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FINTECH
The decision to buy, build or partner

STRATEGY
Aligning your CU's values and goals

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YOUR THOUGHTS

HOW DO YOU LEAD THROUGH CHANGE AT YOUR CREDIT UNION?

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

Get Comfortable *With Change*

"Nothing is as painful to the human mind as a great and sudden change," writes Mary Shelley in the novel *Frankenstein*.

I would argue that small and slow changes can also be troubling. But they are necessary for personal, professional and corporate growth. Companies that don't evolve don't survive, so we must learn to be adept at change.

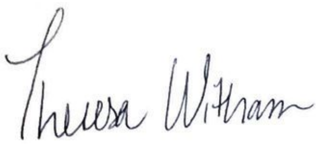
I have a complicated relationship with change. When I do embrace change, I tend to go all in. The best example is when I decided, rather on a whim, to move from Madison, Wisconsin, to Baltimore at the end of 2004. I felt my life in Madison was stuck, and I didn't see a path forward there. But moving across the country—away from my family—was a drastic change. And moving without a new job in place would have been much too scary. Instead, I found a way to safely embrace the big change my life needed. Fifteen years later, I am so grateful and happy that I was able to keep working for CUES as a telecommuter.

That move was just what I needed: I met my now-husband just three days after landing in Baltimore! Unsticking my personal life allowed me to reinvest in my professional life with CUES, and I am extremely fulfilled today. This experience taught me that I'm willing and able to embrace change so long as I have a foundation of stability and a little bit of control.

Of course, some people are more comfortable with change than others. You will have employees who are ready and eager to jump in feet first. Others will be wary. And some will be hostile. Your job as a leader is to help your staff along the path of continuous improvement and transformation that all companies need to follow if they want to thrive.

If you want to explore your relationship with change, I invite you to join us for the CUES Pathway of the Quarter: Change Agility. We are using the CUES Learning Portal (*cues.org/clp*) to complete lessons about change management and then discussing what we learn on CUES Net. Visit *cuesnet.cues.org* and look under "Communities" for the group devoted to this pathway. I hope to see you there!

In the financial world, fintech has been an agent of change for the past few years, and it shows no signs of stopping. In "Souped-Up Tech" on p. 10, we look at options for buying, building or partnering for new solutions. Our cover story, "Text Time," p. 24, discusses the changing ways members want to communicate with you. At *CU Management*, we work hard to make sure you have the information you need to lead in these ever-changing times.



Theresa Witham
Managing Editor/Publisher

P.S. **Mark June 30 on your calendar**. That is the deadline to nominate a colleague (or yourself!) for two CUES awards. The CUES Outstanding Chief Executive award honors a CEO who has worked to strengthen his or her credit union or the industry. The CUES Exceptional Leader award honors credit union decision-makers for their ambition, participation and devotion to their credit unions and the movement. Learn more at *cues.org/recognition*.

The Connected *Credit Union*

Many companies are shedding monolithic document repositories in favor of content services platforms capable of aggregating content across multiple repositories to connect disparate applications. Common services include document management, search, indexing, categorization, capture, version control, workflow, records management, content analytics and more. A free whitepaper from CUESolutions provider OnBase by Hyland focuses on five areas where a content services platform can better connect your people and technology. One example in the whitepaper explores how accounting departments can streamline operations in three ways.

1. Contract Management: As member agreements and vendor contracts arrive at your credit union—whether by mail, fax or email—content services ingests the documents, automatically capturing and validating critical information before pushing it into your back-end systems. Meanwhile, workflows automatically deliver the contract documentation to the right employee, for review or approval or both.

2. Accounts Payable: In every credit union, invoices roll in from different locations and in different formats, making the accounts payable process a real challenge. Content services captures, organizes and delivers those documents, along with supporting content, to the appropriate individuals for review, coding and approval.

3. Vendor Management: Content services improves vendor management by streamlining and centralizing vendor-specific compliance documents, contract details and critical issues. You store all vendor-related content within the content services system, making it instantly available to users via computers, tablets and even smartphones.

Read more about how content services solutions can improve human resources, compliance, branch operations and lending at *cumanagement.com/hylandwhitepaper.*

Facing the digital transformation landscape is daunting. To compete with big banks and fintech, you must master strategies like mobile first and omnichannel delivery, have a wealth of applications to enhance member experience, and stay compliant while navigating security challenges and mitigating risk.

Goma, by Think|Stack, is the only tracking tool you need to capture your current state, clearly display your risk exposure, and plot your journey to improvement.

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- Navigate planned and unplanned events
- Track your progress

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Souped-Up *Tech*

THE RISE OF FINTECHS BLURS THE BOUNDARIES AMONG BUYING, BUILDING OR PARTNERING FOR NEW SOLUTIONS.

BY SAM KILMER

To effectively introduce new technology, credit unions have three options: buy it from a vendor, build it in-house or partner to create it.

At first glance, these choices appear quite disparate, but their separate nature has faded. Take, for instance, the commonly accepted notion that smaller CUs can't build new technology because they don't have the expertise on staff or the financial resources to underwrite full-fledged tech development. In reality, they may combine the buy, build and partner options by working with vendors to adapt the third party's solution to suit their specific needs.

The practice of "making it your own" will likely become more routine as CUs hire ambitious young IT managers who don't want to be stuck just maintaining a core, lending or payment system when they could be cracking the hood and souping it up.

The rise of technology credit union service organizations also blurs the buy, build and partner lines. A CU might build its own online membership application, for example, and then decide to share it with other financial cooperatives through a CUSO, through which the original creator CU and its new partners work together on continued improvements—and sell it to still other CUs.

Additionally, more and more CUs refer to their vendors as "partners"—two organizations working side by side to achieve mutually beneficial goals. It's not hard to see why: Client CUs want to be able to collaborate with their technology providers to solve problems, improve performance and tailor systems to their specifications.

The rise of fintechs—initially as competitors to traditional financial institutions and then increasingly as vendors or partners—has had the impact of blurring these lines even further. It stands to reason that credit unions would prefer to work with cutting-edge technology developers to get in early on the latest innovation.

It's fair to ask whether the distinctions between buy, build and partner matter at all today. The answer is that they do—both in choosing the path most aligned with a CU's technology goals and risk appetite and in tracking execution and applying a consistent expectation for outcomes.

START WITH STRATEGY

Well before a credit union gets to the buy-build-partner decision, the first consideration should be agreeing on a digital strategy: What does the credit union want to accomplish, and how can technology help it get there? Clear objectives help all parties define solid ground on which to start.

According to Cornerstone Advisors' recent survey summarized in its *What's Going On in Banking 2019 (bit.ly/2UrpYNg)* report, improving the member experience and creating new capabilities are CUs' foremost strategic objectives for working with fintechs, with 98% of executives rating those goals as very or somewhat important. Other key priorities include strengthening core competencies and competitive positions (96%) and reducing operating expenses (92%).

To achieve those objectives, a quarter of CU respondents expect their organization's tech spending to increase by more than 10% this year, and two-thirds say those budgets will increase 1 to 10%.

Topping the list of CUs' fintech functional priorities in the survey were digital account opening, followed by lending and credit, payments, fraud/risk management and new banking products. Identifying your credit union's strategic imperatives and the technology that will support their execution is the first step toward identifying the best course to launch those solutions.

COMPLETE A RISK PROFILE

The next step in choosing the best development and/or implementation path for those strategic priorities is to evaluate how much risk the organization is comfortable assuming. That is not a conversation that begins with IT and operations managers. The board establishes the CU's risk appetite, and the executive team ensures that operational and technological execution adheres to those constraints.

In short, strategy dictates what the CU plans to accomplish, and risk boundaries point to how. Working with a fintech opens a CU to much more risk—to financial risks in the event of cost overruns, to the potential for compliance and security risks, and to reputation risk if the new technology fails to deliver on expectations, to name just a few. In many cases, start-up fintechs don't have the financial and contract performance track records procurement managers typically rely on in their standard risk assessments.

Buying a solution from an established vendor defrays some of those risks. If hundreds of financial institutions are using the same system, a lot of the kinks have already been worked out. A credit union may not be on the leading edge by buying a tried-and-true solution, but it should be able to rely on that system to deliver the expected service within acceptable parameters.

This risk-reward dynamic is familiar territory for credit unions, which make the same determination every day in their core lending business: Do they approve more loans to credit-challenged members in return for higher rates to cover their losses and then some? Or do they accept lower revenue production with lower credit risk?

This distinction also underscores the benefits of clarity in how a credit union defines its vendor relationships. If the credit union is buying a system, it is assuming less risk than by entering into a partnership with a vendor to jointly develop a new solution.

To a large extent, the buyer-partner distinction also hinges on how much of an equity interest a CU has with a technology provider. For example, whether a CU holds a quarter or a hundredth ownership stake in a CUSO, it is an owner—but the former obviously holds a much more significant risk and a louder voice in the business. In exchange for a bigger stake in the venture, the credit union may have a seat on the CUSO's board and more opportunities to weigh in on system features and functionality.

DIFFERENT PATHS, SAME DESTINATION

Whether the credit union decides to buy, build or partner on new technology, it should hold the completed work to the same expectations. Whether organizations acknowledge it or not, some may apply a lighter touch to systems they've built internally while holding vendor solutions to higher standards. The credit union's employees, members and/or other users shouldn't have to settle for inefficiencies in a new system just because it was developed in-house.

The overlap in these options may add layers to the decision process when comparing costs, time frames and the ability to tailor technology to the specific needs of the credit union and its members and employees. When all development and maintenance costs are figured in, building a solution tends to be the most expensive option—but also the most flexible. Some of those expenses can be defrayed by marketing the solution or sharing the cost with other credit unions.

On the other hand, buying a system from a vendor tends to be the least expensive option and typically fastest to implement. But software built with the needs of many financial institutions in mind often doesn't come with the flexibility many credit unions expect for their investment.

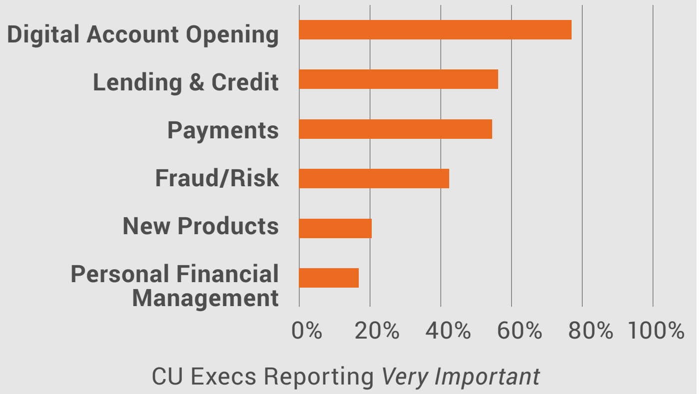
WHO'S IN CHARGE?

The buy-build-partner decision steers the credit union toward who takes charge of the process. Risk assessments and contract negotiations for purchasing software are typically performed by the credit union's procurement, vendor management and legal functions, with well-defined processes to review the vendor's finances, contract performance record and other criteria.

The board is more likely to be involved in any significant partnership proposals, as many entail unique risks or potential impacts to the credit union's strategic vision. And, of necessity, the executive team must take the lead in forging these partnerships and overseeing their implementation.

A true fintech partnership should offer the credit union an upside—quantitative and qualitative—that simply isn't available at more favorable cost, risk and performance measures under the build or buy options. Weighing the pros and cons requires extensive analysis at a high level to identify the dif-

FINTECH PARTNERSHIP PRIORITIES



Source: Cornerstone Advisors' *What's Going On in Banking 2019*

MORE ON FINTECH

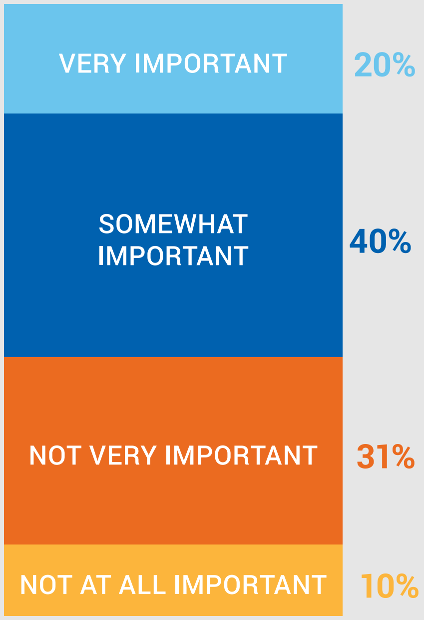
Partnering With Fintech Companies (*cumanagement.com/video060418*)

The New Financial Ecosystem (*cumanagement.com/0618new*)

Cornerstone Advisors' strategic and technology services (*cues.org/cornerstone*)

THE IMPORTANCE OF FINTECH PARTNERSHIPS TO CU EXECS

How important will fintech partnerships, collaborations and/or investments be to your organization in 2019?



Source: Cornerstone Advisors' *What's Going On in Banking 2019*

ferences between buying vs. partnering with a fintech. Is it a shared risk and shared reward, and does the reward justify the risk?

Clarity around whether the credit union is entering into a partnership or vendor relationship is critical as the process of evaluating a fintech's performance, costs and risks entails unique considerations in comparison to a typical vendor evaluation.

These differences also matter in terms of organizational expertise. Many CEOs are either former lending execs or CFOs, so they understand the system for making loans and performing financial analysis. They are much less familiar with technology decision-making, especially when it comes to overseeing development or a partnership to create a new solution. But their acumen—and that of their organization—should become more systematic over time.

As author Ron Shevlin, Cornerstone Advisors' director of research, warns in *What's Going On in Banking 2019*, "Many financial institutions are deceiving themselves if they think they can get into fintech partnerships without the right skill sets to identify partnership priorities, vet potential partners and negotiate terms. Mid-size financial institutions are used to managing vendors—not partners."

The report poses these questions as a way for credit unions to assess their readiness to engage in true partnerships for fintech advances:

- Where are the biggest opportunities from a market perspective?
- Which value creation strategies have the best opportunities of success?
- Which value creation strategies best align with the organization's strategy?
- Which value creation strategies best align with the organization's capabilities?
- Which potential partners have the best prospects for success?
- Which potential partners would actually make good partners?

If addressing those questions is a daunting task for a credit union, that's a good sign that the organization may not be equipped with the right skills and expertise to partner with a fintech. Fortunately, the credit union has other solid options to buy, build or collaborate through a CUSO on the solutions it needs to keep pace with member expectations in a fiercely competitive marketplace.

The buy, build or partner quandary is likely to become a more common decision, as credit unions begin to look more and more like technology companies. The industry has shifted toward self-service delivery as the primary access point in the delivery mix of financial services that includes technology, people and facilities, with an increasing emphasis on technology Across both credit union and bank respondents in the Cornerstone survey, the commitment to expand their institutions' digital presence as a growth priority increased from 30% in 2018 to 49% this year.

By thoroughly vetting each option in the evaluation of performance, cost and risk considerations, credit unions can gain tremendous knowledge for future use in evaluating prospective fintech partnerships and the critical factors in making each new solution a success for all parties involved.

Sam Kilmer (skilmer@crnrstone.com) *is senior director with CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Arizona, where he is a leader of a practice independently advising fintechs and investors. His prior experience includes management roles at two tech firms serving credit unions and in tech-buying roles at two financial institutions.*

After Choosing the Tech Vehicle, *Steer the Course*

Once your credit union has made the buy, build or partner decision, several teams will need to manage critical performance, cost and risk considerations for new technology systems. Assigning different executives to assess these areas broadens the expertise allotted to implementation and serves as a healthy check and balance.

1. Monitor performance. This responsibility typically goes to leaders of revenue and member service areas to ensure the credit union is getting the benefits projected from the system. The organization must commit to operationalizing all the features that won execs over to the solution in the first place.

2. Continually monitor cost variables. Volume or other pricing parameters may change during contract terms and impact the original justification. Finance and project managers should not wait until contract renewal to evaluate original expenditure decisions, as the cost-benefit relationship can change.

3. Be vigilant in evaluating risk. Key tasks include tracking vendor or partner performance and assigning risk ratings. The complexity of the vendor-partner services and risks dictate periodic reviews, ideally by a risk officer. Vendor management systems can provide monitoring and assessment tools, but keep in mind that fintech partnerships can be more complex to monitor and evaluate because both partners in the relationship may be forging new paths.

Aligning Organizational *Values and Strategy*

CUs' CORE BELIEFS AND MOTIVATIONS MUST BE THE FOUNDATION OF THE STRATEGIC ROAD MAP.

BY DIANE FRANKLIN

Many organizational experts compare strategic planning to a road map—it gets you where you want to go. However, before beginning the planning process, you have to understand the reasons for going there. A key step in gaining that understanding is to define your organization's values to ensure they align with your strategy.

"Values are one of the fundamental building blocks of an organization's strategic plan," says Michael Daigneault, CCD, CEO of CUES strategic partner Quantum Governance L3C (*quantumgovernance.net*), Herndon, Virginia. "They are essentially the attitudes and beliefs which guide our actions and decisions. Values are there, either consciously and unconsciously; what we encourage organizations to do is to think about values consciously, so that everyone can be on the same page and the values can be clearly aligned with the strategy of your organization."

When an organization does not have a conscious discussion about values, Daigneault explains, leaders may find themselves at odds about how to run the credit union. "They may be coming from different places concerning the governance and strategy of the institution, and that's because they have different value frameworks and different ways of conceiving the fundamental purpose of the credit union."

When working with a credit union, Quantum Governance helps the organization define its values as a precursor to the strategic planning process. "We actually stress three elements: 1) having a clearly articulated vision statement; 2) having a corresponding mission statement; and 3) articulating the culture and values of the organization," says Daigneault.

"If you imagine those three components—vision, mission and values—as three boxes at the top of page, what stems from those top-tier boxes are strategic goals, strategic objectives and strategic metrics," he adds. "So, what you're doing is creating a conceptual framework that depicts how your values fit into the overall strategy of your organization."

Quantum Governance defines a vision statement as "a brief, frequently inspiring or provocative statement describing how the world will be different as a result of your mission and efforts." Mission statements are similarly brief, "describing the vital work the organization is doing to bring its vision to reality as well as helping to describe ultimate priorities, actions or core activities."

DEFINING CORE PURPOSE

Many organizational experts talk about the importance of developing mission and vision statements in conjunction with identifying core values. Bryn C. Conway, principal of BC Consulting (*bccstrategies.com*), Rockville, Maryland, identifies yet another important component: your core purpose.

"Your core purpose tells everybody who you serve and why they should join," Conway explains. "So, let's say you're a military credit union. In that case, your core purpose is to serve those who serve. It's a brief statement that allows someone to know whether they are a part of your community."

At the same time, the core purpose defines who the credit union does not serve. As Conway explains, "To be relevant to our members and to give them a reason to choose us, we have to be comfortable in creating a core purpose that describes not only who can join but also who cannot."

The mission statement is a related document that Conway describes as giving action and direction to your core purpose. "A mission statement is essentially your strategic rally cry," she says. "When writing it, ask yourself what your value proposition is and what makes you unique and different and connected to the community."

Conway stresses the importance of having a vision statement as a guidepost for long-term strategic planning. "This is your envisioned future—what you want your organization to be known for. It's a statement that allows us to dream big about where you want your organization to be five, 10 or 20 years from now. In fact, if the envisioned future is achievable in just five years, I would say to a credit union, 'Go back and dream bigger.'"

A BASIS FOR STRATEGY

The values that emerge at the credit union are related to these statements, Conway observes. "All of them interact together. They are the foundational statements that are the basis of your strategy and your brand. Values are an extremely important part of this. They are the promise you make to your members and your community about how you will do business."

If a credit union identifies integrity, respect and collaboration as three of its core values, for instance, there is an expectation among members, the community and employees that the organization's behaviors, actions and policies will align with those values.

"The idea is they can trust when they do business with you that those are the values that you find important and that you live every day as you work toward achieving your mission and vision," Conway explains.

When well-conceived, these foundational statements define the organization's "why," which best-selling author Simon Sinek (*simonsinek.com*) has linked to business success. Conway cites a 2013 Gallup survey, which found that businesses with clearly defined mission statements had higher employee and customer engagement and also outperformed their competitors (*tinyurl.com/gallupmission*). "The reason is that everybody understands the why," she says.

"You want to ensure that everything you do aligns with your core purpose, mission, vision and values. If it doesn't align, then it's not a strategy you should be pursuing."

– Bryn Conway

Once you have defined your values and other foundational statements, your credit union will have a basis for evaluating all strategic initiatives going forward. "I call it the 'strategic gut check,'" Conway says. "You want to ensure that everything you do aligns with your core purpose, mission, vision and values. If it doesn't align, then it's not a strategy you should be pursuing. That's why it's so important to have these elements defined. It keeps everybody on the same strategic page."

DEFINING WHY, HOW AND WHAT

Brian Thorne, CCD, CCE, CIE, CEO of $641 million Lakeland Credit Union (*lakelandcreditunion.com*), Bonnyville, Alberta, has also found value in Sinek's work in defining organizational purpose. "As outlined in Simon Sinek's book, *Start with the Why*, we think it's important to answer the questions of why, how and what—why you exist (your vision statement); how you intend to deliver (your mission statement); and what is motivating your actions (your values)," Thorne explains.

In determining its "why," Lakeland CU used a word cloud exercise, including input from its entire staff, from which came the following vision statement: "We provide financial opportunity, choice and lifelong value." The CU's "how" statement succinctly describes its mission, "We partner with our members and our communities to enrich their lives through trusted advice and exceptional service."

Moving onto the "what," the CU initially identified three values—community, collaborative and excellence. "We recently added two additional values—proactive and accountable," Thorne reports.

Once the "why," "how" and "what" are defined, Thorne says the key is to translate them into strategic priorities. "That's the No. 1 job of the CEO—to help every employee understand how their daily contributions help the organization deliver on its value proposition, its why."

As a means of communicating the interconnectivity of strategic priorities to Lakeland CU's mission, vision and values, Thorne uses the graphic of a house that depicts the "why" as the roof under which the mission, values, strategic priorities and goals reside.

The CU typically develops three key strategic board priorities each year. Currently those priorities include: 1) shift the culture, which includes leveraging member conversations, employee training and coaching; 2) become more member-centric, which includes identifying, adopting and implementing an member relationship management tool as well as focusing on improving the member experience; and 3) achieve sustainable growth, with a focus on targeting growth in loans, deposits and membership (which currently stands at about 10,000).

To drive performance in a way that aligns with corporate strategic priorities, Lakeland CU formed a balanced scorecard committee with a cross-representation of staff. The committee was tasked with developing key performance indicators that could be translated to the departmental level.

"The people on the committee determined that our strategic priorities center around four things: people, processes, members and financial results," Thorne says. "Having added accountability as one of our values, we realized that a key word was missing—and that word was 'our.' So, now we talk about our people, our processes, our members and our financial strength."

This helped solidify the CU's overreaching goal: "We will be the most respected financial institution, where new members seek to join, meaningful careers are nurtured, partners pursue collaboration and our collective communities succeed."

IDENTIFYING CORE VALUES

The best way for CUs to identify their organizational values is for the board and senior management to work together in a constructive partnership. However, Daigneault suggests that making the process more inclusive has substantial benefits.

"Even though leadership might be the catalyst for a formal discussion about values, it is also very useful and appropri-

Core Values *Personified*

Navigant Credit Union (*navigantcu.org*), Smithfield, Rhode Island, puts emphasis on core values with a unique employee recognition program called LUCI.

"LUCI stands for leadership, unity, caring and integrity," explains CUES member Lisa Dandeneau, EVP/COO for the $2.2 billion CU. "They are the guiding principles for our organization, representing the qualities and traits that we use to conduct ourselves every day.

Launched two years ago as an update of a previous core values program, LUCI keeps Navigant CU's 350 employees focused on delivering the optimal member experience. As Dandeneau explains, "If you want to be a high-performing organization, you have to ensure that everyone understands your mission, your purpose and your core values, and that the whole organization is aligned accordingly."

To develop LUCI, Navigant CU assembled a cross-functional team representing various departments and job functions, from tellers to vice presidents. "The team took a hard look at who we are and the core values that drive us," Dandeneau reports. "They made sure the values they identified reflected our culture of continuous improvement as well as our commitment to the organization and to the community."

An important component of the LUCI program is peer-to-peer recognition as a means of inspiring and reinforcing behaviors in alignment with the core values. "It's part of the concept of 'pay it forward'—in other words, recognize in someone else what others saw in you," Dandeneau explains. "We also set up the program so that the recognition could be more frequent and informal."

A central theme of the program is "anyone can be LUCI," which is conveyed by a traveling trophy resembling a mirror. "The idea is that when you look at the trophy, you actually see yourself as well as the four core values that LUCI represents," Dandeneau reports.

In the past two years, Navigant CU has stepped up its community involvement to be consistent with the core values represented by LUCI. One of its major initiatives is V-Force, which encourages volunteerism by giving employees paid time off. As a result, employees' participation in the community has risen from 62% in 2017 to 70% in 2018.

The implementation of LUCI has coincided with strong growth at the CU. From 2016 to 2018, Navigant CU achieved a compound annual growth rate of 11% in assets, 13% in loans, 12% in deposits and nearly 20% in net income. Additionally, return on assets improved from 76 basis points in 2015 to 97 basis points in 2018.

"This initiative was about aligning with our mission to improve the financial lives of our members, but ultimately what that led to was profitable growth for the credit union," Dandeneau reports.

LUCI also has allowed the CU to do a better job in building relationships with members, as documented by membership experience surveys that show a boost in member satisfaction and loyalty over the past two years.

"Even with a high baseline, we were able to move that needle," Dandeneau reports. "But what's really been transformational for us is the feedback that we've gotten that's helped us provide better service. We have a clear vision and strategy around the member experience. We're adding value to every interaction. We're connecting with our members by being personal, responsive and convenient. And by making those connections, we're able to build stronger relationships."

"It's important to answer the questions of why, how and what—why you exist (your vision statement); how you intend to deliver (your mission statement); and what is motivating your actions (your values)."

– Brian Thorne

ate to involve other people in the process, and that includes staff, the community, suppliers and vendors," he says. "It doesn't mean that ultimately the institution shouldn't set its own values—it absolutely should—but it's also useful to get feedback from a fairly broad and eclectic set of stakeholders."

Soliciting feedback from these various parties can be done in a variety of ways—including surveys, interviews, phone conversations, focus groups and community events. "Credit unions have used the equivalent of their annual meeting or town hall sessions to have discussions about their core values," Daigneault says.

The key is to make sure that defining your CU's values is not just a perfunctory process but that it produces something meaningful. "It is not just going to the marketing person or going to a marketing firm and saying, 'Write us some really good values,'" he observes. "It's not just pretty words. It's a deep understanding of who we are or who we want to be."

Jeff Rendel, CSP, president of Rising Above Enterprises (*jeffrendel.com*), Corona, California, who works with 90 to 100 credit unions a year on a variety of sales and strategic topics, stresses the importance of keeping the focus on members when it comes to defining values and setting strategy.

"The key question is: What do we need to be to remain relevant for our members?" says Rendel, noting that he has developed his own definition of "relevance" for the CU industry. "I simply call relevance 'leadership at the speed of members.' A good question for boards and chief executives to ask is: Are we moving forward at the speed of members and, if we don't feel that we are, what do we need to do to serve members better?"

Every credit union will answer that question differently, Rendel adds. Some may see price leadership as the best way to serve members. Others may see technology as the best approach. Still others may adopt a "service first, sales second" philosophy.

"The key is for credit unions to have a deep understanding of their membership, so they can develop the most appropriate strategy to serve their needs," he suggests.

As a means of identifying values and strategic direction, Rendel recommends the board and management team create a list of five or six main ideas that encapsulate what the organization should be doing for its members. "Have the board and management team do this separately, and then compare the two lists. Where you see overlap, you've established agreement about what's important. Where there are differences, that opens up a conversation to refine what is important for the credit union to pursue."

Moving forward, CUs need to make sure they use their defined values as a prerequisite for pursuing specific strategies. "For each proposed strategic objective, you should ask: Are we addressing those values that we have identified as an organization?" Rendel advises.

To illustrate the process, Rendel gives this example. Let's say that the CU has identified integrity, member centricity and transparency as three of its core values. In its strategic planning process, the CU has determined that it wants to optimize its branch network. In deciding whether to move forward with that objective, Rendel proposes that the CU ask the following questions: Are we being transparent in how we're communicating our progress to our members and staff? Are we being member-centric by monitoring member service in the branch? And are we being honest with staff about the reasons for our branch transformation?

"If you can answer yes to all three questions, you know your strategy and values are in alignment," he observes.

Rendel stresses the importance of ensuring that frontline employees have a clear understanding of the CU's values and how they relate to their daily interactions with members. "The more they can see in a tangible, practical way how their duties relate to strategy and values, the more likely you are to have alignment in what you deliver to your members," he says.

Diane Franklin *is a longtime contributor to* CU Management *based in Missouri.*

MORE ON STRATEGIC ALIGNMENT

The Strategic Gut Check (*cumanagement.com/podcast55*)

The Corporate 'Why' (*cumanagement.com/1117why*)

New Model, Classic Principles (*cumanagement.com/1018new*)

From John: Do You Have Alignment Among Your Leaders? (*cumanagement.com/0118fromjohn*)

Does Your Strategic Framework Drive Results? (*cumanagement.com/video081417*)

Sharing Earnings *With Owners*

PAYING A PATRONAGE DIVIDEND IS SMART BUSINESS FOR THESE CUs.

BY STEPHANIE SCHWENN SEBRING

Like other cooperatives, credit unions sometimes pay out a patronage dividend to reward loyal members. Most CUs base their decision about whether to pay a dividend in a particular year—and how much to pay each member—based on their own unique formula. That formula often considers such factors as the financial situation of the CU, the economy and each member's use of services. In the end, paying a dividend is a great way to call attention to a CU and its cooperative nature—and to deepen member allegiance.

GIVING THANKS

"Since 2003, we've paid over $7,680,000 to our membership, proving the value and benefits of being part of a cooperative are real and significant." – Denise Ligammare

$139 million Western Division Federal Credit Union (*westerndivision.org*), Williamsville, New York, has had a flourishing patronage dividend program since 2003.

Then, "loan rates were low, and margins had flatlined. Meanwhile, many credit unions were going community (charter) and adding a lot of new but similar products," says Denise Ligammare, business development/marketing manager for the CU. "We wanted something to make us unique, and patronage dividends was it."

Congruent with the program's (*westerndivision.org/patronage-dividend*) theme of "thanks," the CU awards dividends the week of Thanksgiving.

"It's perfect timing to reinforce our core values and not-for-profit nature," Ligammare says. "And with the PFI (primary financial institution) concept diminishing somewhat with younger generations, ... finding new ways to denote our uniqueness was essential. We also use the patronage dividend ... to encourage members to come to us for their next financial product."

The CU tweaks the program's structure annually and didn't pay a dividend some years.

"We budget what we want to pay in January, typically $750,000 to $1 million, and our goal is to pay funds out to the highest percentage of members possible, usually over 50%," says Ligammare. "The economy plays a role, as do our plans for the coming year. And we don't announce the payout until after Oct. 31, so it's not a 'given' a payout will occur.

"We keep the formula simple," she adds. "If you save and borrow with us, you're eligible for a reward, and we cap it at $500 per member. This lets us spread the money equitably; the more members you can reward, the greater your marketing impact."

This year, members who qualified were active in good standing and had paid interest or received dividends in a sufficient amount. They received 110% of dividends earned on savings plus 55% of interest paid on loans as of Sept. 30, 2018.

"With ... savings rates low for so long, we tweaked our patronage dividends to reward savers more," Ligammare says.

This year, the CU may use a hybrid formula, rewarding current members, plus using some of the funds to attract potential members. "We may allocate a portion of our patronage funds to improving rates to attract new members," Ligammare explains.

"Patronage dividends are an awesome way to thank members and share the cooperative spirit," she adds. "But keep your program fluid and flexible enough to meet ongoing challenges and evolving needs."

DOING THE RIGHT THING

"A patronage bonus is not only a brand strategy to cement member loyalty, but it's also about doing the right thing." – Thomas Brennan

For $515 million Erie Federal Credit Union (*eriefcu.org*), Erie, Pennsylvania, awarding a patronage "bonus" is a way to differentiate the credit union's brand from those of other financial institutions.

"We actually don't use the word 'dividends' as expected ... for us, it is a 'payout' or 'bonus' for our

"Branch managers have received many positive comments from our members, reaffirming that the payout was noticed and appreciated."

– John Yeomans

members," says CUES member Thomas Brennan, CMO. "A patronage payout also gives us the chance to teach members about their ownership privileges."

This is the second year for the CU's program (*tinyurl.com/erieiptbam*). Payouts for the approximately 51,000 qualifying members was $550,000 in 2017 and $600,000 in 2018.

Erie FCU has an internal formula for the payouts. "Our CIO, (CUES member) Brian Warzynak, developed it, and data analytics is the driving force," Brennan says. "The formula is comprised of multiple data points based on member participation with … weights on … savings, loans, mortgages, business loans, wealth management, credit and debit cards, and online statements. The more services the member uses, the higher their payout."

Brennan says a good program will prompt members to ask, "How can I get a bigger payout?"

The CU's data integration makes the program superb. "As the data changes, we can tweak the program on a dime," he says, noting that with the CU's strong capital position (now 11.10% and, at the time of the payout, 11.66%) and its strong deposit growth (8.4% in Q1), it can easily make changes.

In addition to building member relationships, dividends can be a way to tell the CU story.

"Why not use a patronage bonus as a reminder for legislators … about the not-for-profit, cooperative structure" of CUs, offers Brennan. "We give back to our members, and it is this collaborative philosophy that sets us apart from other financial institutions. It also shows [legislators] that the members' share of hard dollar earnings is never based on favoritism."

If a CU is considering a patronage program, Brennan advises making public relations a priority. "We created a marketing blitz and ensured our CEO was available to speak at events and to the media about the program, using such lead-ins as 'Paying a patronage bonus—it's the right thing to do.'" He notes that a story about its payout went viral on a local news site, *GoErie.com* and was one of the site's top 10 most-liked stories in 2018.

SHARING MAKES SENSE

"We awarded patronage dividends this year to give back to our members and share in our exceptional year and cooperative philosophy." – John Yeomans

In March, Preferred Credit Union awarded to members its first-ever patronage dividend (*preferredcu.org/bonusdividend*), a total of $200,000 to 18,330 members—or roughly 75% of its 24,500 members.

"We had a terrific year, and [because of] that, along with the money we received back from the NCUA Share Insurance Fund, we felt it was only fair we share the rewards with our members," says CUES member John Yeomans, CEO of the $170 million CU in Grand Rapids, Michigan.

The credit union, a client of CU*Answers (*cuanswers.com*), a CUSO in Grand Rapids, used the company's software to calculate various possible payouts.

"This was particularly helpful, knowing that we could tweak the payout," explains Yeomans. "We ended up selecting the parameters so that any member who had earned interest on the deposit side or paid interest on the loan side would receive a dividend. We decided on awarding 2.25% of the interest paid on a member's loan balances and 2.25% of the interest received on their deposits. The minimum payout was $5, capped at $250 per member. We also paid a minimum of $5 to all of our youth members." The payout was accompanied by an explanation of the program. Members loved it, says Yeomans.

"We also mailed personalized thank-you cards to members who received $10 or more, roughly 4,400 individuals. It was simple but effective," he notes. "Branch managers have received many positive comments from our members, reaffirming that the payout was noticed and appreciated."

Yeomans views patronage dividends as a flexible program that provides a reward for members when credit unions are financially able to do so.

"When we disbursed the dividend, we didn't promise this as an ongoing program. However, I look forward to awarding future patronage dividends when we experience an excellent year. It makes sense for us to do so, and we couldn't be more pleased with the response from our members."

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

MORE ON MEMBERSHIP AND GROWTH

Patronage Payouts Promote Member-Owner Philosophy (*cumanagement.com/051519skybox*)

Creating the Most Loyal Members in the Nation (*cumanagement.com/0519creating*)

Enthusiasm for Expansion (*cumanagement.com/0419enthusiasm*)

Strategic Growth Institute™, July 22-25, University of Chicago (*cues.org/sgi*)

Paving *the Way*

CAREER PATH PLANNING PROGRAMS BOOST EMPLOYEE ENGAGEMENT, PERFORMANCE & RETENTION.

BY JEN LAWRENCE

"A lack of development and career growth is the No. 1 reason employees leave a job," declares Gallup's 2017 *State of the American Workplace* report (*tinyurl.com/gallup2017workplace*). The study notes that 51% of employees are actively looking for a new job, and with only 30% of U.S. employees feeling that someone at work encourages their development, most organizations—including credit unions—could benefit by putting more energy into helping to create career paths and implement career development programs for their staff.

THE VALUE OF A CAREER DEVELOPMENT PROCESS

Career development is often thought of as focusing on employee promotion, which can be difficult in small or relatively flat organizations. But career development can go well beyond just moving up the ladder. Gallup's definition of the career development sought by most employees is the "process of understanding each person's unique talents ... and finding roles, positions and projects that allow them to combine their talents and abilities with experiences to build strengths." Although employees are interested in career progression, they are equally interested in performing better and feeling more successful in their current roles.

Employees who have access to career development tools report higher levels of job satisfaction—but it takes more than contentment to build organizational success. "Creating opportunities for employees to grow and develop is critical to employee engagement," notes Jen Kuhn, CEO of ServiStar Consulting (*servistarconsulting.com*), Franklin, Tennessee, a firm that offers consulting services and helps to coach, train and hire credit union employees. "Without a clear sense of future opportunities, employees will go from being engaged to simply being satisfied in their jobs."

Employee engagement is particularly important in the credit union industry, where providing excellent service to members is part of what sets them apart from other financial institutions. As Kuhn points out, "Engaged employees are committed to the success of the members and the credit union. You see engagement in their everyday behaviors. Engaged employees go out of their way to create better member experiences."

Engaged employees also tend to perform better, which has a positive impact on financial performance. As Gallup's 2017 *State of the American Workplace* report suggests, "The behaviors of highly engaged business units result in 21% greater profitability," and "organizations that follow employee engagement best practices ... outperformed their competitors." Kuhn agrees. "Engaged employees are looking for opportunities to make a difference," she says, and that translates to better business results.

Given its positive impact on employee morale and retention, member service levels and financial performance, fostering career development is something credit unions should consider carefully. "One of the best ways to keep an engaged employee motivated is by offering them challenges and opportunities to develop their professional skills," observes Kuhn. While career development opportunities can take many forms and do not necessarily have to be formalized, putting some structure around career path development programs can signal to employees that this is something that your organization sees as important. Kuhn believes it's good to have a clear "individual development plan that helps the engaged employee see their future at the credit union."

"One of the best ways to keep an engaged employee motivated is by offering them challenges and opportunities to develop their professional skills."

– Jen Kuhn

FORMAL VERSUS INFORMAL PROGRAMS

Peter Myers, senior vice president at CUESolutions provider DDJ Myers (*ddjmyers.com*), a leadership, recruitment and organizational consulting firm, has written a whitepaper on *The Missing Link in Strategic Execution: Developing Mid-Level Leaders* (*cumanagement.com/0718ddjwhitepaper*). In this whitepaper, Myers argues for the creation of formalized career development programs: "Too often, businesses expect leadership abilities to spring from minimally impactful and piecemeal one-off trainings offered in day-long workshops, or in the worst case, executives rely on hope as a strategy, crossing their fingers that their leadership talent bench will gain the right experience and skills as a result of project work."

If a credit union is serious about reaping the benefits of a career development program, it should be willing to put some thought into its creation or implementation.

KEY COMPONENTS

A good career development program—whether sourced externally or developed in-house—provides the employee with the following elements: coaching; training; increased exposure or visibility; cross-functional projects; and challenging assignments. Based on observations of best practices in the field, the key components of an effective career development program can be broken down as follows:

1. career planning to map out an employee's goals and next steps (career mapping software can be a useful tool);
2. job shadowing and rotation programs to provide employees with knowledge of other departments and cross-functional training;
3. on-the-job training so employees can boost their skills in their current role;
4. tuition assistance programs to encourage employees to upgrade their skills and knowledge through under- or post-graduate education or attending vocational or professional school;
5. management and technical training, using online courses, webinars and onsite training to provide employees with additional skills that might not be organically developed on the job;
6. competency development programs to fill in gaps in an employee's knowledge, such as sales or customer service training; and
7. off-site seminars and conferences to provide employees with exposure to knowledge outside the organization.

STRETCH ASSIGNMENTS

Another major component of a formal career development program are "stretch assignments," "a sanctioned exploration and practice of skills that ... develop the student and satisfy some strategic need for the organization," Myers explains. These assignments provide employees "an opportunity to meaningfully stretch themselves—'meaningfully' being the operative word," he adds.

Through this type of assignment, employees often engage with other—perhaps unfamiliar—parts of the business, allowing them to grow and share technical expertise. "We have seen retail managers increase their financial acumen or a finance director enhance the marketing department's ability to measure ROI," Myers says. Stretch assignments are a great way to provide coaching, increased visibility and cross-functional training, while allowing the employee to remain in their current role.

Christine Petro, a credit union leader and CUES member with over 28 years of CEO experience who today serves as president/CEO of $69 million Chabot Federal Credit Union (*chabotfcu.com*), Dublin, California, has had very positive experiences with career development programs. Petro believes that one of the keys to success is to craft a program that involves senior management and human resources, but ultimately remains "in the employee's hands," with the employee taking responsibility for his or her own success. "I found that when employees were encouraged to articulate their career goals and put plans and timelines into their action plans, they took ownership of the process, as opposed to [being] a manager-driven process," says Petro. "Since it was always driven by the employees' desires, employees willingly devoted the necessary time and energy to the process." She also suggests that each career development program should be tailored to the individual employee.

Petro has also seen the benefit of creating stretch assignments that help employees expand beyond their current roles. One of her favorite examples of a successful stretch assignment was created for a collections manager at a credit union that she ran prior to leading Chabot FCU. The manager in question was well suited to his role but was looking to have more positive interactions on the job. Through the stretch assignment, he was able to leverage his background in amateur theater and love of the stage to lead financial literacy training classes offered by the credit union to its members. The positive feedback from these sessions provided a balance to his day-to-day role in collections. By crafting a unique career development plan tailored to his desires and skills, the credit union was able to increase his job satisfaction while continuing to benefit from the expertise he brought to the collection manager role. "Adding him to the 'roster' of available presenters allowed us to expand our workshop schedule and provided some backup as well," adds Petro.

ADDITIONAL BENEFITS

In studying such programs, Myers observes, "The clearest benefits that we see from career development programs are three-fold: You get more done as an organization, your organization's portfolio of skills becomes both broader and more refined, and you have an increased level of employee engagement and loyalty.

"If the CEO is attentive to the continual professional development of staff, the staff are privy to challenging work assignments that stretch their capacities and competencies in a positively meaningful way, ... which leads to higher quality accomplishments," Myers concludes. As he puts it, it's a "win, win, win!"

Petro echoes these sentiments. In her experience as a credit union CEO, she reflects, when an organization focused on employee career development, "people tended to stay, and morale was good." There can also be a cost savings, since it's often cheaper to promote from within the organization—but the talent pool must first be developed to be ready for promotion. Petro adds that there are also some less obvious benefits worth noting—in a

Case Study: *Affinity Federal Credit Union*

$3.4 billion Affinity Federal Credit Union (*affinityfcu.com*), has been ranked the top credit union in New Jersey by Forbes (*tinyurl.com/y4s4b3p6*). One of the contributors to the Basking Ridge-based CU's success is its robust career development program. The program is available to all staff, and currently 89% of employees have a development plan in place. The program allows employees to focus on either performance enhancement or career growth depending on their goals, explains CUES member Karlene Fletcher, AVP/learning and development.

At Affinity FCU, employees can choose whether they want to move up vertically within the organization, make a short-term, interim move to gain a deeper understanding of a specific process or function, or move laterally across roles within the CU to broaden experience. Once employees know what path they'd like to follow, Affinity FCU helps make it happen. Additionally, in order to help foster the values of continuous growth and development for all employees, Affinity FCU offers a generous tuition assistance program for degree and certificate programs, as well as offering management/leadership programs, job shadowing, department rotational sessions, workshops, access to online courses/webinars, and library resources. It also offers all employees a customized online tool that was developed for the CU to help with the development planning process.

Every year, Affinity FCU conducts a talent review process for each career level to identify high-potential and star employees. The talent review process is driven by the human resources team, but it is a collaborative effort with management and the employee. Employees who are identified as exceptional leadership candidates participate in a comprehensive leadership development program, which includes on-site workshops, assessments, action learning/organizational projects, individual development planning and the opportunity to attend off-site seminars and conferences. This program is a key part of the CU's succession planning process.

Fletcher reports that a major factor of the program's success is that it is embraced by senior management. "Development planning is endorsed from the top of the organization," she says. "The CEO and the entire C-suite are extremely supportive; they typically attend new hire orientation as guest presenters and engage in a robust dialogue with our new hires." Fletcher notes that Affinity FCU "leaders invest in employees and consistently encourage employees to never stop learning."

Fletcher believes the development program is also a key to the CU's success. "I think the program positively impacts the credit union's members, since employees who value continuous learning and development tend to be more confident, knowledgeable and informed," she says. "As a result, they provide excellent service to members and/or internal business partners who deal directly with members."

"Employees who value continuous learning and development tend to be more confident, knowledgeable and informed. As a result, they provide excellent service to members and/or internal business partners who deal directly with members."

– Karlene Fletcher

smaller organization, for example, when employees cross-train in other areas, it's easier to provide seamless vacation and PTO coverage.

DRAWBACKS

Despite all of the aforementioned positives, there are a few points of caution to consider when offering career development programs to staff. As Myers points out, "It takes time. It takes practice. And, it takes courage and commitment. The reality is that not every organization is ready for a full-fledged career development program. If the CEO and executive team desire strategic and operational (or even cultural) shifts to happen, yet they are unwilling to shift themselves ... well, hopefully you can do the math."

Myers emphasizes that the broader executive team must support the initiative. "While 'development' has a strong lean towards HR, the impact has to be cross-functionally informed and sustained," he explains. "In other words, if the CFO's signature isn't at the bottom of the program's business case, then the program will lack a useful perspective." He also notes that the program must be meaningfully challenging. "If you want extraordinary leaders, then the training has to be extraordinarily hard." And, of course, sustained change only comes through a meaningful level of commitment from the involved employees.

One oft-cited drawback to implementing a career development program is that CUs that take the time and budget to train their employees face flight risk, as they make their staff more attractive to other organizations. While this is a risk that must be considered, research (such as this 2017 toolkit report from SHRM, *tinyurl.com/shrmengagement*) indicates that satisfied and engaged employees are actually less likely to leave. Petro's own experiences are in line with this. "Employees who voluntarily participated in the [career development] program rarely left, if ever," she says.

Kuhn suggests that not offering career development can be even more of a risk: "If you don't pay attention to developing and challenging your engaged employees, they'll start looking for opportunities outside the CU." The risk of someone leaving is almost always offset by the loyalty created when a CU invests in his or her career growth.

Petro points out an additional risk involved in implementing such programs—when managers, who are already very busy, begin to resent the time and budget commitment career development can take. If a CU wants a career development plan to succeed, it must be incorporated into its organizational values. Managers must be rewarded for helping to develop their employees, and support and participation should be taken into account in the performance management process.

BE THOUGHTFUL

When credit unions develop a solid plan to help employees grow and manage their careers, they can reap a wealth of benefits. A career development program tailored to both the organization's values and needs and those of the individual employee can help with smoother, less costly succession planning, boost employee engagement and member service, and even improve financial results. While these programs are not without some risks, the risks associated with not offering such a program may be even higher. If credit unions "shortchange leadership development, businesses run the risk of squandering their greatest asset: their people," says Myers. Many credit unions pride themselves on valuing their people—a thoughtfully conceived career path planning program can be an excellent way to act on those values.

Jen Lawrence, MBA*, is a former investment banker, recruiter and corporate trainer who now writes about leadership and strategy. She is the author of* Engage the Fox: A Business Fable About Thinking Critically and Motivating Your Team.

MORE ON CAREER PATHS AND DEVELOPMENT

A Roundabout Route (*cumanagement.com/0917roundabout*)

Returning From Learning … Now What? (*cumanagement.com/042419skybox*)

Passing The Torch (*cumanagement.com/0219passing*)

Which Learning Offering Will Help You Get The Best Outcome? (*cumanagement.com/021119skybox*)

Text *Time*

NEW CHANNEL SUITS MEMBERS' PREFERENCES TO COMMUNICATE ON THE GO.

BY KAREN BANKSTON

For credit unions that pride themselves on personal service, here's an update: Facilitating two-way texting with members may now be the communication channel most aligned with that aim.

Why text? Because no one answers the phone anymore, and connecting via email is becoming increasingly hit and miss. "It's pretty difficult to finish a loan application or follow up for customer service when you can only reach members by phone 5% of the time," says Kenneth Burke, director of marketing with Text Request (*textrequest.com*), Chattanooga, Tennessee.

In comparison, 95% of texts are read within the first three minutes, and the average response time is about 90 seconds, according to the website Business2Community (*tinyurl.com/b2ctexting*). Text response rates can exceed 50%, depending on the call to action, which means "you can save hours every day just following up with members more efficiently through texts," says Burke.

JOINING THE CONVERSATION

Texting is increasingly the preferred mode of remote conversation among individuals and groups of family and friends, and now those preferences are carrying over into business communication, notes Joe Winn of Credit Union Geek (*creditunionsgeek.com*), Plantation, Florida.

As a sign of that shift, Apple introduced functionality in its iOS operating system last year to support Business Chat (*apple.com/ios/business-chat*), which allows iPhone users to connect easily with participating companies, including big names like Marriott, Home Depot and Lowe's, Sprint and T-Mobile, Wells Fargo and Quicken Loans.

According to Apple's description, a message option shows up when users search for participating businesses on the iOS Maps app or Safari, and consumers can begin the conversation without sharing their names or phone numbers. They can also take the next step and place orders, make reservations and pay for goods and services through the secure chat channel—and then they can close the conversation by simply deleting the thread.

There are also a variety of hardware-agnostic options available to credit unions looking to connect with members via texting, and Winn suggests there is good reason to move in that direction: "Text messages get looked at, they get seen, and they generally get acted upon. That fits with the credit union's goal to remain top-of-mind with members and to ensure that their products and services get used."

Michael Hartsog, director of mid-market sales for Quiq (*goquiq.com*), Bozeman, Montana, agrees.

"Members are already texting with businesses in other industries, like retail, hospitality and airlines. It's becoming the channel of choice," he notes. "Members are connected and active, not sitting in front of a computer, so texting allows them to communicate anytime, anywhere."

Texting is second nature for most millennials and members of Gen Z, but older consumers have embraced this outlet as well. "It's a channel in demand, and it's an effective channel. You can do a lot with simple texting and even more with rich text messaging," Hartsog says. "Google and Apple support rich messaging," which supports multimedia and such features as read receipts. Rich messaging also can help bridge the gap between members' messaging experience and more mature digital channels like online banking.

> **"It's about offering members the choice and letting them decide how they want to interact with the brand."**
>
> – Michael Hartsog

SUPPLANTING ONLINE CHATS

Anyone who's participated in an online chat or phone inquiry knows that these conversations can proceed slowly—and patience can run out quickly when you're sitting at a laptop or listening to an endlessly looping hold message. Texting, on the other hand, allows members to get on with their daily activities and continue the conversation while they're on the go.

"Call centers are being inundated with a much higher call volume than ever before, so we're seeing with this functionality the ability for people to get the answers they need more quickly and efficiently," says Landry Yoder, vice president at Shastic (*shastic.com*), Berkeley, California.

Since $157 million, 11,400-member Spokane Federal Credit Union (*spokanefederal.com*), Spokane, Washington, introduced two-way texting last year in place of an online chat function, two dedicated phone center employees have fielded 800 to 2,000 texts monthly, including 217 exchanges in a single day last September.

Spokane FCU partnered with Shastic to offer the interactive text messaging platform, Elle. "Our members can ask questions about loans, payments, transfers and more, directly from their mobile devices, and they get reliable, real-time answers from real people," says Susan Cerutti-Jensen, marketing director for the CU. "They can even submit loan documentation."

Texting with members "has really been a win for us," she says. "People are just a little reluctant to talk by phone, but they see the chat button as an easy way to ask a quick question. It gives us the appearance of being always available, and this service is a differentiator in the market."

Credit unions can start text conversations as well—to follow up with members to complete an application, for example. "You often start an application and you give your basic info, but then you have to reconnect two or three times to confirm it or offer additional information," Burke notes. "That's a lot of touchpoints, and those touchpoints happen during the typical 9 to 5 workday, so it's often difficult for consumers to take a phone call. But they can answer a text pretty quickly, so it gives credit unions an easy way to speed up the process and complete the paperwork."

FOLLOW-UP AND APPLICATION FLOW

$1.7 billion Community First Credit Union of Florida (*communityfirstfl.org*), based in Jacksonville with 135,000 members, introduced texting in partnership with Quiq in August 2018 by incorporating a custom question into its online membership and consumer loan applications, allowing members to select texting as an option for follow-up communication.

Previously, when Community First CU employees followed up via phone and email on online applications, they got through to members only 39% of the time, but with texting, the response rate has ranged from 60% to more than 80%, says Digital Sales Manager Susan Grossman.

"As for the adoption rate, we measured percentages in the 90s, which shows texting is preferred over calling or emailing," Grossman notes. "In many instances, we would see responses from applicants just minutes after texting them."

The credit union's standard is to text loan application decisions with a request that members call for more information or the next steps in the process. "Having complex discussions around loans seemed more appropriate over the phone," she explains. "However, we're able to have more dialog through Quiq with membership applicants and personalize the interaction we have with them. We're able to discuss the decision, next steps and even send reminders to applicants with outstanding tasks. This makes the joining process much faster."

Texting can be integrated into a variety of systems: automated loan application and processing systems, online and mobile banking, and core and customer relationship management databases. "The conversation about integration always comes up: What do you integrate with and how do you integrate?" Hartsog notes. "There may be a crawl-walk-run mentality, to start slow and build in more robust workflows and integration later.

"It's very tailored to the needs and strategies of each organization. Every conversation we have with credit unions is unique," he adds. "Quiq is highly configurable. They can bite off whatever functionality they want at whatever speed."

Texting as a communication medium may be best introduced as a way to connect with members over specific needs, such as completing a membership or loan application, Yoder suggests. As evidenced above, a perennial business problem texting can help address is online application abandonment—by inviting members to text questions or request assistance in completing the process.

Shastic's Elle platform can be integrated with application and mobile systems, notes Yoder. In March, Shastic announced a partnership with the loan origination system provider MeridianLink (*meridianlink.com*), Costa Mesa, California, to integrate text messaging and real-time tracking into the membership and loan application process. Credit unions can now track the progress on each application and deliver text messages to members whose applications seem to have stalled (*tinyurl.com/yyrw96nf*).

There's a direct correlation between the amount of time spent on

Text-*Speak*

Texting is simultaneously a new channel for communicating with members and a familiar outlet for credit union employees to stay in touch with friends and family. Text etiquette for personal and professional interactions is similar, with a few caveats based on the recommendations of executives with service providers and credit unions using this outlet.

Aim for "casual professional." Kenneth Burke, director of marketing with Text Request (*textrequest.com*), Chattanooga, Tennessee, recommends a "polite, respectful and human" style when communicating with members. Emojis are acceptable if not overused—Burke calls them "another tool in the grammar arsenal to better convey emotion and expressions." He's not a fan of abbreviations, though.

$221 million Extra Credit Union (*extracreditunion.org*), Warren, Michigan, guides its in-house texters to keep member communications "professional and meaningful," says Marketing Manager Ruthann Varosi.

Represent the brand. When assigning employees to staff the text channel, "look for people who use good grammar and well-articulated responses but are willing to 'play' and sprinkle in the brand and culture with a human element," recommends Susan Cerutti-Jensen, marketing director at $157 million Spokane Federal Credit Union (*spokanefederal.com*), Spokane, Washington. "It's no different than when they walk through our door. We want members to feel like family, and we want them to get that same type of experience whatever the channel."

Keep it quick and simple. "Don't communicate like a business," Burke advises. "If you want to increase engagement, and you want to create better and deeper relationships with your members, then just talk to them like you would talk to anyone else. If you cut the verbose email fluff, your members will have a better experience."

Respond promptly. Members expect replies to most texts "in a matter of minutes," Cerutti-Jensen says. "Their expectations are higher than for email." Spokane FCU has prewritten responses for the top 10 most common questions to speed up turnaround time.

an application and abandonment rates, Yoder says. "Sometimes life gets in the way, and people have to attend to other things, but if they're inside the application for a long period of time, you can now see this and take action by sending a friendly message."

$221 million Extra Credit Union (*extracreditunion.org*), based in Warren, Michigan, with 21,000 members, launched texting through provider Text Request last year, primarily as a means to schedule loan closings and remind members what to bring to those appointments, says Ruthann Varosi, marketing manager.

"Our member service team has had incredible success in scheduling appointments, and members show up to loan closings prepared and with the proper documentation, all of which allows us to help members faster," Varosi says. "While some members still like the traditional phone call approach, using text messaging means we aren't playing phone tag or waiting for email responses. Text message responses tend to come back almost instantaneously, so the process moves much faster."

The best measure of the popularity of texting is that less than 5% of members opt out of this channel, she adds. "Our members have embraced messaging because it is easy and fast."

Some credit unions are also using the text channel to send loan payment reminders to members who opt in for these notifications. A common reason that members miss a payment is simply that they've forgotten, so a proactive text reminder heads off this issue, Burke suggests. The message can include a website link with an invitation to "log in online to pay your bill."

Member migration from phone or email to texting tends to happen fairly quickly, he adds. "When people see that 'text us your question' prompt on the website, they start using it. And then they have a good experience, and they'll use it again. If they need an in-depth conversation, they'll call in, but for those little service questions, they'll just keep texting."

The text channel "allows members to communicate with their credit union at whatever their speed of life is on that day," Hartsog says. "If it's urgent, they can go back and forth quickly. Or they can text and request an update on their loan. They might get a message from a loan officer an hour later and reply an hour and a half after that with another question."

Credit unions can set their own service-level standards for the speed of responding to members' texts, with the understanding that expectations vary with the type of inquiry. For example, members texting for an update on their mortgage loan processing probably would be happy to get a response within a few hours, Hartsog suggests. The Quiq platform monitors those service levels and keeps member service staff and supervisors informed about how long a message has been sitting in a queue.

COMPLIANCE AND SECURITY CONCERNS

Texting can be an effective marketing medium as well—as long as credit unions have processes in place to obtain members' permission to send that kind of message. Common examples are members opting in to receive updates about changing CD or loan rates or opportunities to obtain benefits through referral programs.

The Telephone Consumer Protection Act (*tinyurl.com/tcpafcc*) requires an opt-in by members to receive outbound communications from their credit union. Members can initiate the text conversations, but "our understanding of the TCPA requirements is that a member texting the credit union doesn't

> **"Text messages get looked at, they get seen, and they generally get acted upon. That fits with the credit union's goal to remain top-of-mind with members and to ensure that their products and services get used."**
>
> – Joe Winn

necessarily opt them in to receive outbound messages," Hartsog says. "The credit union must obtain expressed consent."

That opt-in process can be integrated into initial interactions with members as they supply their cellphone number and agree to receive texts from the credit union.

A credit union's outbound text communications could be one-to-one, as in status checks on loan processing, or one-to-many, as in updates on CD rates for members who have opted in to receive those alerts. In the case of the latter, "our recommendation would be to start slowly and allow members to open themselves to additional interactions," Hartsog says. "Credit unions are historically—and by nature—conservative, so they're not likely to push the envelope on spamming members with texts."

Marketing is typically the last department to begin using the text channel, given the opt-in requirements, he adds. It's much easier for new member accounts and lending to gain adoption for member-specific exchanges.

To support compliance, "every text in or out of Text Request is permanently recorded, and account administrators have access to all messages," Burke says. The system also has built-in opt-out alert functionality to notify all employees sending or responding to texts about the member's selected communication preferences.

Locking down the text channel to keep intruders out is another vital concern credit unions must address when offering this option to members by ensuring that providers meet security standards. For example, Yoder says Shastic offers several security measures, including using HTTPS for communications sessions (like when you see HTTPS in your browser when visiting or logging in to a secure website), SSL encryption for authentication and data transmission, two-factor authentication and encrypted data storage.

Likewise, "members can feel comfortable submitting sensitive info through Text Request," such as account and driver's license numbers, Burke says. "We've got beefy security."

Credit unions should note that while providers like Text Request and Shastic must take steps to secure stored messages and the member information they contain, outgoing messages via wireless carriers to members' devices have the same protection as any other SMS messages—which may vary by carrier and members' adherence to security recommendations.

WHAT MEMBERS WANT

As credit unions consider how to move from informational inquiries to explore the potential of texting for marketing and other communication, "they need to figure out what members want from the channel," Winn says. "You can do market research and data analytics, but at the end of the day, asking members what they want is valuable, too."

Toward that end, Winn suggests convening a test audience of employees and avid members willing to receive and provide feedback about the content, tone and frequency of text marketing messages.

"If you're starting with your staff, it has to be a culture where they feel empowered to share their honest opinions, to say 'I love this' or 'I hate this' or 'What about this?' without repercussions," he adds.

For credit unions committed to omnichannel account access, texting provides one more option for communication. "It's up to members whether they want to text, chat by phone or start an online chat," Hartsog says. "It's about offering members the choice and letting them decide how they want to interact with the brand."

With 270 million cellphones in the United States, 98% of which are SMS-enabled, "texting is becoming more preferred than voice communications. And the longer credit unions wait, the further behind they will be in delivering on member expectations," he adds.

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

MORE ON TEXTING AND TCPA

Recent Settlement Makes Calling and Texting More Difficult (*cumanagement.com/022019skybox*)

TCPA in 2018: A Year in Review (*cumanagement.com/1218tcpa*)

Collections Tech (*cumanagement.com/1117collections*)

CUES School of Member Experience™ Sept. 9-10, San Diego (*cues.org/some*)

Special Report: Lending

Credit Union Management

JUNE 2019

What's Keeping Lenders *Up At Night?*

EXECUTIVES FROM CUs AND VENDORS SHARE THEIR TOP CONCERNS.

BY STEPHANIE SCHWENN SEBRING

In researching this article, we identified six key lending worries. Read five of them below and the sixth at *cumanagement.com/052019skybox*.

HOW TO EVALUATE TECHNOLOGY

CUES member Bob Boucher, CCE, VP/lending for $303 million Westerly Community Credit Union (*westerlyccu.com*), Westerly, Rhode Island, and a lending professional for 33 years, says he only worries about things he can't control.

"If you ask what's keeping me up at night, I'd say it's the pace of technological change. The pace is accelerating every day with a new product or tool. Some fulfill a consumer need but, more and more, technology is emerging to attract consumers with the latest 'must-have' feature." (Five years ago, he notes, no one thought, "Hey, I need to apply for a loan by talking to a computer named Alexa.")

To help decide which technology to support with time and money, Boucher asks his team:

- **Will members use it?** If we launch this new technology, will it be something many members use, or will it just be a novelty for a few?
- **What efficiencies will we gain?** For example, will it make processing a loan application faster? Will it delay adding staff?
- **Is the technology secure enough?** Being entrusted with members' personal information is a tremendous responsibility. Boucher's team must ensure a new technology doesn't pave the way for a breach of private data.
- **What is the technology's life expectancy?** Will it last as-is or will it require precious time to keep upgrading it?
- **Is it a competitive advantage or a must-have?** Will the technology provide something our competitors don't have? Or does it offer something required to stay current?

"The monster under my bed is the worry that a new technology will disrupt the industry and our business model," Boucher adds. "Recent history is littered with vacant Blockbuster stores and malls emptied of customers and stores. In a worst-case scenario, could my credit union be next?"

HOW TO BE READY AND RELEVANT

CUES member Ed Michielsen, VP/business banking for $4.8 billion Prospera Credit Union (*prospera.ca*), Abbotsford, British Columbia, worries about CUs staying ready and relevant

While Canadian and U.S. economic trends align closely, they don't perfectly track. "We should

understand there are other economic trends to monitor," he says. "These include the growing number of loan disruptors, decreasing profit margins and the increasing power of artificial intelligence."

Michielsen says most CU business is now captured online. "In our branches, for example, we've seen a 20% annual decrease in traffic for the past two years," he says. "Members are transacting more business online and in new digital formats—including their lending and new account needs. It has dramatically changed the lending landscape, how we compete and where we invest."

Members want everything simple, fast and easy. "Specifically, no consumer expects to shop for a car and not leave without the car—and the financing (or lease). We're not an indirect lender, so auto lending for us has virtually dried up."

The same is true for shoppers visiting retailers like Home Depot. "They visit the store and leave with the financing for their project," he says. "These alternative channels are disrupting, and we must pursue new loan segments (such as equity lending, lines of credit and business lending) to compensate."

Michielsen also worries about the disintermediation of funds. In Canada, the rate on a residential fixed-rate mortgage is now lower than for term deposits in the fall of 2018.

Finally, new technologies like artificial intelligence continue to transform the lending landscape. "We cannot underestimate the impact of AI," he says. "At Prospera, we've partnered with a fintech provider to automate simple credit decisions. … Partnerships like this have enabled us to better compete and speed matters when a member needs a decision."

Now more than ever, Michielsen says, CUs need to leverage their value propositions. "Because other lenders can offer rock-bottom pricing, … we must position ourselves as members' trusted advisors and offer flexible, agile solutions."

In the end, success will come from providing the products members want. "By staying ready and relevant and recognizing your value proposition, you can compete in today's changing lending landscape," Michielsen says.

HOW TO KEEP LENDING AND NOT STEP BACK

Tony Boutelle, president/CEO of CUES Supplier member CU Direct (*cudirect.com*), Ontario, California, worries that CUs will let adverse news about the auto market dampen their efforts to do good lending.

"Auto sales were slow at the beginning of the year but showed signs of catching up in March," explains Boutelle. "Also, factors beyond our control, such as the bad [winter] weather, as well as the government shutdown, caused anxiety and, for many in the industry, impacted car sales early in the year." March through May is typically the strong car-buying season, and used car sales were still high as this article ent to press.

"Two out of every three car loans are for pre-owned vehicles," notes Boutelle.

The demand for new technology in vehicles, such as applications and connectivity, is also very real. "This technology is the No. 1 driving force for getting a new car today," Boutelle says. "I liken it to people wanting to 'drive their iPhones,' to have that same technology available in their vehicles that they demand in their phones."

A diversified lending portfolio is essential, adds Boutelle. For example, real estate lending is important, and purchase markets have traditionally been good for credit unions.

Still, auto lending remains a core competency. "A worry is that many top credit unions are lent out and are now in a battle for deposits. If credit unions step back too much on lending, someone else will step in and grab that business. For example, Wells Fargo is back in auto lending and doubling down."

Behaviors are changing, and consumers are now picking their car and their loan before they get to the dealership. They are shopping online, getting pricing and pre-approval for the loan. Credit unions need to be at the top of this online sales funnel and capture the pre-shopping experience, Boutelle says. He advises credit unions to ask: How are we attracting interest from online shoppers? And, what do we need to have in place to capture those interests?

"The monster under my bed is the worry that a new technology will disrupt the industry and our business model."

– Bob Boucher, CCE

HOW TO BE SUFFICIENTLY EFFICIENT

Karen Loftis worries that CUs won't achieve the necessary level of efficiency to best serve members and therefore compete effectively in the changing market. As director of product management for Finastra (*finastra.com/communitymarkets*), Lake Mary, Florida, Loftis says that the length of the lending life cycle matters.

"It is important to think objectively about process improvement and measuring elapsed time for each of the steps in the life cycle of a loan," she says. "The time it takes from beginning to end can make a big difference and there are lots of different places for bottlenecks" to a lender's overall success.

Loftis often speaks with financial institution lenders who think process bottlenecks signify a problem with supporting technology. "But it is not uncommon to find they have not tuned their processes or configured technology to match," Loftis says. "Each lender is working in the way they always have, but with added technology that doesn't necessarily fit seamlessly to the ways they are working."

Technology is the easy part, Loftis says. "Getting people and process moving in the same direction can be harder. With a process-first approach, the supporting technology can deliver metrics that help identify bottlenecks and opportunities for improvement."

When it comes to tackling the problem of efficiency, Loftis isn't joking when she advises her clients to "start somewhere."

"Improving efficiency does not take a complete 'big bang' overhaul," she says. "Make a point of regularly picking up small projects that are causing bumps in the road for your prospective borrowers. Measure the steps and average time of processes and use this as a guide for choosing efficiency projects.

MORE ON LENDING

Another Lender's Worry About the Economy (*cumanagement.com/052019skybox*)

CUES School of Lending™ Sept. 10-12, San Diego (*cues.org/sol*)

"Even something simple—like tuning the configurations between supporting systems so information passes seamlessly and eliminates data entry keying steps—can make a difference and save time," Loftis adds.

Why is efficiency so important? According to Finastra-sponsored research by Javelin Strategy & Research (*tinyurl.com/finastraresearch*), CUs get loyalty through good rates, but they are challenged to deliver fast and easy loan decisions. According to the research, CU members are most likely to choose their credit union for their next loan, yet only 38% of them opened their last loan there.

The big-picture benefits of efficiency include being able to reward members with increased profitability and the ability to reach beyond traditional financial services to serve members from a position of increased understanding, Loftis adds.

"Credit unions hold a unique position of community and trust with their members," she says. "You know the needs of your members because they are exactly that—members. Involving them in designing the experiences that support your products creates a tremendous advantage."

The one-size-fits-all, "fast and easy" experience as defined by a larger bank is not always the best answer for consumers. "I have seen a variety of innovations from credit unions with digital programs that help members identify and prepare to borrow in ways that make sense and set the borrower up for success," Loftis says. They are adding value in much more tangible ways than simply making it easy to fill out an application form."

HOW TO BEST MARKET CHOICES

Stephenie Williams worries that CUs will see loan marketing solely as a pathway to selling their products and services. According to Williams, executive director, acquisition solutions for CUES Supplier member Harland Clarke (*harlandclarke.com*), San Antonio, Texas, marketing also must be used as an opportunity for CUs to enhance member satisfaction by educating members about their lending choices, ultimately providing an exceptional experience.

"Marketing, if done right, addresses the member's desire for fast and easy borrowing with a high degree of likelihood to be approved," Williams explains. "Simply being there is not enough. As consumers are inundated with messaging that pitches hundreds of lending options from traditional and digital lenders, offering products and services consumers need—when they need them—is critical to creating new opportunities for engagement and avoiding missed opportunities."

In the quest for control over their financial lives, members want marketing communications to teach them how to take charge of their financial decision-making and boost their confidence that they are making an informed choice about taking on debt. 2017 studies from Accenture (*accenture.com*) and CMO Council (*cmocouncil.org*) show account holders are open to digitally driven offerings with practical value—38% would like their financial institution to help with major purchases by sending relevant information in real time. And 42% want their financial institution to send them information about services exactly as their need arises.

A number of sophisticated marketing techniques are available to aid credit unions in targeting offers to specific member groups, but consumers have the power, Williams underscores.

"At the end of the day, there is free will in any buying process," she says. "As such, credit unions should market choices rather than a single offer at a single point in time. This approach recognizes the value of modeling to identify [members'] propensities but doesn't blindly apply modeling for propensity to borrow—use added insights, such as only offering home equity lines of credit to members who own a home."

Further, in the battle for loans, Williams says, credit unions need to look beyond conventional marketing campaign tactics and adopt an "always-on" or "trigger-based" loan marketing philosophy. "Always-on" means marketing without ceasing, giving members an easy way to access, review and accept pre-qualified offers. Trigger-based means that the credit union is ready with an offer when it knows the member is shopping for something that requires a loan. In either case, the credit union has the opportunity to help with major purchases right when the need arises, fulfilling that consumer expectation.

It used to be that members turned to their credit unions for all things financial. Now, they have a wide variety of options for financial services. Therefore, it is up to each credit union to convince its members and prospects that it is relevant—that it "knows" them and has their best interests in mind.

Keep in mind that consumers actually like hearing from their financial institutions, Williams advises. "Regular communications are necessary to improve member awareness and message relevance," she says. "Using 'always on' and trigger tactics have become best practices in financial services. Members expect it."

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

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Lending 360 Upgrades Southwest Airlines FCU's Lending Experience to First Class

New technology systems always make at least some employees feel apprehensive. That's understandable; most people don't like change.

The $555 million Southwest Airlines FCU kept this in mind as it prepared to launch the Lending 360 loan origination system (LOS) two years ago. To minimize that fear, the Dallas-based credit union had its lending staff participate in testing the system before its November 2016 go-live day.

"We created templates and gave them 14 different products to test," said Sharon Baker, SVP of Organizational Development and Operations. "We assigned two to three per week. Not only did they help with testing, they learned the system in the process."

Lending 360 is such an intuitively designed loan origination system, Baker added, employees were only provided with a simple flow chart and received no initial training up front. And yet, she said, they were able to process loans immediately during testing.

"By the time they went into classroom training, they were able to focus on ways to optimize their use of the system," she said. "The most common response I received from staff after the launch was 'Is that really all I have to do?'"

Southwest Airlines FCU had been using a loan origination system, offered by its core system provider. When it was announced that the system would be sunset, the credit union decided to conduct an LOS search that included third-party vendors.

Southwest Airlines FCU had typically met or exceeded its loan growth goals, so it wasn't only looking for a system that would boost loan production. The credit union was also seeking better lending efficiencies, more secure delivery, streamlined policies and procedures and relief from pain points caused by poor system integration.

Not only did the credit union achieve all those operational and compliance goals, it also significantly exceeded its annual consumer loan growth budget of 6%, achieving over 16% growth for the last two years. In August 2018, Southwest Airlines FCU funded $17 million from 969 applications, its highest funding month in history. That figure includes $3.3 million funded exclusively by the credit union's Ebranch loan officer who handles online applications collected through Lending 360.

That's pretty remarkable for a credit union with a field of membership spread across the country that's always on the go, thanks to its primary airline sponsor.

Adding e-signatures through DocuSign was a real game changer, Baker added. Prior to transitioning to Lending 360, staff would send a secure email to members with loan documents as attachments. Members would then have to print them out, sign them, scan them and securely email them back or send them via snail mail. Making efficiencies even more challenging was that loan documents didn't integrate with the old LOS, which required staff to do manual calculations in order to approve and process loans.

"It was a big convenience and speed issue for members," Baker noted.

Now, with Lending 360, loan processing time has been cut down to as quickly as five minutes on average. The system's integration with the credit union's optical system also eliminated a full-time employee position solely dedicated to scanning docs into the LOS. That employee is now being utilized elsewhere and provides greater value to members.

Loan decisioning is also more consistent with Lending 360. Southwest Airlines FCU utilizes L360's decision manager feature and uses auto decisioning to approve about 30% of all loans. The credit union plans to further automate the decision process by adding Lending 360's Decision Challenger later in the year.

Lending 360's ability to grow as the credit union grows and quickly and easily provide system updates were also important features to the credit union, Baker added.

Finally, Southwest Airlines FCU appreciates L360's structured workflows and built-in reporting for quick management reviews. The credit union has found significantly fewer errors and increased communication among employees within the system, without having to toggle over to email for approvals.

"Our member surveys have been very positive," Baker said. "Members have told us that the loan process is easy, our loan officers are wonderful to work with and the overall process is now painless."

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BY HARLAND CLARKE

A nearly century-old, Northwestern credit union with more than $1 billion in assets sought an efficient and cost-effective way to increase loan growth throughout its entire portfolio by marketing multiple products at one time.

THE CHALLENGE

The credit union's marketing team was small, so it was difficult to effectively manage large-scale, multi-product loan campaigns, forcing them into single-product, one-off campaigns that failed to achieve loan growth goals.

"We were marketing loans only one at a time, because that's all our marketing department could handle," says the credit union's marketing specialist. Attempts to increase response by offering special rates and financial incentives only proved costly to its bottom line. "It was costing us money to get members to come in. ... We were finding it difficult to achieve the results we were looking for." In addition, the credit union's inability to prescreen members and extend targeted offers resulted in poor quality leads. "It was expensive, and we didn't necessarily know how qualified members really were."

THE SOLUTION

"We were looking for an automated solution that would address all our consumer lending products at one time. LoanEngine checked all the boxes," the marketing specialist says. Due to its successful relationship with CUES Supplier member Harland Clarke (*harlandclarke.com*), the CU chose the proven turnkey solution, LoanEngine™, which delivers multi-product, recurring prescreened offers for auto, credit card, personal and other consumer loans. "We can't afford mistakes," the marketer says.

Robustness, affordability and manageability were important factors in the credit union's decision to choose LoanEngine. "Because it's Harland Clarke, we knew it would be managed to the degree that we require," the marketing specialist says. "LoanEngine was a no-brainer. We were able to attract members who were genuinely interested in those products."

The advanced analytics used with LoanEngine enabled the credit union to send eligible members highly personalized loan offers through multiple channels—online, direct mail, mobile, email and branch. Members could access and review multiple preapproved loan offers and accept from anywhere, 24/7. "Once a campaign launches, it's good to go." LoanEngine's highly efficient automated design freed the credit union's small team from the responsibilities of managing a comprehensive multi-product marketing campaign.

THE RESULTS

"Overall, our lending volume has increased incredibly," says the CU's marketer. The credit union's LoanEngine campaign produced a remarkable 11% response. "Our consumer lending department was flooded with inquiries. We had to increase staffing and restructure processes during active campaign periods."

11%	Response Rate
$67	Million Loans Funded
29%	Increase over Previous Year

Branch staff loved it, too. "LoanEngine absolutely impacted our branch staff's ability to cross-sell," according to the marketing specialist. "Knowing a member is prequalified makes the cross-sell conversation so much easier." LoanEngine's performance not only helped the credit union tackle top strategic goals of efficiency and loan portfolio growth, but increased the value of a successful relationship with Harland Clarke that has grown through more than a decade of trust and teamwork. "It's been wonderful," the marketing specialist says about working with Harland Clarke. "They understand our needs and are able to make changes quickly and easily—which is the nature of our business."

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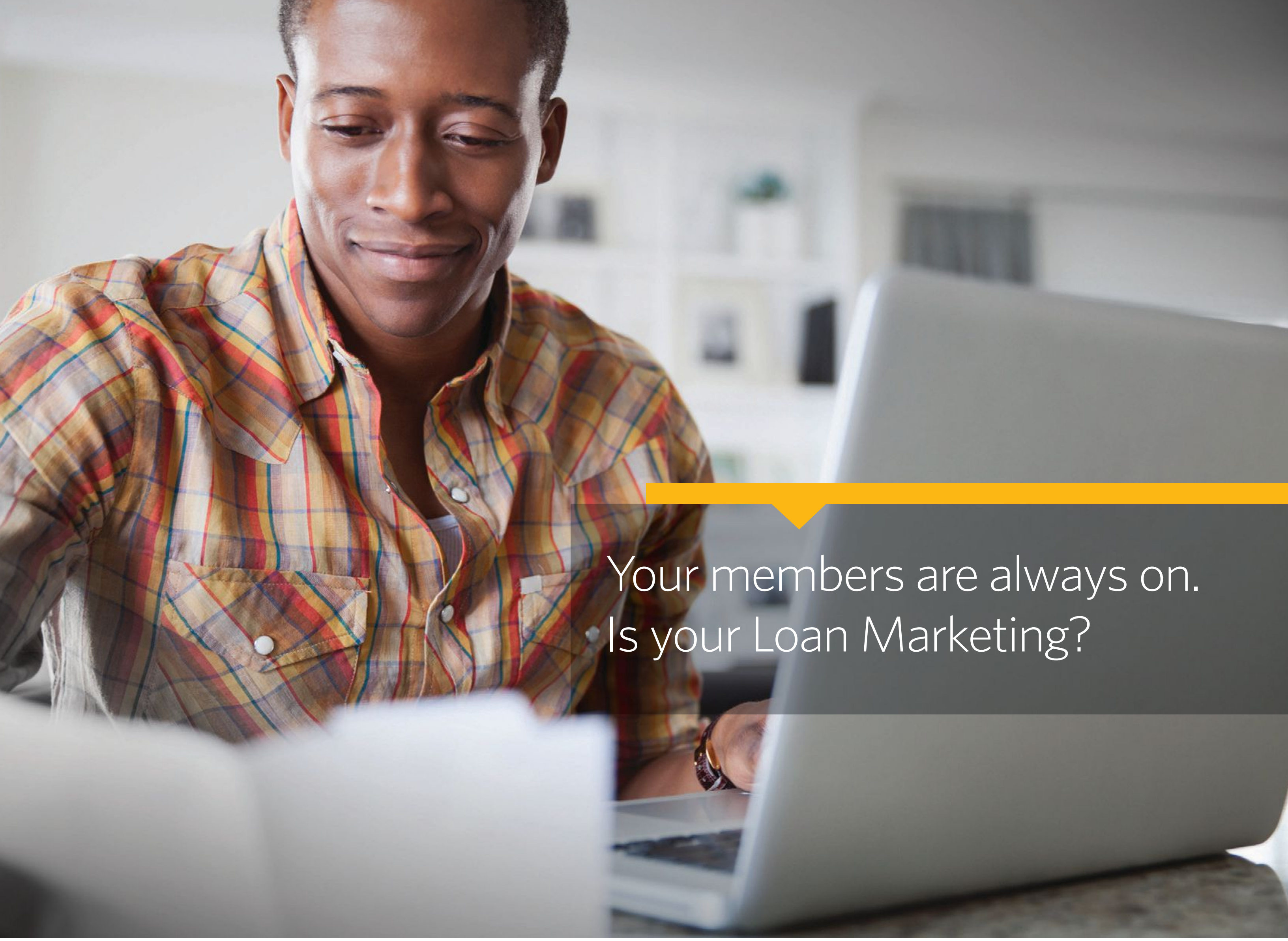

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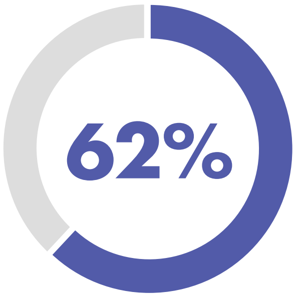

of credit union members don't use their current financial institution for new consumer loans

of credit union members are more likely to select a fast and convenient consumer loan process

of borrowers want the ability to start their application online

Source: Based on research by Javelin Strategy and Research

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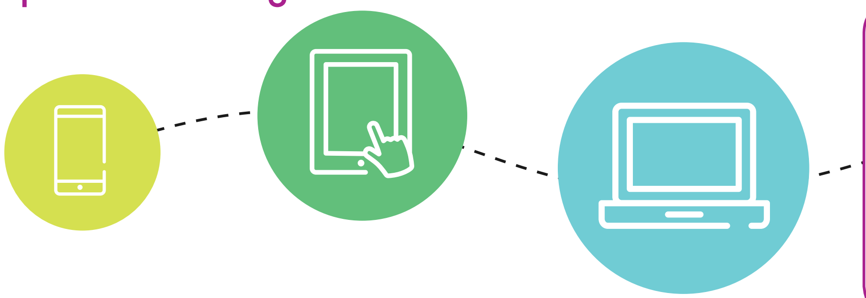

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GUARDING AGAINST SILENT ATTRITION: STRATEGIES FOR BEING THE GO-TO LENDER FOR ALL YOUR MEMBERS' BORROWING NEEDS

While low rates and favorable terms were once enough to keep credit unions top of mind, today's member expectations are driven more by speed and convenience in a world that seems to get busier day by day.

Javelin Strategy recently conducted research to identify why members may look elsewhere for their lending needs and what can be done to address this in comparison to large banks and community banks.

The white paper, sponsored by Finastra, looked at the relationship between members and their primary financial institution, focusing on the cause and effect of digitalization, competition and technology as key drivers for why members don't engage with their credit union for all their lending needs.

Specifically, the research found while credit unions have the benefit of loyalty from low rates, the inability to offer the same fast and easy lending experience as larger banks could be costing them.

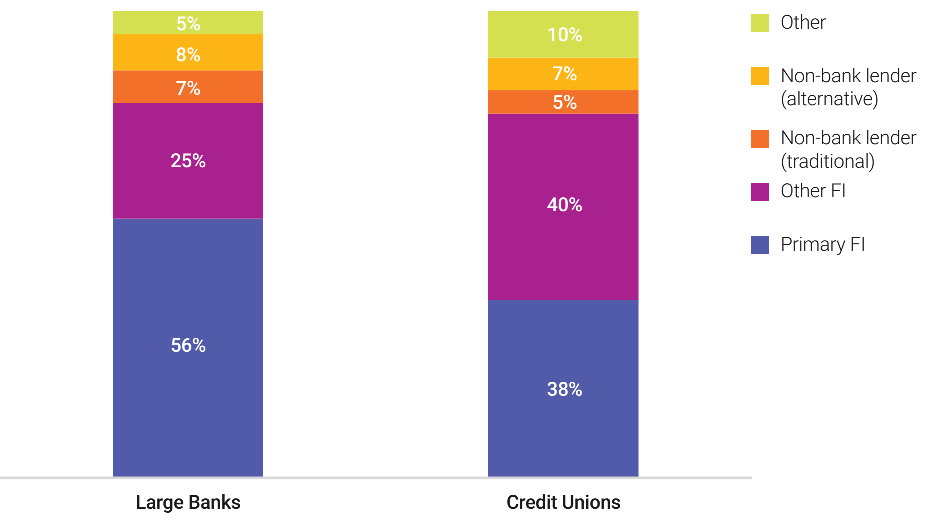
Figure 1 below shows that members were only 38 percent likely to select their primary credit union for their lending needs—that means roughly 6 out of 10 credit union members are looking outside the credit union elsewhere for a loan.

While members were primarily concerned about low rates and terms, 20 percent also cited a fast and easy lending experience as important. Technology-enabled capabilities like eSignature, digital loan applications or other functions that allow members to perform their banking from outside the branch were table-stakes for today's borrowers.

Manual processes and disparate systems are not good enough for long-term growth and may instead lead to faster attrition for members that seek digitally-driven experiences.

With growing competition from other financial institutions, technology disruptors and retailers looking for a piece of the action, it's more critical than ever for credit unions to stay ahead of the latest technology to improve operational efficiency as well as provide a better overall member experience through automation.

More Than Half of Credit Union Members Look Elsewhere for a Loan



How to Avoid Silent Attrition

1. Use digital channels with technology-enabled capabilities such as eSignature and online applications
2. Leverage automated data entry and workflows to speed up the decisioning process and provide members real time updates
3. Create a culture of continuous improvement with a team that looks at process and member experience to evaluate and act where necessary

End-to-End Lending Solutions

As a strategic partner for over 3,500 community-based financial institutions in the United States, Finastra provides complete end-to-end lending solutions to address your consumer and commercial lending needs. From compliant loan documents using Fusion LaserPro, the industry's gold-standard with over 35+ years in the market, to loan origination and decisioning with Fusion CreditQuest and Fusion DecisonPro. These solutions provide your staff the tools they need to be effective, efficient and reduce institutional risk.

The cost of fintech has become more affordable in recent years, providing credit unions a platform for long-term success and to level the playing field compared to larger bank counterparts. Internal process improvement and a commitment to continuous improvement and self-evaluation is the surest path to future success.

Learn more about how Finastra can help your credit union grow and transform by leveraging automation to provide a faster, more convenient member experience, improved internal processes and reduced risk. Learn more at finastra.com/lending-cues-june

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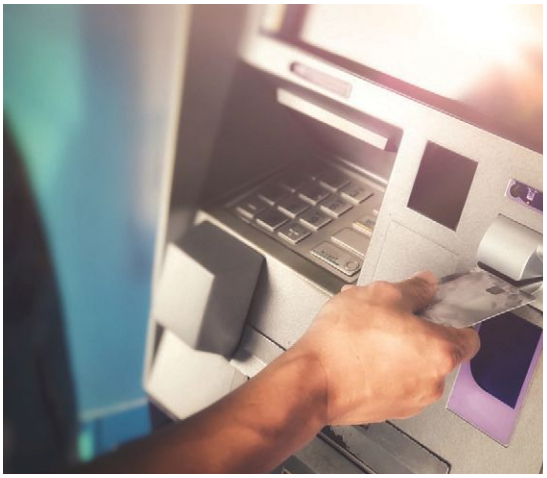
Beating the *Skimming Scams*

VIGILANCE, TECHNOLOGY AND MEMBER EDUCATION ARE THE BEST DETERRENTS.

BY STEPHANIE SCHWENN SEBRING



Skimming devices aren't what they used to be—gone is the clunky hardware, sometimes sporting bits of falling plastic. Like the entrepreneur-crooks who use the devices to defraud members at the ATM or the gas pump, the devices themselves have evolved to be more difficult to detect.

For example, today's skimmers are much smaller—no bigger than a debit card, easier to install and designed to fit right within the card reader, says David Ver Eecke, senior fraud product manager for CUES Supplier member PSCU (*pscu.com*), St. Petersburg, Florida. In fact, today's skimmers are so small that cardholders may not notice anything amiss. The use of lithium batteries to power today's devices means they can operate for longer periods, and an attached camera often is used to record the user's PIN.

Skimmer-crooks—now part of cottage industry compared to the large crime rings of the past—can purchase their devices on the dark web from sophisticated manufacturers that offer manuals and instructional videos online, Ver Eecke says. Later, these fraudsters go back to the dark web to sell the card numbers and expiration dates they've collected to other criminals.

These days, skimmer-crooks target ATMs in secluded, out-of-the-way locations. "They may keep the (hardware) skimmers in place for a while, capture the card data and then remove them, or use Bluetooth or cellular technology to collect the information to avoid the risk of retrieval and maintain anonymity," says Ver Eecke.

"In Europe and Asia, skimming technology is more mature, and we see trends emerge earlier," he adds. "These markets are now experiencing new 'eavesdropping' techniques, where fraudsters use an endoscope (a tube camera also used in medical testing) to place a device between the card reader and circuitry, to read and interpret the transmission of data. There are also 'cash trapping' devices using a false cash door to trap the user's cash, ready for the crook's access."

STAYING A STEP AHEAD

PSCU's team leverages dark web intelligence to craft custom, proactive strategies to protect its owner credit unions from skimming fraud.

"As a CUSO, we leverage our cooperative data to provide additional security for our owner credit unions and their members," Ver Eecke explains. "For example, if a member shares a trouble spot, we run an analysis on the machine to see who may have been impacted; we scrutinize for potential nefarious activity and share that information with all owners. And we adjust fraud strategies accordingly to protect these credit unions. We also work closely with law enforcement, sharing intel to catch and prosecute criminals."

The ATM industry is also working to prevent skimming with new "jamming technology," so that if a skimmer device is present, an electromagnetic pulse blocks its recording abilities before the data is captured. More specifically, the pulse adds "noise" so that the skimmer can't read the data from the card, but the ATM's card reader is still able to access the information to complete the transaction.

"Prevention is still the best way to protect your members," says Ver Eecke. "This includes checking your ATMs regularly, ensuring ATM cameras are in place and working properly, and reminding staff to report suspicious activity immediately. Also, network with other financial institutions and partners like PSCU, as well as law enforcement agencies," to keep abreast of what's going on.

Member education remains central to fraud prevention as well. Encourage the use of well-known ATMs and gas pumps in high-traffic areas, observing the ATM or pump's appearance, and taking measures for PIN protection (such as hiding your PIN entry with your free hand); and, if something doesn't feel right, suggest that members leave and find a new location.

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

More on ATMs

What's Coming for ATMs? (*cumanagement.com/1118whats*)

More on Authentication

How AI on Smartphones Aids Authentication (*cumanagement.com/073117skybox*)

Yvonne Evers

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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, "SUCCESSIONapp® 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.

Nanci Wilson, CUDE,
Joins CUES as Membership Manager


Nanci Wilson

CUES is pleased to announce Nanci Wilson, CUDE, has joined the team as membership manager.

"With the launch of the new CUES membership structure, our members needed an informative and personal experience to digest the opportunities and benefits available to their board and staff", says Jimese Harkley, CUDE, CUES VP/membership. "Nanci's passion for member service, training and communication will be a huge asset to our team and will help our members incorporate the benefits into their training and development plans."

Wilson previously worked at University Federal Credit Union, Great Forks, North Dakota, in marketing and campus outreach where she conducted financial education for students and staff at the university. Her previous experience also includes North Star Community Credit Union, Grafton, North Dakota, where she held the positions of member service manager as well as training and development director.

She attended the University of South Dakota and earned her Credit Union Development Educator designation in 2015 from the National Credit Union Foundation.

After graduating and returning as a mentor and graduation speaker for NCUF, Wilson continued her passion for the industry by becoming a contributor to *CUInsight.com,* where she discusses topics such as accountability, management and member service.

In addition to her credit union experience, Wilson enjoys volunteering and speaking at events throughout her community and is a former member of the Kiwanis club.

Happy 10th Anniversary to
CUES Governance Leadership Institute!

This month, CUES Governance Leadership Institute™ is celebrating 10 years of providing the best director education in the industry. Held at the prestigious Joseph L. Rotman School of Management, University of Toronto, June 2-5, Governance Leadership Institute features an intense curriculum focusing on issues at the organizational level and is taught by the esteemed Rotman School of Management faculty.

"Our Governance Leadership Institute has quickly become a vital educational component for credit union board members and executives alike," says John Pembroke, CUES president/CEO. "For the past 10 years, the Rotman School of Management has helped us deliver a powerful learning experience for attendees, allowing them to become stronger contributors to their credit unions and better understand their fiduciary responsibilities."

Richard (Rick) Powers has led the Governance Leadership Institute program since its inception in 2009. He joined the Rotman School of Management in 2005 and has recently completed a five-year term as the associate dean and executive director of the Rotman MBA and Master of Finance programs.

Powers is an internationally recognized expert in both corporate and not-for-profit governance and is the national academic director of the Directors Education Program and the Not-For-Profit Governance Essentials Program (in partnership with the Institute of Corporate Directors). He is a director of several not-for-profit organizations and frequently comments on legal and governance issues in various media across Canada.

Joining Powers in leading this interactive institute are Rotman School of Management faculty Matt Fullbrook, manager of the Clarkson Centre for Board Effectiveness; John Oesch, who teaches model-based business problem solving and organizational leadership; Glen Whyte, professor of organizational behavior and human resource management and holder of the Marcel Desautels chair in integrative thinking; and Peter Stephenson, Ph.D., president, Meridien Consulting Services Inc.

Learn more about CUES Governance Leadership Institute and its faculty at *cues.org/gli*.

Webinars & Elite Access

CUES members can attend all webinars (*cues.org/webinars*) and access a library of webinar playbacks for free. CUES Elite Access Virtual Classroom (*cues.org/eliteaccess*) offers an innovative take on online education.

JUNE 5 & JUNE 12
1 p.m. Central
Build Your Leadership Skills Using Emotional Intelligence to Overcome Unconscious Bias (Elite Access)

JUNE 11 OR JUNE 25
1 p.m. Central
More Benefits, More Value: Maximizing the Return on Your Investment (Webinar)

JUNE 25
1 p.m. Central
Board Liaison Community of Practice (Elite Access)

JUNE 26
1 p.m. Central
Recruiting and Retaining Successful Leaders (Webinar)

JULY 17, JULY 31 & AUG. 7
1 p.m. Central
Operating in a Collaborative World (Elite Access)

AD INDEX

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Dave Underdale

Title: EVP/CMO

Company: Allied Solutions

Website: alliedsolutions.net

Based in Indiana, Allied Solutions provides insurance, lending, and marketing products to more than 4,000 U.S. financial institutions.

Why is Allied a great place to work?
Culture is a big deal at Allied Solutions. We commit time and resources to a culture of productivity, innovation and security. An organization's worth can be measured by the quality of its employees, and we make sure to get that right. Allied has a history of being entrepreneurial; our CEO is certainly the personification of that. Allied is great for ambitious people who want upward mobility, the technical-minded who want to innovate and those with a passion for exceptional customer service. Allied's many initiatives—such as investing in new technology and building new infrastructure to stay best in class—come with tremendous opportunity. Most importantly, everyone can contribute to our shared vision.

How can CUs be more successful?
CUs are seeing lots of change right now, and will undoubtedly see more in the next five to 10 years as we begin to serve a new wave of borrowers who want a different experience. CUs have traditionally been dependent on personal relationships, serving families for generations, but this isn't sustainable. Members want convenience. Being able to perform a task quickly and with minimal human interaction is desirable and will lead to retention and repeat business.

This environment comes with the opportunityfor creative lending solutions. CUs should be thinking about how they interact with existing members and what their next product will be. Doing so can magnify cross-selling and help attract new borrowers. Lots of lending solutions on the market aim to give members more control and better rates, even with imperfect credit. Coupled with good risk management, CUs can safely consider diverse lending options and serve new markets well.

How is Allied making the CU industry stronger?
We've made it our mission to find the best solutions in the larger financial institution marketplace and bring these providers to the CU space, all in an effort to help CUs compete, provide excellent member service and grow their bottom lines.

Big Sky-High Goals *and Strategic Direction*

Step away from the office chair. At Execu/Net™ (*cues.org/en*), you'll have a chance to get outside your head in the great outdoors while reflecting on your credit union's goals and direction. Learn from experts about a range of crucial strategic topics each morning and engage in thoughtful discussion with your credit union peers. In the afternoons, you'll have time to explore beautiful Big Sky Country.

Anthony Burnett, customer experience director at LEVEL5 (*level5.com*), Atlanta, will kick off the conference by teaching attendees how to construct an omnichannel branch experience that drives results by making emotional connections with members and the community. You'll walk away with a step-by-step playbook to transform your branch experience and track ROI for stakeholders.

On Tuesday, Chris Sachse, CIE, CEO and co-founder of CUES strategic partner Think|Stack (*thinkstack.co*), Baltimore, will lead "Mapping Your Technology Journey to Improve Governance." Balancing member experience with security while remaining compliant is a juggling act. Providing sound technology governance requires context, communication and support from CU leadership.

"It's important that you find buy-in," explains Tim Foley, VP/alliance and marketing at Think|Stack (*cumanagement.com/video031819*). "Look around your leadership group, look around your board, look through your organization, and try and find the change-makers. Look for the innovators." At Execu/Net, your CU's change-makers will join Sachse in exploring journey mapping, risk definition and other technology profile tools that help improve IT governance.

Put a stop to "business as usual" at Execu/Net™ (*cues.org/en*), Aug. 11-14, 2019, in Big Sky, Montana.

Michael Beall, chief strategic & advocacy officer, and Jamie Strayer, founding partner of CU Strategic Planning (*creditunionstrategicplanning.com*), Tacoma, Washington, will close out the event with "Increasing Profitability, Relevance and Operational Effectiveness With a Strategic Audit." Executives and directors will learn how to use this powerful tool to determine whether your CU is meeting its strategic growth and service objectives effectively and to facilitate ongoing, constructive dialogue.

CEOs, senior executives, board and supervisory committee members are all encouraged to attend this one-of-a-kind event. Learn more—and register before June 27 to get the lowest rate!—at *cues.org/en*.

2019

CUES SCHOOL OF STRATEGIC MARKETING™
July 15-18
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

CUES SCHOOL OF BUSINESS LENDING™ II: *FINANCIAL ANALYSIS AND DIAGNOSTIC ASSESSMENT*
July 15-19
DoubleTree by Hilton Hotel
Cleveland Downtown–Lakeside

STRATEGIC GROWTH INSTITUTE™
July 22-25
University of Chicago
Booth School of Business

SUPERVISORY COMMITTEE DEVELOPMENT SEMINAR
July 29-30
Portola Hotel & Spa at Monterey Bay
Monterey, CA

DIRECTOR DEVELOPMENT SEMINAR
July 31-Aug. 2
Portola Hotel & Spa at Monterey Bay
Monterey, CA

EXECU/NET™
Aug. 11-14
Summit at Big Sky Resort
Big Sky, MT

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
Aug. 11-16
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

BOARD LIAISON WORKSHOP
Sept. 4-5
SchoolsFirst Federal Credit Union
Tustin, CA

CUES SCHOOL OF MEMBER EXPERIENCE™
Sept. 9-10
DoubleTree by Hilton Hotel
San Diego–Mission Valley

CUES SCHOOL OF BUSINESS LENDING™ III: *STRATEGIC BUSINESS LENDING*
Sept. 9-13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

CUES SCHOOL OF LENDING™
Sept. 10-12
DoubleTree by Hilton Hotel
San Diego–Mission Valley

PAYMENTS UNIVERSITY
Sept. 11-12
DoubleTree by Hilton Hotel
San Diego–Mission Valley

CUES CERTIFICATE IN BUSINESS LENDING
Sept. 13
DoubleTree by Hilton Hotel
San Diego–Mission Valley

BOARD CHAIR DEVELOPMENT SEMINAR
Sept. 16-17
LaFonda on the Plaza
Santa Fe, NM

DIRECTOR STRATEGY SEMINAR
Sept. 18-20
LaFonda on the Plaza
Santa Fe, NM

CEO/EXECUTIVE TEAM NETWORK™
Nov. 4-6
Omni Amelia Island Plantation Resort
Amelia Island, FL

DIRECTORS CONFERENCE
Dec. 8-11
Loews Royal Pacific Resort at Universal
Orlando, FL

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

Are you a board liaison, executive assistant or administrator responsible for the success of board meetings? Join us at the **Board Liaison Workshop** (*cues.org/blw*) this September and build your skills to facilitate good governance!

Advocacy *is the Key to Sales*

BY JEFF RENDEL, CSP

Six years ago, a now $16 billion bank began to acquire nearly 75 branches in the Western U.S. from one of the nation's largest banks. Initially, there was a lot of deposit runoff. Once the transaction dust settled, nearly half of the acquired accounts were gone, but deposits were up 25%. The bank concluded that the lost accounts were zero or low-balance, part of a past culture that compensated employees on the number of accounts opened.

Recently, the bank's CEO opined on this dynamic in *The Wall Street Journal* (*tinyurl.com/y6hsmh6h*). "Our philosophy is to do what is best for the client. If they need a new account, then open it; but, if they have too many accounts, it's OK to close them and get to the mix of services the customer desires." Doing what's best for the customer—or member—as a governing principle for a business model. Sound familiar?

Sales is a fascinating phenomenon in credit unions. We want members to buy, but we don't want to pressure the sale. We want to deepen relationships, but we don't want to overwhelm members with a never-ending cross-sell. We want to pull members to a better deal, but not push so much that they leave. So, what's a CU to do?

Forty-plus credit union leaders shared their thoughts about this topic, and one common theme emerged—advocacy for members. Until the member wins, the CU doesn't win. Make certain the member is succeeding—with or without a sale—and the CU will reap the benefit of a long, lasting relationship.

One CEO expressed advocacy in its clearest sense: "We want our members to earn more, save more and experience more." Products and services can offer these opportunities, but not without a culture that seeks to ensure members are in the best position possible. Growth, and the sales that drive it, require a long-term approach to relationships and their business value. Some members are ready to buy now—sell to them. Some members will buy later—keep them informed and be ready to act when the time is right for them.

Jim Cathcart, a fellow professional speaker, once declared, "The highest level of business is an act of friendship." Not revenue, profitability segment or propensity to buy. Friendship. Advocacy for a member with your credit union's success a product of that investment.

Jeff Rendel, CSP, *is president of Rising Above Enterprises* (jeffrendel.com)*, Corona, California.*

Read the full post and leave a comment at *cumanagement.com/041519skybox.*

Our Favorite *Recent Posts*

"Learning is not an event; it's a process. We need to continue learning when we get back to our offices by engaging others and moving forward with our ideas. ... Block time on your calendar and give yourself permission to spend time reflecting, as it will have great payoff in the long run."
Jennifer Stangl, CUES' director of professional development, in "Returning From Learning ... Now What?" on CUES Skybox: *cumanagement.com/042419skybox*

"Leading millennial companies [such as Nike and Netflix] have similar leadership ages to that of credit unions; therefore, how are they winning when credit unions aren't? One answer to that is mindset—the mindset that drives the leadership of these organizations to facilitate the pushing of boundaries allows them to win."
Kwesi Charles, founder of CredUView Consulting & Cooperative Capital Limited (*tinyurl.com/creduviewlimited*), Trinidad and Tobago, in "Is the Millennial Challenge a Matter of Age ... or Mindset?" on CUES Skybox: *cumanagement.com/042219skybox*

"As CUs develop their strategic growth goals, what does the backdrop look like? At what rate do you need to grow to keep pace with the market? At what pace do you need to grow to gain posture within the marketplace? Finally, the hard question: At what point should the CEO, the board or the executive team decide that other strategic options are warranted (merger/assumption/closure)?"
John Moreno, senior managing director of CUES Supplier member Meyer-Chatfield Group (*mccud.com*), Newtown, Pennsylvania, in "Will Your Credit Union Still Be Relevant in 5, 10, 15 or 20 Years?" on CUES Skybox: *cumanagement.com/041719skybox*

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