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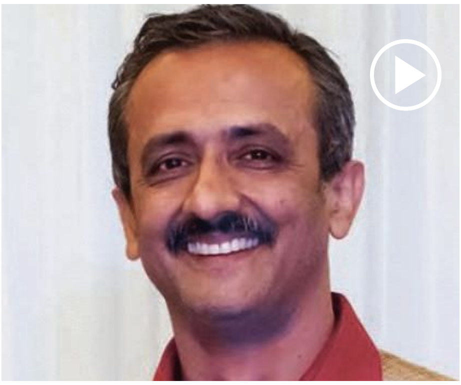

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YOUR THOUGHTS

DOES YOUR CREDIT UNION HAVE THE TALENT NEEDED TO NAVIGATE A HIGHER RATE ENVIRONMENT?

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

Millennials, Mergers *and Margins*

If your credit union is looking to improve its leadership development programs or create an organization-wide succession plan, one place to start is with a young professionals group.

"YP" groups, as they're often called, can be informal or formal programs designed to bring your CU's younger employees together to work on projects, share ideas across departments and network with like-minded co-workers. They also provide an opportunity for employees to build relationships and friendships at work.

$148 million Border Federal Credit Union (*borderfcu.com*) in Del Rio, Texas, runs a group called "The Pulse" for its younger employees. While leadership development is the group's main focus, equally important are the opportunities for community involvement it provides. Millennial employees frequently say they want a job that allows them to make a positive impact on social issues. Offering young employees a chance to develop their careers and serve the community can be a very strong recruitment and retention tool. Read more in "The Movement Within the Movement" on p. 36.

Given that millennials are drawn to volunteering and serving, why are there so few younger board members?

"Millennials are out there. They want to volunteer. They want to give back to the community, but they need to be presented with the opportunity," says James Sackett, the 2018 CUES Distinguished Director and the first millennial to serve on the board of directors at $1.3 billion Firefly Credit Union (*fireflycu.org*) in Burnsville, Minnesota. If your CU is looking to diversify its boardroom, you won't want to miss our profile about Sackett on p. 16.

This month we also have two articles that examine how the economy and the marketplace are affecting strategy.

In "Mergers for Market Share," Vincent Hui of Cornerstone Advisors (*crnrstone.com*) writes about the importance of finding a complementary merger partner. "The need to seek out a merger partner that offers a good fit is a constant, but the current rate environment with its pressure on cost of funds makes this consideration even more crucial," he explains. "A key metric in evaluating potential merger partners in this environment is a credit union's 'deposit beta.'" Read more starting on p. 32.

"Reformulating CUs' Margin Model" relates the story of FirstOntario Credit Union's effort to reduce its reliance on interest and related income. CUES member Kelly McGiffin, CEO of the $5.4 billion CU (*firstontariocu.com*) in Stoney Creek, Ontario, delves into the state of the Canadian financial industry to explain why his credit union made this change.

"The bottom line as I've studied it is: There is no foreseeable change to margin trends for Canada other than driving downward toward the levels currently held by the banks," McGiffin writes. "And, in absolute thinking, our margins should actually be lower than those of the banks, as we will never be able to match them on a cost-of-funds basis."

McGiffin offers plenty of lessons for U.S.-based CUs, too. Read more on p. 26.

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3 Ways To Kill
A Toxic Culture

A toxic business culture can bring down the whole company, driving good employees away and draining productivity. Such a negative atmosphere is fairly common in U.S. companies. A survey by The Creative Group (*tinyurl.com/ycgctd2d*) showed nearly a third of executive-level employees said that a colleague had tried to make them look bad in a variety of ways. But before a team is driven apart or toxic employees are shown the door, some business culture-change experts say there are ways to preserve and build better teams.

"When faced with organizational disarray, it's sometimes helpful to introduce different team-development concepts," says Andi Simon, a corporate anthropologist (*simonassociates.net*) and author of *On the Brink: A Fresh Lens to Take Your Business to New Heights*.

Simon provides three ways company leaders can build teams that work well together toward a common goal:

- **Navigate the negatives.** Simon suggests getting the team to play a game called Speed Boat, created by Luke Hohmann. "Speed Boat is based on the concept that something is holding the team back, similar to anchors or rough waters," Simon says. "To determine what that impediment might be, individuals write down what they think is holding their boat (team) back, then post their reasons on a wall over a picture of a speed boat."
- **Discuss sad, mad, glad**. "Participants each have a set amount of time to tell a story about what they are glad about, sad about and mad about in their daily work," Simon says. "Then they talk about what they would do to increase, reduce and eliminate in order to create a new story that addresses the sad and mad, and builds on the glad."
- **Pair up.** "In this approach, pairs of staff members are responsible to each other to make sure their jobs are done on time and to specs," Simon says. "The pairs are rotated every two to three weeks. The watershed moment occurs when the pairs realize that their success only comes from results that both of them achieve."

"Metaphors and games allow people to express their pain points in a more neutral, emotionally secure manner," Simon says. "It gets their boat moving again and pulls them together as a team."

'APM' Dispenses Fun
at Hockey Games

In a novel twist on the ATM, $1.1 billion Hiway Federal Credit Union's "Automated Prize Machine" dispenses tickets redeemable for autographed jerseys, hockey pucks and credit union logo swag at Minnesota Wild home games.

Hiway FCU employees with the prize ATM.

Hockey fans ages 16 and up are invited to stop by the Hiway FCU booth/prize table in the Wild concourse to register with their name and email address. They receive a promotional card printed on heavy-stock cardboard that they can swipe at the colorful prize machine, which resembles an oversized ATM.

The APM's random generator doles out receipts for 300 prizes at each game, including the top prize jersey and five autographed hockey pucks, discount coupons at Hockey Lodge, cobranded Hiway/Wild hats, can koozies and openers, and cloth bags. The St. Paul CU also distributes hockey pencils and foam pucks to younger fans.

As the official CU of the professional hockey team, Hiway FCU (*hiway.org*) promotes its Minnesota Wild Free Checking Account, which includes a customized debit card, credit card and checks, at its booth and APM. Benefits for account holders include Hockey Lodge discounts and entries for monthly prize drawings. The credit union promotes the checking account, credit card and Wild Youth Savings accounts along with its involvement in the community organization Hockey Kids4Kids in follow-up emails to Wild fans.

Dave Boden, president/CEO of Hiway FCU, says the APM has been "immensely popular."

"It's a great way for our credit union staff to engage with current and prospective customers and enhance the experience of attending a Minnesota Wild game," Boden says.

Hiway FCU contracted with Star Exhibits and Environments, Brooklyn Park, Minnesota, to build the APM.

Left: A hockey fan with his prize jersey.

The 'Sweet Spot' of *Member Experience*

UNDERSTANDING PAIN POINTS LEADS TO EXCEPTIONAL SERVICE AND MEMBER LOYALTY.

BY STEPHANIE SCHWENN SEBRING

Peter Drucker once said the purpose of business is to create and keep a customer. But is it still that simple?

In the broadest sense—yes. But when it comes to serving credit union members, it's more than delivering a product, service or even a brand promise. It's creating something exquisite, unique to each person: the *member experience*.

According to Mike Neill, CSE president of CUES strategic partner ServiStar Consulting (*servistarconsulting.com*), Nashville, Tennessee, the member experience is the intersection of service and organizational culture, not based solely on product or emotion, but finding the sweet spot of both. "It's not confined to a personal interaction or the adoption of a product, like a mobile app. Rather, it's an experience that is intuitive and easy," says Neill, who is a speaker at the CUES School of Member Experience™ (*cues.org/some*). "Some call it 'member effort,' and it's what you as a credit union want to ascertain and measure—even more so than member satisfaction."

While member experience may mean something different for every CU, Neill says all credit unions must focus on three components: 1) meeting member needs through competitive products and financial expertise; 2) making it easy to do business across all channels; and, 3) creating a "wow" experience. "A credit union with an excellent culture will thoughtfully define its member experience: what it does well, how flexible it is, and how well it cares for the member as a unique and valuable person." All can vary, he continues, but it is very important in how a credit union differentiates itself among all players.

Technology is an area where a smaller or mid-sized CU can invest to level the member experience playing field a bit, adds Neill. "In a commoditized industry, a credit union still needs to stand out with service and reduce the friction of any interaction. This friction can often occur with channel thrashing, where the member must move from their chosen channel to another to meet their needs."

PEOPLE HELPING PEOPLE

The credit union mantra isn't fading; in fact, Frank Aloi, president of ath Power Consulting (*athpower.com*), Andover, Massachusetts, believes it's ramping up. "Culture and how a credit union operates as an organization are integral to the member experience. Technology and competitive products are a necessity, but the essence of a credit union is still having someone to speak with, providing a high-end member experience. This experience *is* the organization. Every rep should be able to explain why the credit union is different from a bank and why being a member and part-owner is a distinction.

"There isn't a 'mid-range' of good service," adds Aloi. "Instead, focus on delivering a white glove, concierge level of service. Knock it out of the park to narrow the gaps in member effort."

Tansley Stearns, CME, CSE, a longtime CU advocate, speaker at the CUES School of Member Experience, and chief people and strategy officer for $2.4 billion Canvas Credit Union (*canvas.org*), Lone

Tree, Colorado, believes most consumers want to do business with organizations that do right by the world. "It's especially relevant for millennials to know we're financial cooperatives, created to help people. Doing right for those we serve is already in our DNA, and we have an amazing opportunity to differentiate ourselves. But as an industry, we've not always done a great job of telling our story."

Another way to differentiate credit union services from the competition is through empathy. Stearns says that as CUs create the member journey and grow their product lines, the best place to start is by stepping into the members' shoes, answering the questions: "What's in it for me?" and "What are our members' biggest challenges?"

THE IMPORTANCE OF THE MEMBER JOURNEY

"By mapping their journeys and using buyer personas, including common behaviors, demographics and goals, you can learn more about your members and what it is they want," explains Constance Anderson, president of MemberXP (*memberxp.com*), a Denver-based company that specializes in engagement and feedback solutions for credit unions. "Some want a highly personalized, in-branch experience, while others prefer to do everything through self-service channels."

Consider these two very different personas: The first is a 25-year-old college graduate with her first professional job who wants to save money for her first house. She might want personal guidance on saving but also a robust mobile app that helps track her budget and real-time balances. The second is a married man in his 40s who wants a bill-pay app to save time and track household expenses. He also needs convenient access to online loan applications for his vehicle, mortgage and home equity loans.

There is no "monolithic member profile" that defines what every member wants from the CU, says Anderson, but there are prototypical personas within a member base that CUs must cater to.

Journey mapping enables a CU to follow every step of a process and identify what's working and what isn't. "Leaders can blend financial expertise with their understanding of member pain points to see the gap between the current and desired future state," notes Stearns. "Credit unions can then craft a road map for long-term improvements and create new, meaningful member experiences."

FINDING GAPS IN THE EXPERIENCE

Researchers are moving away from the net promoter score as the sole indicator of successful member service. Today's critical measurements are market share and wallet share, says Anderson.

"While the net promoter score is good for determining brand affinity, it does not necessarily correlate with market share growth," explains Anderson. "For example, a credit union can have negative net member growth but still have a high net promoter score—the members who remain love the credit union, but those who have left typically found it hard to do business with the credit union." In addition to wallet share, she suggests using metrics like brand affinity (measuring emotional attachment to the CU) and ease of doing business.

The Filene Research Institute's white paper, "Member Effort Benchmarking" (*tinyurl.com/fileneeffort*), defines member effort as "the amount of effort a member has to expend to resolve an issue, open an account, get a loan, join the credit union or accomplish any other goal ... across all channels—including digital channels."

Anderson, a co-author of the report, believes that member effort is a better predictor of wallet share growth than other commonly used metrics such as member satisfaction or net promoter scores.

> **"The audit identifies the biggest pain points, allowing the credit union to create a road map for positive change."**
>
> – Tansley Stearns, CME, CSE

She cites a study conducted by the Customer Contact Council, "Stop Trying to Delight Your Customers," published in 2010 in the *Harvard Business Review* (*tinyurl.com/hbrdelight*). It revealed the ease of doing business trumps customer service as a predictor of customer loyalty. MemberXP's own research also shows a strong positive correlation between the number of accounts per member and the member effort score—a numeric score between 1 and 7 derived from answering one question: "How easy did we make it for you to (complete your transaction, obtain your loan, open your account, etc.)?" According to the MemberXP Knowledge Base, "a score below 6.0 indicates that there is room for improvement for a particular member experience. Relatively seamless experiences score a 6.5 or better."

Consumers, particularly millennials, are giving their business to companies that make it easy to do business with them, says Anderson. "Credit unions should strive to create simpler, frictionless experiences for members. Measuring, analyzing and mapping each member journey uncovers member pain points. Those pain points often represent opportunities for innovation that can lead to increased wallet share."

For example, Anderson recently interviewed a "30-something" CU member. The individual likes to go into the branch because the "people are so nice," but uses a large bank for checking, because, unlike the CU's mobile app, her balances update in real time. This same member also used a mortgage broker to buy her first home, because the broker made it easy for her to navigate all the options.

Anderson adds that regardless of age, members stay with their CU because the service is superior, "and millennials are as adamant as any segment about receiving good service. However, as the above example reflects, they define good service differently. It's more than friendliness; they want both an excellent in-branch *and* mobile experience."

The journey map can help a credit union to see its design processes in further detail and identify service gaps, says Neill. "Start by analyzing each step the member must take to complete a requested service—such as opening a new account or applying for a loan—and find ways to reduce the 'friction points' a member may face, to be mitigated or removed for an easier, simpler experience. The credit union can also see how it can better deliver a 'wow' experience, such as sharing how much money a member will save by making a specific decision."

TAKING THE NEXT STEP

Listen to members. Find out what's interrupting or interfering with their experience. But first, make it convenient for members to comment or ask questions relevant to their experience, advises Anderson. "Financial institutions are moving away from the comprehensive annual or semi-annual survey to real-time, in-the-moment audits that capture the experience as the member completes a journey." Credit unions can use these audits to establish benchmarks and goals for improving the member experience over time. Try mini-online surveys by email, website or mobile links, by text and even in-branch tablet surveys, she adds, so that members can share their experiences conveniently.

Anderson suggests measuring the new member experience as well as borrowing, mobile or online banking journeys, but adds that every audit should include questions about the digital experience and employee performance. "Employees can do a great job of assisting the member, but if the online loan app is difficult to use or online banking is clunky, the member can have a less than optimal experience," she says.

A member effort audit can reveal pain points that are often very different from what an internal member (that is, a CU employee member) may experience. "We get tied to our processes or have biased experiences based on our role within the organization," explains Stearns. "So, an audit may reveal challenges we didn't

Member-First *Talent Strategies*

Alongside member effort scores and audits, successful leaders are finding the right people to impact the member experience. The experts weigh in:

Be strategic. For the first time in 50 years, the GDP is higher than the unemployment rate, which makes the war for talent increasingly urgent, says Mike Neill, president of ServiStar Consulting (*servistarconsulting.com*), Nashville, Tennessee. "It starts with finding, interviewing, hiring and orienting the employee to an organization's preferred culture. Unfortunately, some credit unions are behind the curve in talent acquisition, and despite advancements in technology, nothing replaces the human touch."

Hire the right people. "We win or lose with talent," says Tansley Stearns, chief people and strategy officer for $2.4 billion Canvas Credit Union (*canvas.org*), Lone Tree, Colorado. "Even in a world of automation, members want and need people for the more complex experiences. Tie talent selection closely to the culture you're building and the behavioral expectations of the roles you're filling. ... We can teach the functional elements; what we want are people who share our values. Certainly, there are roles where technical expertise, experience and tenure matter, but we still focus on a cultural fit."

These are the people that can deliver the member experience, and they may or may not have banking experience, reiterates Frank Aloi, president of ath Power Consulting (*athpower.com*), Andover, Massachusetts. "But it will be a person who puts service first, who understands the credit union's brand and the importance of sharing the value of membership with the member."

Look for people who listen. Aloi believes one of the greatest employee attributes is listening. It enables an employee to understand and have a conversation with the member, and conversations are what drive member experience metrics, retention and loyalty.

Train and train some more. This can make or break the correction of member journey gaps found in an audit. It requires an ongoing commitment to staff, says Aloi. Training is critical, from the front line to the board, because all are ambassadors of the CU. "A credit union is either member-centric or not," he adds, "and everyone, from the CEO on down, should embrace training. It sends the message: 'This is what we're about. This matters to us.'"

Create unity. Clear and frequent communication with staff increases organizational awareness of initiatives, milestones and issues, allowing for greater unity. "The employee is integral to and should feel responsible for creating an exceptional experience where the member never wants to leave," explains Aloi. "But when credit union leaders understand how to develop talent, unity is much easier to attain as is delivering the member experience."

Cement the "employer brand." One of the advantages CUs have is that millennials and Gen Z want to work for purpose-driven organizations, says Stearns. "Focus recruitment efforts on how the credit union is mission-driven and the work it does to manifest positive change, and it will help attract individuals who want to stay for the long-term."

Citing research from the Filene Research Institute and Dr. Sekou Bermiss, "The Laws of Attraction: Credit Union Recruitment in a Competitive Labor Market" (*tinyurl.com/filenerecruitment*), Stearns adds that CUs can leverage turnover to actually improve their employer brand. "We often think of turnover as negative and want to minimize it; however, it is possible to turn it into an advantage by sharing the success stories of former employees. As people leave the credit union and go on to do incredible things, share the news, reiterating that the credit union is a wonderful place to begin and grow a career."

Take time. Hiring managers are frequently in a rush to find "somebody," offers Stearns. "They might be short-staffed, and even if the credit union is committed to finding the best fit, a manager may settle, leading to turnover, frustration and performance challenges. While it takes patience, finding the right person is worth the wait."

Neill concludes that finding engaged employees who believe in the CU's mission is vital to the member experience. "If members are going to love your credit union, the employees must love it first. Member engagement and employee engagement are inevitably and inextricably linked."

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"There isn't a 'mid-range' of good service. Instead, focus on delivering a white glove, concierge level of service. Knock it out of the park to narrow the gaps in member effort."

– Frank Aloi

MORE ON MEMBER EXPERIENCE

Member Experience, an Interview With Mike Neill (*cumanagement.com/podcast21*)

How Easy Is Your Members' Experience? (*cumanagement.com/031918skybox*)

Map Your Member Experience (*cumanagement.com/1118map*)

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

know existed ... that both internal *and* external members are facing."

Areas to examine in an audit, as identified by the Customer Contact Council study in the *Harvard Business Review* article, include:

- the number of handoffs, either between people, between channels or both;
- repetition, including the number of times a member must share their story or challenge;
- "channel thrashing," when a member must leverage more than one channel to accomplish what they want to do; and
- technical limitations within a digital channel (when a member expects to start and finish something using technology, but system limitations or risk concerns stop the process and require human intervention).

"A trend we've seen is significantly poorer member effort scores from people under age 35 than for people over age 35," says Anderson. "Another is how a third-party vendor, such as a mortgage processor or outsourced contact center, can either negatively or positively affect the experience. Unfortunately, many third-party vendors don't have the same service expectations or level of ownership the credit union team has, and that negatively impacts the member experience. A good use of audit results is to hold the vendor accountable and negotiate a service level agreement based on audit metrics."

SHORT, SWEET AND EASY

Stay disciplined and keep audits concise, advises Aloi. "They can measure anything, ranging from four to 40 questions, but the ones with four are that much better."

Rather than exploring all the technical points of a member journey, Aloi suggests determining a metric or numerical score—perhaps for a branch or member behavior—to use as a benchmark before implementing an audit. "The point you measure ... should answer how the member felt during that moment. In person, by phone, online, in an app—was the member (and employee) engaged? Measuring small nuances is wildly important to the member experience."

Stay member-focused, adds Anderson, and when possible, embed such variables as member age, deposit balance and number of accounts into the audit. This will help keep the length to just a few questions while still gaining valuable information. Also, allow for easy follow-up and consider software that can provide automated alert and ticketing systems to identify at-risk members. A thorough audit will include free text analysis (reading member comments) to determine key drivers of delight and dissatisfaction. Today's best member experience relies on an ongoing system that tracks the tiniest of changes in member perception, Anderson continues, helping to maximize the voice of promoters and potentially save at-risk members. "The key is to create accountability and provide motivation by focusing on (and coaching) the behaviors that improve member experience metrics and processes."

ACHIEVING SCALE AND GROWTH

Scale and growth do matter to the success of a credit union, says Stearns, but not growth for growth's sake. "As a financial cooperative, the more we grow, the more resources we gain, and the stronger options we can provide for more people.

"What if we could positively change the percentage of people who are homeowners within our region? What if members were better prepared to retire? What if *all* our members were *all* ready for an emergency? If we can create those measurements and meet these bold goals, we can naturally harness a stronger share of the market."

Stearns concludes that credit unions must exceed expectations. "We no longer compete against the bank or credit union down the street, but the 'instant clicks' of Apple, Amazon and Google, and we must build strong experiences that stand up to the comparison."

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

Distinguishing Himself *at an Early Age*

FOR JAMES SACKETT, THE YOUNGEST RECIPIENT OF THE CUES DISTINGUISHED DIRECTOR AWARD, A COMMITMENT TO CREDIT UNIONS IS IN HIS DNA.

BY DIANE FRANKLIN

James Sackett's selection as the 2018 CUES Distinguished Director proved to be a noteworthy milestone. At 32, he is the youngest person to have received this annual award, which was presented at Directors Conference in December in Waikoloa, Hawaii. He is also the first millennial to serve on the board of directors at his credit union, $1.3 billion Firefly Credit Union (*fireflycu.org*) in Burnsville, Minnesota. Nonetheless, it's not his age, but rather the CUES member's strong commitment to the betterment of his credit union, that makes him a worthy recipient of this honor.

Sackett was 28 years old when he first took his seat in the Firefly CU boardroom, but in many ways, he was preparing to assume such a role his whole life. "I've been a credit union advocate and evangelist ever since I was kid," says Sackett, who was born and raised in Eau Claire, Wisconsin. "I grew up in a credit union family and a credit union household."

That's a household, incidentally, where his father, John Sackett, has been a long-term board member of $2.3 million Royal Credit Union (*rcu.org*), including serving as chair for 17 years and as treasurer for 10 years. "My dad is one of those multi-decade board members," Sackett reports.

"He was on a credit union board when I was growing up, and he still serves [today]."

With his father as a role model, Sackett gravitated toward playing an active role in the credit union movement. "It's something I've always been a part of and loved," he says, "so it was a natural path for me to serve as a credit union volunteer in an official capacity."

A DIVERSE PERSPECTIVE

At Firefly CU, Sackett is the youngest voting member of an 11-member board, including two associate directors without voting privileges. The addition of Sackett and the associate board members, as well as the departure of some long-tenured directors, recently dropped the average age of the board from 59 to 45.

Encouraging younger representation is not intended to disparage the value of older board members, but to ensure that a broad range of viewpoints is included. "It's not necessarily the label of millennial that's important," Sackett explains. "It's the fact that we're looking for diverse perspectives to be included on the board."

Firefly CU's Board Chair Sarah D. Lietz concurs. "We've made a conscious effort to have more diverse representation at Firefly on the board, and James is a really good example of that," says Lietz, who has been on the board for nine years and has served as chair for four. However, she points out that Sackett's age takes a back seat to the other important qualities he brings to the boardroom. "To me, his age is irrelevant. He could be 30 or he could be 70. What I love about him is his passion for moving us forward and pushing for excellence and accountability. I think that has less to do with age and more to do with his level of engagement and his enthusiasm for the credit union movement."

Lietz is employed in the CU industry, serving as VP/owner engagement at MEMBERS Development Company LLC (*membersdevelopment.com*), a research and development CUSO based in Madison, Wisconsin, that is owned by about 70 large credit unions nationwide. As someone devoted to the CU industry, she appreciates the fact that Sackett has had a commitment to the movement dating back to his childhood. "It's ... in his DNA," she says.

RELATING TO MILLENNIALS

While age is not Sackett's main qualification, it's helpful to have a director from the all-important millennial generation, defined as those born between 1981 and 1996. At 73 million strong, millennials cannot be ignored. This year, according to Pew Research Center, they will become America's largest adult population, dethroning the long-held dominance of the baby boomers (*tinyurl.com/y7m6zf2h*).

"Millennials are a huge growth market," Sackett confirms. "They're going to be vital to the success of credit unions. We have a huge number of millennial employees at credit unions themselves, but they are tremendously underrepresented in the boardroom."

However, millennials have to bring more than just their demographic identifier to a position on the board. "I think an important consideration—and something I took very seriously when I joined the board—is that it can't just be a 'check-the-box' criterion," Sackett says. "You can't just have somebody who's 'younger.' That person needs to be qualified, because at the end of the day, we are providing governance over an organization. We have a responsibility to provide the necessary accountability and expertise to do what is required of us."

In his case, Sackett adds, "it wasn't only my age, but also my technology background, my consulting background, my familiarity with credit unions and my love of credit unions in general."

Additionally, as a millennial himself, Sackett can relate to what a younger CU member's journey entails. His life revolves around family: He and his wife, Molly, have two young children—daughter Jemma, 2, and infant son Nolan. Sackett's limited spare time is typically spent watching sports (he is a big Green Bay Packers football fan) and a few hobbies, such as his love for travel and aviation.

"We've made a conscious effort to have more diverse representation at Firefly on the board, and James is a really good example of that."

– Sarah D. Lietz

"Since I joined the board in January 2015, I've gotten engaged, I've gotten married, I've bought a house, I bought a car and I've had two kids," Sackett says. "If that doesn't say 'target member' to you, I don't know what else would."

A CAREER IN CONSULTING

Sackett began his journey toward Firefly CU shortly after he graduated from the University of Wisconsin-Eau Claire with a degree in management information systems. He moved to Minneapolis, less than 100 miles away, and began a career in the consulting industry. "I always knew I wanted to go into consulting to get a diverse set of experiences to start my career, and I've stayed with it ever since," he reports.

Over the last decade, Sackett has worked for three firms and has gained experience in the areas of IT, mergers and acquisitions, and healthcare. He currently works in the Minneapolis office of West Monroe Partners (*westmonroepartners.com*), a full-service consulting firm based in Chicago that employs approximately 1,000 business consultants and technical experts.

When he relocated to Minneapolis, Sackett joined Firefly CU at the recommendation of his brother, who was already a member. "Since we are a credit union family, we talk about these things," Sackett explains. "After becoming a member, I reached out and began talking to their board liaison. It just so happened that they were doing an open call for director nominations, so I entered the process right then and there."

Since becoming a member of the Firefly CU board of directors, Sackett has participated in many of the CU's most important initiatives, including the search for a new CEO, the implementation of a board portal and the expanded use of social media.

An avid social media user himself, Sackett felt passionate about increasing the CU's social media presence, which now includes a thriving Facebook page, more effective use of LinkedIn and plans for moving forward on Twitter and Instagram.

"Millennials are out there. They want to volunteer. They want to give back to the community, but they need to be presented with the opportunity."

– James Sackett

MORE ON BOARD LEADERSHIP

2018 CUES Distinguished Director Honored (*cumanagement.com/1218distinguished*)

Strategies for Recruiting Younger Board Members (*cumanagement.com/1117recruiting*)

Serving Country and Credit Union (*cumanagement.com/02918country*)

CUES Director Development Seminar July 31-Aug. 2, Monterey, CA (*cues.org/dds*)

"From my perspective, social media is no longer a differentiator—it's an expectation," Sackett says. "Just a few years ago, if you had social media, you were ahead of the competition, but now if you don't have it, you're behind."

Sackett has also pushed for a culture of continuous organizational and professional development, which has led to better-defined director training guidelines, an emphasis on board best practices and leveraging board meetings as an idea-sharing forum to fuel strategic discussions.

"Coming from a consulting background, I'm all about fostering an environment of continuous improvement," Sackett says. "This often requires challenging the status quo—to see if what worked in the past is still working today. If it is not working, we know we need to take steps to improve it."

A RESPECTFUL AGITATOR

Challenging the status quo is not easy, Sackett acknowledges. "I like to refer to myself as a respectful agitator, which means being willing to speak up and ask the hard questions. It's easy for a board to fall victim to inertia, but we have to make sure that doesn't happen."

Sackett cites his suggestion that the board develop a formal merger and acquisition policy. "We haven't had a merger in the recent past, so that was something we could easily have ignored. But I made the point that ... instead of looking backwards or where we're at today, let's consider where we might be five years from now. What if a merger opportunity comes along and we miss it because we're not ready for it? As a board, we have a duty and responsibility to prepare for such situations if and when they come about."

With that in mind, the board gave Sackett the OK to spearhead formalizing a mergers and acquisition policy, an area in which his consulting work proved especially relevant. The effort proved timely.

"There certainly is a macro-industry trend toward downsizing the number of credit unions and continuing consolidation," Sackett says. "The burden to operate a small credit union has become so great that they tend to merge with a larger partner who can provide the support services and the scale required to handle the regulatory burdens."

Sackett also sees mergers as a potential pathway to continuing growth for mid-sized and larger CUs. "A conversation we have in the boardroom frequently ... centers around growth. We're all trying to grow by providing more benefits for our members, accessing new geography and so forth. It would be wrong to not at least consider and be prepared for mergers and acquisition as part of that story."

BRINGING VALUE TO THE BOARD

When he became a board member, Sackett recognized the need for education. "I learned through my dad a good amount of what goes on in the boardroom," he says, "but I wanted to make sure I understood my true responsibilities as a director."

To gain that perspective, Sackett has attended several professional development courses, including the CUES Director Development Seminar (*cues.org/dds*), to more fully understand the core responsibilities of a board member, the value of board committees and the keys to good governance.

"I have tailored my learning to things that are either particularly relevant growth areas for our credit union or are weaknesses within our board that would be helpful to shore up," Sackett says.

While age alone is not a reason to join a CU board, Sackett stresses the benefits of recruiting younger directors who can build board experience and ensure a continuation of the values, vision and expertise they learn from older board members. However, he notes that recruitment is a challenge. "When I go to conferences ... without fail, I hear people asking, 'How do we find younger board members?' It seems that everybody wants them, but they aren't taking the necessary steps to find them."

For these CUs, Sackett has a few suggestions, including searching for potential candidates by scouring LinkedIn (*linkedin.com*) and reaching out to local employers and universities. Target your search for the specific skills, background or expertise that you would like in a director, he adds. In the end, those efforts will be worth it.

"Millennials are out there," Sackett says. "They want to volunteer. They want to give back to the community, but they need to be presented with the opportunity."

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

GETTING OUT FROM BEHIND THE CURVE

DATA USE CASES FOR CREDIT UNIONS

According to a recent study conducted by Best Innovation Group (BIG) and OnApproach, 45 percent of credit unions don't currently have a data strategy in place, and those that do say it will take three to five years to implement it. Credit unions that aren't making the most of data analytics today could be in even bigger trouble if an economic downturn occurs, as some economists are forecasting. "As we go forward there will be a significant performance difference between those that have invested and those that have not," says Kirk Kordeleski, senior managing partner at BIG. "We think any downturn in the economy will highlight the advantage that data-oriented FIs will have over their competitors."

The credit unions that are already incorporating business intelligence through data analytics in their growth strategies are discovering the power of data analytics in driving ROI, better member experiences, and increases in product penetration across their member base.

The following data use cases should help to guide others within the industry that are thinking of incorporating data analytics in their business strategies:

USE CASE #1: CREATING A VIP MEMBER PROGRAM – IDEAL CU

Identifying and retaining its most valuable members is vital to the long-term success of any financial institution. In developing its popular VIP+ program, Ideal Credit Union, based in Woodbury, MN, partnered with OnApproach to integrate data from its core system and other ancillary product databases to build a data warehouse to give the credit union a member-centric view of its data. Utilizing the M360 Enterprise data integration platform, Ideal can look at credit card, loan, mortgage, deposit, checking account and debit card activities and measure true member profitability.

The VIP+ program has been a driving force at Ideal, helping staff increase Share of Wallet (SOW) by focusing on the 4 C's – Checking, Credit Card, Car (vehicle) and Casa (mortgage loan). Throughout the year Ideal's staff works with members to maximize their VIP+ payout. To date, Ideal has paid our VIP+ members over $3.1 million in cash dividends. So far in 2018, Ideal has 4,286 VIP+ members on track for a payout in 2019.

Information provided by
Cindy Kurtz, Marketing Communications Manager, Ideal CU

USE CASE #2: GROWING CREDIT CARD BALANCES – PARTNERS FCU

Sometimes you need to unlearn things you used to believe in when facts are presented with data, according to Royce Ngiam of Partners FCU. Partners set a goal to grow their Credit Card total outstandings. The typical, common-wisdom approach to accomplish this is to announce a promotional rate, sometimes with a teaser rate as low as 0% for several months. However, Partners looked at the data across credit card portfolio balance growth, comparing credit unions that offered promotional rates versus those that did not. What the data showed was that promotional-rate-driven balances were very temporary; credit unions that did not offer promotional rates had steadier growth.

Instead of focusing on introductory rates, Partners focused on driving transaction growth, by increasing incentives to cardholders to use their card more often. As a result, Partners was able to grow their credit card revolving base by $27 million over 18 months. By focusing on transaction growth, which is counterintuitive, they realized results. Digging through the data proved the correlation.

Information provided by
Royce Ngiam, VP of Marketing, Partners FCU

If your credit union is looking to enhance member experience and increase the ROI of your data analytics investments, contact the data analytics team at Trellance at **info@trellance.com** and access the power of rich data to guide your business decisions.

Portals *in Practice*

SECURE BOARD PORTALS PROVE HELPFUL IN DISASTER AND OTHER SITUATIONS.

BY RICHARD H. GAMBLE

When Raychem and Tyco merged in 2016, CUES member Christine L. Petro was involved in merging the two credit unions the companies had sponsored.

"There were a lot of decisions to make that required board approval," she recalls. "The other credit union would propose something in a document ... , and then we'd counterpropose in another document. The documents would be sent to all directors, wherever they happened to be. They could edit or highlight or attach notes explaining their thought processes about what we were considering. We might chew on a proposal for a couple hours after documents were distributed and then dial into a remote meeting to vote. Or people could vote through our portal ... . It wasn't final until the last director weighed in, but we needed to keep the process moving."

To get that job done, Petro, now president/CEO of $72 million Chabot Federal Credit Union (*chabotfcu.com*), Dublin, California, used a secure board portal from SimplifyIT (*simplifyit.com*).

Supporting merger communication is not the most common way board portals are used. More often they're used to forward documents directors need to consider at an upcoming meeting. This is a routine, document-intensive procedure that needs to be secure and electronic but not necessarily quick. In the merger situation Petro experienced, speed mattered, and the portal was the right tool for the job.

Petro and other CU managers are discovering that those secure board tree-savers can be more useful than they originally thought. In her case, the business was urgent and required secure two-way communication that progressed in steps. When CUs need to reach their directors in emergencies or disasters, the secure portal that most of them have can be a useful tool.

Whether the portal is the best way to communicate with a board depends on how confidential the material is, says Michelle Akers, director of governance and administration at $1 billion Firstmark Credit Union (*firstmarkcu.org*), San Antonio, Texas. Directors log on with user names and passwords, and they can use up to two devices to access the portal, one provided by the CU and one that is personal, she explains. Material within the portal can be further restricted to specific users, she says.

"The ability to transmit large amounts of confidential data electronically has been a game-changer," she says. "We're no longer constrained by file size limits or needing to encrypt. Our Diligent portal (*diligent.com*, New York) takes care of that."

In an age of electronic communication, CUs with board portals are gently pushing the envelope. Leading-edge CUs and boards are using their portals for disaster communication, reports Ian Warner, president/CEO of Aprio, (*aprio.net*), Vancouver, British Columbia, CUES' strategic partner for board portals.

"There are also other portal uses beyond disaster management, such as multiple questionnaires and board surveys, even annual CEO evaluations," Warner adds. "It can be helpful to take the board's temperature on a variety of topics at different times, right from within the confidential secure board portal."

ROUTINE ACTIVITY

Designed primarily to be secure, reliable, low-tech document delivery channels, portals have increased board preparedness, suggests Mark Anderson, CEO of Banc Intranets LLC (*bancintranets.com*), Johnson City, Tennessee.

"Historically, many credit unions passed out paper items at meetings for members to read, discuss and vote on," he says. "Having those items in advance, sent electronically, results in better informed boards that can take care of business in shorter meetings."

That's how they often work. For example, Viki Frankenburger, board and CEO executive assistant at $3.5 billion Virginia Credit Union (*vacu.org*), Richmond, routinely sends directors documents they should read in preparation for board meetings by posting them on the portal, which automatically triggers an email alert that tells directors the material is available for them to review at their convenience. When directors log on, she can see that on the BoardPaq (*boardpaq.com*, St. Charles, Missouri) system the CU bought six years ago.

If a matter requires quick response, she doesn't use the portal. "We'd contact them by email or phone," says the CUES member. "But if the situation requires them to review confidential documents, we'll post the documents on the portal and direct them to go there."

The story is much the same at $1.6 billion America's First Credit Union (*amfirst.org*), Birmingham, Alabama.

"If the CEO wants to run something by the board quickly, he'll use a private email thread," explains Mike Northrup, CIE, SVP/chief delivery systems officer. "Encrypted email is more convenient for that. Directors don't have to log onto a separate portal and authenticate."

The portal is not currently part of the credit union's disaster recovery plan. "The portal requires internet connectivity," the CUES member points out. "Using text messages from cell phones is likely to be a more resilient channel, but who knows what might be the best channel in a disaster?"

Portals are particularly useful for board loan committees, which must review and approve certain loans as they come up between meetings.

"The portal has replaced multiple phone calls," Anderson points out. To control the security of sensitive documents, portals can send read-only documents that directors can view only on CU-furnished devices, and the electronic documents can be erased after they are used, he explains.

Next Steps *for Portals*

$6.5 billion Affinity Credit Union (*affinitycu.ca*) in Saskatoon, Saskatchewan, has long used a secure portal to funnel documents and schedules to 75 directors and delegates (For more on its governance structure, read the article at *cumanagement.com/0315governance*). Now it is looking ahead to future uses, reports Marianne Jurzyniec, governance relations lead and a CUES member.

Today portal users authenticate themselves with a user name, password and the answer to a security question. Jurzyniec envisions a one-step biometric login. And she'd like to get around the two steps of a typical portal post and an email alert, moving to something automatic where the alert comes from the portal.

URGENT MATTERS

While board portals are not commonly used in emergencies or disasters at present, they could be, notes Grant J. Sheehan, CEO of the National Council of Firefighter Credit Unions Inc. (*ncofcu.org*), Coconut Grove, Florida. The fact that board portals are cloud-based apps and can be used from almost anywhere makes them valuable if there's a fire or flood in a CU's main office that knocks out a key location, he points out. His organization uses a portal from MyBoardPacket (*myboardpacket.com*), Arroyo Grande, California.

While Sheehan hasn't used a portal in an emergency, he describes some scenarios in which one could work well. If a plane crash or hostage situation meant that key executives with control authority could no longer execute that control, the board might have to authorize another officer quickly and securely, he illustrates.

Or if a CU was closing on a merger when some troublesome litigation was discovered at the last minute, the board might have to sign off quickly on a revised agreement. In such cases, alternative documents could be posted on the portal for directors to return with their consent using the voting feature, he notes. It's a near real-time way to distribute documents securely, and that could be useful in many situations, he concludes.

Portals *Not Just for Boards*

It's called a board portal, but the portal from CUES strategic provider Aprio (*aprio.net*), Vancouver, British Columbia, is also a useful portal for supervisory committee business, reports Gerda Oostman, chair of that committee at $1.2 billion Kitsap Credit Union (*kitsapcu.org*) in Bremerton, Washington. Supervisory committee members use the portal to vote on issues that need to be determined between meetings. Members authenticate on the portal using the encrypted devices supplied by the CU, cast their votes and then authenticate again to validate the poll.

"It provides a permanent and verified record of our actions," she says. The committee also uses the portal for attendance confirmation, document sharing, self-evaluations, peer reviews, mileage reimbursement/expense reports and access to training modules, she explains.

> **"Before we went with a portal, we were assembling paper packets and couriering them to directors. That was a lot of paper and a lot of miles."**
>
> — Paula Kelly

RELATED RESOURCES

The Promise of Portals (*cumanagement.com/0918promise*)

Tech Time: Maintaining a Business Continuity Testing Strategy (*cumanagement.com/0218techtime*)

Aprio board portal information and demo (*cues.org/aprio*)

In an emergency, CUs may need to inform directors or vote quickly, says Paroon Chadha, CEO of Passageways, (*passageways.com*), a CUES Supplier member Lafayette, Indiana. "In the Great Recession of 2007, a lot of activity had to be monitored and reported frequently," he recalls.

Kenny O'Reilly, president of MyBoardPacket, also says that board portals weren't built for emergencies, but they can help.

"If there's a blizzard that stops some directors from coming to a meeting, they can attend from home," he illustrates. "The person running the meeting can bring up documents for discussion on the screen in the boardroom, and the remote directors can see the same visuals at the same time on their screens through the portal."

And portals may prevent some emergencies. "Before we went with a portal," recalls CUES member Paula Kelly, management and board liaison at $730 million TCU Financial Group (*tcufinancialgroup.com*), Saskatoon, Saskatchewan, "we were assembling paper packets and couriering them to directors. That was a lot of paper and a lot of miles." It was also a bit of risk. "Our regulators were hinting that we needed a more secure way to transmit all the confidential data. ... So we did our due diligence and went with Diligent's product."

TCU Financial Group recently added questionnaire capability to enhance two-way dialog. "We have a robust questionnaire tool now that the board can use for its annual evaluations," Kelly reports.

Communication with the board is an important part of the CU's disaster recovery plan, Kelly explains. "There is a clear set of priorities ... , but part of the plan would be to keep the board informed."

Using board portals to communicate about a disaster is hardly a new idea, Warner points out.

"Board communication has been an integral part of disaster recovery plans as long as such plans have been around," he says. "Most companies have them, and regulators require credit unions to have them." Officers and first responders are often contacted first, but the board needs to be in the loop, he notes.

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

Communication *After a Real Disaster*

$115 million Community South Credit Union (*communitysouth.net*), Chipley, Florida, had BoardReports (*boardreports.org*) from United Solutions in place. But the portal was one of many systems that didn't work in the wake of Hurricane Michael, a particularly fierce storm.

The CU's disaster plan depended on having a typical communication infrastructure. Because that infrastructure was down, the CU's operating systems didn't work. The branches didn't work. Refrigerators and bathrooms didn't work. The board portal didn't work.

"It was a wake-up call," notes CUES member Jan Page, president/CEO. "You can have state-of-the-art security and redundancy, but they all rely on a communications infrastructure. When that crashes, you're in trouble."

Florida financial institutions prepare for hurricanes, of course, but Michael was extraordinary. It carried intense winds 50 miles inland, knocked out the power and flattened cell towers. Communication consisted of senior officers getting in their cars and finding passable roads to get to employees' homes to be sure they were safe. Then they drove as far as it took to find burner phones, hot spots, generators and fuel for generators. Many vendors closed or sold out of emergency supplies, Page says.

Some employees and directors now have burner phones they can activate if there's another knock-out punch. That's a shot at more than one cellular network, Page explains.

When undamaged branches opened five days later, the CU had internet, but many of its directors didn't. The CU contacted as many directors as it could through the portal to verify authority to make disaster impact loans and suspend late payment penalties. By the next scheduled board meeting two weeks after the hurricane, several directors still couldn't access the portal and had paper packets sent to them, she reports.

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Why do you love credit unions? We love credit unions because they are member-centric, plain and simple. Credit unions focus on serving the best interest of their members and have a heart for supporting the community in which their employees work and live. These two core credit union principles run parallel with SWBC's foundational qualities. Our team enjoys serving our credit union clients that trust us to service their portfolios and communicate with their valued members.

What are the top issues for credit unions today? Auto lending has continued an upward trend for the last several years. With the economy still boosting from gains in 2018, consumers have purchased SUVs and trucks in record numbers. The average cost of a new vehicle has continued to rise as well—up 2 percent, or $687 in September 2018 compared to 2017—placing an increased risk to credit unions from a delinquency and collections perspective. Ensuring credit unions are prepared to scale up their collections efforts quickly to respond to the markets is important, along with the compliance measures that come along with additional collections outreach.

Speaking of compliance, this continues to be a hot topic for many credit unions across the country. With the uncertainty of CFPB leadership for most of 2018, it still remains to be seen what the direction looks like once new leadership settles in. Relying on in-house or outsourced compliance services for payments, collections and CPI continues to be an area of focus for credit unions in 2019.

Tell us a client success story? We recently had an outsourced collections client in the Southeast that needed some help. The credit union was experiencing an increase in auto loan delinquencies. Our client needed a new approach to get in contact with its borrowers. Our collections account team went right to work and presented a new, more aggressive strategy that fit within the credit union's portfolio. Our team deployed the new strategy, which ultimately helped to achieve the credit union's goal to reduce auto loan delinquencies. Our client was satisfied with our consultative approach, program flexibility and execution.

Reformulating *CUs' Margin Model*

WHY AND HOW FIRSTONTARIO CU REDUCED ITS RELIANCE ON INTEREST AND RELATED INCOME—AND WHY YOU SHOULD, TOO.

BY KELLY MCGIFFIN

Reliance on margin income is unique to credit unions among deposit-taking financial institutions in North America. For decades, when interest rates hovered in the double digits, treasury managers could simply ride the mortgage market, earning more in interest paid on home loans than they had to lay out in interest to keep deposits. Today, those same managers struggle as 90 percent of income is tied to the value of margin, which has been dropping year over year, decade over decade.

In 2018, I spoke at the World Council of Credit Unions (*woccu.org*) conference in Singapore on the need for Canada's CUs to diversify their portfolios or continue to be crushed by margin compression and competition. The simple fact is, relying so heavily on one revenue stream is wrought with dangers. When a devaluation of that one stream occurs, any good business person would seek other sources of income.

The problem is exacerbated by the fact that CUs' greatest competitors—banks—have been significantly more effective in shifting to non-margin income sources and by the rise of fintech competitors.

Credit unions often think they can rely on their unique relationships with members to solve the problem. They really can't. Even a rise in interest rates wouldn't be enough to ensure CUs' viability in the long term.

Before I describe how I led the reformulation of my CU's business model to address this problem, let's talk a bit more about the environment that drove the shift.

'MARGIN' MODEL VS. 'MIX' MODEL

On most Canadian CUs' income statements, margin comprises 80 to 90 percent of revenue. The remaining non-margin income is made up of fees and commissions—income derived in part as a result of the traditional margin model, setting the ratio of margin to non-margin income to 80/20 at best.

By comparison, the Canadian Banking Association (*cba.ca*), Toronto, reports that banks' ratio of margin to non-margin income is close to 45/55. CBA defines NMI as fees (5 percent) plus "a variety of value-added services, including trading of securities, assisting companies to issue new equity financing, commissions on securities and wealth management."

While CUs did not diversify their income streams, Canadian banks did. They now own wealth management, insurance, real estate and even American banks, among many other entities and ventures too numerous to list.

The point of this "mix" discussion is that the bank model we compete against in Canada is not the same as the CU model. It features a greater diversity of revenue streams and therefore does not hold the same risks for margin compression.

FACING FINTECH COMPETITION

Fintechs have been a hot topic in the credit union industry of late. The general consensus is that these companies' new approach to potential consumers and the affinity they build with younger generations will create new and more focused competition for CUs. It can be argued that their rise will not only create new competitive factors, but also is likely to escalate margin compression via a stronger efficiency cost for those services. The fact that fintechs are making relevant, more cost-effective offers to new consumers through more focused and lower-cost online delivery will undoubtedly drive offering prices down on the loan/mortgage side while offering competitive rates with low fees on the deposit side.

NO SALVATION IN GOOD SERVICE

Credit unions in Canada have relied on two things to keep margins strong. The first is a stronger relationship with members—a relationship that goes beyond just price. The second is the idea that the member relationships credit unions have groomed for many years are so loyal and long-term that they will continue at higher margin overall.

Both of these positions face challenges. First, CUs can no longer state categorically that they are better at service than our competitors. Banks have come a long way.

For example, in recent IPSOS Best Banking awards (*ipsos.com*, Toronto), while credit unions were the top performers in overall customer service excellence and branch service excellence, Tangerine (*tangerine.ca*, the online bank owned by Scotiabank) was first (or tied) in friend or family recommendations, rates and service charges, products and services excellence, and online and mobile banking excellence. In addition, banks tied or led credit unions in value for financial planning and advice, ATM banking excellence and telephone banking.

To the second point, historical loyalty is a positive factor for CUs in Canada today, but unlikely to be as firmly held in the future. According to the World Council of Credit Unions, the average age of credit union membership in Canada is 53, while the average age in Canada is 40. The average age of a bank customer would likely be closer to 40, as banks serve the vast majority of the population (including most credit union members). This is significant, considering that credit unions' aging members have to be replaced at some point.

RISING RATES WON'T BE ENOUGH

But what about this new rate environment we're in? Won't margins bounce back if rates go up? Can credit unions look to simply weather the storm? I don't think so.

According to the Regulatory Performance Report for the third quarter 2018 from the Canadian Credit Union Association (*ccua.com*), Toronto, credit unions in Canada reported a financial margin for 2018 of 2.16 percent while selected banks (Bank of Montreal, Scotiabank, CIBC, Royal Bank and TD) operated at 1.61 percent.

According to CCUA, credit union margins have dropped from 2.58 percent to 2.16 percent since 2010; at the same time, bank margins have dropped from 1.72 percent to 1.61 percent. As long ago as 2008, some banks were operating at a margin of 1.51 percent.

If your main competitors—banks—operate on a lower margin (when in fact their cost of funds is historically lower than yours), it means they must be offering better pricing—the math would indicate significantly better. So why do CUs think they can continue to operate effectively without moving our prices to a more competitive level? Ultimately, CUs will need to move rates to compete for new business. And to do well, CUs will have to be able to operate at margins very similar to their main competitors, the banks.

The bottom line as I've studied it is: There is no foreseeable change in margin trends for Canada other than driving downward toward the levels currently held by the banks. And, in absolute thinking, our margins should actually be lower than those of the banks, as we will never be able to match them on a cost-of-funds basis.

ACTION STEPS TO TAKE

While many credit unions have recognized the trends of rapidly compressing margins, many have not really changed their financial models. Instead they have refocused on ways to protect margin.

This is a dangerous game. To play it, CUs either place member investments into the best margin plays for the organization or take greater lending risks for greater return—or both. It does not help members for the CU to stay quiet when their money is in a low-paying account or their mortgage renewal rate is above market. Yet some CUs let sleeping giants lie. What happens when those same giants wake up?

In contrast to others, we changed our model. FirstOntario CU's margin currently is at 1.6 percent, as we've made ourselves very competitive to drive growth. However, four years ago we decided to reformulate our financial model of reliance on margin.

Studying the bank model of almost 50/50 margin/non-margin income, we determined we had to try to get to a similar ratio. After all, members of a credit union, a cooperative financial institution, don't invest their money with a qualifier that all you can invest in are mortgages and loans. They want safe use of their money to drive returns for them and ensure sustainability of the services they expect.

It was evident early on that we simply could not invest in the same things that our bank competitors could. However, we felt there might be some model that would relate to our environment and set us on the path of stronger diversification. As we scoured the research, one model stood out—that of Canadian pension plans.

CANADIAN PENSION PLAN MODEL

As reported in the World Bank Report, "The Evolution of the Canadian Pension Model" (*tinyurl.com/wbcanadianpensions*), "As recently as the mid 1980s, many of the public pension plans in Canada were largely invested in government bonds and other domestic and traditional investments." The reality they faced was that the returns on those investments were not able to match the returns and expectations for the pension funds going forward.

From the report: "Many of Canada's top pension organizations were quite unsophisticated as little as 20-30 years ago. The same

MORE ON MARGIN

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organizations that today are regarded as global leaders had little to no independent governance, lacked investment diversification, operated under strict investment limits." (Sound familiar?) "Today, Canadian funds are distinctive in their ability to invest directly in alternative asset classes such as infrastructure, real estate and private equity."

The top 10 public pension plans in Canada now manage assets in excess of $1.2 trillion and have avoided the funding crises and government budget issues that other jurisdictions have encountered in their public pension plans.

CUs can and should learn from this structural model, not necessarily the exact investment model. Both CUs and public pension plans provide trusted stewardship of others' assets and must be ever-conscious and diligent about understanding and mitigating risks. We both also have return expectations for the funds we hold that need constant evaluation and re-evaluation.

At FirstOntario CU, this discussion got us thinking about what else we might consider for investments and what risks might come from expanding our options. Could we look at vehicles offering stronger returns? What risks would that pose?

We determined we should consider this more fully, but would proceed slowly, one project at a time, to ensure that the learning curve was neither too complicated nor that the possibility of positive outcomes would blind us to the risks we were taking.

STARTING SLOWLY, MANAGING RISK

We started with real estate joint venture ownership in 2010, specifically in the shopping plaza environment, one that we had a great deal of expertise in as adjudicators for a few key members that were extremely successful. To ensure we were not taking on unfamiliar decisions, we approached a couple of key members in this business to see if they had any appetite for a joint venture that they would lead and we would invest in. Our thinking was that we were very comfortable with both their expertise and long historical success, and we could provide good cash in as a relatively silent partner.

They loved the idea. It reduced their capital investment, allowing them to diversify into other projects. At the same time, they controlled the project and its return and solidified their relationship with us.

That first project was painstaking in its t-crossing and i-dotting, and each CU stakeholder group was engaged in intimate detail—management, board and regulator. The plan was to buy a tired shopping plaza, improve the tenants and get them into new leases, upgrading the income for the facility and possibly making it attractive to future buyers. Our investment was approximately $13 million.

Within a few years of our investment, the plaza was sold. Our share of the net profit was $10 million. While our partner warned that we shouldn't expect such home runs every time, the early win and extra time taken on the risk evaluation stood as both testament of possibilities and template for future projects.

THREE DIVISIONS

In 2015, we split our CU into three divisions—corporate investment, member experience and member experience support—to support two focus areas: escalating member experience and building a new financial model. The mandate of the corporate investment division is to diversify our non-margin income sources and produce capital, with the objective of bringing our margin/non-margin income ratio to 50 percent on a recurring and sustainable basis.

Since then, we entered into several other commercial real estate projects one at a time. More importantly, we expanded our focus on other investment areas, using the same principles of due diligence and leveraging the appropriate expertise on a partnered risk basis, ensuring skin in the game. Our income ratio improved from 19 percent in 2014 to 24 percent in 2015; 30 percent in 2016; and 29 percent in 2017. (At press time, 2018 figures were not final.)

I am convinced that establishing the dedicated division was worthwhile. Many CUs are attempting to go after new income sources, often off to the side or by bringing in focused expertise to plan and operate the investment almost as a separate business. We avoided these, as the "side of the desk" management could be distracted or, conversely, the independent management could be making decisions in isolation and without a broader view.

At a credit union, every investment brings risk and needs a meticulous evaluation of the return for that risk, at the heart of its decision. Our due diligence on these projects was meticulous and took into consideration a full review by our analytical team, the executive team and the board, plus the regulator's review before every investment. We also engaged various third-party reviews for every line of investment.

Of any CU leaders looking into our windows and thinking that our new model creates risks that they'd just as soon avoid, I would ask directly, "What is the alternative?" In this environment, the alternative is the status quo and that, in my opinion, will do no more than postpone the inevitable. The reality is that reliance on a margin model is not sustainable and amounts to just kicking the can down the road.

CUES member **Kelly McGiffin** *is CEO of $5.4 billion FirstOntario Credit Union Ltd.* (firstontariocu.com)*, Stoney Creek.*

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Your Members Care about Your Core System (even if they don't know they do)

Although they never see it, your core system impacts member loyalty

Your members have never heard the words core system. They don't think about what happens behind the scenes when they pay a bill or make a deposit. Yet the capabilities and limitations of your core systems are the underlying factor in how they perceive your credit union.

Consumers have strong ideas about what they want from their credit union. Every interaction creates goodwill or bad will, which are hard to quantify until a member closes their account in favor of a financial institution they hope will understand their needs better.

First Impressions Matter

A member's attitude toward your business has begun to take shape before they've even had a chance to learn about your culture towards them or your range of products.

To you, the act of opening an account is the beginning of what you hope will be a long and rewarding relationship with the new accountholder. But to them, opening an account is a task they need to cross off their checklist. Consumers are looking for speed and simplicity. They want their experience with their financial institution to be as easy as ordering a coffee pot from Amazon.

But opening an account can feel more like filling out a 1040 form than ordering a kitchen gadget. Accountholders may be forced to wade through screen after screen, entering information in an order that does not feel intuitive. This happens when credit unions build accountholder interactions based on the flow of data through their core systems, which were designed around the technical limitations of databases before APIs made sharing data easy.

Complex interfaces create frustration and confusion for members. They don't know why they have to fill out so many screens in an order that feels counterintuitive and illogical.

By the time they submit their application, they've already decided the credit union is hard to deal with and old-fashioned. They'll remember those feelings when they go shopping for their next mortgage or car loan, and they'll likely look for a lender they believe will be easier to work with.

An Invisible Bridge

Using a computer to conduct banking is becoming as obsolete as driving to the credit union to do business in person. Today's consumers increasingly prefer to manage accounts on their mobile phones. And that means *all* their banking. Giving members the ability to check balances isn't enough anymore; they want to open accounts, pay bills, transfer funds, and apply for loans, all from the phones that are always in their hands.

Members doesn't know or care about the problems of integrating a core system with a mobile channel. They just want to get their banking done in between dropping off the dry cleaning and picking up the kids from soccer practice.

The (Power) Struggle is Real

Your core is ultimately the underlying factor in how current and prospective accountholders perceive your credit union. Either the core system can enable members to control the way they want to bank–or it can't. And if the core system can't do that, it's no longer able to serve the needs of the credit union.

A modern core system supports the types of interactions consumers expect today–fast, simple, and designed to meet the needs of humans instead of systems. When the relationship starts off on the right foot, goodwill has begun to accrue, and the member feels comfortable exploring other products when a new financial need arises.

Mergers for *Market Strength*

THE BALANCE SHEET AND STRATEGIC BENEFITS OF LOW-COST DEPOSITS

BY VINCENT HUI

As economic conditions shift, so do the challenges and opportunities for credit unions in achieving their strategic objectives. In the current rate environment, mergers may take on more prominence as opportunities to address liquidity and revenue production challenges.

Let's say the executive team and board agree on a strategic objective to enhance the CU's relevance to members by increasing revenue to invest in the services members value. The CU has already established a strong lending presence in its market, but the threat of a liquidity crunch under elevated rate conditions poses a serious obstacle to continued growth. Seeking a merger partner with excess liquidity presents the opportunity to help the CU achieve its strategic aim.

This may become increasingly common as CUs with a high loan-to-share ratio seek a low-cost source of funds, which for many means member deposits. Unlike banks, CUs can't turn to secondary markets or Wall Street to get capital. If the organization in our example can't generate deposits organically without significant dividend increases, its board and executive team might decide to look for a merger partner with a lower loan-to-share mix and excess deposits available to fund loan growth.

Another concern is the specter of net interest margin compression if a CU's cost of funds increases faster than loan rates. It's a different challenge than being loaned out, but access to low-cost deposits can mitigate both problems.

The merger-as-opportunity scenario will likely arise in managing the loan portfolio as well. Some CUs may need to address higher delinquencies and charge-offs for loans in a higher rate environment. In this event, the possibility of merging into a financially stronger CU offers a way to cover higher credit losses and also deliver on members' expectations for state-of-the-art digital delivery and access to new products and services.

Increased interest rates may also slow down loan growth as members may no longer be able

to afford higher-cost borrowing. Credit unions without a strong loan generation platform will be forced to deal with declining revenue and less money to put back into new capabilities.

This platform is more than just technology; it involves having the right people and processes in place to deliver a differentiated member experience at the "moment of truth" in whatever channels members choose. Without those components in place, some CUs may find themselves in a downward loop, as lower revenues lead to lower earnings, which in turn lead to lower investment in services, leading to lower relevance to members and even lower member growth. At some point, organizations that don't support a strong loan platform may need to consider a merger with a larger CU that may be more "future-ready" as a survival strategy.

FINDING THE BEST MATCH

Identifying merger partners with complementary opportunities and challenges can help both CUs better serve their combined membership and improve the continuing organization's outcomes. All else being equal, a loaned-out CU would prefer a merger partner with excess deposits. If CUs with high loan-to-deposit ratios joined forces, the result might actually exacerbate a liquidity crisis and/or increase concentration risk in indirect loans or mortgages.

The need to seek out a merger partner that offers a good fit is a constant, but the current rate environment with its pressure on cost of funds makes this consideration even more crucial.

Toward that end, a key metric in evaluating potential merger partners is a CU's "deposit beta," or how much of an increase in market rates is passed on to members for every 1 percent the Fed raises rates.

The deposit beta has increased significantly across the industry. We've begun to see deposit betas in the 0.5 to 0.6 range (and higher in some markets), which means that 50 to 60 percent of Fed interest rate increases are reflected in savings, CD and money market account rates. However, there can be sizable variations in the pace and size of rate increases among institutions, and a wide disparity in deposit betas between two CUs considering merging could signal a disconnect in deposit pricing strategies.

Thus, a key consideration is how the merging CU's current rates compare with both market rates and the pricing approach of the surviving institution. As an example, if the merging financial cooperative competes on price by offering deposit rates higher than those offered by the surviving institution, the potential draining away of members following the merger will likely be higher than if the rates offered by both CUs are comparable.

Another valuable metric in assessing fit with prospective merger partners is duration of deposits, including checking, savings and money market accounts. Some CUs might have checking account duration close to 10 years; others might be around five. Depending on how those averages are calculated, CUs can measure the relative stickiness of other organizations' deposit bases as well as its basis (such as competing on price vs. value-added services).

In addition to a duration analysis, due diligence on merger candidates likely encompasses a close look at how much of the merging CU's loan and deposit portfolio will reprice and when. That view will inform projections about when the risk profile of the underlying portfolios may change, as it will highlight potential margin compression risk and deposit loss/liquidity pressures in the future.

PERENNIAL CHALLENGES

Some ongoing imperatives in managing member relationships, aligning asset-liability strategies and vetting mergers will take on added importance. For one, the charge to build member loyalty using the most cost-effective means is a quandary that transcends rate cycles. Strategists are always looking for ways to balance sticky deposit pricing and other promotional tactics (such as loyalty programs) to gain access to members' funds long term.

Smaller institutions can't compete against large banks like Chase that hold on to deposits based on convenience (digital capabilities, physical locations, etc.) versus rates. Given that CUs can't keep pace, it is even more imperative to find non-price-based mechanisms to sustain and increase member loyalty.

That aim seeks to sidestep the pursuit of "hot money" with high-rate certificates of deposit that members will likely transfer when other financial institutions—the online Ally Bank is a high-profile example—offer a better rate. Maintaining a lower cost of funds matters, but so does the long-term retention of members' deposits.

Service levels also influence member loyalty—and likely run-off in the wake of a merger. As deposit rates dropped and then bumped along the bottom over the past decade, the expectations of many consumers shifted from rate consciousness to digital services. If the surviving CU is competitive on price, even if it doesn't compete on price (yes, those are two distinct pricing strategies), its commitment to offer superior service may be enough to keep members.

In today's hypercompetitive marketplace, value built on high quality digital channels and/or such perks as rewards may close the gap with financial institutions pushing CD rate specials and build long-term loyalty. Following a merger, the combined CU may not win over every member with that approach, but the financial trade-off could make it worthwhile, especially if one CU brings more future readiness to the continuing entity.

READY, RESET, GROW

Balancing asset/liability management priorities is not the only factor driving merger explorations across the industry. Predictions of an economic downturn in 2020 or 2021 could also ramp up

"The need to seek out a merger partner that offers a good fit is a constant, but the current rate environment with its pressure on cost of funds makes this consideration even more crucial."

consolidation between CUs already dealing with challenges and those with more solid foundations.

A wild card in this discussion is that some CU leaders have no experience managing in a higher rate environment. The Fed's decision to raise its target funds rate by a quarter point in December 2015 was the first rate increase since June 2006. The last extended period of rising rates goes back even further into the 1990s. Given the average tenure of CU executive teams and boards, current economic conditions may present a novel challenge in managing both sides of the balance sheet. In addition, the focus on loan growth over the past decade often leaves CUs with good loan generators but more limited experience and skills in deposit gathering. That's a factor behind a big uptick in financial institutions hiring (and poaching) professionals who have a track record of deposit growth. This situation may also quicken the pace of merger activity.

Returning to our original premise, the bottom line in choosing the right merger partner to support strategic objectives is even more critical in the current environment when the definition of "right" will need to evolve. What constitutes member relevance has changed a great deal over the past decade. Convenient digital delivery and ease of access have supplanted deposit and loan rates as the top priority for many. At the same time, the capacity to innovate on service hinges on strong financial performance. Institutions that don't have the resources to invest in those channels will continue to lose ground and may look to mergers to offer a more future-ready and compelling member experience.

Even organizations that have been rolling along comfortably need to plan for evolving interest-rate, credit, liquidity and other financial risks. Recent mergers indicate that the most progressive CUs are doing just that. Many mergers now involve thriving partners that don't *need* to merge but agree that joining forces is an effective way to stay relevant to their members. With a strong foundation in place to respond to risks, CUs will be better positioned to achieve their strategic objectives through the right merger opportunities.

Vincent Hui *specializes in strategic planning and leads the merger and acquisition and risk management practices for CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com), *Scottsdale, Arizona.*

MORE ON MERGERS

Reinvention and Delivery Through Mergers (*cues.org/podcast56*)

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CREDIT UNION EMPLOYEES—MOSTLY IN THEIR 20s AND 30s—ARE PREPPING TO BECOME THE NEXT WAVE OF INDUSTRY LEADERS VIA YOUNG PROFESSIONALS GROUPS.

BY BRYAN OCHALLA

The Movement *Within the Movement*

A few years ago, Abram Rodriguez was a loan assistant at Border Federal Credit Union (*borderfcu.com*) in Del Rio, Texas. He's since raced up the corporate ladder at the $148 million CU, which had 91 FTEs as of late 2018—moving from loan assistant to marketing assistant to marketing specialist to his current position of marketing/PR manager.

Rodriguez attributes that rise within the ranks to his participation in Border FCU's 15-member young professionals group, The Pulse.

"The things I've done as part of this group helped managers here see what I'm capable of, I think," says Rodriguez, who served as The Pulse's chairman for three years before stepping down at the end of 2018. "I think it made it easier for them to see what I could do, what I could accomplish," he adds. "That isn't always easy to do during your day job."

One major asset that young professionals—or "YP"—groups like The Pulse provide is "leadership experience without consequences," says Rodriguez. "Sometimes it's almost like having a department under your wing," he shares. "You can lead projects, delegate tasks, manage people, try different things—without the same kind of pressure you might feel if your job was on the line."

WHAT ARE YP GROUPS, EXACTLY?

Young professionals groups often limit participation to those who are below a certain age, like 30 or 35, though some allow anyone "young at heart" to join.

What these groups do and what they offer participants can vary widely depending on the organization and even the industry. Outside the credit union movement, YP groups tend to be all about networking.

Although that can be said of some CU groups, too, many also focus on engagement, education, collaboration and community involvement.

Climb Idaho (*climbidaho.org*), launched in 2014 with the support of the Idaho Credit Union League, is a perfect example of a YP group focused on doing good. As is the Nebraska Credit Union League-backed YPCU (Young Professionals for Credit Unions, *ypcune.com*), which has been around since 2012.

Both of these groups regularly plan networking events that allow their youthful participants to meet up, exchange ideas and have a little fun. They also host educational opportunities in a number of different formats. For example, YPCU members can enjoy the group's "Lunch Talk Series" on topics like political advocacy, professional development and community outreach in person, through conference calls or via webinars. Climb Idaho enables members to learn from CU industry veterans by way of its popular CEO roundtables, which have featured leaders like Shane Berger, president/CEO of $269 million Beehive Federal Credit Union (*beehive.org*), Rexburg, Idaho, and CUES member Dan Thurman, president/CEO of $291 East Idaho Credit Union (*eastidahocu.org*) in Idaho Falls.

"We have some [members] who are older in years but new to a credit union, so they consider themselves young professionals. Others just love the energy and excitement that we bring and would rather hang with us."

– Matthew Rice

Another way both of these groups help participants grow and gain leadership and management experience is by offering them seats on a multitude of committees that handle such responsibilities as marketing, advocacy and events. For example, YPCU's Dan Marquez, training and development manager as well as fundraising coordinator at $132 million LincOne Federal Credit Union (*linconefcu.org*) in Lincoln, Nebraska, serves as the political advocacy committee chair for YPCU, working with the Nebraska state legislature on credit union rights as well as attending the Governmental Affairs Conference in Washington, D.C. Fellow YPCU member Derek Smith's "day job" is as a solutions consultant at $33 million Family Focus Federal Credit Union (*familyfocusfcu.org*) in Omaha—he leads YPCU's technical team, responsible for maintaining the group's social media accounts and website as well as initiatives to help innovative technology reach CUs throughout Nebraska.

In addition to committee work, Climb Idaho makes it possible for its approximately 250 members to assist each other online and also enables them to "crash" industry conferences normally reserved for CU managers or executives.

The shared goal for endeavors such as these is to ready the next wave of credit union leadership and to keep the CU movement alive and well, say Marquez and Smith.

Matthew Rice, Climb Idaho's digital marketing chair and director of e-services at $263 million East Idaho Credit Union (*eastidahocu.org*), Idaho Falls, agrees. His group's offerings all tie into its central mission, which is to "engage, educate and promote young professionals for the purpose of development, retention and involvement in the credit union movement," Rice explains.

WHY SHOULD CUs SUPPORT YP GROUPS?

Many—perhaps most—CUs and related organizations start young professionals groups to accomplish one or more of the following goals: attract younger employees, engage them, retain them and prepare them to run the CUs of the future.

$1.7 billion Anheuser-Busch Employees Credit Union (*abecu.org*), which launched its Young Professionals Network three years ago, checks all of those boxes, though it could be argued the last one is its primary focus.

Branch manager Jasper Pascua, who spearheaded the group's formation (it now has about 30 members), says the St. Louis-based CU's vision was to provide employees "the ability to participate in leadership events, trainings, and networking and development opportunities that they would not normally have the opportunity to join."

The CU, which had 381 FTEs in 2018, strives to provide those opportunities through the YP group "in order to develop the next generation of passionate credit union leaders," says Pascua.

Marquez notes that prepping a new "class" of CU managers and executives is a priority for YPCU as well. "The executives that helped build the brick and mortar of their hometown credit unions are preparing to move on into retirement," he says. At the same time, an increasing number of current CU executives are coming to the realization that the young professionals in their organizations will be essential to keeping the movement alive long into the future.

Of course, seeing the possibility of that transition is one thing. Making it happen is another. That's where the engagement component of many credit union YP groups comes into play. One of Climb Idaho's main goals is to get participants "fired up" about the CU movement, Rice says. "We want [them] to recognize that this is so much more than just a job or career."

GIVING BACK IS AS IMPORTANT AS MOVING UP

A philosophy like that of Climb Idaho is sure to interest a large number of the young credit union staffers who are most likely to become a member of a YP group. As much as they join to network with peers, develop management and other leadership skills, and advance their careers, the millennial generation is even more likely to join a professional group that gives back to the community. An oft-quoted report from Cone Communications, the 2016 "Millennial Employee Engagement Survey" (*tinyurl.com/y8d379ru*), highlights some key stats on this core demographic of today's YP groups:

- 88 of millennials say their job is more fulfilling when they are provided opportunities to make a positive impact on

Tips for Starting *Your Own YP Group*

Although many young professionals groups that are comprised of credit union employees specifically are run by industry organizations or groups of like-minded CUs that have decided to combine forces, it's entirely possible to start a YP group yourself.

One advantage of creating your own group rather than joining (or encouraging your staff to join) a larger, existing organization is distance. If your credit union's headquarters or most of its branches are located far away from where existing YP groups hold meetings, your staffers may have a hard time participating or committing to the group.

Abram Rodriguez, marketing manager at $148 million Border Federal Credit Union (*borderfcu.com*) in Del Rio, Texas, knows all about that potential pitfall. "Here in Del Rio, we're about two-and-a-half hours away from San Antonio," which is home to the nearest statewide YP group in Texas, he says. "It's a great program, but it isn't really feasible for our young professionals to drive five hours just so they can attend an event."

Another reason your credit union might want to start its own YP group: keeping things "all in the family" can make planning events and other endeavors a lot easier. "If we need or want to have a meeting, we can just send around an email and ask if everyone's free tomorrow," Rodriguez shares. "If we were dealing with multiple credit unions, even something as simple as that would take a lot more time and effort."

Sound appealing? Rodriguez and other in-the-know CU colleagues suggest you take these steps to make it happen.

1. LOOK AT THE NUMBERS

There's no point in starting your own YP group if your credit union is too small to accommodate it. And actually, it's not the overall number of employees that matters here; it's the number of youthful ones.

"I don't believe there is a 'perfect size' for credit unions that want to start their own YP groups," says Jasper Pascua, branch manager at $1.7 billion Anheuser-Busch Employees Credit Union (*abecu.org*), St. Louis—though he acknowledges there are perks to being a larger CU. One example: larger CUs often have access to more employees who can participate in such a group.

Smaller CUs that don't employ enough young professionals shouldn't give up on the idea, though. Instead, Pascua offers, they should "consider reaching out to other area credit unions to form a regional YP group."

2. GET BUY-IN FROM THE TOP

If your CU's leaders aren't on board with your young professional group, it's bound to fail. On the flipside, their backing can help it sail to success.

"That's one of the biggest reasons we haven't had any real setbacks or problems," Rodriguez says, singling out Border FCU CEO and CUES member Maria Martinez's ongoing and unflagging encouragement in particular. "She makes sure we have everything we need—including support from our managers when we have to be out [of the office] doing something for the group."

He adds, "If you don't have the support of your CEO, senior management and even your board, you might have a hard time succeeding."

A person who knows that all too well is Dan Marquez, a member of Nebraska young professionals group YPCU (*ypcune.com*), who admits that "getting total buy-in from executive management teams" has been a struggle for some of his group's members.

"We have often found that volunteer boards and executives are very supportive of the ideals" of YP groups, shares Marquez, training and development manager at $132 million LincOne Federal Credit Union (*linconefcu.org*), Lincoln, Nebraska. "However, when the opportunity comes to send staff members with high potential [to an event], the support seems lost."

3. TAKE IT SERIOUSLY

For Rodriguez, taking leadership of a young professionals group means "having a plan and being prepared. That's ... really important to the success of something like this."

He shares that the early adopters of Border FCU's YP group,

Continued on page 40

MORE ON YOUNG LEADERS

Continued from p. 38

The Pulse, "treated it like a board at first. We assigned officers. We had people take responsibility for some aspect [of the fledgling project]. I think you need that, too. That kind of strong structure. Otherwise, it's hard to make anything happen—especially over the long term."

At Anheuser-Busch ECU, taking it seriously means having employees apply to join the group. And it means setting participation guidelines once they've been accepted.

Pascua, who helped launch the credit union's Young Professionals Network back in 2016, says members are expected to participate in at least 10 events throughout the year.

"It's more of a guideline than a requirement," he adds. Either way, "it helps set expectations for the time commitment employees should consider" before joining the group. And it ensures the group will continue to engage and make a difference for Anheuser-Busch ECU employees and its community.

4. LOOK BEYOND CAREER DEVELOPMENT

Although many of the young CU employees who join these groups do so in the hopes of furthering their careers down the line, a major selling point of membership is community involvement, helping with fundraisers and volunteering their time for "good causes."

That's something the leaders of Climb Idaho (*climbidaho.org*), a CU-centric young professionals group supported by the Idaho Credit Union League, have become aware of and adapted to in recent years.

"The younger generation is highly motivated by doing something they believe is making the world a better a place," says Matthew Rice, the group's digital marketing chair and director of e-services at $263 million East Idaho Credit Union (*eastidahocu.org*), Idaho Falls. Climb Idaho's offerings were previously focused on helping members climb the career ladder, but now extend to doing good by way of community service.

5. DON'T WORRY ABOUT AGE LIMITS

Yes, the majority of young professionals groups do require participants to be under a certain age, such as 35 or 40.

But a few, like Climb Idaho, eschew those limits. "We let our members define that ('young professional') for themselves," Rice says.

"We have some who are older in years but new to a credit union, so they consider themselves young professionals," he adds. "Others just love the energy and excitement that we bring and would rather hang with us."

social and environmental issues;

- 76 percent consider a company's social and environmental commitments when deciding where to work; and
- 83 percent would be more loyal to a company that helps them contribute to social and environmental issues.

Therefore, creating and supporting YP organizations with a strong social purpose in mind can play a significant role in achieving the CU industry goals of attracting and retaining younger talent.

Border FCU's The Pulse makes giving back a particular priority—Rodriguez isn't shy about describing the four-year-old group as "part career building and part community involvement."

His own experiences with the group support that claim.

Since The Pulse's second year (it launched in 2014), its participants have focused on two charitable initiatives annually: a coat drive and a scholarship fund.

"Here in Texas, it doesn't get very cold very often," Rodriguez shares. "So a lot of us don't buy winter coats. We just layer up." When the need does arise, most people are able to dig out old jackets or buy on a new coat without much thought. "People who are below the poverty line, though—that's the last thing they think about. So many kids here just don't have some of the necessities the rest of us take for granted."

The first year he and his colleagues collected jackets, they gave 30 to area students. Last year, they handed out 160.

"We don't just help elementary kids," Rodriguez adds. "We help older ones, too—like those preparing to go to college."

The Pulse's 15 or so members accomplish that by raising money through bake sales, bowling tournaments and sponsored 5K runs. Since 2015, those efforts have funded local scholarships to the tune of about $12,000.

Given these fulfilling opportunities to give back to the community, it's easy to see why Rodriguez says Border FCU's YP group grabbed him right away. "After the first meeting, I was hooked. It was just great to be around people my age all wanting to advance their careers while helping others in the process."

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How can credit unions be more successful? People are the key to success, beginning with acquiring the right talent. Assessing team strengths and investing in development ensures the highest level of engagement and performance. A formal succession plan is a must. Providing opportunities for leaders to cross-train in other functional areas and participate in enterprise-wide initiatives yields significant benefits. Engaging industry experts provides insight on organizational structure, attracting, developing, engaging and retaining the industry's top executives.

Why do you love credit unions? Credit unions offer solutions when other financial institutions can't or won't. They care about their members and their well-being. Our mission is well aligned with the philosophy of people helping people because that is what we do! Credit unions know their members are more than just a transaction and strive to build long-term relationships that are mutually beneficial. That is what we love about the work we do. Whether we are placing a talented executive in a dream job or assisting a CEO building a credit union's future, we contribute to the mission and improve the lives of employees and members.

From Lender *to Leader*

CREDIT UNION LOAN STAFF WHO WANT TO MAKE THE NEXT CAREER STEP CAN LEARN FROM THESE THREE EXECUTIVES.

BY PAMELA MILLS-SENN

There are plenty of day-to-day challenges that come with lending. Balancing risk versus reward, changing market conditions, successfully originating and closing mortgages—if you've spent even just a few years in lending, you've likely seen and dealt with it all. As a result, your experiences and success (not to mention your steely nerves) may have inspired you to set your sights on becoming a lending leader, moving to a position of greater responsibility, whether in your current organization or in another credit union.

But making this next career move can seem a confusing, even daunting, prospect. To provide an assist, we've explored the careers of three lending leaders, learning about some of the decisions they made along the way that helped guide them to their current leadership positions.

ELIZABETH MILLION, VP/MORTGAGE SALES

In 2001, CUES member Elizabeth Million, VP/mortgage sales for Elevations Credit Union (*elevationscu.com*) signed on with Washington Mutual as a regional appraisal manager after having owned her own real estate appraisal firm. When, shortly after joining WAMU, the appraisal department underwent a layoff, Million quickly landed a position as a mortgage loan officer in one of the bank's branches, which constituted a "step-down move." Rather than feeling discouraged, Million acted proactively, marketing her services to area Realtors, bringing in nine new loans her first day in that position.

"The assistant manager for the bank branch was on duty that day, and he actually told me I had brought in too many loans and that I should never do that again," she recalls. "That didn't deter me, and I continued to originate as many loans as possible."

Later, when WAMU offered her old position as regional appraisal manager back, Million opted to take another opportunity that arrived that same day, becoming a home loan branch manager responsible for multiple WAMU branches, setting the course for her current career trajectory.

After leaving WAMU in 2006, Million went on to manage multiple branches for Countrywide (which became Bank of America), remaining there until 2011, when she joined Elevations, based in Boulder, Colorado, as a mortgage loan officer. This was another "step-down" move, but one she embraced, believing a credit union was the ideal place to originate mortgage loans.

The credit union has over 130,000 members, manages over $2 billion in assets and is the No. 1 credit union mortgage lender in the state, says Million.

"When I first started with Elevations, there were three loan officers, four to five [employees] in operations and an underwriter," she says. "We now have about 130 people in the mortgage group. We've had incredible growth."

Million assumed her current VP role in September 2012 and oversees the origination of mortgage lending in her 70-person department. She attributes much of her success to waiting for the right opportunities and being willing to take roles—even lesser ones—if they have the potential of leading to a more desired position.

But hers hasn't been a mistake-free journey. In fact, says Million, there have been "too many to count." Still, she adds, those mistakes have taught her beneficial lessons that ultimately helped her career.

"I've learned to hire more carefully than I did in the past. Initially, I was excited to add *any* mortgage loan officer to my team, trying to grow the team," she explains. "After making some hiring mistakes, I realized ethics and culture [fit] were the most important characteristics."

Her advice for those interested in becoming lender leaders? "Letting your boss know you have an interest in managing or leading is the first step. Volunteering for any relevant credit union projects, task forces, offering to assist in training other employees or meet with stakeholders to assist in sharing information are other ideas."

JAMES ESNER, VP/ CONSUMER LENDING

His credit union career started in 2004, says James Esner, VP/consumer lending for $2 billion GTE Financial (*gtefinancial.org*), Tampa, Florida. He spent his first seven years in the industry working in branch management—a role that, in addition to leadership experience, gave him an understanding of member needs and products and services. In 2011, he transitioned from the branch to consumer lending, holding a variety of positions like manager of underwriting, manager of funding/servicing, collections manager and AVP/indirect lending.

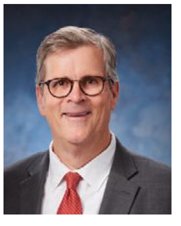
"Each of these roles prepared me in a different way," he explains. "I can understand and focus on items important to branch teams when turnaround time and counteroffers are most important. In addition, I can utilize experiences in collections to make sound decisions when underwriting loans."

Esner joined GTE Financial in April 2016 and was promoted to his current position in November 2018. Now, he oversees everything related to consumer lending, including sales, underwriting, funding and servicing.

One of his best career decisions is never shying away from taking on new challenges or growth opportunities, says Esner. One opportunity in particular stands out.

"I was offered a management position at GTE in the collections department," he says. "While I've shadowed and worked with collections teams in the past, this gave me a chance to expand my knowledge in this area. Since then, all GTE consumer loan analysts have taken part in a two-day collections training program."

His advice for those interested in becoming lender leaders? "Exceed expectations in your current role. Once that's accomplished, you can request additional job duties or ask to be cross-trained in another area. GTE Financial also has many philanthropic opportunities for our employees to engage in. Showing a willingness to take on additional responsibility along with taking advantage of volunteer opportunities demonstrates initiative, responsibility and leadership."



BILL VOGENEY, CHIEF REVENUE OFFICER

It was 30 years ago when CUES member Bill Vogeney, chief revenue officer for $5.4 billion Ent Credit Union (*ent.com*), Colorado Springs, Colorado, landed his first job at a credit union. Just 27 years old, this was his "big break," particularly since before he was hired there as the VP/lending, he had never even worked at a bank. Instead, right out of college he started working for a nationwide finance company, remaining there for five years, fixing problems at two branch offices in Ohio and Florida during his tenure—an experience that taught him about "the tougher side of

The Right *Stuff*

Although many of the qualities required to be a good lender are the same as those necessary for great leadership, there are differences. For example, says CUES member Bill Vogeney, chief revenue officer for $5.4 billion Ent Credit Union (*ent.com*), Colorado Springs, Colorado, a lending leader must have a "strong vision" and the strategic planning skills to deliver that vision.

Working in cooperation with other teams and departments will also become increasingly important, as lending becomes more "collaborative as data analytics and the importance of a frictionless user experience play a bigger role in lending success," Vogeney says.

The ability to motivate and engage the team is cited by James Esner, VP/consumer lending for $2 billion GTE Financial (*gtefinancial.org*), Tampa, Florida. "Most leaders are numbers-focused, can create goals and manage day-to-day operations, but creating a positive work environment with opportunities for growth is what makes a good leader great," he explains.

An attitude of service is also essential for a lender leader, says CUES member Elizabeth Million, VP/mortgage sales at $2 billion Elevations Credit Union (*elevationscu.com*), Boulder, Colorado. Along with this, Million mentions:

- the willingness to admit and own mistakes;
- taking risks and not being afraid to fail;
- being an innovative and strategic thinker;
- giving credit to others, building people up, and helping them realize their career goals;
- embracing humility and gratitude; and
- the ability to partner with all stakeholders.

"All of these qualities are important," says Million. "Learning to apply and implement these characteristics is what differentiates a great leader from a good leader. One truth I've always had as a leader is that I work to serve my team, they don't work to serve me."

lending," Vogeney says.

In 2001, Vogeney joined Ent as chief lending officer/VP, stepping into his current position in late 2017. "My role is still evolving," Vogeney says. "Primarily, I'm responsible for developing the next generation of lending. I'm spending a lot of time building our lending strategy and overseeing the analytics of our loan portfolio."

Loan growth has been healthy. Currently, Ent is at 98 percent loan-to-share—up from 71 percent five years ago. The real task is getting the loan mix right, which is more critical than ever thanks to loan margins that are declining in the face of rising rates, he explains.

Vogeney loves lending, a feeling that directed his career decisions. Rather than biting at opportunities to explore other kinds of jobs at different credit unions, he decided to remain where he was and focus on lending. He is also a graduate of CUES' CEO Institute (*cues.org/institutes*), which gave him "wonderful educational resources to draw from" and helped build his network.

He has no regrets about his career path.

"I'd say the decision to stay was the most important one I made," he says. "It's what I enjoy, and I think I'm good at it. I've derived inspiration from an early '80s movie, *The Flamingo Kid*. There's a scene between the main character—a young man who had just graduated from high school—and his father, a plumber. The young man was undecided about what to do with his life.

"The father offered some sage advice," Vogeney continues. "He said 'Son, there are things you do well and things you enjoy doing. If God is smiling on you, they're the same things.' That's how I feel about lending."

His advice for those interested in becoming lender leaders? "Rising stars show consistent development. If you're trying to set the world on fire in a year or so, you might lose focus if you don't see immediate success.

"Additionally, you can be a team leader, someone respected by coworkers well before being placed in a supervisory or management role. Hopefully, your boss is on the lookout for talent. I make a habit of meeting top performers and rising stars to understand their career goals."

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

Listen *In*

We asked these lender leaders about the best career advice they've received that helped propel their careers forward:

"There's never a perfect time to take on additional responsibilities. Instead of waiting, sometimes you just need to move outside your comfort zone to grow. Don't be afraid to try something new—it just may be the opportunity you've been looking for. Had I not seized the opportunity of moving from branch banking to consumer lending at headquarters, I wouldn't be where I am today." *– James Esner, VP/consumer lending, GTE Financial*

"Stay honest to your values. If your gut tells you something, listen to it. This has helped me throughout my career, whether deciding to move to a different financial institution or making a move within a financial institution. This has also helped me build my team." *– Elizabeth Million, VP/mortgage sales, Elevations Credit Union*

"Very early in my finance company days, I wanted to get promoted to a branch manager position. My desire turned into getting *any* type of new job. A business lending analyst position opened up at headquarters. I applied and got an earful from my district manager. The conversation went something like this, 'Vogeney, why would you want a job in the home office? No one ever leaves there—they just go through the motions. Stay patient, your time will come.' It did. I think he meant that while I might take one step forward, that's probably all that would happen—one step." *– Bill Vogeney, chief revenue officer, Ent*

MORE ON LENDING AND LEADERSHIP

Read "Lending Perspectives" every month by Bill Vogeney (*cumanagement.com/billvogeney*)

Read more in our leadership archives (*cumanagement.com/leadership*)

Help Your Credit Union's Future Leaders Be Stars (*cumanagement.com/0119stars*)

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

OM Financial Group

How is OM Financial making the CU industry stronger? There is intense competition to land and retain top talent. Executive benefits are a key component of attracting top leadership. Good succession planning, which includes customizing and implementing Supplemental Executive Retirement Plans (SERPs), enables CU boards to manage transitions from one successful leadership team to the next. By implementing a customized SERP, the board also can reward and retain executives, thus providing more stability and focus for the CU.

Tell us a client success story. Retirement plans are key for any executive, explains CUES member Michael Ciriello of $361 million Hudson Heritage Federal Credit Union, Middletown, New York, "because under current laws, you can't save at the level that you should be able to ... for your retirement."

His CU leveraged a split-dollar supplemental executive retirement plan for some members of its executive leadership team. "It was really about looking holistically at the product we previously had—looking at its impact in the long term and the short term to the credit union's financials as well as ... on the execs," explains Ciriello. "The board did a full analysis on the product comparisons and saw the benefits."

"Part of what made OM Financial stand out was the significant number of other credit union clients they have, and the references were strong," says Ciriello. "The product allowed us the opportunity to cover other executives as well, which was a benefit. Under the original plan, just the CEO was covered."

Ciriello advises boards to work closely with their CEOs when designing executive benefits, as Hudson Heritage FCU's board did. "When you don't have the input of the executive team, you might miss the target. Due diligence is always key."

Boards should also consider service. "OM Financial was extremely professional, patient and provided as much info as we needed to make our decisions," notes Ciriello. "They made us feel comfortable ... . They continue to be an asset when questions arise."

What makes OM Financial unique? We were the originators of the concept of split-dollar SERPs in the CU industry. Our founders took an existing insurance concept to the National Credit Union Administration and received approval to offer it to CUs. We continue to innovate solutions that best equip CUs to manage leadership succession. OM Financial is committed to educating CUs about the differences between the types of SERPs that are available. We invite you to attend one of our weekly educational webinars. As trusted advisors in the industry, we are happy to take a look at your existing plan and provide a second opinion at no cost or obligation.

Free Them & *They'll Fly*

A KEY TAKEAWAY FROM STRATEGIC INNOVATION INSTITUTE: EMPOWERING A WELL-CHOSEN TEAM CAN ENABLE PROJECT SUCCESS.

BY MICHAEL M. GEORGE, CIE, CCE

Strategic Innovation Institute™ emphasized that leaders can "gain control by letting go."

Case in point, my CU launched a "streamlined" version of digital account opening and consumer loan applications last fall. Putting the right people in charge of the project and not bogging them down with ongoing meetings aided our positive outcomes.

HOW WE CHOSE THE TEAM

Anytime you are attempting to put the right people in charge of a project, two main factors come to mind: 1) position within the organization, and 2) skill set. When optimal, these two factors are one in the same. While this can be difficult to do, looking at both served us well in placing the right people in charge of this project, thus driving success.

HOW WE LET THEM LEAD

If you have the right people, the next thing to do is empower them. That is, get out of their way! Let them lead what needs to be done. Yes, senior leadership needs to provide goals, deadlines, etc., but let those who have been empowered determine and decide how to take the team there. After all, if these individuals have been entrusted with being in charge, they should be able to guide the destiny.

NEXT STEPS

At this point, we are so thrilled with the new processes that for the first time we are using Google Ads to promote usage. Before this, we knew our process was "clunky," so directing people to use this digital channel would not have been good.

We also are planning to use the project management process described at the institute with upcoming endeavors. Doing so will allow more involvement by the functional areas most impacted by a project, and additional projects to be successfully completed.

CUES member **Michael M. George, CIE, CCE,** *is SVP/chief marketing, innovation and advocacy officer at $1.5 billion Kern Schools Federal Credit Union (*ksfcu.org*), Bakersfield, California.*

Strategic Innovation Institute

STANFORD BUSINESS GRADUATE SCHOOL OF | Executive Education

2018 Strategic Innovation Institute participants, alphabetically: James Allen, CIE; Leilani Apolonio, CIE; Stephen Black, CIE; Creighton Blackwell, CIE; Hannibal L. Brumskine, II, CIE; Patrick Cosgrove, CIE; Lynette Cupps, CIE; Jeff Fetterman, CIE; Michael George, CCE, CIE; Greg Good, CIE; Michael Grundon, CIE; T. Brian Hamilton, CIE; Cynthia Hudson, CIE; Murshid Khan, CIE; Salman Khan, CIE; Brian Knollenberg, CIE; Peter Kobayashi, CIE; Kayvee Kondapalli, CIE; Laurie LaChapelle, CCE, CIE; Michael Leonard, CIE; Susan Makris, CIE; Kevin W. Morris, CIE; Michael Northrup, CIE; Jonathan Oliver, CIE; Heidi Parks, CCE, CIE; Marty Pell, CIE; Lisa Smith CCE, CIE; Keith Sultemeier, CIE; Prasad Surapaneni, CIE; Todd Tharp, CIE; Brian Thorne, CCD, CCE, CIE; Clifton Van Scyoc, CIE; Jeff Wieczorek, CIE, CSE; Janet Wood, CIE

2019 CUES INSTITUTES

(*cues.org/institutes*)

CEO Institute I
April 7-12,
University of Pennsylvania
Philadelphia

CEO Institute II
April 28-May 3,
Cornell University
Ithaca, NY

CEO Institute III
May 5-10,
University of Virginia
Charlottesville, VA

Governance Leadership Institute™
June 2-5,
University of Toronto
Toronto

Strategic Growth Institute™
July 22-25,
University of Chicago
Chicago

CEO Institute II
Aug. 11-16,
Cornell University
Ithaca, NY

August CEO Institute I

August 2018 CEO Institute I participants, alphabetically: Mandi Albert; Brian Albrecht; Frank Almeida; Jamie Applequist; Terri Bentley; Howard Brady; Edward Bronnenberg; George Chacon; Chip Coberly; Tom Davis; Peter Dennis; Mark S. Dunkley; Pete DuPre; Nancy Fales, CIE; Edith Franklin; Tara Graff; Joe Grech; Todd Gregory; Ralph Hamann; Jeff Hampton; Ryan Harvey; Joseph Hasto; Jeremy Hodges; Clint Hooppaw; Amy Hysell; Vikram Israni, CCD; Jesse Jacobs; Ivan Jones; Randall Kerluke; Scott Kline; Tom Kraus; Jasiel Legon; Kelly Longley; Lisa Mahler; David Marovich; Raymond Massi; Sarah McCandless; Michael Miles; Dustin Millaway; Michael J. Millhouse; Blane Mink; Kevin W. Morris, CIE; Daniela Neacsu; Mike Nickel; Brett T. Noll, CME; Georg Oberprieler; Sarah O'Brien; Paula O'Rourke, CCD; Jon Paukovich; Matthew P. Piazza; Carter Pope; Michael Randall; Mark Robnett, CCE; Al Rose; Linda J. Rossi; Ryan Ross; Rich A. Scholes; Andrew Shaw; Matt Stanek; Tracy Taylor; William Thomas; Tina Tracy; Pamela Turner; Nubia Valenzuela; Melissa Walsh; Michael Waylett; Annie Wilkinson; Michael R. Wilson; Patty Wisniewski

Strategic Growth Institute

2018 Strategic Growth Institute attendees, alphabetically: William P. Allender, CCE, CIE; Tom Allman; Ie-Chen Cheng, CIE; Sharon L. Churchill, CCE; Troy Clute; Karrie Drobnick; Sharon Dunbar; Kevin Duncalf; Stephanie Jones; James Kelly; Jenna Lampson, CCE, CIE; Sanjay Malhotra; Cindy Morgan; Keith P. Morris, CCD; Lindsey Salvestrin, CIE; Sue Schroeder; Nathanael Tarwasokono; Gregg Thorne

Robert Dudacek

Title: President/CEO

Phone:615.764.2315

Email: rdudacek@franklin-madison.com

Website: franklin-madison.com

What makes Franklin Madison unique? We build customer security by delivering industry-leading insurance products and marketing services through our brand partners. With 45-plus years of experience, we serve over 3,500 financial institutions and protect nearly 20 million consumers. Our dynamic and individualized direct marketing campaigns drive above-average response rates. We consistently refresh creative messaging with sophisticated testing and analysis to drive response improvements. Our digital and direct mail events are based on data-focused member profiles and desired outcomes while meeting the needs of the credit unions we serve.

How do you deliver industry-leading results? It starts with best-in-class insurance products that are relevant and consumer-driven. Then, we develop creatives that are simple and straightforward to educate consumers about the products. We use data to ensure we are presenting relevant solutions to target audiences in a way that will drive them to action. Finally, we feature our partners' brands to build on the brand loyalty they already have with their customers.

What's in store for Franklin Madison in 2019? We are investing more in the markets we serve, especially credit unions. A big area of focus for us is expanding our digital and direct mail footprints. We'll also be rolling out a few new products based on interest from our CU partners, and we're looking into new ways to service CU members who buy insurance products from us.

We'll continue to partner with insuretechs and fintechs. We recently announced a new partnership with Sirius America, a highly rated carrier that will expand our underwriting and product flexibility.

What are the top issues for CUs today? Financial wellness and member education. Insurance plays a key role in this, and there is a need for solutions that are simple and straightforward.

Big data and analytics are still a hot topic, and Franklin Madison has industry insights through our proprietary data analytics platform. We are market leaders in understanding what members want and how to best provide solutions for them.

Pembroke Named One of Wisconsin's *42 Most Influential Black Leaders*


John Pembroke

John Pembroke, CUES president/CEO, was named one of Wisconsin's 42 Most Influential Black Leaders by Madison365 (*tinyurl.com/y9lcp9f6*), a nonprofit online news outlet based in Madison, Wisconsin.

Since joining CUES in May 2013, Pembroke has helped launch a new direction in CUES' strategy, branding and culture. Most recently, he led the initiative for CUES' new membership structure, designed to better serve the needs of its members in educating and developing credit union CEOs, executives, directors and future leaders.

"It's humbling to be recognized as an influencer, especially outside of our industry," says Pembroke. "I'm a devoted advocate for innovation and growth and encourage others to challenge themselves to reach their full potential. Being recognized as leader in the African-American community as role model for future leaders is a great personal achievement for me."

This is the fourth year Madison365 has published its *Black Power* list, highlighting the outstanding work of people of color throughout the state. It encourages innovation, engagement and creativity for future leaders of color in the greater Madison area.

Participate in *Compensation Surveys*

CUES is asking credit unions across the United States to participate in two important industry surveys: *CUES Executive Compensation Survey* and *CUES Employee Salary Survey*. Both are open for participation through March 31. Annual participation is vital to the credit union movement because the information collected helps keep industry salaries competitive. Each survey features questions related to wage, bonus and benefits information per position to help credit unions attract and retain well-qualified professionals. Credit unions can complete or resubmit data to the surveys now by visiting *cues.org/ECS* and *cues.org/ESS*. Participants receive a 20 percent discount when they purchase the survey results.

New Partnerships Offer IT & Cybersecurity Solutions

CUES is pleased to announce two partnerships:

LEO Cyber Security (*leocybersecurity.com*) is a Texas-based cyber advisory and operations firm that helps businesses architect, build and operate cybersecurity programs.

"We are looking forward to bringing LEO Cyber Security's expertise to our members," says CUES President/CEO John Pembroke. "Cybersecurity is an ever-growing concern within the industry, and LEO's operational knowledge will help our members build a strong and sustainable system for their organizations."

"Partnering with CUES allows us to bring our cybersecurity expertise to the greater CU industry," says David Tompkins, founder of LEO Cyber Security. "We're excited to provide CUES member CUs with creative, custom solutions to help them build and manage their security programs. We're here to help take the industry into the digital future."

Think|Stack (*cues.org/goma*) and its cyber governance solution, Goma, will help credit unions to manage their digital transformations.

"Goma is really a fantastic tool," says Pembroke. "It's easy-to-use software that gives CUs insight into three key doman areas—people, tools and governance. Plus, it offers simple-to-grasp visual tools and journey mapping that IT leadership can use to keep the C-suite, the board of directors and auditors updated. Think|Stack is a leader in CU digital transformation, cybersecurity and cloud management, and we're excited to partner with them."

"We built Goma specifically to aid companies that want to do more than just mitigate risk," says Chris Sachse, CEO, Think|Stack (*thinkstack.co*). "Goma is a robust tool that facilitates communication and tracks progress in an organization's digital transformation. It gives key stakeholders the information they need and provides a roadmap on the digital innovation journey. CUES is the perfect partner to help us bring Goma to the credit union industry."

Webinars & Elite Access

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

MARCH 11
1 p.m. Central
More Benefits, More Value: Maximizing the Return on Your Investment—A Look at the New CUES Membership (Webinar)

MARCH 20
1 p.m. Central
CUES Learning Portal: A Deeper Look into A New Benefit (Webinar)

MARCH 19 AND 26
1 p.m. Central
Becoming an Extraordinary Credit Union Leader (Elite Access)

AD INDEX

To advertise, email *cathy.woods@mediawestintl.com* or visit *cues.org/advertise*. CUES members, partners and Supplier members are noted in **bold**.

Practice *Strategic Management*

Leadership takes practice, and practice makes perfect—but wouldn't it be ideal if credit union leaders could practice when the success of the organization *isn't* at stake? At the CUES School of Applied Strategic Management™ *(cues.org/sasm)*, May 6-9 in sunny Orlando, Florida, attendees have the unique opportunity to run a virtual financial institution from the safety of a computer simulation. You'll improve your strategic thinking and decision-making, tactical management skills and understanding of the economic environment's impact on your credit union as the simulation evolves in response to your team's choices.

Attendees will review asset/liability management and financial performance measurements before diving into strategy development, including a SWOT analysis exercise—with particular attention paid to the 'O': opportunities.

"I'm a great believer in an appreciative inquiry approach to strategy that focuses on positives," says John Oliver, president of Laurel Management Systems Inc. *(globalbanktraining.com)*, Palm Springs, California, in "Focus On The 'Opportunity' In SWOT" *(cumanagement.com/0117swot)*. "If you endlessly address negatives, you'll only come up with tactical responses (reactions) instead of developing forward-looking strategy (proactivity)."

Oliver, faculty lead and curriculum designer of the School of Applied Strategic Management, talks further about developing strategy and identifying opportunities in the CUES Podcast episode 11 *(cumanagement.com/podcast11)*: "It is a process. We've got to take it out of the abstract and make it practical. We've got to take it out of the conceptual and make it measurable. It's about gathering hard data, opinions, ideas—it is about involving every single employee in the organization in the gathering of those ideas and opinions."

Attend the CUES School of Applied Strategic Management™ (*cues.org/sasm*), May 6-9, in Orlando, Florida.

Participants in the program will enjoy fun, friendly competition between teams while earning their Certified Senior Executive (CSE) designation, a milestone signifying dedication to professional development. Executive vice presidents, VPs, marketing and operations managers of all areas are encouraged to attend.

Help your credit union—and your members—soar. Register for the CUES School of Applied Strategic Management today at *cues.org/sasm*!

2019

CEO INSTITUTE I: *STRATEGIC PLANNING*
April 7-12
The Wharton School
University of Pennsylvania
Philadelphia

EXECU/BLEND™
April 28-May 1
Hyatt Regency Sonoma Wine Country
Santa Rosa, CA

CEO INSTITUTE II: *ORGANIZATIONAL EFFECTIVENESS*
April 28-May 3
Samuel Curtis Johnson School of Management, Cornell University
Ithaca, NY

CEO INSTITUTE III: *STRATEGIC LEADERSHIP DEVELOPMENT*
May 5-10
UVA Darden Executive Education
Charlottesville, VA

CUES SCHOOL OF APPLIED STRATEGIC MANAGEMENT™
May 6-9
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CUES SCHOOL OF BUSINESS LENDING™ I: *BUSINESS LENDING FUNDAMENTALS*
May 6-10
Embassy Suites by Hilton Orlando
International Drive Convention Center
Orlando, FL

CUES GOVERNANCE LEADERSHIP INSTITUTE™
June 2-5
Rotman School of Management
University of Toronto

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

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

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

Payments Predictions *to Watch*

BY DAVID YOHE

Payments are currently in a period of transition from the traditional to the digital. A failure to embrace this disruption could lead to lost time, money and—potentially—members. Here are profiles of two areas that have traditionally been slow to react to payments innovation and their expected progress over the next 10 months. You can read two more cross-industry profiles and payments predictions at *cumanagement.com/010719skybox*.

1. B2B STOPS PUSHING PAPER

As we move further into 2019, increasingly digitized channels will start to have a serious impact on commercial payments. Consumers are used to paying bills and purchases with their credit cards online and directly from their mobile devices. Yet the B2B payment sector continues to drag its feet when it comes to payment channel innovation. The benefits are clear—quick handling of multiple payments, increased security, and integration with existing business management and accounting software.

Recent Mastercard research (*tinyurl.com/ycf2twkj*) shows that over a third of businesses plan to decrease their use of paper checks in the future, with more than 40 percent saying they are too slow and require too much manual paperwork. Watch this space as more businesses ditch paper and realize the efficiency benefits of moving to e-payables.

2. OMNICHANNEL GOES FROM AFTERTHOUGHT TO FIRST-THOUGHT FOR CREDIT UNIONS

Although many people are aware that credit unions often offer better loan and credit card rates than banks—and boast lower/fewer fees—many myths still surround membership. With confusion concerning eligibility, technology and payment services, many people who could benefit from joining a credit union are reluctant to take the first step.

To allay these concerns and appeal to a younger customer base with huge potential, credit unions must prioritize the member experience. We are starting to see credit unions focus more on their service offerings, having realized that providing a wide selection of payment options can improve member satisfaction. Technology in this area is moving from an organizational afterthought to first-thought. The ability for members to make payments or check their accounts anytime from their mobile devices or any computer is a benefit they will sincerely appreciate—and already expect.

2019: A DECISIVE YEAR

The next 10 months will be a critical time for B2B payments and credit unions. Those who react quickest may hit the perfect trifecta: faster payments, happier customers and increased revenue.

David Yohe *is VP/marketing for BillingTree (*mybillingtree.com*), Phoenix. Yohe has more than 26 years of experience in marketing and advertising.*

Read two more payments predictions and leave a comment at cumanagement.com/010719skybox.

Our Favorite *Recent Posts*

"Why don't people ask good questions? It's really not that it hasn't occurred to them to do so, or that they don't understand the benefits. Rather, people have spent a lifetime being rewarded for not asking questions, and for instead focusing on having the answers. ... The discipline of [instead] asking two or three questions before you leap to advice-giving will be a life-changing act of leadership."
Michael Bungay Stanier, author, senior partner and founder of Box of Crayons (*boxofcrayons.biz*), Toronto, in "How and Why to Tame Your 3 Advice Monsters" on CUES Skybox: *cumanagement.com/012119skybox*

"Leaders hope to keep a pulse on the work environment. ... However, their perceptions may not be entirely accurate because they are often limited by the amount of honest feedback they can gather. Still, it's worth trying to get an understanding of our climate. That way, as leaders work to execute the strategy, they can develop plans to align behaviors with the organization's goals."
Jennifer Stangl, director of professional development at CUES, in "Purposeful Talent Development: What Organizational Climate Do You Need to Achieve Your Goals?" on CUES Skybox: *cumanagement.com/012819skybox*

"Evaluate your processes to ensure you are properly verifying member identity. This should include phone, paper and—especially—online authentication mechanisms. If you do not offer your members a multi-factor authentication option for online banking login, you are denying them the ability to protect their money. ... It is imperative that CUs take the necessary precautions to protect members and themselves."
Justin Silbert, chief information security officer at LEO Cyber Security (*leocybersecurity.com*), Dallas, in "Reducing Cybersecurity Risk and Protecting Members During the Government Shutdown" on CUES Skybox: *cumanagement.com/012219skybox*

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