alberta's largest financial cooperative, establishing a provincial reach through more than 120 mergers and acquisitions throughout its 80 years. Many of those mergers influenced its culture in some way, says CUES member Dan Bruinooge, CPHR, CCD, CCE, chief people and corporate services officer for the Edmonton CU, with 2,200 employees serving 370,000 members.

Following a major merger involving three credit unions in 2008, Servus CU launched an employee-led effort that identified its values as a foundation for its brand pillars: member service, community, integrity, teamwork, investing in its people, life-work balance and fairness.

"We evaluate all our decisions around those values. Are we living our values with the decisions we make on a daily basis?" Bruinooge notes. "At the executive table, we challenge each other's thinking: Are we truly living and representing what our employees helped us bring together back in 2009?"

The work around values also led Servus CU to replace its mission statement with a "noble purpose"—"Shaping member financial fitness." The organization has benefited from developing a simple statement of purpose that resonates with the staff and board and is achievable and easy to understand and recall, says CUES member Gail Stepanik-Keber, chief brand, digital banking and corporate social responsibility officer.

In effect, that statement has become "a frame for our brand" that helps keep employees throughout the far-flung CU focused on the same purpose, benefiting both members and their CU. "It's our North Star, what we jump out of bed to do every day," she notes. "We believe if we can shape the financial fitness of our members, we will become more financially fit ourselves as a credit union."

The central statement of purpose also informs the corporate culture, Bruinooge says. "It's not a massive shift, but there are certain behaviors such as listening to understand, being empathetic and being positively assertive that help to bring that noble purpose to life."

'WHO WE ARE, WHO WE WANT TO BE'

Trailhead CU also sought a distinctive frame for its brand and culture—starting with its former name, Northwest Resource Federal Credit Union, one of 10 financial cooperatives in the region known as "Northwest." Following a change in leadership and the decision to apply for a community charter, the organization worked with CUES Supplier member Weber Marketing Group to delve into "what makes our credit union different, who we are today, who we want to be, what we value and what's our personality," Faucher says. "I think that really helps define a culture when you think of it in terms of a person and personality traits."

In separate workshops with the board and staff (no managers allowed), descriptions like "anti-corporate" and "nonconformist" came up frequently and helped inform brand and culture decisions, from dress guidelines to a "rustic Portland" design of its original branch and two new offices.

"When we defined our brand, it wasn't just about changing the logo, but it really had to be the whole staff interaction with members. That's where the culture piece comes back in to brand," Faucher says. "I think one of our big measures is that employees are happy and proud of where they work. Employees have said, 'I never put on Facebook where I work until now.'"

Trailhead CU continues to hone its brand by using its smaller size as a competitive advantage in a city that prizes independence, local ownership and community involvement. Alongside mobile and online access, a physical presence still matters, as many new members live within a mile of a branch. The credit union refinances mortgages but refers members in the market for a purchase home loan to another local credit union. As a further differentiator from other financial institutions, Trailhead CU offers "floating home loans" for members who want to live on the Willamette River.

The credit union recently launched the "Trailhead Experience Team," a committee of six employees charged with improving both the external member experience and internal culture and aligning them with the brand. To identify internal actions with the potential to improve member service, each team member took a small group of employees out to lunch to discuss what they liked about working at Trailhead CU and where the organization might make improvements. From that input, the team has identified 12 projects to focus their efforts, such as cross-training on how frontline and back-office procedures impact and can better support each other. Phone service training to ensure a consistent member experience and a "Trailhead Adventures" employee wellness program are also on the team's to-do list.

CHARTING PROGRESS

Burnishing the brand-culture connection is less about striking out in new directions and more about rediscovering and building on existing strengths. One of Redwood Credit Union's four organizational strategies from 2013 through 2015 was to research and articulate its brand promise, "We love to help you succeed." "We then shared what we learned with staff—and it wasn't something new, it was just clarified—which helped us to be more consistent in delivering on our brand promise each day, in all that we do," says Robin McKenzie, SVP/marketing and communications for the $4.3 billion Santa Rosa, Calif., credit union serving more than 300,000 members (*redwoodcu.org*).

Redwood CU's brand and culture are simultaneously defined, discussed and reinforced in employee orientation and project committee meetings, in displays in managers' offices and all branches, and in monthly all-staff meetings and brand guidelines, which function as "our 'playbook' in ensuring brand consistency throughout the organization," McKenzie notes.

The Net Promoter Score is one of Redwood CU's primary service monitoring tools, along with employee engagement surveys and an internal service system called "Total Member Experience" that provides a portal for staff to provide feedback on any topic that has a member service impact so problems can be promptly addressed.

"All of these monitoring tools provide the needed feedback loop to ensure we're fostering a strong service culture and brand," she says. "If we hear something that isn't working as it should, we focus on immediate improvement."

Redwood CU's gains based on its investment in brand and culture are evident in financial performance, including 20 percent loan growth and nearly 10 percent membership growth for 2017, and its recognition as a "best place to work" for 12 years running by the *North Bay Business Journal*. Redwood CU has also been listed for four years in a row as one of the top five healthiest CUs by Glatt Consulting, based on 17 metrics, McKenzie adds.

Redstone FCU measures the impact of adhering to brand and culture through a variety of metrics, including financial performance, operational efficiency and employee engagement. "It's

Coming Through *in a Crisis*

One test of a credit union's brand-culture connection may be how it responds in an emergency. The firestorm that devastated Northern California last October destroyed the homes and businesses of many Redwood Credit Union members and left dozens of staff and volunteers homeless as well.

The $4.3 billion Santa Rosa credit union (*redwoodcu.org*) offered a variety of supports in the wake of that catastrophe:

- Food, daycare and counseling support for employees in need, including additional paid time off donated by colleagues;
- No-interest loans, heavily discounted vehicles, credit line increases and other financial supports for members;
- In partnership with *The Press Democrat*, the local newspaper, and California state Sen. Mike McGuire, creation of the North Bay Fire Relief Fund, which raised and distributed $32 million over four months to aid the immediate needs of fire victims who lost homes, businesses or employment.

The relief fund helped provide temporary housing for people who lost homes; gift cards for school clothes and supplies for children; and financial support for first responders who lost their homes while battling the wildfires, residents reeling from lost or reduced employment, businesses shuttered by the fire and local nonprofit organizations. The fund also helped survivors through the holidays and replaced lost sports equipment for youth.

The fires were "a devastating event for our members, employees, communities and organization, but we were truly honored to help play a role in the immediate response," says Robin McKenzie, Redwood CU's SVP/marketing and communications. The CU's response was in keeping with its mission to "passionately serve the best interests of our members, employees and communities," a fire-resistant foundation for its brand and culture.

important to measure how employees are connecting throughout the organization. Do they feel the leadership is effective? Do they have the tools they need to do their job?" Bias notes.

The CU is also working on a "community index" to assess the scope and impact of its financial contributions and volunteer support to help local civic, charitable and educational institutions do their work, Newberry says.

Servus CU likewise is posting financial gains, recognition for community engagement and high member satisfaction marks. But like many credit unions positioning themselves in a crowded financial services marketplace, it still has work to do in connecting with prospective members. Its status as a new provincial brand, dating back only a decade, is reflected in a relatively low brand health equity score in comparison with its well-established competitors, five big national banks and a government-owned provincial financial institution, Stepanik-Keber notes.

"We continue to do brand studies, and we're also looking at what our competitors spend in the marketplace in terms of advertising to drive awareness," she says. "Moreover, we're looking at real-time 'voice of the consumer' feedback, so that we can get insights into our consumers via any channel that they deal with us so that it's immediately actionable. We want to be able to see where we're doing well and what we can do to improve the member and employee experience."

Servus CU has grounded its brand-building efforts on "value proposition research on who we believe we want to be in the market, what would have the greatest resonance and how we would differentiate," she adds. "We're not trying to be all things to all people. We want to attract and retain a very specific type of consumer who connects with the values, the culture and the experience that we believe we offer. We really are working on being a very different type of financial option for the consumer."

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

MORE ON BRANDING

CUES School of Strategic Marketing™ I and II (*cues.org/ssm1*, *cues.org/ssm2*)

Culture, Not Collateral (*cues.org/0518culture*)

The Corporate 'Why' (*cues.org/1117why*)

Delivering on *the Cooperative Model*

Some companies have an easier time than others in conveying their social agenda. Tom's Shoes, for example, launched its "every purchase has a purpose" message with a simple promise: For every pair of shoes a customer buys, the company donates a pair to a child in a poor country.

Every marketing manager who's tried to explain what a financial cooperative is knows that credit unions have a tougher challenge. The same goes for hiring managers in clarifying for prospective employees how a CU differs from a bank. $21 billion Vancouver City Savings Credit Union (*vancity.com*) takes on the latter quandary with a five-day orientation and immersion program for new employees that features speakers from across the organization, job shadowing in a branch and visits in the community with members to drive home Vancity's brand promise, "We make you good money by putting money to good."

New employees spend a few hours meeting with community members and business partners who rely on Vancity for financial services, such as Sole Food Street Farms and its mission to leverage previously unused urban space to grow organic produce.

"As an organization, we really do feel that it matters where money goes," says Heather Harmse, Vancity's manager of digital marketing and "overseer" of the CU's brand. "There's something about actually seeing that in action that helps our employees understand the value of money locally. So we're deliberate in having that direct line of sight, of seeing the dividends of the work at hand—not just in typically financial terms, but from an environmental and social prosperity point of view as well."

The credit union ends the immersion program with an invitation for any new employees to leave if they're not comfortable with Vancity's culture and financial services approach. Since 2012, only five of the 2,260 people who've been through the orientation have done so. "That helps us ensure that the values of our organization really resonate with all our colleagues," Harmse says.

Vancity's own history "started with meeting the needs of 14 founding members who couldn't get a mortgage east of Cambie Street," she notes. "That's the essence of who we are taken forward 75 years—meeting the unmet needs of our members and being completely aligned from a values perspective. That reaches to the kind of employees who gravitate to and remain in our organization for many years."

Brand and culture must be rooted in an organization's purpose, Harmse maintains. Vancity's purpose steers its marketing focus away from pushing specific products and toward supporting its community and providing the "ultimate member experience." Of course, part and parcel of that purpose is providing seamless, convenient access to affordable financial services.

"We want to do it all—but that's the role of a financial cooperative," she adds. "We have a mission in mind as a cooperative, and we have to be jolly good financial providers, too."

Vancity monitors a variety of metrics to measure the strength of its brand-culture connection, from employee engagement to membership and wallet share growth to the sustainable impact of its community investments and the loans it makes. In meeting the challenge of affordable housing, for example, the means to achieve that end includes both home improvement loans to convert unused spaces into apartments and commercial loans for affordable housing units.

In short, Harmse says, culture is rooted in mission and purpose, which also informs brand. For credit unions, the brand-culture connection means that "we are the members we serve"—which may not be such a difficult message to convey after all.


That Feeling When
Your Turnover Rate
Hits an All-Time Low

Special Report: Lending

Credit Union Management

JUNE 2018

5 Ways to Prepare for 'Carmageddon'

... whether it comes or not.

PLUS

28 RESPONSIVE LENDING SOLUTIONS
By PSCU

5 Ways to Prepare *for 'Carmageddon'*

... WHETHER IT COMES OR NOT.

BY GLENN HARRISON

About midway through 2018, the drastic falloff in auto lending predicted by some auto lending industry analysts—dubbed "carmageddon" by some—hasn't come to pass. Vehicle sales are still robust, reflecting a slower-than-expected rise in the U.S. prime rate. Even so, a "hold the line—everything's fine," attitude could be a strategic mistake.

Don't take your auto loan portfolio growth for granted, especially if you depend on low-margin indirect lending volume. *Credit Union Management* asked a group of auto lending experts for ideas about how to position your auto lending program for success, whether or not a true market slowdown hits.

Our panel members all either run highly successful auto lending campaigns themselves or work regularly with lending executives at credit unions of all sizes, or both. They are:

- Tony Boutelle, president/CEO, CUES Supplier member CU Direct (*cudirect.com*), Ontario, Calif.
- Brett Christensen, owner, CU Lending Advice (*culendingadvice.com*), Euless, Texas, and lead faculty for CUES School of Consumer Lending™ (*cues.org/socl*) and CUES Advanced School of Consumer Lending™ (*cues.org/advsocl*)
- CUES member Bill Vogeney, chief revenue officer, $5.1 billion Ent (*ent.com*), Colorado Springs, Colo., and author of CUES' monthly "Lending Perspectives" column
- Brian Timson, national VP/lending, Allied Solutions (*alliedsolutions.net*), Carmel, Minn.

Here's what they suggest.

1. Move auto financing further up the sales funnel. "Car buyers are savvier today," Boutelle says. "They don't want to be sitting and going through the credit process inside a car dealership after they just spent three hours test-driving cars. Instead, they're shopping and getting pre-approved online. So, all the largest competitors are trying to get the loan approval further up the sales funnel."

At the wide top of the car-buying "sales funnel," buyers are just becoming aware of their options, most often by searching online for auto brands and models, expert reviews, side-by-side comparisons or videos, he explains.

Online sellers are vying to offer all these tools in one place. And they're merging or partnering with lenders to offer pre-approved loans on "scrubbed" vehicles—units that are actually available at specific locations with legitimate vehicle identification numbers.

Boutelle says CUs can bring a crucial element to such a partnership. "The fintechs and other online sellers are great at the auto selling side of things, but there isn't anyone that's also great at lending," he says. "This is where credit unions have a big advantage and can position themselves."

2. Don't use indirect for high-risk loans, and don't give up on the indirect loans you lose. "I see some credit unions getting out of indirect lending because they got too aggressive in buying higher-risk car loans through that channel," says Christensen. "Don't do your higher-risk lending through the indirect channel. Do it on the direct side, because people don't wake up in the morning planning to lie to their lender on a car loan application.

"The problem with the direct side of the fence is that you can be the best sales credit union on the planet Earth, but buying a car many times is an impulse decision at the dealership," he adds. "But it's okay if you don't get that loan on Saturday or Sunday. Become professionals at rescuing those loans later."

CUs can outcompete larger lenders to recapture lost auto loans, because members still tend to go to physical branches for many other transactions. Well-trained tellers and member service reps can spot auto loans that members may be paying too much for.

"You can find out from a credit bureau which members have their loans elsewhere. You can ask to rescue their car loan when they apply for a credit card or a signature loan," Christensen says. "You can keep trying, because you're going to see them again."

3. Indirect lending success is more about strategic positioning with dealerships than credit quality. "If you talk with most credit union lenders who have trouble with indirect auto lending, they'll say the root of all evil for indirect is poor credit quality," says Vogeney. "I argue that it's not credit quality—it's strategic positioning with dealerships to compete with other lenders.

The strategy Vogeney often sees for CU indirect lending is the "shotgun approach." For example, a $100 million CU launches indirect lending by signing up with 100 or so auto dealers.

"They're thinking, 'All we need is a couple of loans from each per month, and we're going [to be] good,'" says Vogeney. "But in reality, most business transactions—and especially in indirect lending—revolve around relationships, whether it's B2B or B2C. It's hard to build a relationship with so many dealers on one or two loans a month. Focus on fewer dealers, more loans per dealer and a stronger relationship. Especially for smaller credit unions, to build a relationship with a dealer, you have to differentiate yourself."

His suggestion: Draw a two- or three-mile circle around each of your branches on a map, find the dealerships within that circle and work directly with their staff members. Hire a relationship manager and answer dealer calls promptly.

"Especially if these dealerships aren't the biggest in town, they may have a chip on their shoulders about those larger dealerships and lenders, so they may be more willing to take care of your members, even if you don't have the lowest rate," he says.

4. Use technology and underwriting innovations to go back to basics: serving your entire FOM. "Too many credit unions today, unfortunately, are prime and super-prime auto lenders," Timson says. "That means they're competing with the Chases of the world. It's a race to the bottom on rates and yield.

"Many of these credit unions have gone away from their original mission: to support *everyone* within their communities, including those who need help to raise their credit scores. This is important because a lot of the younger millennials, especially, are underscored [on Fair Isaac credit rating]. A big medical situation would tank the majority of the population's FICO today—but a big hospital bill doesn't have to mean you're not going to make your monthly auto loan payment."

Timson says new auto loan underwriting tools and data can allow CUs to lend more broadly.

"One of the biggest disruptors in the marketplace is the fintechs, who are starting to underwrite very differently," Timson says. "They're using the data, analytics, social media, and other third-party data to determine someone's creditworthiness."

5. Create two streams for manual indirect loan processing. "Some credit unions speed up indirect loan processing by having two processing streams: one for packets that are complete and another for packets that have mistakes or omissions," says Boutelle. "This way, packets that need additional attention don't delay those that are ready for funding."

As the president and founder of CU Direct, which creates automated lending products and services, Boutelle believes that handling physical loan packets shuttled to lenders from dealerships is quickly becoming obsolete. He thinks more dealers will cooperate with lenders on digital processing, especially when it gets their loans funded more quickly.

But automation won't always eliminate errors, and Boutelle stresses that lenders have to be hands-on. "You have to stay on top of it and communicate personally with dealers when funding is delayed by missing documents or whatever," he says.

"The best lenders have leaders who are willing to try some new tactics," Christensen summarizes. "They're willing to make some changes and get better at sales—maybe tweak a policy here and fight back against the examiners there." *(Read "3 More Ways to Prepare for 'Carmageddon'" at* cues.org/052218skybox.)

Glenn Harrison *is a freelance writer based in Stoughton, Wis.*

MORE ON LENDING

3 More Ways to Prepare for 'Carmageddon' (*cues.org/052218skybox*)

On Compliance: The Impact of 20 Million Improved Credit Scores (*cues.org/0218oncompliance*)

CUES School of Consumer Lending™ Aug. 13-14, Denver (*cues.org/socl*)

CUES Advanced School of Consumer Lending™ Aug. 15-16, Denver (*cues.org/advsocl*)

Responsive *Lending Solutions*

PSCU®

CREDIT UNIONS CAN GROW MEMBERSHIP AND ROI WITH THE RIGHT LOAN PROGRAM.

BY PSCU

Ask today's credit union members to describe what outstanding service means to them, and you can be sure they'll mention wanting simple, multichannel credit card and loan applications, fast approvals and great rates.

As credit unions find themselves squeezed by competition from both banks and digital-only lenders, it's becoming clear that a rich heritage of member-friendly service might win a few battles but won't carry the day in the loan origination wars.

FIND YOUR LENDING NICHE AND FILL IT

To develop the kind of successful lending programs that grow market share, profits and member loyalty, CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Fla., believes your credit union must:

- focus on identifying its competitive strengths;
- find creative ways to leverage its existing resources; and
- develop third-party partnerships to address gaps in underwriting, processing, training and marketing support.

If that sounds like a tall order, credit unions should remember they have a formidable weapon at their disposal that banks and digital lenders can't touch: the power of CUSOs. For decades, credit union service organizations have given CUs a way to band together to lower costs, access technology, streamline workflows and eliminate service headaches—and lending is no exception. As the nation's leading CUSO, PSCU would like to share its expertise to help your CU create a lending strategy that will grow ROI, serve your current members and attract new ones.

PLAY TO YOUR STRENGTHS

Your credit union knows its members better than any big bank or cyber-lender can ever know its customers. The credit union tradition of stressing long-term relationships creates these advantages:

• **Outstanding loan products at lower prices:** From credit cards to auto loans to mortgages, credit unions are known for providing high-quality loan offerings at lower rates than other lenders.

• **Member insights:** CUs pride themselves on understanding their members' needs. Analytics let CUs track offer responses and purchasing patterns across the entire branch, call center, website and mobile ecosystem to create a deep understanding of what loan products are attracting which demographic and behavioral segments; and what offers and channels are generating the most ROI.

• **Loan benchmarks and metrics:** The National Credit Union Administration (*ncua.gov*) assembles and tracks vast amounts of industry data in its quarterly 5300 reports—a resource that banks and digital lenders can't easily replicate. Another example, PSCU's AIM® (Account Insights and Metrics) diagnostic reports give credit unions a dashboard tool to benchmark their performance against industry peers on 15 metrics, such as balances, fees, line utilization, delinquencies and charge-offs.

• **Cross-channel marketing integration:** Unlike many banks, most credit union employees serve their members with a sense of mission. What's more, highly motivated CU employees will often notice behavior patterns in one channel they can utilize in others. For example, when PSCU piloted its online credit card offer acceptance portal, there was such a rapid uptick in online acceptances that one CU decided to mail additional offers.

BRIDGE SERVICE GAPS

Once your credit union has defined its lending goals, its next step is to identify the gaps it must fill to reach them. This is where PSCU has found that CUSO partnerships with third-party vendors can give CUs the support they need.

• **Lending 360:** PSCU has partnered with CUES Supplier member CU Direct (*cudirect.com*), Ontario, Calif., to offer Lending 360, a multichannel lending solution that uses a CU's own underwriting rules to offer decisions in seconds, streamline underwriting and provide a branded mobile experience.

• **Dedicated financial contact centers:** PSCU helps your credit union support 24-hour lending services with dedicated financial contact centers that offer customizable, seamless lending support integrated with your credit union's core processor and underwriting guidelines. Member relationship experts handle all interactions and the centers offer callback capabilities to generate more completed applications online.

A robust lending program creates a win-win for CUs and their members. Partner with PSCU today to help your CU enhance its services and grow ROI.

Roll Up *Your Sleeves*

DETERMINING YOUR CU'S STRATEGY TAKES REAL WORK.

Directors needs to be key players in setting organizational strategy. But how can they choose a single focus from the many possible strategic directions available to a growing credit union?

According to Les Wallace, Ph.D., the secret is hard work.

"You've got to put in the time," says Wallace, president of Signature Resources (*signatureresources.com*), Aurora, Colo. "You've got to spend some time looking at what the literature is saying. You've got to track the developing future in the financial services industry. And, as you do that, it starts becoming clearer and clearer what trends are likely to have the highest impact on your organization three, four and five years out."

Wallace suggests that making the time to talk strategy calls boards to get on a regular schedule—a "strategic rhythm"—of big-picture discussions. Hear more about this idea in the CUES podcast at *cues.org/podcast2*.

He also suggests boards make time for strategy discussion as part of their regular meetings, while still providing appropriate fiduciary insight. Get his advice for running productive, engaging meetings in "'Flip' That Meeting" at *cues.org/0414flip*.

View a new video on how to roll up your sleeves and get down to the work of choosing your CU's strategy at *cues.org/0618video*.

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What makes SUCCESSIONapp® unique?
SUCCESSIONapp® is the only web-based tool for board succession planning. This powerful tool helps boards identify critical competencies for directors, determine where gaps exist, estimate when director turnover may occur and build a solid recruitment plan. The tool also provides models for future board leadership succession to ensure smooth transitions.

SUCCESSIONapp® also has an executive succession component, helping credit unions identify and develop potential leadership successors. Clients have said, "SUCCEESIONapp® provides a formatted, easy-to-use approach to executive succession planning that is so intuitive in nature you don't need the instruction manual!"

What keeps your clients up at night?
Worrying about things like:

- How do we find good directors?
- Does the board have the right knowledge and experience to ensure the success of the credit union?
- Our board seems to be aging; what if we have major director turnover in the next several years?
- Our CEO is retiring soon. Do we have any internal candidates who are ready to lead?
- What if we can't hold on to our top executives in the current job market?
- How do I create development plans for my senior leaders that will get them ready for the CEO role in the future?
- Should we be doing an external search, or is there an internal candidate who is ready?

How is SUCCESSIONapp LLC making the credit union industry stronger?
According to a Pew Research Center study, 10,000 people will turn 65 each day from now until 2030. That's a lot of impending retirements! It's important for credit unions to have strong leaders, to serve members, but also to remain competitive. SUCCESSIONapp LLC is committed to helping credit unions prepare for this turnover by making both executive and board succession planning accessible and easy.

Branch *Transformation*

ADAPT YOUR LOCATIONS TO MEMBERS' CHANGING NEEDS AND PREFERENCES.

BY RYAN RACKLEY

Though the demise of the branch has been forecast for decades, the reality is more about adaptation. Just as a caterpillar morphs into a butterfly, branches are becoming even more beautiful in their strategic capacity. As the volume of routine transactions continues a downward spiral, credit unions' brick-and-mortar networks still serve a vital purpose as sales and consultation centers.

The challenge facing retail managers is how best to deploy member service employees with support from evolving technology and how to resize facility footprints cost-effectively—one branch at a time. Getting this right is critical. Winners will be ready with a piloted and tested plan. Losers will struggle with excessive drag on their financials from their branch networks.

THEN AND NOW

The steady shrink of traditional transactions—check deposits, cash withdrawals and account transfers—persists unabated. The most recent *Cornerstone Performance Report for Credit Unions* (*tinyurl.com/cornerstoneforCUs*) shows a drop from an average monthly 7,786 transactions per branch in 2014 to 7,521 in 2016, and that trend is expected to continue in lockstep with declining check and cash use in favor of digital and card payments. Visa predicts for 2018 a 6.5 percent year-over-year increase in debit card transactions and an 8.2 percent increase in credit card use volume.

At the same time, branches are still the No. 1 driver for opening new accounts. When people shop for checking and loans, personal interactions are still preferred. Adoption of online account opening has been slow, and the abandon rate high, in part perhaps because supplying documentation required to verify identity is burdensome. Even when member service employees have all the forms lined up for members to sign at a branch, the process can take five to eight minutes—an eternity in the do-it-yourself online environment.

Branch location also retains a prominent role in consumers' decisions about where to bank. Mobile mapping has us all trained: When we want to dine out, our cars need repairs, or we're shopping for financial service providers, we pull out our smartphones to see what's available nearby.

In short, the branch still matters to people who want to open accounts, get advice and get help

solving problems. These branches serve a different purpose than when members stopped by to deposit paychecks and withdraw cash. It follows that today's branches should be staffed, sized and equipped to reflect members' changing needs and preferences.

RIGHT SIZE, RIGHT TECH

If a credit union were to start from scratch building a branch network, it would likely feature smaller offices outfitted with cash recyclers, enhanced ATMs and/or video tellers to optimize cost-effective service delivery, and employees trained to serve as universal agents and consult with members.

In lieu of a reset, managers can identify when to integrate the "micro-branch" footprint and supporting technology as branches are renovated, relocated and launched in new markets. Regional 2,500-square-foot loan production offices are losing momentum, and midsize branches are struggling to remain relevant alongside smaller, efficient offices that can operate productively with minimal staff. Cash recyclers eliminate the need for three employees on duty simultaneously to fulfill dual-control requirements, and enhanced ATMs and video tellers can reduce the onsite FTE needed to support drive-up lanes and teller stations for routine requests.

Adhering to the following best practices can help credit unions identify and implement the most efficient member service combination.

Think smaller. Optimizing the return on investment in branch infrastructure still rests on location, location, location. The once-standard 2,000-square-foot branch is $1 million just to get started. But eliminating a drive-up lane or a few square feet adds up. A micro-branch strategy offers a lower-cost option for new markets—planting that all-important dot on Google Maps—and maintains a familiar but more cost-effective presence for members.

Forget one-size-fits-all. The data on declining teller transactions are averages. Some branches still run 80,000 to 100,000 transactions monthly. For CUs with such branches, maintaining regional service centers with many busy full-time tellers and a loan production office makes sense. So does deploying tech-supported micro-branches in lower-volume, but still key locations.

Commit at the branch level to the facility size, technology and blend of member service professionals appropriate for each location. If a new branch is expected to process 15,000 transactions a month, it will lose money from day one if the CU applies a traditional staffing approach. But a small branch with self-service technology allows the CU to stake a claim in a desirable market while simultaneously reducing operating costs and positioning universal agents to consult with members, open new accounts and drive up sales.

Manage staffing for your new fleet. Adding micro-branches to the mix introduces the cost and service advantages of being able to train branch employees as universal agents and retrain other staff to provide face-to-face service from a distance.

Financial institutions that have deployed video tellers report anecdotally higher employee satisfaction among staff members in this new department than in their previous service roles. In the long run, these new staffing models may alleviate the ongoing struggle in recruiting and retaining branch employees.

Set realistic expectations for financial performance. In Cornerstone's research on the ROI of converting a branch into a tech-enabled knowledge center, the micro-branch option doesn't save enough on staffing to fully offset the technology price tag. But it is an opportunity to streamline operations and improve service.

Cornerstone's 2017 for-purchase report "The Quest for Video Teller ROI" (*tinyurl.com/cornerstonequest*) indicates that the return on assets for financial institutions that have invested in ITMs averages 0.94 percent compared to 0.74 percent for those without this technology. Credit unions that deploy video tellers and ITMs may not reduce their overall headcount, but may solve personnel issues at low-volume branches; obtain an efficient market entry or exit approach with micro branching; and deliver extended hours or create a differentiator to build brand equity.

Develop, execute and continually refine your branch technology plan. The not-uncommon "experiment" of placing an ITM in the corner of a branch while maintaining a fully staffed teller line just to monitor adoption typically results in the new equipment standing unused and ignored. A more effective approach is to identify an optimal location for a tech-enabled micro-branch, commit to the strategy by converting all drive-up lanes and teller stations to self-service, and learn from this pilot before introducing it in other locations.

Ease members into this transition. When unveiling this technology, station employees nearby to invite members to step up and use the machines and to offer a quick demonstration on the full range of their capabilities. A little virtual hand-holding goes a long way to reduce a natural fear of the unknown and guide members to discover on their own how easy and quick technology-enabled transactions can be.

Ryan Rackley *is a senior director for CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Ariz., specializing in branch technology, payments, mergers and contract negotiations.*

MORE ON BRANCHING

Facility Solutions: Manage Your Way to Growth (*cues.org/0417 facilitysolutions*)

Dead Branches? (*cues.org/0717dead*)

Cornerstone Advisors, CUES' provider of strategic and technology services (*cues.org/cornerstone*)

School of Strategic Marketing™ I
July 16-18, Seattle (*cues.org/ssm1*)

School of Strategic Marketing™ II
July 19-20, Seattle (*cues.org/ssm2*)

CUES School of Member Experience™
Sept. 10-11, Denver (*cues.org/some*)

Tech-Driven *Risk Management*

THE AVAILABILITY OF INFORMATION IS SPURRING NEW TRENDS.

BY JAMIE SWEDBERG

For executives at financial institutions, risk management has been a wild ride. A lot changed in 10 years: Regulations were enacted in the wake of the global financial crisis; risk management became a more rigorous and broad-based practice; and, perhaps most dramatically, cybercrime shot through the roof and became one of the most pressing risks. Even smaller institutions now may see the need to employ software to handle enterprise risk management, or ERM.

The concept of risk for FIs includes hazard risk (for example, natural disasters and property damage), financial risk (pricing, asset, liquidity and currency), operational risk (cyberattacks, data security and corporate wrongdoing), and strategic risk (competition, a changing retail landscape, the availability of capital). ERM must help a CU respond to all of these challenges by setting risk appetites and laying out strategies for responding to each. Should they be avoided or minimized? Insured against? Monitored? Ignored as a cost/benefit decision?

Much of what ERM software does is make connections, linking controls to the organization's activities, policies, procedures and risks to track their effectiveness. A good package will also help a CU eliminate unnecessary duplication of effort.

A big trend in ERM is automation of compliance. The less a process is touched by humans, the more it's a known quantity and its inherent risk can be reduced. ERM can hardwire the correct behaviors into a CU's processes, products and services; and it can help the organization monitor activities that are high touch to minimize and/or respond to any errors that might occur.

THE ERA OF BIG DATA

Clearly, an ERM package is the heart of any technologically based effort to manage and mitigate risk. But new tech that can expand the reach and the efficiency of ERM is emerging all the time. The two factors that unite all of these new technologies are the emergence of big data and the easy availability of nearly infinite data storage. There is now so much information—from payments, social media, online shopping, geolocation—that can be accessed. This has the potential to allow financial institutions to make better decisions regarding all kinds of risk, from credit decisioning to portfolio monitoring, from fraud warning to operational losses.

But therein also lies the sticking point.

"Access to data is always the first challenge, followed by consistency of data," explains Mike Bryan, VP/digital strategy at CUES Supplier member Allied Solutions (*alliedsolutions.net*), Carmel, Ind., a risk management consultancy that is an independent, wholly owned subsidiary of Securian Financial Group (*securian.com*), St. Paul, Minn.

"Credit unions have multiple systems and partners that all have data in a variety of formats. Once you can get the data, making sure that it is consistent from source to source is critical. Each system often has a different architecture or centricity. For example, a core system could be member-centric or account-centric." All projects need to reconcile these differences and create a unified model. Even if a CU's systems can talk to each other, the data may have limitations.

"It comes down to credit unions understanding their data and actually storing the right amount of data, what they need from the credit union members," says Fotis Konstantinidis, SVP/fraud products at CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, Calif. "When you try to understand behaviors and credit union members, you need to have as much data as you can, because that will give you a profile. You might have one credit union member that you know is a spender—you know that they like traveling, for example. Or you might have a millennial, and they have a certain behavior. Whatever software you have, it will not give you the results if the data is not there."

All this data can be used in new risk management technologies, ranging from machine learning to other types of advanced analytics. For example, it can be used to reduce fraud-related risk by documenting the patterns of member preferences and behaviors.

"You'll be able to classify your credit union members using your data, so the more data you keep, the better the fraud prevention," Konstantinidis says. "You can lift data from social networks, everything publicly available these days. So you'll be able to understand even more things about someone, beyond checking their bank accounts and loan installments and whatnot. Machine learning is as good as the data you scrape into it."

With all the advantages it promises, big data is driving rapid change in risk management. CUs will soon have the opportunity to use technology to manage and mitigate risk in ways they never before imagined. Here are three of the trends.

TREND 1: MACHINE LEARNING

Fraud detection and decisioning systems are part of any robust risk management effort. They're already customizable, with algorithms that can be changed based on new information. But until recently, their reaction time has been relatively slow. The companies offering the solutions would update their neural networks with new data about fraud trends once or twice a year. Until those updates, they could not spot fraudulent transactions that followed new patterns. That's technically machine learning, but not very adaptive.

A more agile variety of machine learning, which identifies complex, nonlinear patterns in large data sets and makes it possible to create more accurate risk models nearly in real time, is beginning to be used in these types of applications. You've already run across this type of machine learning in other environments, such as your email application's spam recognition algorithm, Amazon's product recommendations and the suggestions you get on Netflix. Now very similar technology is being deployed to combat card fraud.

Konstantinidis says many of the 20 or 30 largest CUs are working on customized solutions to put this tech into practice—as is CO-OP Financial Services. He explains why the change is necessary.

"Because of the complexity of the fraud that arises now from different channels, such as mobiles and IT wearables, you may find that you may have a suspicion [about a transaction] but your traditional machine learning won't be able to adapt to it. You might have some kind of an outlier that it wouldn't be able to tag as suspicious activity."

But next-generation machine learning can tweak its algorithms in response to outliers. How? By shifting the level of importance assigned to various pieces of information.

> **"...the more data you keep, the better the fraud protection."**
> — Fotis Konstantinidis

"The model, the best way I can describe it, is like a number of weights," he says. "There is a weight for the transaction amount—let's say that counts for 80 percent in fraud. If it's over a certain limit, then you flag it as suspicious. Another one would be geolocation, if you have that information—cross-referencing that with the address or the credit union branch that the member usually goes to. What we mean [when we say the technology is] adaptive is when we see a number of suspicious activities because of geolocation, it will assign a higher weight and higher importance to the ZIP code as opposed to, let's say, the transaction amount, because it sees a lot of fraud coming from transactions [where the ZIP code is unmatched]."

Even given the same data, two CUs may set the algorithms in different ways. Financial institutions care about two main factors: the loss and "false positives"—when an institution declines or queries a legitimate transaction and causes an inconvenience to the member.

A deeper-pocketed CU may put a premium on the member experience and set the algorithms to let some questionable transactions slide through. Another that has to worry more about fraud losses may tighten the reins. This is an example of risk appetite, of course—a key factor in any risk management strategy, and something that must be decided again and again for every type of risk.

"You have to assign some numbers and some objectives. ... Say, for example, if 5 percent of my total transactions are absorbing losses, I mitigate it to 2 percent. It gives you the ability to be proactive. If the model sees several transactions, it can tell me there is an 80 or 90 percent likelihood [the next one like it is] a suspicious transaction, and I can put a lower ceiling on the transaction. If the probability is more like 85 or 90 percent fraudulent, then I can decline it. And I can customize that."

MORE ON RISK MANAGEMENT

Third-Party and Cybersecurity Risk Management (*cues.org/0318third*)

ERM Is Everyone's Responsibility (*cues.org/0516erm*)

CUES School of Enterprise Risk Management™ Aug. 13-16, Denver (*cues.org/serm*)

Cornerstone Advisors CUES' strategic provider of risk management services (*cues.org/cornerstone*)

TREND 2: PREDICTIVE ANALYTICS

But machine learning isn't limited to fraud mitigation. Predictive analytics is the use of big data, statistical algorithms and machine learning to identify the likelihood of future outcomes based on historical data. Vendors are starting to use this technology to manage collateral and insurance coverage, improve mortgage default protection and secure loan portfolios. In the future, it will play a huge role in such key risk management areas as underwriting.

Allied Solutions' CIO, Dave Hilger, gives an example of how predictive analytics can concretely reduce collateral risk.

"Allied has developed a likelihood of insurance predictive model for our CPI (collateral protection insurance) solution," he says. "This data model scores loans on the likelihood of outside insurance to better focus [the CU's] efforts and lower the costs of obtaining insurance information from borrowers, while minimizing negative member experiences."

CUs that use the technology see a greater than 20 percent reduction in borrower notifications, he says, decreasing negative brand impact and reducing member retention risk. At the same time, the solution doesn't increase compliance risk because all known lapses in coverage are treated equally and policy details are the same for all borrowers.

This type of software does its best work when it plays well with others.

Allied Solutions likes to describe its approach to data analytics as "collaborative," which goes back to access to data. This type of software does its best work when it plays well with others.

"Start with security and data governance, making sure the data is secure and that a comprehensive governance program is in place to ensure privacy and use of all data," Bryan says. "Then focus on non-proprietary platforms and systems. An open platform that [can] include data from as many sources as are needed or available will drive the best solutions."

Second, he says, don't fence yourself in. The technology is rapidly evolving, so what you use it for today might not be what you use it for tomorrow. "Ask yourself: Can the platform scale not only technically with additional data and system integrations, but ... to solve the many business challenges and opportunities a credit union is trying to address?" he says.

TREND 3: BOARD PORTALS

Business problems are one thing; natural catastrophes are quite another. Risk management strategies must deal with both, and that's one reason board portals can be useful.

"One of the requests from the regulators is that you have a disaster recovery plan," says Ian Warner, president/CEO of CUES strategic provider Aprio Inc. (*aprio.net*), a governance software firm in Vancouver, British Columbia.

"The way it used to work was the ... disaster recovery plan would be put into its own binder and ... put into the hands of each of the directors, who in the event of a disaster would go to the binder and try to figure out the protocol. But now you can do it electronically. It can be updated from anywhere. You don't have to look through your house and find where you put that disaster recovery plan, and (assuming connectivity is available or the plan had been downloaded on directors' phones) you can just go directly to the board portal to find it."

Many board portals offer online decision support with the ability to create electronic signatures, which can be vital in the event of an institutional emergency. The crisis could be anything from a flood to an executive accused of sexual assault.

"It depends on what the situation is, but if there's a requirement for unbudgeted spending [or a major decision], you can get a resolution out to the board ... for example, 'It's time to let the CEO go.' Something like that, where otherwise everybody has to get into a boardroom and talk about it and make that decision. This way, there's a way to put a resolution out there and get signatures on it."

Further, the board portal could contain information about a variety of disaster response plans.

Finally, because the containment of compliance risk is a key part of the risk management effort, Warner notes that incorporating a board portal can create an audit trail. This is helpful if events need to be reconstructed after the fact.

"Have someone from IT assess the security and compliance of your board communication," he advises. "On the Aprio portal, secure sign on is enforced and you can track when the software was accessed, by whom and from what IP address. Boards should have a track record of decisions during a disaster, and ensure information was protected, including detecting any unusual login behavior."

The proliferation of data will support CUs' risk management efforts if they use good data and use it well. With vision, skill and some elbow grease, CUs can apply the best available technology to help protect members and their organizations.

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

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Twitter *Is Terrific*

BUILDING YOUR CUs BRAND, 280 CHARACTERS AT A TIME

BY STEPHANIE SCHWENN SEBRING

Each social media platform has a unique purpose and following. Twitter (*twitter.com*), with 330 million active monthly worldwide users, is mostly used by college-educated millennials with an above average income (*tinyurl.com/y7fdljh7*).

If this is an audience your credit union would like to woo, perhaps you should get your tweet on.

COMPETITIVE ADVANTAGES

Improved member service: Matt Maguy, a partner at James & Matthew (*jamesandmatthew.com*), a digital advertising agency in Boston, believes service is at the heart of Twitter's appeal. "Few institutions do Twitter justice. It's a missed opportunity, especially for customer service; it's a place where members can ask questions and get direct answers," he says.

Have Twitter be part of your call center or member service protocol to address a bad experience or contact someone. It's the brevity and speed in which people communicate that make it an excellent customer service tool.

Complaint resolution: "We take complaints seriously, share them with the proper team players, even the CEO on occasion. For example, we had a drive-through problem cited on Twitter, which quickly led to our team's review and a solution," says CUES member Shelley Carlson, VP/marketing at $1.2 billion Texas Trust Credit Union (*texastrustcu.org*), Arlington, Texas, which has 1,073 Twitter followers.

Trending topics, younger users: "We also connect with community partners, share topics of interest or initiatives," explains Carlson. "Our connection with UTA (the University of Texas at Arlington) is driven by Twitter. We showcase our sponsorship of the university's athlete of the week, and we get a lot of shares."

Verve, A Credit Union, uses Twitter primarily to interact with the local high schools in its field of membership. "We have a lot of fun partnerships with the schools and the students like it when they

hear from Merv, our spokesperson," says Bryce Roth, cooperative outreach director at $915 million CU in Oshkosh, Wis. See more about Merv at *verveacu.com/merv*. The CU has just over 1,000 followers on Twitter.

HOW OFTEN SHOULD YOU POST?

You should post at least three to four times per day, up to 10 times per day, experts advise.

With Twitter, you need to provide a constant feed to your followers, says Doug Aguiar, SVP/chief marketing officer for $11 billion Golden 1 Credit Union (*golden1.com*), Sacramento, Calif.

It's also the platform to use to share breaking news, because topics turn over so quickly. The use of hashtags also makes it easy to tap into member sentiment. Golden 1 CU, which has 19,400 Twitter followers, creates unique hashtags specific to events or promotions so members can tweet about them. Some examples include #GoldenHeroes, #StrongerTogether and #Golden1Gives.

Also be conscious of what's happening at your CU. For example, if you're part of a community event, say a holiday parade, you may be tweeting much more that day, says Marne Franklin, digital director for Your Marketing Company (*yourmarketing.co*), Greenville, S.C.

TWITTER BEST PRACTICES

1. Search popular hashtags: "The best time is in the morning when hot topics are trending," says Carlson. "We use hashtags to say good morning and have fun with day-of-the-week gifs," including #MondayMotivation; #TuesdayTacos; #WednesdayWisdom; #ThursdayThought; and #FridayFeeling.

2. Be concise: Brevity makes Twitter popular, and you only have 280 characters to communicate your message.

3. Capture interest using video: Alexander Kesler, founder and president of inSegment Inc. (*insegment.com*), Boston, likes using an element of intrigue: Use videos that make you want to click, he says. ("Jane Smith just saved $1,400/month on her bills. Find out how.") Brainstorm with your team ideas that will gain traction with members.

4. Make content mutually beneficial: This happens when you create authentic conversations and keep your brand voice consistent. "Knowing your field of membership will help," explains Roth. "Do they spend time on Twitter? Will having a presence give your brand a lift? Never should a member be on a channel and wonder who it is they're talking to."

MISTAKES TO AVOID

- **Not understanding your audience:** Demographic analysis can help you determine whether Twitter reaches your desired audience.
- **Poor use of hashtags:** Research the hashtags and locations people are tapping into. Use these commonalities to get involved in the Twitter conversation.
- **Using it only for B2B:** Credit unions seem to use Twitter to follow other CUs or businesses rather than connecting with members to provide member service, emphasizes Roth. This is a missed opportunity. Twitter is a useful tool for communicating with members and problem-solving.
- **Not moderating your content:** A lot of people use the site to voice opinions, explains Aguiar. Respond quickly and have a method for responding to complaints. For compliance purposes, document each complaint and your response.
- **Not using it as a listening tool:** Search your handle or name at least once daily, stresses Carlson. See what the Twitter community is saying about you. It's a channel where users like to air grievances but also dole out praise. Thank followers when compliments are received.
- **Lack of commitment or spreading your social staff too thin:** If you pull staff from their priorities, you'll lose ground, says Carlson. Don't start transmitting on a platform if you can't commit to it.

MEASURING SUCCESS

The more people who engage with you, the more they will understand the character of your brand, stresses Aguiar. Measures of engagement can include impressions, shares, posts and comments. Golden 1 CU tracks and reports to the board these stats every month.

Also, decrease the disparity between followers and engagement. Aim to grow the number of people who engage with your account compared to those who simply follow you.

LIMITATIONS

- **280 characters:** Some say it's restrictive; others see it as a strength.
- **The channel moves extremely fast:** That's what makes the frequency of posts so critical, says Roth. While platform management programs can help, they're not perfect. "Twitter is also a channel that thrives on 'squirrel' moments, random things that pop up daily," he adds. "So, a steady diet of preplanned tweets may not always work."

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

SOCIAL MEDIA RESOURCES

A New Focus for Facebook (*cues.org/0418facebook*)

5 Facebook Mistakes to Avoid (*cues.org/0318facebook*)

Marketing in a Flash (*cues.org/1217marketingflash*)

How to Become a Part of the Online Conversation (*cues.org/0318conversation*)

Inside Marketing: #MemoriesAreGolden (*cues.org/1117insidemarketing*)

CUES School of Strategic Marketing™ I and II (*cues.org/ssm1, cues.org/ssm2*)

Artificial Intelligence *Evolves the Member Experience*

BY STEPHANIE SCHWENN SEBRING

As the world of artificial intelligence evolves, so will the tools credit unions use to elevate the member experience. Machine learning, machines that learn from and adapt to data, will also enhance the experience—sometimes with but often without human intervention.

Fotis Konstantinidis, SVP/fraud products at CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, Calif., and a data scientist specializing in machine learning, sees three distinct roles for AI in the card payments space. These include: 1) customization of member offers; 2) fraud reduction and prevention; and 3) predictive analyses. It's important to take advantage of all three, he adds, particularly as credit union service models shift from transactional to needs-based.

"The key is to embrace better machine-learning models and gather data to feed what we call the 'thinking engine,'" says Konstantinidis. "The critical step is to cleanse and filter the right data, because the wrong data will give you the wrong hypothesis."

Using a transaction-scoring model platform to extract data from ATM, debit and credit card as well as shared branching transactions, both current and historical, CO-OP Financial Services is helping CUs to enhance the overall member experience. Here, transactions feed into a single AI engine, explains Konstantinidis. This allows CUs to filter data for a variety of reasons, such as discerning member needs for a customized offer or strategically managing card portfolios.

Despite the vast amount of data computation available, when you glean the *right* data, you're able to craft innovative product solutions. "Say a member has a car loan with you, soon maturing, and you see it's a smaller vehicle," says Konstantinidis. "By filtering the right data, you also see that same member will soon be welcoming their third child. Why not use AI to customize a loan offer for a larger vehicle?"

Blockchain technologies are another clever use of AI to authenticate member transactions and improve service. "With advances in engineering, many innocent card transactions previously flagged as fraud we can now vet and automatically release through AI," explains Konstantinidis. "Machine learning allows us to intervene and make new rules on the spot, with risk engines that are customized to each credit union's unique fraud goals."

Still, from his perspective, most exciting is AI's ability to predict member needs. "You can provide products and services without your members even realizing it—and understand their needs before they do," adds Konstantinidis. "This is the ultimate goal in any service experience, in my opinion."

CO-OP Financial Services takes a client-first approach with AI. Konstantinidis concludes that it's not always about the latest or greatest AI technology, but finding the appropriate AI solution from a pool of technology to best fit your needs.

Learn more about Konstantinidis' approach to AI and fraud prevention at *tinyurl.com/ybashkkp.*

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

Tapping Into *AI Trends*

Here are a few ways credit unions can use artificial intelligence to improve operations and member service:

- **Predictive analyses**, which can detect member needs and serve customized solutions.
- **Enhanced call center technology**, using chatbots and voice recognition to improve the member experience. Here, a percentage of routine calls route to an intelligent (virtual) agent for quicker service.
- **Machine learning and robotic process automation (RPA)**, implemented for repetitive, back-office tasks and greater efficiency.
- **Enhanced voice recognition**, which enables members to execute transactions by voice; think Siri, Alexa and Cortana.
- **Customized digital wallet** within your mobile app; AI can customize the content and serve specialized offers, via the web, mobile or a wearable device (like a smartwatch).
- **Enhanced fraud detection and prevention**, using AI to monitor an increasing amount of data and blockchain technologies to authenticate member transactions. (Wikipedia defines blockchain as a continuously growing list of records, called blocks, linked and secured using cryptography. By design, a blockchain is inherently resistant to modification of the data.)

Develop Your Managers *with Vertex*

Managers play an important role in the success of your credit union. Dun & Bradstreet research shows 96 percent of American businesses fail due to managerial incompetence. And according to a Gallup Survey (*tinyurl.com/o3rwtz4*), 70 percent of employees' engagement is directly attributable to their managers. This results in more productive employees and reduced turnover (up to 50 percent of employees leave due to poor management).

To help develop credit union managers, CUES, in partnership with Michael Neill & Associates Inc. (*servistarconsulting.com*), is bringing the Vertex Management Development Program to its members. A cost-effective, research-based curriculum, the Vertex program can be deployed live at your site or remotely via computer-based training. For less than the cost of traditional credit union management schools, Vertex can provide managers with professional development for such important skills as delegation, team building, performance coaching, strategic thinking and more.

"Research identifies key skills that will lead managers to improve employee engagement and profitability; Vertex develops those skills in current and future credit union managers," says Mike Neill, president, Michael Neill & Associates Inc.

"With Vertex, our members can strengthen their commitment to learning and fulfill their mission to ensure the highest quality professional development from new managers to veteran leaders," says CUES President/CEO John Pembroke.

Learn more at *servistarconsulting.com*.

Apply for *NTCUE!*

Young credit union leaders age 35 and under are encouraged to apply for CUES Next Top Credit Union Exec (*ntcue.com*), powered by Currency and sponsored in part by DDJ Myers, a Silver CUESolutions provider. Participants pitch a current project or program they are working on at their credit union or an idea to advance either their CU or the industry. The challenge features more than $50,000 in prizes and will award the title of CUES Next Top Credit Union Exec to one evolving leader in the credit union industry.

"As the CUES Next Top Credit Union Exec challenge enters its ninth year, we're eager to see the depth of talent from all the applicants," says John Pembroke, CUES' president/CEO. "This contest embodies CUES' mission to bring the finest in talent development opportunities to the industry, and I look forward to seeing the many unique and interesting project ideas, as well as the presentations and crowning of the ultimate winner at CUES' CEO/Executive Team Network (*cues.org/cnet*) in November."

Young leaders may apply by completing an application form and submitting a short video and blog post about their project idea during the application phase of May 14 to June 19. Why should you apply? 2017 CUES Next Top Credit Union Exec Geoff Bullock says, "When I entered the Next Top Credit Union Exec competition last year, I knew I'd be stretched by some tough competition. However, I had no idea this competition would be such a catalyst of support from within my own credit union and from the movement as a whole. It's been a realization of the power that each of us can have within this movement, no matter our age, if we put our 'people helping people' values front and center.

"This competition has been a once-in-a-lifetime experience with opportunities to network, learn and grow unlike anything available anywhere. The CEO Institute was a life-changing experience, and the relationships I've built as a result of this competition will be lifelong. Whenever I talk to fellow participants from past years, our analysis is the same—the CUES Next Top Credit Union Exec competition represents the best of what our industry is about ... and the best is yet to come!"

Learn more and apply at *ntcue.com*.

Webinars & Elite Access

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CUES members can attend all webinars (*cues.org/webinars*) for free and access a library of webinar playbacks.

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Thinking Strategically & Building Deeper Member Relationships

JUNE 26
1 p.m. Central
Diversity and Inclusion Dynamics

JULY 11
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cunamutual.com

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eDoc............................15
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fiserv.com

Harland Clarke..............9
harlandclarke.com

PSCU..................... 28, 29
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An Agile *Payments Strategy*

Payments are vitally important to your credit union's profitability and member satisfaction, but the payments landscape is evolving at a rapid pace with no signs of slowing. How can your CU devise an effective payments strategy on such unstable ground?

Payments University (*cues.org/payments*), developed in partnership with CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, Calif., will help you respond to these changes with agility by learning to identify and respond to early indicators of new trends, emerging opportunities and threats.

"Spotting early indicators will help you anticipate where the market is heading and be both strategic and proactive in your response," says Kathy Pearson, Ph.D., adjunct senior fellow at the Leonard Davis Institute of Health Economics, president/founder of Enterprise Learning Solutions and faculty at Payments University, in "Tuning In to Weak Signals" on CUES Skybox (*cues.org/011817skybox*). "By its very nature, decision-making includes uncertainty. Sometimes you are reluctant to act until the uncertainty is gone; often, you make a best guess and proceed with the risk of being wrong. A better option to consider is to make a decision while acknowledging key areas of uncertainty, resulting in an agile decision."

Payments University begins with two online sessions (July 18 and Aug. 1) live-taught by Tony DeSanctis, senior director at CUES strategic partner Cornerstone Advisors (*cues.org/cornerstone*). Then, join your classmates in Denver, Aug. 13-14, for in-person, hands-on learning facilitated by Pearson and Samantha Paxson, chief marketing and experience officer at CO-OP Financial Services. Attendees will explore seven key strategies to accelerate digital transformation, the evolution of payments and how to design offerings that best serve their members. Those who complete all course work and assigned projects will earn the Certified Payments Strategist (CPS) designation and go home with everything they need to develop a comprehensive payments strategy.

Attend Payments University (*cues.org/payments*), Aug. 13-14, at the Embassy Suites by Hilton Denver Downtown Convention Center.

Learn more about Payments University and the Stan Hollen Scholarships at cues.org/payments*. Register soon—rates increase $400 after June 29.*

2018

STRATEGIC INNOVATION INSTITUTE™
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Stanford University
Stanford, Calif.

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 16-20
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ I
July 16-18
Crowne Plaza Seattle

CUES SCHOOL OF STRATEGIC MARKETING™ II
July 19-20
Crowne Plaza Seattle

STRATEGIC GROWTH INSTITUTE™
July 23-26
University of Chicago
Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
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Kimpton Hotel Palomar San Diego

BUSINESS LENDING FOR DIRECTORS SEMINAR
July 23-24
Kimpton Hotel Palomar San Diego

DIRECTOR STRATEGY SEMINAR
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CEO INSTITUTE I: *STRATEGIC PLANNING*
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CUES SCHOOL OF ENTERPRISE RISK MANAGEMENT™
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CUES ADVANCED SCHOOL OF BUSINESS LENDING™: *CREDIT ADMINISTRATION*
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Downtown Convention Center

CUES ADVANCED SCHOOL OF CONSUMER LENDING™
Aug. 15-16
Embassy Suites by Hilton Denver
Downtown Convention Center

EXECU/NET™
Aug. 19-22
Hilton Sedona Resort at Bell Rock
Sedona, Ariz.

CUES SCHOOL OF MEMBER EXPERIENCE™
Sept. 10-11
Embassy Suites by Hilton Denver
Downtown Convention Center

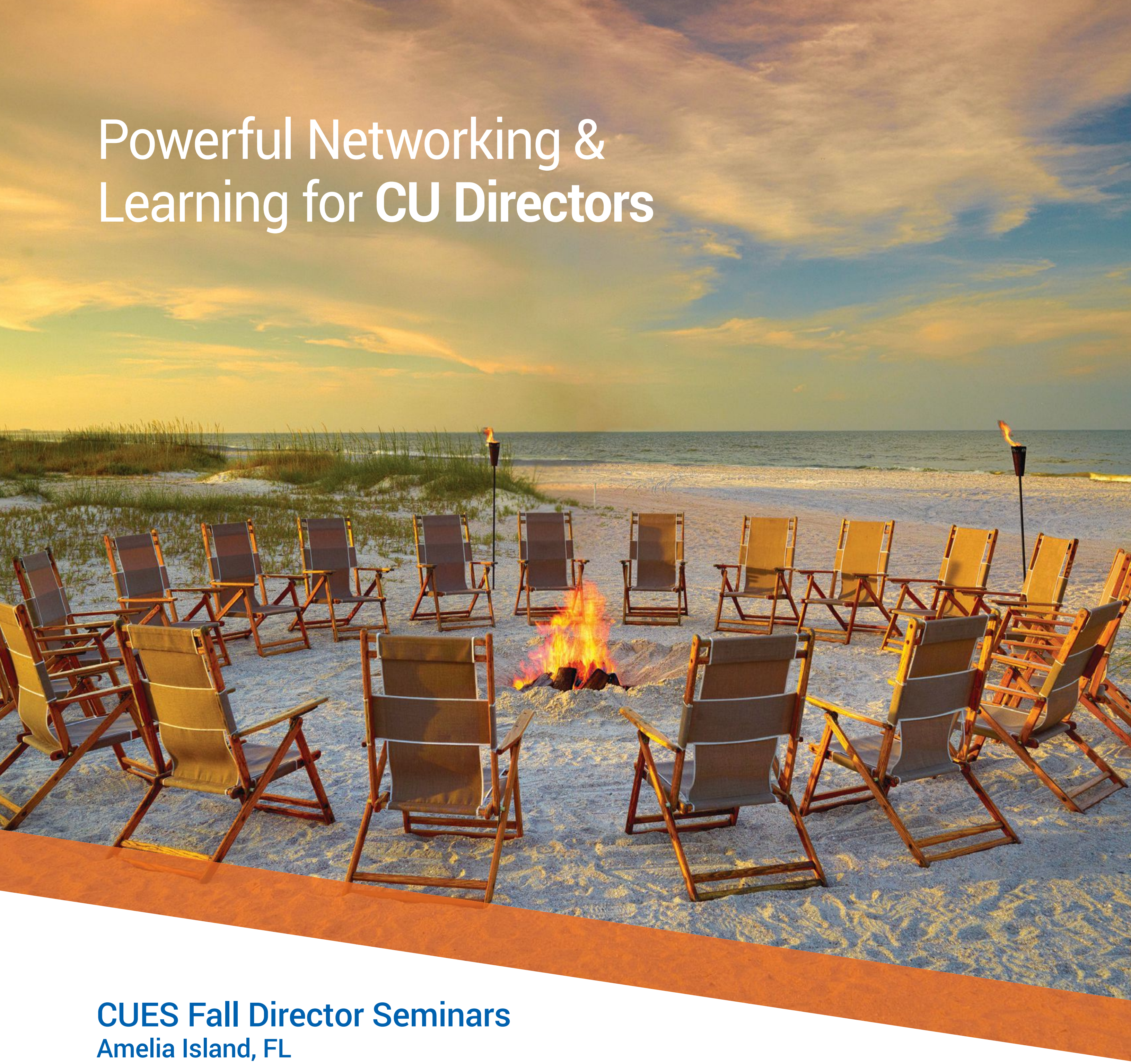
CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING*
Sept. 10-14
Embassy Suites by Hilton Denver
Downtown Convention Center

CUES SCHOOL OF IT LEADERSHIP™
Sept. 12-14
Embassy Suites by Hilton Denver
Downtown Convention Center

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 10-11
Omni Amelia Island Plantation Resort
Amelia Island, Fla.

CUES DIRECTOR DEVELOPMENT SEMINAR
Sept. 12-14
Omni Amelia Island Plantation Resort
Amelia Island, Fla.

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



CUES Fall Director Seminars
Amelia Island, FL

Credit unions face uncharted territory and boundless challenges every day. Sharpen your governance skills and keep your institution sound for your membership.

Attend CUES' director seminars this fall; each features expert speakers, ready to cover the topics vital to the health of your credit union. Plus, the fantastic location combined with valuable networking means you'll have new colleagues to turn to for ideas and dialogue once you return home.

Get more out of your travel dollars! Our fall Director Seminars are conveniently scheduled back-to-back—stay for the week and attend both.

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Early 2018 Economy *a Roller Coaster*

BY G. MICHAEL MOEBS

Right before Christmas, Congress passed the Tax Reform Act with the idea of stabilizing financial service markets at least until this fall's mid-term elections. However, events in the first quarter of 2018 have been anything but stable: The Fed has a new chair, the stock and bond markets are volatile, escalating trade wars loom, Facebook lost the data of 87 million users and the Dodd-Frank Act is up for major overhaul, especially the Consumer Financial Protection Bureau.

What does the remainder of 2018 have in store? The answer lies in six areas. This excerpt covers three: the money supply, the Fed and trade. Read about the other three at *cues.org/040918skybox*.

1. The Money Supply

Since the mortgage bubble triggered the Great Recession in 2008, the Federal Reserve has expanded the money supply by only 4.2 percent. The normal growth rate is 7.3 percent. The basic rate now stands at 1.75 percent, up from a low of 0.25 percent less than five years ago.

The Fed's own balance sheet has added an additional $3.5 trillion to the nations' debt of $21 trillion. The GDP is less than $20 trillion. Any further basic rate increases will reduce spending in the Congressional budget to cover additional interest of $62.5 billion on the U.S.'s $20 trillion in debt.

2. The Fed

The Fed does not need to increase the funds rate with inflation at goal and unemployment below goal, but it appears likely there will be two more rate increases this year. Increasing the rate will dampen economic growth as the federal government pays more in debt service—using funds that could otherwise have been used to repair roads or pay off debt. Consumers will pay more for car and home loans. Businesses will pay more for equipment loans—all because of the Fed.

3. Trade

Among the potential consequences of the White House's policies for reducing the trade deficit are a small impact on international trade, less investor demand for U.S. securities, a fall in the U.S. dollar, an increased inflation rate and a decline in stock prices.

The result of such events will be higher rates for loans and deposits. Also, credit unions in markets adversely affected by manufacturing job loss need to be prepared for a declining marketplace and subsequent loan delinquencies.

Mike Moebs' *economic research firm, Moebs $ervices (*moebs.com*), Lake Forest, Ill., provides data, information and intelligence to government agencies, news outlets and thousands of financial institutions.*

Read about three more areas and how CUs should react in the full post at cues.org/040918skybox.

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"Organizational success relies on balancing the needs of today with the needs of the future. Focusing too much either on today or on tomorrow can stall progress and be a cause of disengagement. Use a future-focused approach to broaden skills and provide opportunities to expand knowledge based on a solid understanding of the workforce's currently recognized capabilities."

Jennifer Stangl, CUES' director of professional development, in "Purposeful Talent Development Is Aligned to Strategy Execution" on CUES Skybox: *cues.org/043018skybox*

"Ultimately, connected devices provide new avenues for engaging members. Credit unions should consider harnessing the data these channels provide to identify behavioral trends and develop enhanced member profiles … how their members typically use each channel, where they spend money and how they spend their time."

Abhishek Veeraghanta, business development executive for digital initiatives at VSoft (*vsoftcorp.com*), Duluth, Ga., in "If 'Omnichannel' Is Overused, Think 'Connected Devices'" on CUES Skybox: *cues.org/041718skybox*

"Sharing how your credit union embodies the philosophy of 'people helping people' is also engaging. Post pictures of your credit union donating to a local charity or staff volunteering together. Credit union members and future members will appreciate that giving back to the community is at the core of the credit union's foundation."

Alyssa Fedorovich, social media expert at CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Fla., in "7 Social Media Do's and Don'ts" on CUES Skybox: *cues.org/041118skybox*


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