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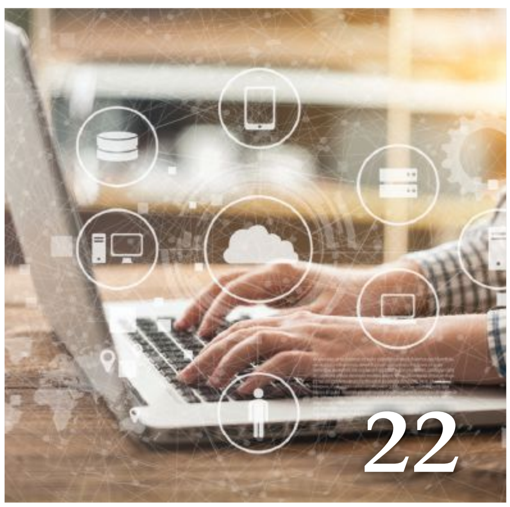
Contents

AUGUST 2020
VOL. 43, ISSUE 8



FEATURES

Contents

ARTICLES

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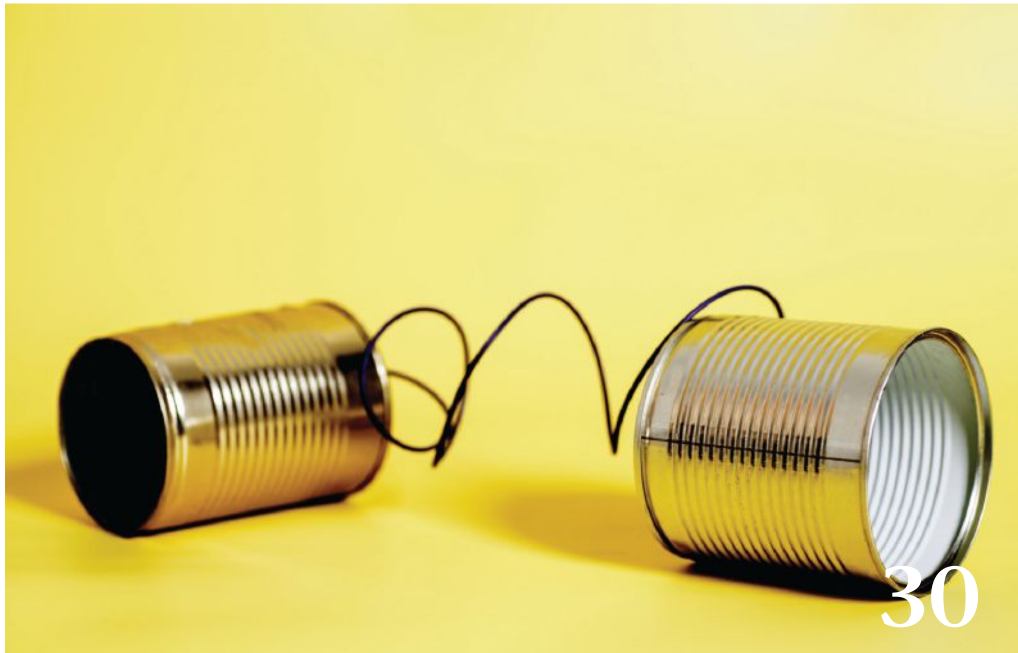
30

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Online-Only Column

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Setting Strategy and Planning for Growth Even in Tough Times

Sarah Szilagyi, SVP/experience/chief of staff for CO-OP Financial Services, explains why it's OK to shift your strategic planning process during uncertain times.

cumanagement.com/podcast94

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CU Management (ISSN 0273-9267, *CUmanagement.com*) is published monthly by the Credit Union Executives Society (CUES®), 5510 Research Park Drive, Madison, WI 53711-5377. Telephone: 800.252.2664 or 608.271.2664 in the U.S.; 604.559.4455 in Canada. Email: *cues@cues.org*. Web site: *cues.org*. Periodicals postage paid at Madison, WI (USPS 0569710). Copyright 2020 by CUES. Materials may not be reproduced without written permission. Manuscript submissions and advertising are welcome. The appearance of an advertisement does not imply endorsement by CUES. Editorial opinions and comments in the magazine are not necessarily those of CUES.

Annual subscription rate for CUES members and CUES Supplier members is $89, which is included in dues. Additional subscriptions: $89. Non-member subscriptions: $139. Digital-only subscriptions: $69. Single copy: $10. Subscriptions outside the U.S. will be invoiced for additional postage costs. For high-quality article reprints of 100 or more, call CUES at 800.252.2664, ext. 307.

POSTMASTER: Send address changes to Credit Union Executives Society, P.O. Box 14167, Madison, WI 53708-0167.

LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.
TWITTER: @tawitham
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INSTAGRAM: tawitham

YOUR THOUGHTS

WHAT ACTIONS ARE YOU TAKING TO WEATHER THE PANDEMIC STORM?

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

How Do You *Flex?*

In March, most of you made the tough decision to close branches and offices and send almost all employees home to work remotely. In many cases, this momentous change was implemented with notice of just a few days—or even hours! But you did it. You and your teams figured out how to operate in a new way, outfitted your staff with laptops and supplies, and learned how to work from home effectively. In the bigger picture, you learned that you, your employees and your institutions can flex—quickly—when the need arises.

Strong leaders realize that they need to be flexing their styles regularly, especially when it comes to communication. How you communicate on a Zoom full staff meeting is not the same as how you engage in person. Instant message or a Microsoft Teams chat allow for different styles than a phone call. After all, while you might type "BRB" you probably would speak "be right back."

But it's not just the medium that changes communication. The audience matters, too.

"The point is, it's important to know your audience, whether it's a group or one person, and appeal to their style of communication to be most effective," says CUES member Carrie Birkhofer, CPA, CCE, president/CEO of $1.1 billion Bay Federal Credit Union, Capitola, California.

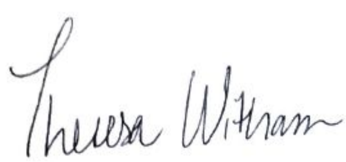
"Not flexing your style puts all the onus on the other person, rather than on the speaker as it should be," says Susanne Biro, master coach and co-founder of Syntrina Leadership LLC. "To lead effectively, you must understand people—where they are emotionally, what they're focused on and what you need them to understand. ... Connect with them first and then judge how to deliver the message."

Read more about effective communication in "Say What?" on p. 30. For more about adjusting your leadership style to the situation, read our online article, "Effective Leadership in the Pandemic and Beyond," at *cumanagement.com/0620effectiveleadership*.

Credit unions are used to flexing when it comes to asset/liability management. And in the current situation, that flexibility is extremely necessary.

"I'm trying to make us balance-sheet neutral so we can ride out any interest-rate environment," reports CUES member Derek Fuzzell, CPA, CMA, CSCA, CFO of $240 million PAHO/WHO Federal Credit Union, Washington, D.C. "We're trying to increase our loan diversity, add car loans, credit card loans and home equity lines of credit, but COVID has upset those plans. It's not a good time to try to add auto loans, so we are shortening maturities in the investment portfolio."

Credit union finance teams should be doing four things now with ALM, advises Vincent Hui, a managing director at CUES strategic partner for technology services Cornerstone Advisors, Scottsdale, Arizona. Read more about them in "Facing Finances," starting on p. 16.



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CO-OP FINANCIAL SERVICES

Adapting to COVID-19 *With Video Banking*

BY DR. DAVID L. TUYO, DBA, CSME, CCE

Video banking has been on many financial institution's technology roadmaps for years. As it has with many initiatives, COVID-19 has increased the speed of adoption to better serve members in the new contactless environment. Financial institutions are realizing video banking for their customers can help position their organization as innovative. According to Popi/o (*popio.com*), 51% of video banking calls result in new account and loan opportunities. However, there have been a few persistent challenges, such as slow consumer adoption, which have prevented the widespread adoption of the technology. Of course, this has all changed very rapidly.

Potential risks introduced by COVID-19 caused retail delivery models via branches to adapt and modify their daily process to accommodate public health and safety measures. From appointment banking and restricted hours to drive-thru only, from telephonic banking to digital banking—the traditional branch model presented many challenges that needed to be overcome.

These conditions have created the perfect environment for the accelerated adoption of video banking by credit unions and their members as a safe and effective replacement for more traditional in-person banking services.

Typically, 85% of online video banking users are willing to use it again, which is a positive indicator that this "forced" increase in exposure of video banking will likely signal the future evolution of the industry as people become more accustomed to using it for their daily banking requirements.

HOW DO MEMBERS LIKE TO USE VIDEO BANKING?

Credit union members are using video banking for all kinds of daily transactions, and they are usually responding to it in a very positive way with a high volume of recurring activity after initial sessions.

Members seem to find it most useful for such services as bank wires, general account research and discussion of options, loan inquiries, and for assistance with navigating online and mobile banking.

Video banking truly shines where face-to-face interaction is desired by members, and this is most suited to informational support for members who may have more than one question related to a service. Simple and more common transactions such as deposit or transfers are more easily accomplished through online banking, but since the rollout of social distancing measures, video banking is demonstrating itself as an appealing option for members who need more nuanced support.

DOES VIDEO BANKING PROVIDE BETTER MEMBER SERVICE?

Most members who try video banking have a positive experience overall and are very eager to use it again in replacement of other channels of customer support.

Many CUs have seen a moderate shift from call center transactions to video banking support, particularly when there are long wait times for phone support or a spike in the volume of incoming calls.

During the first months of the quarantine period, many CUs experienced an increase in video banking from members who wanted to ask face-to-face questions regarding their accounts and the availability of service that would be provided by their financial institution. This has led to an increase in returning member activity through video banking and is a strong indicator that members prefer the level of customer service that is facilitated through this method of communication.

In the absence of physical branch locations, video banking is starting to show itself as the preferred method of support, likely because it is the most similar channel of support to a face-to-face interaction that can be provided.

IS VIDEO BANKING THE FUTURE FOR CUs?

Beyond the positive impact of video banking on members, there is one key element that needs to be understood as a driving force for this adaptation within the industry—public health and safety.

This is true not just for members but for staff as well. Video banking is a simple solution that is very compatible with the precautions necessary to quell the COVID-19 pandemic.

It is a solution that puts the safety of CU staff and members first, without sacrificing the quality of service that can be provided, as demonstrated by the highly positive reaction to the technology.

While this will likely remain a driving force for the industry in the short term, it also begins to open up questions for the long-term evolution of providing banking services.

Video banking provides freedom and convenience to both staff and members. Everyone can save time and energy by connecting with their financial services from anywhere in the world. It's extremely effective and ultimately relies on technology that is already commonly available and simple to implement.

While credit unions may rush towards video banking in response to COVID-19 and social distancing requirements, it is very likely that these types of financial institutions will continue this path forward due to the auxiliary benefits that it offers to members and staff.

CUES member **Dr. David L. Tuyo, DBA, CSME, CCE,** *is president/CEO of $750 million University Credit Union* (ucu.org)*, Los Angeles, and a veteran of the financial services industry where he has served in a multitude of roles, including COO, CFO and chief investment officer. His career in the industry spans more than 20 years, with the majority dedicated to credit unions.*

Contactless *Gains Steam*

AS THE PANDEMIC DRIVES NEW PAYMENT HABITS, ISSUING TAP-TO-PAY CARDS MOVES UP THE PRIORITY LIST.

BY KAREN BANKSTON

Early in 2019, $2.6 billion Affinity Plus Federal Credit Union began planning to upgrade its debit and credit cards to facilitate contactless point-of-sale transactions through a natural reissue process that would begin the following January and take about 18 months.

"Times are a little bit different now," notes Nic Peterson, VP/payment systems with the St. Paul, Minnesota, credit union (*affinityplus.org*), in a bit of an understatement. "We've shifted our strategy since COVID-19, fast-tracking tap-and-go so our members can enjoy faster checkouts, less touching and higher fraud protection."

Affinity Plus FCU switched from replacing cards as they expired to a mass reissue of 55,000 credit cards and 180,000 debit cards that will begin in August and proceed over about two months. "We can't really mail out 235,000 cards in one swoop. We want to be able to support any members who have questions or issues, so we're doing this in phases," Peterson says.

But those members who were eager to swap their plastic for contactless cards could opt in early, beginning in May, by completing simple forms via the credit union's online banking portal and mobile app. As of mid-June, 28,000 cardholders had requested and received new debit or credit cards or gotten a contactless replacement for their expiring cards.

The credit union also upgraded its instant issue machines in each branch earlier this year so that members whose cards were lost or stolen or were wearing out—or who simply wanted new tap-and-go cards—could stop by to pick them up.

"If members say, 'My card doesn't work,' or 'I've heard you have contactless cards,' we'll go ahead and reissue them one right on the spot—at no charge," he says. "If they're excited about going contactless, we'll definitely replace their cards. And that's where the value of instant issue comes in."

The reissue is being promoted through educational marketing with the message that the new cards offer a secure, faster—and now potentially healthier—experience, but Peterson says members will discover all that quickly the first time they tap to pay.

"The experience with a contactless card involves one less touch of a terminal, and it's significantly faster, so it makes the checkout experience more seamless than with an EMV plastic," he says. "And less friction for members is better for merchants, too. Seconds count for them as well."

Pandemic health concerns will likely lead to quicker adoption of tap-and-go among members and are steering more merchants to upgrade checkout terminals to accept contactless payments, Peterson suggests. Many big retail and gas station chains in the Minneapolis-St. Paul area have already made the switch.

"I've got to believe that this pandemic will push others in that direction as well," he adds. "The ATM networks are lagging, but they'll catch up in time." The ATM hardware Affinity Plus FCU owns is enabled to accept contactless transactions, but some payment networks are not, he says. As the underlying infrastructure is updated to support tap-and-go, the credit union will order the software upgrades to enable its ATMs.

QUEUING UP FOR CONTACTLESS

Affinity Plus FCU is one of several credit unions lined up to convert to contactless cards in partnership with CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, that decided to switch to a mass reissue to get new plastic in members' hands more quickly, says Jeremiah Lotz, PSCU's manag-

> **"The experience with a contactless card … makes the checkout experience more seamless than with an EMV plastic. And less friction for members is better for merchants, too. Seconds count for them as well."**
>
> – Nic Peterson

ing VP/digital experience and payment products. The CUSO had already issued more than 1.4 million new tap-to-pay cards as of mid-June, with nearly 2.2 million additional plastics ordered for distribution in the near future.

Credit unions looking to speed up their conversion to contactless recognize that "people are changing the way in which they interact with the point-of-sale environment," Lotz says. "We believe this is driving a consumer behavior change, and it's not a change that we expect to revert back at the end of the pandemic. They're not going to go back to their old ways in six months."

In tracking card transactions, PSCU has seen an increase in contactless transactions, "still small, but mainly because there's not a ton of traditional retail shopping going on right now," he notes. But that volume will steadily increase as consumers quickly get used to tap to pay and the number of merchants accepting this payment form grows.

Most EMV payment terminals, which make up 97% of the hardware in checkout lanes, are equipped and enabled to capture NFC signals. The small percentage that are not yet enabled only need a software upgrade to complete the conversion. "That doesn't mean that it's necessarily easier or quicker, but retailers that hadn't made the switch have been queuing up to get that done," Lotz says.

Debit card usage outpaced credit cards during the height of the pandemic, a trend that has some credit unions rethinking previous plans to make the credit card transition to contactless first. Increasingly, the decision is to convert both portfolios simultaneously, he adds.

Keeping their cards top of wallet is a compelling aim, and the managers making these decisions recognize that safety has joined convenience and speed in guiding members' choice about which cards to use in checkout lanes. "Consumers are more focused than ever before on limiting the number of literal touchpoints," Lotz notes.

Members have been asking for contactless cards as a faster, easier and more secure way to pay, especially as more merchants are enabling tap-and-go payment terminals, agrees Vickie Walker, senior product manager for debit/prepaid with CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California.

Big-box retailers and other merchants that want to be positioned as cutting edge invested early in contactless payment terminals, not just for NFC-enabled cards but for mobile wallets on phones and wearable devices as well, she notes.

Credit unions that make the move to these new cards are giving members the choice to transact in the way they feel most comfortable. "We call them dual interface, but there are three ways for members to pay with contactless cards: They can swipe the card, dip the card or tap the card," Walker says. So even if ATMs and payment terminals aren't enabled for tap-and-go, members can still insert their cards to perform transactions.

A preference for contactless transactions tops new and likely persistent consumer payment habits formed during the pandemic, says Nicole Machado, executive director/product strategy-card services for CUES Supplier member Harland Clarke (*harlandclarke.com*), San Antonio.

For credit unions still in the planning phase of introducing contactless cards, Machado observes that "necessary processes drive timelines," so it's essential to talk with card processors now about what's involved, how long it will take and when to queue up.

"I encourage folks to start having these conversations with their processors right now to find out, 'Do I need to get in line?'" she says. "Now is the time to decide if and how you can move this to the top of your road map."

From eye-catching card designs to the latest in functionality, "the goal is always to be top of wallet," Machado notes. "A lot of big issuers have already moved on contactless cards. If you sit on the sidelines, there's a real possibility that your cards could end up near the bottom of members' wallets."

She recommends a two-fold marketing effort when rolling out contactless cards, beginning with education about how to identify enabled terminals and how to tap to pay. And then there are the reasons to make the switch: Because they are perceived as easier, quicker and safer to use than cash these days, tap-and-go cards may become members' go-to option even for micro payments.

SCORING TOP CARD IN THE MOBILE WALLET

Contactless payments through digital wallets are also gaining traction now, so it's a good idea to educate members how to add their new cards to Apple Pay, Samsung Pay and other mobile apps—and to make it easy to do so.

PSCU launched digital provisioning in April as a feature of its DX Mobile card management app. "That's a definite advantage for members who report a lost or stolen card," Lotz notes. "They will receive the new card account information digitally so they can begin using it immediately. Their plastic card will arrive in the mail within a few days."

The DX Mobile app stores card account information, which can be automatically loaded into Apple Pay (the most popular mobile wallet), without access to the physical card. The Google Pay option was in pilot early this summer, and Samsung Pay is scheduled to be added later this year.

CO-OP Financial Services is working toward delivering a digital issue solution in early 2021. "We've had a huge amount of interest from all of our clients to get digital issuance. I can imagine this is going to be very popular over the next few quarters for the whole credit union industry to enable," says Tom Church-Adams, SVP/pay products.

MORE ON CARDS

Has Consumers' Interest in Contactless Cards Reached a Tipping Point? (*cumanagement.com/0720tipping*)

Providing a Seamless Payments Experience (*cumangement.com/061720skybox*)

Show Your Members How to Adopt Contactless Payments (*cumanagement.com/0620contactless*)

Coronavirus Fuels Shift to Contactless Payments Methods (*cumanagement.com/0520shift*)

Both the instant issue of plastic cards in branches and digital issue offer convenience and an uninterrupted stream of transactions—and head off the likelihood that members will switch to a card from another institution while they're waiting for their credit union's plastic to arrive.

"When your card comes in the mail, it may fall to the bottom of the pile, especially if members have to call and activate it and choose a new PIN," Church-Adams notes. "Instant issue is really a win-win for the CU and members. It's immediate transaction-wise, the interchange income continues, and members can keep your card top of wallet."

Digital issue offers the additional advantage of being able to equip members with a new card while they're traveling or otherwise out of reach of a branch. With their card account information delivered remotely, members can immediately set up bill pay and add it to their mobile wallet. And both forms of instant issue are a great support for members whose accounts may have been breached, especially if their credit union accounts are their primary or even their only cards.

RESPONDING TO MEMBER PREFERENCES

Instant issue of contactless cards in branches likely won't be completely replaced by digital issue anytime soon, suggests Scott Hansen, Harland Clarke's chief product and strategy officer. For one, digital issue is a "pretty complex ecosystem" to implement seamlessly and securely. For another, "most consumers still want plastic cards, even if they are OK with digital issuance."

Machado notes that physical card payments are easier than digital wallets for members who are taking the precautions of shopping in masks and gloves. Mask wearers can't use facial recognition to open their phones and might need to remove gloves to access phone functions.

"They go all the way through the store masked and gloved up only to have to remove them at the checkout counter? With a tap-and-go card, they can keep their masks and gloves on," she notes.

Additionally, a preference for card payments over cash may take hold during and following the pandemic, suggests Lotz. When stay-at-home advisories were first issued, there was an initial spike in ATM withdrawals, "but then people quickly realized, 'Oh, this is not a Y2K where systems may shut down,' and since then, there's been a hard drop in ATM transactions."

Consumer interest in contactless point-of-sale payment was on the rise even before the pandemic. A 2018 survey of debit and credit card users commissioned by CPI Card Group (*cpicardgroup.com*), Littleton, Colorado, found that 72% liked the idea of tapping to pay. CPI has combined that yen for convenience and speed with widespread concerns for the environment in its Second Wave contactless cards, which are constructed with a core of recovered ocean-bound plastic, says Rob Dixon, head of product and business development. In the first quarter of 2020, CPI produced and distributed 10 million of those cards.

In planning how and when to roll out contactless cards, Lotz advises card managers to consider their member demographics, including geography, and market strategy. Credit unions serving markets with contactless-enabled transit payment systems and a great majority of merchants facilitating this form of payment will face greater expectations from their members for tap-and-go cards.

While it seems likely that contactless payment will become the preferred mode for members who have that option, Lotz is watching how the pandemic may steer other transactions. Will consumers opt for peer-to-peer digital payments even when they are out and about with people again? Will boutique merchants roll out payment checkpoints throughout their stores rather than queuing people up to pay at one location?

"And the shift of credit versus debit and how those cards are being used will be important to watch over time," as consumers begin shopping, going out to eat and engaging in more of the activities that were commonplace pre-pandemic, he adds.

GAINING TOP-OF-WALLET MOMENTUM

Affinity Plus FCU was among the first financial institutions in its market area to issue EMV cards and is also leading the regional charge to go contactless with both debit and credit cards. "We want members to use our cards, and we want to remain top of wallet, and that was one of our considerations in moving toward this mass reissue," Peterson says.

"The timing worked out well for us," he adds. "Obviously, we didn't predict there would be a pandemic. We just felt this was a payment option that members would appreciate and that would keep them secure. And now safety issues with touching terminals has become a much greater concern."

A mass reissue is a little more costly than replacing cards over the longer, natural cycle as they expire, Peterson acknowledges. "This is a large-scale project, pandemic or no. It'll touch almost every member. It's a big undertaking, but it's good for members, and I think it'll be good for the credit union to make sure we'll have the most up-to-date payment technology in members' hands."

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

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Facing *Finances*

CUs LEVERAGE ASSET LIABILITY MANAGEMENT TOOLS TO WEATHER THE PANDEMIC STORM.

BY RICHARD H. GAMBLE

The COVID-19 recession has landed squarely on the desks and computer screens of credit unions' asset liability committees and the finance staffs that carry out ALM strategy. The current situation is confronting them with the formidable challenge of carrying out two CU imperatives: help members and stay solvent. Just how useful ALM tools can be is something they are carefully assessing.

U.S. and Canadian government subsidies and mitigation efforts to bolster their economies and some forbearance policies by financial institutions have delayed any tidal wave of delinquencies, but anticipating those losses and the impact on income is a top concern for credit unions.

"We haven't seen a big increase yet," reports CUES member Tammy Buchanan, CPA, CGA, VP/CFO of $1.5 billion Northern Credit Union Ltd. (*northerncu.com*), Sault Ste. Marie, Ontario. "But we expect them to rise, and our people are proactively contacting members by phone to gauge how they are doing. We closed some branches and moved staff to the call center to make these outbound calls. We contacted all of our commercial accounts and the individual accounts as soon as they became delinquent. Those conversations reportedly went well. We saw more delinquencies in March, but since then, the growth rate has come down."

PAHO/WHO Federal Credit Union (*pahofcu.org*) in Washington, D.C., serves a membership that is in the thick of the pandemic crisis. (PAHO stands for Pan American Health Organization, *paho.org*, and of course, WHO stands for World Health Organization, *who.int*.) But the CU's finance operation is calm and not in crisis-management mode, at least not yet, according to CUES member Derek Fuzzell, CPA, CMA, CSCA, CFO of the $240 million institution.

"We've seen some activity from savers because of the low interest rates," he reports. Some are switching from certificates of deposits to savings accounts because the rate difference has virtually disappeared.

"They're staying short to avoid locking in these low rates," he explains. "So we've shortened liabilities some, but we have to protect retention. About 96% of our members with CDs automatically renew for the same maturity, so we supply them. But we're not worried. Our liabilities are still shorter than our assets, but we have a good mix of adjustable-rate mortgages on the asset side."

"At the end of the day, all roads lead to the ALM process and being able to defend and support balance sheet management decisions."

— Frank Farone

TROUBLE IS COMING

That's fine for now, but Fuzzell knows trouble is coming.

"My biggest concern," he says, "is what we might face one-and-a-half to two years out. We have an 18% capital ratio and plenty of liquidity, but if credit losses get bad, it will be hard to offset them with earnings from such low rates. And low-yielding mortgages could be a problem if interest rates go up quickly."

Nevertheless, with mitigation delaying credit problems and so much uncertainty about a pandemic-caused recession, most CUs are not taking dramatic actions so far. "Nobody seems to have implemented a bold strategy," reports Dave Wicklund, director of ALM advisory services at CUES Supplier member Plansmith (*plansmith.com*), Schaumburg, Illinois. "I haven't seen anything creative yet, anything that would move the needle. People are waiting for more clarity."

And that's fine, suggests Neil Stanley, founder/CEO of The CorePoint (*corepoint.com*), Omaha, Nebraska. Right now is the time to pay close attention to what's happening with your numbers rather than move too quickly.

"Don't overreact and create problems when incremental adjustments may be enough," he advises. "Stick with tested responses, but watch and rethink whether the paradigms still apply or whether they need to be revised under your particular circumstances."

At the same time, some experts are calling for more action.

"Time is not your friend," warns Frank Farone, managing director at Darling Consulting Group (*darlingconsulting.com*), Newburyport, Massachusetts, "and now is the time for credit union executives to look in the mirror and ask themselves if they have properly positioned their balance sheets to optimize earnings, regardless of the direction of rates. At the end of the day, all roads lead to the ALM process and being able to defend and support balance sheet management decisions. It's all about managing risk and not regulatory appeasement or taking the path of least resistance, which can be the greatest risk of all."

MODELING CHALLENGE

ALM actions generally stem from looking at the results of running data through a model, Wicklund points out, so make sure you have a good one.

"It needs to fit the complexity of the credit union," he explains. "It needs to reflect all the areas where choices are available, including the range of investment instruments and options like step-up deposits. [A step-up CD, for example, is a deposit account that increases its interest rate before maturity, usually several times.] It needs to reflect the sophistication of the CU's activities, and it needs to be used in compliance with regulations and the policies of the asset/liability committee."

If you have the right model, CU finance staff have to administer it properly, making sure the right data are fed into the model at the right times, Wicklund adds. And then, since it's a predictive model, the staff has to enter critical assumptions, and that's the rub. If assumptions are off, the model will be off. With the COVID-19 pandemic looming over everything, it's never been more difficult to make confident assumptions.

Wicklund recalls what happened in 2007 and 2008 when rates fell 375 basis points in a few months. All the models projected that borrowers would refinance their mortgages in droves, but it didn't happen because home values tanked.

While Buchanan studies her model and looks for trends in internal data, Northern CU also uses an ALM consultant, Picuz Solutions (*picuz.com*) to provide peer insight, enhanced analytics and advice. She also participates in regular talks with economists in the treasury department of Central 1 Credit Union (*central1.com*), Toronto. "To survive, you have to know your internal data, but you also have to understand the macro environment," she says.

4 TO-DOS

Credit union finance teams should be doing four things now with ALM, advises Vincent Hui, a managing director at CUES strategic partner for technology services Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona:

1. Watching their net interest spread (difference between the average yield received from loans and the average rate it pays on deposits and borrowings), how it is changing and what they can do to maintain it.
2. Looking at their deposit costs and mix and calculating how they can keep enough low-cost or no-cost deposits without causing a runoff (early withdrawals).
3. Creating a calendar of when their adjustable-rate loans will reprice or their fixed-rate loans will mature and what the consequences are likely to be on those dates. It may be time for CUs that don't normally use interest-rate swaps to consider them. (An IR swap is a derivative investment involving an agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Notably, five federal agencies just updated their rules about swaps for banks—see *tinyurl.com/bankswaprules*—increasing flexibility in their risk management efforts.)
4. Being aware of such off-balance-sheet "assets" as mortgage servicing rights and how their valuations could change.

Wicklund is skeptical about most CUs turning to derivatives to control interest-rate risk. "Swaps are fairly common," he notes, "but anything else should be used with caution and a thorough understanding of how the derivatives work."

It's possible and useful to hedge a transaction with a swap, he concedes, but not a whole portfolio. And even hedging a single transaction needs to be done carefully.

"If a member wants a 20-year fixed-rate loan and the credit union doesn't want to carry that risk, it can neutralize it with a swap," he points out. "But if the member prepays the loan, the swap would need to be unwound or the credit union will have created interest-rate risk."

The Value of *Being Prepared*

No financial institution is confidently prepared for a predicted economic contraction, but some credit unions are happy to be heading into it in a position of strength.

That seems to be the case at $16.7 billion Servus Credit Union (*servus.ca*) in Edmonton, Alberta, which recorded record profits in 2019.

"In Alberta, we're dealing with the oil price collapse as well as COVID," says CFO Ryan Gobolos. "We were disciplined in good times, building sustainable profits, and that should help us get through hard times."

Those profits are partly sustainable because Servus CU hedged against a fall in interest rates. "We didn't see this coming, but we put together a comprehensive hedging program for the 2020 fiscal year, and it's paying off now," he says. "We were buffered against a big decline in interest rates." The credit union hedged for a 1% drop, and the drop it experienced was around 1.5%, so the CU's exposure wasn't fully protected, but enough to "save a lot of our margin revenue and put us close to what we had budgeted," Gobolos reports.

Deposits are up. "We offered deferrals, so some members are building up their cash positions. And they're spending less," Gobolos explains. That's also evident in the credit card portfolio, where spending is down and so are outstanding balances. Loan growth has stalled. Delinquencies are up only a little. That's partly because the deferrals and large government mitigation programs are working, he suggests.

But harder times may be coming, and Servus CU had to wrestle with the size of its loan loss reserve in the second quarter, increasing it by just over 30%.

"That was an interesting exercise because you have to base your expected credit losses on forward-looking modeling. We were conservative and weighted the model more on the down side," he reports. With liquidity up, loan growth down and a larger-than-normal investment portfolio, Servus CU is staying conservative and short.

GOING LONG OR SHORT?

If governments are heading off a liquidity crunch for now and the course of the pandemic is uncertain, the precipitous fall of interest rates is a current fact of life CUs have to address. And that, for many, means it's time to stay short.

PAHO/WHO FCU's investment portfolio has risen by $2.5 million in market value due to the rate drop, but Fuzzell intends to hold those securities as long as he can and reinvest in LIBOR floaters (a fixed income security that makes coupon payments tied to the reference rate).

"With the yield curve so low and flat, there is absolutely no temptation to go long," he notes. "Those low yields will be a challenge to our income, but we'll keep the opportunity to gain as interest rates start to rise again."

Liquidity is a pain credit unions live with, Northern CU's Buchanan agrees.

"We anticipated a big run on cash when members lost their paychecks and fell back on savings, so we built up liquidity. But it didn't happen," she reports. "People stopped spending. So we're sitting on more liquidity than we'd like."

Northern CU normally prefers a small investment portfolio, but it's up to about 10% of assets now as a result of the liquidity boost. Buchanan is parking that money in 30- to 60-day deposits at other financial institutions for very little interest, but it will be available if needed. "We don't want to go out a year," she explains.

Not everyone agrees with staying short when rates could stay low for a long time. When rates fall and the yield curve flattens, a lot of CUs try to extend liabilities and shorten assets, but that's the worst time to do that, Farone insists.

"That's when you need to lengthen assets and shorten liabilities, but it doesn't feel good," he says. "You don't buy life insurance to collect, and you don't lengthen assets to win. You hope and pray that rates will rise again, even though you hedged by betting against it." (See sidebar, "The Value of Being Prepared.")

When rates eventually start to rise, Farone reasons, "a credit union's business will revive and thrive as cash flows are reinvested into higher-yielding loans and investments, which will outpace the rise in funding costs due to the low-cost nature of CUs' core funding base. Margins will widen and earnings will rise despite a potentially below-par investment portfolio.

"Meanwhile," he continues, "if rates stay low for a protracted period given the current pandemic and worldwide recession, CUs will need all the income they can get from those longer-term assets to cover overhead and, for many, just to survive," he explains. "It's natural to hope that rates will recover and slope will return to the yield curve, but hope is not a strategy. Now is the time to revisit ALM and consider what you would do if rates stay low for a long time. It's time to consider extending assets and buying long-term bonds as a necessary evil."

If CUs are not going to be able to maintain sustainable interest income and can't find ways to increase noninterest income, they are going to have to make a new best friend: the bond market. And that won't be fun, notes Eric Salzman, co-founder of Blanton Research LLC, New York.

"In recent years, credit unions have had loan-to-share ratios of 85 or 90%, so the investment portfolio was a stepchild," he reports. "If the loan market stops growing, as most people expect, CFOs are going to have to switch back to being investors, and they're going to have to lengthen durations to get any kind

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> — Dave Wicklund

MORE ON FINANCE

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of return, even though the yield curve is pretty flat. To get yield, they will have to accept features like call options (financial contracts that give the option buyer the right, but not the obligation, to buy an investment), even daily call options. They will have less control than they're used to. Those will be the trade-offs."

Farone also thinks CUs make a big mistake by treating core deposits as short-term liabilities.

"Those checking account, savings account and other non-maturity deposits may be short-term by definition," he says, "since depositors can withdraw them at a moment's notice—but they don't. Those deposits behave like long-term liabilities and should be managed as such. Credit unions have a huge funding advantage with so much free or cheap money, but they leave opportunities on the table and actually create a lot of risk by exposing the balance sheet to low rates. Those liabilities should be matched with long-term assets to increase net interest margin, but they often aren't."

BLEAK OUTLOOK

The outlook for boosting interest income isn't great. While home sales jumped in May, car sales continue to be fairly weak in this economy, Hui observes. It may be tricky to expand a loan portfolio significantly. Used cars have dropped significantly in value, so collateral in some cases could be worth less than the balance on the loan. Credit cards are an exception.

"We expect an increase in credit card outstandings," he says. "For credit unions that have not outsourced their card portfolios, that means an interesting risk/reward trade-off. The higher yield will be welcome, but when people have trouble paying all their bills, the credit card is one of the first they skip."

The pandemic has frustrated Fuzzell's plans. "I'm trying to make us balance-sheet neutral so we can ride out any interest-rate environment," he reports. "We're trying to increase our loan diversity, add car loans, credit card loans and home equity lines of credit, but COVID has upset those plans. It's not a good time to try to add auto loans, so we are shortening maturities in the investment portfolio."

Loan loss reserves will rise sharply as a percentage of loans, but gross amounts could also reflect falling loan volume, Salzman observes. Auto lending could be a minefield. Automakers are using their captive finance companies to promote car sales. They have ways to make money on no-interest loans, but credit unions don't, he points out. The used car market is a mess.

"A lot of cars will be dumped and auctioned," Salzman predicts. "Lenders could have trouble recovering their collateral. Outsourced debt collection services are expecting a very busy time, but recovery rates will be down."

Regulators will react, he thinks, perhaps requiring more capital and higher credit standards. "But there will be a shakeout. It will be a very challenging time to make money. You have to expect a lot of mergers and that well-capitalized financial institutions will gain market share."

The outlook for finding noninterest income is equally bleak. What keeps Buchanan up at 3 a.m., she says, is how the CU can offset a loss of interest income with noninterest income.

"With everything moving to digital and with all the fees we've been waiving around do-it-yourself banking," she says, "we've kind of tied our hands on that potential income stream."

Farone agrees. Noninterest income is becoming less and less available, he notes, as technology and competition continue to make services automated, convenient, self-activated and free. "Credit unions especially don't like to hit their members with fees, but they may have to reconsider that," he says. "Even if they do, it will be hard for any financial institution to increase fee income. It's becoming a thin-margin business, which puts a premium on volume."

CUs also overpay for deposits, Farone says. "It's part of their member-centric culture, which is admirable when you can afford it, but you can't help members if you aren't around." It's time to do all you can, he urges, to keep your cost of funds as low as possible.

Richard H. Gamble *writes from Grand Junction, Colorado.*


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The New *CRM Strategy*

MANAGING CUSTOMER RELATIONSHIPS IS EVOLVING FROM A SALES FOCUS TO AGILE, ALL-ENCOMPASSING MEMBER SERVICE.

BY STEPHANIE SCHWENN SEBRING

COVID-19 accelerated us into a new banking world. During the pandemic, customer relationship management technology has enabled staff to work safely and seamlessly from home while extending the same level of service members count on remotely. New CRM strategies will continue to support and enhance trends of nimble, remote channels of service and increased personalization.

For $25 billion PenFed Credit Union (*penfed.org*), Tysons, Virginia, the evolution of CRM strategy has gone from a sales focus to a comprehensive, holistic view—one that incorporates lifestyle management. When the credit union started its CRM journey six years ago, CIO Joe Thomas asked his team how they could better serve their members while providing products that offered an intimate view of their finances and lifestyle needs.

The answer was meeting the member in his or her life-cycle journey, presenting the right product at the right time. "However, this requires an evolving strategy and, for us, moving from a siloed set of functions to a universal view of the organization," explains Thomas, a CUES member. "The CRM Salesforce Financial Services Cloud (*tinyurl.com/salesforce-fsc*) radicalized how we procure, provide and present financial services."

CRM has become much more than marketing at PenFed CU. It's about re-energizing the credit union's focus on financial management throughout the omnichannel environment: the branch, call center, the team of loan and member service officers, and digital via mobile apps and online banking. "These ecosystems are all growing and morphing," reflects Thomas, "and having a CRM [system] you can leverage while giving your team the accessibility to deploy solutions quickly across the organization is a tremendous asset."

Recent solutions for PenFed CU members include building and implementing an online portal enabling those experiencing financial hardship to manage skip-payments and request temporary financial relief. This has proved extremely beneficial during the pandemic; from March through May 2020, nearly 10,000 loan deferments were handled for more than 6,500 members.

CLOUD-BASED SOLUTIONS AMID COVID-19

CRM flexibility has been pivotal for the credit union throughout COVID-19, enabling staff to provide exceptional member service from the safety of their home offices. "Within a few days, we were able to mobilize and get everyone working remotely," explains Thomas. "Even the big banks struggled with this transition. But with our platform's agility, ease of use and cloud-based solutions, we could move our staff quickly, across every channel from sales to member service to loans, with unified integration."

This was no small task. To accommodate more employees working from home (about 95% of employees during the pandemic), PenFed CU went from 400 to 1,800 virtual private networks in just days. As the branches closed, call center intake increased 23%, from 12,000 calls per weekday to 14,500. To assist, branch service reps were given access to the member service platform and swiftly trained, answering calls remotely, absorbing approximately 10% of call volume or about 1,400 calls per weekday. Platform agility also enabled staff to process physical mail remotely during the pandemic, scan images, and mail items to members and staff within days.

A cloud-based CRM solution was crucial for this dexterity.

"Still, it must be your strategy that takes you to the cloud, not the other way around," stresses Thomas. "Salesforce gave us the scalability to implement CRM effectively, with efficacy, but it was the cloud that provided the agility. When business strategy takes us to the cloud, we do so cautiously, with cybersecurity at the forefront."

ADDED PLATFORM LEVERAGE

Thomas notes that leveraging CRM technology has also improved internal efficiencies and shortened wait times for members and member service representatives. "We're currently leveraging bots to handle common service requests, such as password resets, which saves our service desk staff for interactions that are more complex and require human assistance," he explains. "A year ago, for example, 100% of PenFed's service desk cases were handled by phone; today, 37% are handled by phone, 42% by chat, and 21% by chatbots."

The credit union also implemented a fintech solution that integrates with its CRM to quickly reset its 5/5 adjustable rate mortgage program. With rates at historic lows, a campaign was designed to reach members whose loans were due to reset, offering a better rate. Members can review terms, update contact information and electronically sign. Through the integration, the campaign can be tracked, and additional contacts can be made—an effort that is currently showing a 31% conversion rate.

Member service flexibility will remain at the forefront of an evolving CRM strategy, notes Thomas, with such technologies as live chat becoming more prevalent for staff and members. The credit union is considering the chat function and AI bots for basic MSR phone or web inquiries. "Bots can securely mimic the tasks routinely performed by MSRs for an improved experience," he adds. "Operational expense goes down, and efficiency goes up."

Thomas says to look for a CRM partner that thinks the way you do about the member experience. "Look for an efficient product, one that provides the democratization of IT, accessible to more people within the organization. And remember, the best CRM people are sometimes in operations—not IT. [That's] helpful when there's a shortage of tech talent and having the ability to deliver business functions with little tech knowledge is a tremendous asset."

OFFERING CALM DURING TROUBLED TIMES

Rohit Mahna, SVP/general manager of financial services at Salesforce (*salesforce.com*), sees CRM strategy as a way for financial institutions to go to market with relevant products and services faster. "Whether it's wealth management, banking or insurance needs—having the ability to alter your menu of products and methods of service when required is an exceptional advantage. Never has this been more apparent than during COVID-19.

"As the pandemic hit, trends that were already picking up steam accelerated," continues Mahna. "But most impactful was the ability for a financial institution to use CRM for overarching needs, manage its client base and intimately understand and serve the customer. Today's CRM can analyze each experience and its numerous touchpoints. It's not simply making the employee more efficient but connecting with and enhancing the experience in a way the customer prefers—whether it's online or mobile, the contact center or in-person."

People are naturally anxious about their finances, and this anxiety is magnified during a crisis like COVID-19. "When individuals or small businesses are worried, they need help and want to talk with someone," adds Mahna. "The key is using CRM to address a person's needs and fears, to tailor a message acknowledging their anxieties while providing relevant solutions. In a constantly changing world, CRM allows financial institutions to serve and respond in very personal ways."

Innovation continues to be the story arc of CRM and the customer experience.

"It's what you make of the experience that determines success," Mahna says. "Watch the intelligence from your data center; use the analytics along with CRM to guide member service representatives as they start their day. For example, [reviewing] data can uncover member inquiries and necessary follow-ups. Going deeper, AI can assign tasks in product order and even base it on consumer sentiment—happy, not happy—while offering suggestions on engagement."

"Bots may also center around a specific question. For example, during COVID-19, institutions used CRM as a service tool for PPP (Paycheck Protection Program, *tinyurl.com/sbappp*) inquiries. The chatbot handled the conversation, clarified the caller's status and pointed them to the right spot on the institution's website for answers."

Credit unions have long been integrated into the communities they serve, reflects Mahna. "Branch managers would walk Main Street every day to connect with business owners. But in a high-

> **"In its purest form, a CRM should empower users to allow for a digital, concierge-level of member service."**
>
> – Joe Sheridan

moving, digital (or even pandemic) world, how does a manager make that same walk? Here, advanced tools can connect both physical and digital experiences, which continue to blur. The goal is for the customer to enjoy a seamless experience regardless of the transaction's touchpoint or who they speak with."

And using those tools well isn't just about sales. Leveraging them effectively requires understanding a person's unique situation, which is at the heart of what credit unions do and have always done, stresses Mahna. "CRM lets you do it in a stronger, more efficient way, driving a new level of trust. COVID-19 was simply an accelerant. Looking back, I think we'll see which institutions were strategically positioned to use their CRMs to better serve their customers."

On the consumer side, people will remember the credit union that helped them or their business stay afloat. They have also learned that it's not hard *not* to go into a physical branch for business.

'OPPORTUNITIES' ABOUND

COVID-19 underscored the necessity of offering an enhanced and flexible customer experience—some financial institutions were ready to meet these challenges; others were not. However, CRM can and should be part of the solution, says Joe Sheridan, head of business development for SimplyFocused (*simplyfocused.com*), a division of CUES Supplier member and credit union service organization Choice Creative Solutions (*choicecreativesolutions.com*), Johnston, Iowa. "CRMs had already been moving towards providing hyper-focused experiences and content on an individual level. But in a post-COVID world, watch for this competition to become even fiercer and the solutions more diverse."

Industry innovations continue to focus on AI, which is a cornerstone for most modern CRM systems. It might include marketing automation, automated interaction capture or predictive chat. However, while AI provides increased segmenting opportu-

Scalable *Solutions*

In its quest for efficiency, $750 million (assets under management) Solarity Credit Union (*solaritycu.org*), Yakima, Washington, launched its Salesforce CRM (*salesforce.com*) in August 2019. "Going through the selection and implementation process, it was clear that today, more financial institutions are looking for CRM solutions, even on a smaller scale," notes the CU's Chief Innovation Officer Ralph Cumbee. "And as events from COVID-19 asserted, providing digital and remote solutions for members—while giving staff the tools they need to serve—are necessities.

"It's early days for us, and we're focusing on mastering the system's basic functions first," he continues. "If we're not able to do those well, the higher-level features will be wasted." Examples of the basics include building effective, repeatable and trackable sales processes and leveraging centralized data.

However, Cumbee is excited about further developing the CRM's artificial intelligence and machine learning tools, which he sees as transformational: "AI/ML will be the biggest driver of change in the next few years. These technologies are just becoming democratized enough to lower the cost and lessen the skill level required, as well as being easier and quicker to deploy, all of which make AI accessible to smaller institutions."

Automated workflows, including predictive capabilities through AI/ML, will be game changers for efficiency, suggests Cumbee. "Giving your member the ability to enter the transaction on any device, at any time, and achieve a highly effective solution is ideal."

He shares the success of transforming his CU's mortgage processing: "There are many straightforward, repetitive tasks needed to process a home loan that we've automated through CRM. The more we can automate these tasks while preserving the member experience, the more we can accomplish. ... We focus on using Salesforce to present meaningful information to staff quickly and automate as many of the common tasks as possible.

"Centralized data is another win for the home loan process, and access to this data is hugely beneficial, especially when the transactions are more complex," he adds. "For example, we're using CRM to automate, customize and personalize each member's home loan experience. This works in conjunction with our UX (user experience) stack and the CRM and martech stack. These systems can and must work together across all channels—because that's the interaction members expect."

The credit union has also taken activities spanning many platforms in the home loan process and woven the solution into a one- or two-click process. Things like address changes and forbearances can now be done in seconds instead of hours. Accessing a member's history without starting over is another advantage, while customized views and centralized data makes it easier for users.

Solarity CU moved to the cloud three years ago. "When we selected our CRM, a functional cloud solution was nonnegotiable," Cumbee stresses. "And moving to a (nearly) completely remote workforce because of the pandemic, that decision has been entirely justified."

The credit union has been working on adoption of the enhanced digital experience for almost a year and is finally getting the traction it needs. "I'm now hearing comments from team members that they see the benefit of having data and history at their fingertips via the CRM," Cumbee explains. "This is also borne out by our member satisfaction and net promoter scores, which continue to increase."

The credit union's MSat score rose 8.3% year over year as of May 31, and its NPS was up 21% for the same period. These are calculated on a 90-day rolling average and include the pandemic and the closing of physical spaces for that period.

That financial institutions everywhere now have access to an enormous amount of data, Cumbee concludes. "Leverage that data to deliver useful information to your members and understand what they're looking for early on. Our goal has been to create a digital ecosystem to predict member behavior at all points. Yet we realize no single piece is sufficient to give all the capabilities we need. All must work together to support our teams and digital capabilities."

"When we selected our CRM, a functional cloud solution was non-negotiable. And moving to a (nearly) completely remote workforce because of the pandemic, that decision has been entirely justified."

– Ralph Cumbee

nities, Sheridan worries that the more technically robust a CRM platform becomes, the more it risks alienating a percentage of principal users.

"These systems are so integrated and so full of data that it's easy for smaller organizations to get overwhelmed and not take advantage of all features," he explains. "My advice is to find a platform that aligns with your customer acquisition and retention strategy. For example, your strategy might be closely tied to speed-of-service and employee accountability, requiring detailed interaction reporting rather than robust member demographic data. You may not need all the bells and whistles but a refined version of a CRM that provides the principal functions relevant for your credit union.

"For comparison, think about your primary care physician's office when they call (275 days from your last annual check-up) to schedule your next annual physical," Sheridan illustrates. "The system reviews your chart and age, and the office scheduler prompts you to think about adding booster shots and age-related recommended screenings. They are presenting relevant content to you and, hopefully, providing a favorable customer experience."

Early in 2020, before COVID-19 fully emerged in the U.S., SimplyFocused was testing a new enhancement to its platform, "Opportunities." The feature, designed to track outbound touchpoints, could integrate a purchased or MCIF-generated list targeting the sales and service of retail products. It would also follow the team's progress in contacts as well as product acquisitions.

Fast-forward to the pandemic.

"The world changed after COVID-19, and there was a huge need for accountability tools as teams were pushed out of their branches and offices," Sheridan explains. "Our client, $625 million Community Choice Credit Union (*comchoicecu.org*) in Des Moines, Iowa, was able to pivot quickly, using its CRM platform to triage loan deferment requests. The credit union had a 2,733.33% increase in loan deferment inquiries in March (as compared to March 2019) and a 1,163.48% increase in April (over April 2019); non-traditional staff also transitioned to assist with this tidal wave of inquiries."

The result? Not one inquiry was lost or delayed due to the reporting and alert features within the CRM piece of the system. Meanwhile, the credit union's willingness to pivot its teller staff rather than furlough them presented an opportunity.

SimplyFocused expedited the alpha version of the Opportunities module to facilitate an all-member outreach campaign for the credit union, encompassing 47,000-plus members. "The goal wasn't to drive business but check in with members, with the tracking and managing of interactions flowing from the CRM. Following the pivot, one teller working on the campaign accounted for more than $450,000 in direct lending referrals based on her calls (April 1-30). Amazingly, she had no previous sales experience."

Savvy institutions like Community Choice CU will continue to identify ways to foster the human-touch experience, reflects Sheridan, and a targeted CRM strategy can be the catalyst for extraordinary service. "Let's face it; even the larger credit unions don't have the tech budget of a Chase or BoA (Bank of America)," says Sheridan. "But credit unions can move forward with solutions that cater to what they do best—connecting with their customers and offering solutions that impact lives."

It's essential to find a platform that aligns with your mission, values and vision, he concludes. "In its purest form, a CRM should empower users to allow for a digital, concierge-level of member service. But as the pandemic revealed, a CRM alone isn't going to change your credit union; rather, the people who use it will."

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

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Inside Marketing: Using Automation to Grow Member Relationships (*cumanagement.com/0719insidemarketing*)

The Martech Explosion (*cumanagement.com/0418martech*)

CEO Transition *Techniques*

BEST PRACTICES FOR A SMOOTH HANDOFF AT THE TOP

BY ART CHAMBERLAIN

The topic of this article—the handover of power from a current CEO to a successor—is Important with a capital I.

We know it's important because that's what we've been told for years by dozens of management books, magazine articles and conference speakers. Everyone agrees, one of the prime duties of a CEO is to identify and groom a successor.

For directors, it's even there in black and white in the bylaws: The board is responsible for selecting the CEO, which can be a daunting prospect in the credit union system where some CEOs have been in place for decades. Regulators also want to see a robust succession plan when they're looking at a credit union's policies and procedures.

But once you've selected a new leader, there are still many questions to answer: How do you handle the transition from old to new? How long should it take to make the turnover? What pitfalls should you avoid?

"Companies devote a lot of time and effort to ensure there is a clear break and smooth transition because they don't want people to be confused about who is in charge."

— Anna Danielova, Ph.D.

THREE STAGES TO SWITCHING

The late author and organizational consultant William Bridges studied the importance of transitions in corporate and personal life and developed a framework that can help credit unions think about how to prepare for a CEO switch.

In his book*, Managing Transitions: Making the Most of Change (tinyurl.com/changebridges),* Bridges identifies three stages of transition: the end of the existing arrangement, the neutral zone and new beginnings.

Any transition starts with the end of the current situation, in this case the end of a CEO's regime. The second stage is the in-between time when the old is almost gone, but the new isn't fully in place. The final stage, new beginnings, is when the new CEO has taken over and can start to chart his or her own path.

Don Tebbe (*dontebbe.com*), a Washington, D.C.-based consultant and author who specializes in helping non-profits navigate leadership transitions, said he's seen a wide range of reactions from outgoing CEOs—from wanting to just wash their hands of the organization and walk out the door to wanting to control absolutely everything as their replacement comes in.

"I encourage CEOs to take charge of their exit," Tebbe says. "That doesn't mean usurping the board's authority. It means being a responsible player in your own succession process."

Tebbe tells outgoing CEOs they have three jobs during the transition: to lead the organization through the change; to prepare the organization for the transition—particularly the directors, because often this is a unique experience for them; and to prepare themselves for their lives post-CEO.

Many longtime CEOs are not prepared for the emotional impact of leaving their organizations and stepping away. "They need to have something compelling they are moving towards, not just a job they are moving away from," Tebbe says.

He also warns that boards sometimes try to hedge their bets on the new CEO by making arrangements to keep the departing executive around in some capacity.

"The best approach is hand off and ride off," Tebbe says. "If there are compelling reasons for involvement by the outgoing CEO, have it be in the control and at the behest of the new executive, not the outgoing CEO or the board."

One succession that happened about 15 years ago sticks out in his mind. Early in the planning, he met with the outgoing CEO who was pounding her fingers into the palm of her other hand and telling Tebbe: "You've got to get my successor in here at least six months before I leave so I can train him. I thought, 'Oh boy, this is going to be good.'"

In the end, the board provided her with a consulting contract, but the new CEO never called her for help.

Another case was an example of how things can go wrong. That outgoing CEO also was given a contract that seemed to have clearly defined his role, but six weeks later "his email signature still said president and CEO, and that didn't sit very well with his successor. This was an indication of his inability to let go of control and get out of his successor's way—so ultimately he had to be ejected from the organization."

Peter Myers, SVP of CUESolutions Silver provider DDJ Myers (*ddjmyers.com*), a Phoenix-based leadership consulting company, says sometimes the CEO transition process is so focused on giving comfort to the outgoing CEO that the needs of the new CEO can be overlooked. To some extent, that's natural, since the board has probably known the outgoing CEO for years and he or she may be the only person they've known in the job, he explains.

However, from a credit union's perspective, the goal of the transition process has to be to ensure the success of the new CEO, Tebbe emphasizes. "Make sure they come into an environment where they can be the CEO, unencumbered, no baggage from the departing executive. Clean up any legacy issues before the new CEO comes in."

To that end, Myers suggests that boards consider restricting a CEO's powers as the transition date nears, to ensure that key decisions aren't taken that could hamstring the new CEO. For example, he recalls one board that had grown unhappy that the credit union was staid and unchanging and, in the period before the CEO's retirement, had offered an incentive for action. So, two weeks before he left, the CEO signed a contract for a new core banking system, without any input from his successor who would be left to roll out this key feature and cope with it for years.

Myers also recommends that a departing CEO give the replacement a written confidential assessment of the executive team and any high-potential people in the organization. While new CEOs will make their own assessments, this advice will provide a lot of information about the culture of the organization and how the outgoing CEO worked.

RARE VALUE IN OVERLAPPING

An academic who has studied corporate governance and CEO transitions offers similar advice.

"It's important when the day comes, the old CEO leaves and the new CEO comes in, with a very clear break," says Anna Danielova, Ph.D., associate professor, finance and business economics, at the DeGroote School of Business (*degroote.mcmaster.ca*), McMaster University in Hamilton, Ontario. "Companies devote a lot of time and effort to ensure there is a clear break and smooth transition because they don't want people to be confused about who is in charge."

She says a study by PwC (*pwc.com*) found that 83% of new CEOs installed by large companies in 2018 were internal promotions, so there was little need for a formal overlap since they had been

> **“The best approach is hand off and ride off.”**
>
> — Don Tebbe

training on the job. In the 17% of the cases where the companies looked outside for a new leader, most were looking to change directions so they also didn’t require a transition period that stressed continuity with the past or current situation.

She noted that in a few cases companies turn to a co-CEO role, perhaps after a merger, but that approach “typically is transitional for a few months or a bit longer.”

Yvonne Evers, founder and CEO of CUES Supplier member SUCCESSIONapp LLC (*successionapp.com*), a Madison, Wisconsin-based company that specializes in succession management, says that when a board hires an outsider as the new CEO, she recommends no overlap with the incumbent.

“I think it is best to have the person retire, or resign, and then have the next person start. I am totally the opposite if you are hiring from within. If you are hiring from within and someone has not had CEO experience, I think it is OK and, in some ways, good to have a bit of overlap, but not more than three months.”

She, too, warns of the danger of current CEOs wanting to retain control during a period of overlap.

“Some people who have been in a position for a long time, who are retiring, think that no one can do the job as well as they can,” she says. “This has been their life, and so a lot of them do think that the next person should spend time with them. But, especially if it’s a person from the outside, that’s not a good idea.”

The reason it’s not a good idea is that it undermines one of the key benefits of a transition: the injecting of new ideas and a new approach into an organization.

“A long period of overlap is never a good idea, no matter the organization, big or small, or whether it’s an internal candidate or an external candidate,” underscores Annette Bester, partner and national credit union leader with MNP LLP (*mnp.ca*), Calgary, Alberta.

“The purpose of any overlap is to allow information to be provided between outgoing and incoming CEO, but really a CEO transition is an opportunity to get a fresh perspective within a credit union. So, if there is too much overlap you might get some opinions transferred that could prevent that fresh perspective.”

The transition can be difficult if the credit union hasn’t gone through one in recent years. Many credit union CEOs who are retiring now have been in their role for as much as 20 years or more. “As the outgoing CEO, it is pretty hard to step back and pull yourself out of that role,” Bester says.

CREDIT UNION CASE STUDY

Doug Jones, CCE, CEO, of $1.3 billion Cornerstone Credit Union (*cornerstonecu.com*) in Yorkton, Saskatchewan, was an internal candidate who got promoted from his role as VP/retail services to the CEO position in October 2017. He had been at the credit union since 2012 and was hired by the CEO he was replacing.

His predecessor did not want a long transition period, but they wound up overlapping for about six weeks, in part because the announcement was moved up earlier than the outgoing CEO had planned on leaving.

Jones says he told the board he preferred a transition period of a few weeks so that his predecessor could focus on completing three quarter-end projects while he got settled in. He didn’t take over the CEO title until the transition was done.

“Creating an environment for a friendly transition helped, because my predecessor was so highly respected by the board, staff and members,” Jones says. “People respected that I took a patient approach. Particularly with the executive team that were my peers who were going to become my team, I wanted to get off to a good start and I think that process helped build trust with them.”

Jones says he used the transition period to ask his predecessor a number of questions and sought advice on dealing with the board. He knew the directors well since, as a member of the executive team, he had been attending board meetings, but he knew the relationship as CEO would be different.

Jones says something his predecessor “found challenging was that this was his credit union and turning it over to someone else was hard. It was emotional for him. However, he cared about the credit union and agreed that in this case, a transition period would be good for everyone.”

“One of the biggest challenges for internal candidates is reshaping their identity with their former peers.”

— Peter Myers

His advice for others moving into the CEO’s chair: “For the person coming in, you got hired as the strategic leader for probably a five- to 10-year period, so be patient, whether the change is a month later doesn’t matter. Be respectful of what impact a good exit for the incumbent can have for everybody, including the team you are going to be managing.”

LONG VIEW OF SUCCESSION

Myers says his firm recommends a six-year timeline for credit unions planning a CEO change—they like to start the process five years before the transition date and then provide advice for a year after the transfer. In contrast, “some organizations think the succession plan consists of hiring an executive recruiter six months out,” he says.

Myers notes that one of the key parts of such a long succession planning process is being able to ensure that the organization’s strategic plan is solid. When they delve into the plan, DDJ Myers often uncovers uncertainty. “What tends to happen is that the vision for the future is not as clear and crystallized as some board members think it is,” he explains.

This means the credit union may not truly understand what it needs in terms of staff capabilities and resources to succeed, including at the CEO level. “How do you know what kind of candidate you need if you don’t have a clear vision?” he says.

He explains the sort of problems the investigation can uncover. “Ask any CEO who has come on board in the past five years, ‘What was the job you were hired to do and how long [was it] before you were actually able to do it?’ Sometimes, it’s a couple of years, because there is so much capacity- and talent-building that needs to be done. That’s part of succession planning, to identify those needs beforehand.”

Myers says a reason boards often feel the need for a longer overlap is that they want to ensure the new CEO can learn about the history, goals and culture of the credit union. But all that information should be in a proper strategic plan. “The strategic plan needs to be substantial enough to actually accomplish that goal in a written form. That way the person coming on board can ask more nuanced questions.”

When speaking to directors at conferences, Myers often asks for a show of hands on how much overlap they feel there should be between CEOs. Typically, 20% will say more than six months; 50% will say three to six months; and most of the rest will vote for less than three months. Only a small minority will suggest basically no overlap.

Most of the time, external candidates themselves want as brief an overlap as possible, perhaps just a get-to-know-you lunch. Myers recommends the credit union provide the new CEO with the robust strategic plan and offer the chance to call the outgoing CEO with questions for three months.

He recalls talking to two CEOs, the incoming and outgoing, about the week they spent together during their CEO transition. “Both said it was the longest week of their professional careers. Neither one felt it was valuable. No knowledge was gained that couldn’t have been acquired in other ways. It was confusing and awkward for both of them.”

UNIQUE TRANSITION TIPS

Bester notest that the close regulation of credit unions and the requirement that processes be documented can be leveraged to make things easier for newcomers to a CEO role in the industry.

“The beauty of credit unions is ... they have very defined processes and procedures. So if you have someone coming into the organization that is trying to understand the processes and procedures, there is documentation available to help facilitate that understanding.”

Myers recommends that board chairs inform the executive team in person about the selection of the new CEO, so they don’t read about it in an email or learn from others.

He also underscores the idea that “one of the biggest challenges for internal candidates is reshaping their identity with their former peers. If that individual builds partnerships with their peers and soon-to-be subordinates, the transition is smoother.”

Art Chamberlain *is a writer based in Campbellford, Ontario, with almost 15 years of experience working with and writing about credit unions.*

MORE ON SUCCESSION

Succession Planning: The Lateral Way to the Top (*cumanagement.com/0220succession*)

Looking Ahead for Successful Succession (*cumanagement.com/0919looking*)

What Has Worked Well With the CEO Succession Process at Truliant FCU? (*cumanagement.com/111519video*)

Gaining Traction in Transition (*cumanagement.com/0916traction*)

Say What?

IT'S NOT ONLY WHAT YOU SAY; IF YOU WANT TO BE HEARD, HOW YOU COMMUNICATE MATTERS TOO.

BY PAMELA MILLS-SENN

An executive was tasked with building a data center. The project was important and time-sensitive, and as a result, the executive led like a general, says Diane DiResta, executive speech coach and founder of DiResta Communications Inc. (*diresta.com*), New York.

"Teams worked around the clock. Some had to stay overnight in hotels," notes DiResta, whose company works with executives and leaders on improving communication skills. "The expectations and standards were high. The project was a success and the executive was hailed as a good leader ... until he went back to day-to-day management, where his authoritative, take-no-prisoners approach no longer worked. People were resentful and didn't like being commanded or micromanaged."

The executive's error was in not altering his way of communicating to fit the audience and the situation, explains DiResta. She recalls another case, this one involving a talented female executive, where a failure to flex her communication style led to problems. This person was advancing rapidly, thanks to her effective leadership of a high-functioning team, says DiResta. But when she ascended to the role of CEO, gaining the board's respect proved difficult.

"Her engaging, effusive style wasn't appropriate in this venue," DiResta explains. "She had to learn how to minimize small talk, change her body language and get to the point. She learned she could use one style with her team and another with the chairman of the board."

It's common for people to adopt a one-style-fits-all approach to communicating with others, says Susanne Biro, master coach and co-founder of Syntrina Leadership LLC, a boutique leadership development firm headquartered in Indianapolis that specializes in working with senior-level leaders and their teams (*syntrinaleadership.com*). Some leaders will say, "That's just the way I am," but this is laziness, Biro says.

"Not flexing your style puts all the onus on the other person, rather than on the speaker as it should be," she says. "To lead effectively, you must understand people—where they are emotionally, what they're focused on and what you need them to understand. ... Connect with them first and then judge how to deliver the message."

LISTEN, QUESTION, ADAPT

Laurie Maddalena, MBA, CPCC, PHR, chief leadership consultant with CUES Supplier member Envision Excellence LLC (*envisionexcellence.net*), a leadership consulting firm headquartered in Laytonsville, Maryland, says "emotionally intelligent leaders" understand the value of flexing how they communicate.

"There are many communication styles leaders use—directive, collaborative, passive, controlling, assertive, aggressive," she explains. "Not all are useful, and some can get in the way of effective leadership. It's important to understand the situation and the other person they're interacting with and adjust their style accordingly."

CUES board of directors member Kim Sponem, president/CEO of $3.7 billion Summit Credit Union (*summitcreditunion.com*), with 654 employees in Cottage Grove, Wisconsin, describes her natural style as collaborative. Sponem has been with Summit CU for 25 years, serving in her current role for 18 of those years.

"I like to get a lot of input as I'm formulating a path forward on an idea or even to get a sense of general direction," she says. "Getting feedback early on, I learn quickly what some of the barriers might be. As more discussions take place and potential approaches come into focus, the stakeholders already recognize much of the near-final product because they had a part in creating it.

"Of course, this approach doesn't work for *every-*

"I find it's important to listen more than I speak to make sure to hear from my team members. … Once the CEO speaks, it's typical that the conversation will end, because subconsciously, no one wants to contradict the CEO."

– Carrie Birkhofer, CPA, CCE

thing," Sponem continues. "When I have a clear understanding of the problem, and I'm committed to what I think is the right solution or decision, I will simply state it and move forward. Decisiveness is important to keeping this moving along."

The key is developing good listening skills and taking a curious approach, asking insightful follow-up questions, she says. CUES member Carrie Birkhofer, CPA, CCE, president/CEO of $1.1 billion Bay Federal Credit Union (*bayfed.com*), agrees. Headquartered in Capitola, California, the CU has 210 mostly full-time employees. Birkhofer joined the credit union over 30 years ago and has acted as CEO and president for nearly 25 years.

"I find it's important to listen more than I speak to make sure to hear from my team members before I provide input," she says. "Once the CEO speaks, it's typical that the conversation will end, because subconsciously, no one wants to contradict the CEO—the title automatically provides authority."

Like Sponem, Birkhofer favors collaboration, with the team providing input and arriving at a conclusion together. They have worked on their communication styles on an ongoing basis, especially now that they're utilizing Zoom conferencing (*zoom.us*).

Birkhofer says she's learned over the years that it's important to be thoughtful with communication. DiResta applauds this mindset. Too many people open their mouths and just assume their message has been received and understood, she says. But checking back, questioning and listening are essential for effective communication and for bringing people on board. Flexing and adapting the way one communicates are equally important communication skills, but some leaders resist this, concerned it might make them seem manipulative or inauthentic.

"When a coaching client objects to flexing their style, I ask them, 'Do you speak the same way to your children as you do to your husband? Do you speak to your husband the same way you speak to the chair?' When you flex your style, you give the other person a gift," DiResta explains. "You're letting them know you see who they are and how they receive information and that you're willing to enter their world. How could that be inauthentic?"

FLEXING STRATEGIES

The typical workday—even conducted remotely—offers myriad opportunities for flexing communication. Consider group or committee meetings. If the purpose is to persuade members to adopt a particular course of action or idea, DiResta suggests connecting first with the individuals comprising the team before making the group presentation. This will enable you to learn their concerns in advance and be better prepared to counter objections.

Sponem sometimes utilizes this tactic. It can be challenging to flex communication in a group situation, she notes, but not everyone in the meeting may be comfortable with her direct style. If she knows this might be off-putting for someone in the group, she'll connect with that individual ahead of time, sharing her intent and desired outcome.

Once in the meeting, Sponem says she'll adapt her approach to encourage responses from all participants. For example, if she observes that one participant tends to hold back or take time to respond, she'll often start off by soliciting feedback from someone in the group who appears ready to jump in, since this can spark ideas, encouraging others to share.

Communication should also vary depending on the type of group, notes DiResta. For example, when presenting to senior management, go easy on the detail.

"They don't want too much backstory," she explains. "Get to the point. Lead with your recommendation and provide support. Executives are focused on results. However, when speaking to a group that will implement a solution, provide details and step-by-step measures and instructions. For sales groups, provide high energy, competition and results."

Flexing communication in a one-on-one situation is often less challenging, since it's easier to identify that person's style and match it, says DiResta. You may be the chatty, friendly sort, but if your counterpart clearly wants to get down to business, forego the small talk. If you're trying to paint a big picture and the person keeps asking questions, he or she is signaling the need for more data.

"You can have the right solution," DiResta says. "But if you don't communicate in the way the other person wants to hear it, the solution may never be accepted."

Communication is affected by the level of trust established between the individuals involved, says Maddalena. Depending on the trust level, it may be effective to adopt a more assertive approach with a superior when sharing an idea or opinion you feel passionately about. Most often, however, a collaborative approach—asking questions and listening to the responses—brings better results, especially when this involves a direct report, she says.

"If an employee isn't meeting performance expectations, a direct approach might be to call a meeting and tell him what he needs to do to improve," Maddalena says. "A direct manager might ask, … 'Why were you late today?' This puts the employee on the defensive and rarely leads to a productive outcome.

"Using the collaborative coaching style, a manager can get better results by asking questions instilling ownership in the employee," she continues. "For example, 'I noticed you've been late four times this month. What's going on?' This opens up space for the employee to enter into a dialogue without having to be defensive."

MORE ON COMMUNICATION

Reading the Room (*cumanagement.com/0720reading*)

What to Do When Communication Styles Clash: Embrace It (*cumanagement.com/0219clash*)

Speak Confidently and Unleash Your Power (*cumanagement.com/0219speak*)

Improving Your Communication (*cumanagement.com/podcast44*)

> **"Not flexing your style puts all the onus on the other person. … To lead effectively, you must understand people—where they are emotionally, what they're focused on and what you need them to understand … Connect with them first and then judge how to deliver the message."**
>
> – Susanne Biro

TAKING CONTROL

Flexing communication is especially important during conflict. Knowing your audience is critical in these situations, says Maddalena. If some individuals tend to respond defensively, getting their perspective and pausing to hear them can help you cool things down and arrive at a better resolution.

It's also helpful to identify your own natural way of showing up, explains Biro. This requires an awareness of what's happening to you internally, how you typically react when you feel that way and the impact of your response in order to effectively handle these encounters. Flexing the way one communicates requires thinking strategically and deliberately, slowing down reactions in order to determine the best way to shape the communication.

Maddalena suggests these tactics to effectively adjust your communication:

- Know your triggers and in what situations you tend to respond negatively. "Having this self-awareness allows you to manage your emotions better," she explains.
- Pause before you respond. Make this a habit, she advises. "There's a difference between responding and reacting; responding is more thoughtful whereas reacting is more emotional. Taking a breath and pausing can give you more perspective before responding emotionally."
- Take a one-hour (or longer) break if things become too heated and the conversation becomes less productive.
- Use questions. "Questions are a very powerful way to bring the other person into the conversation and for him or her to feel heard," she explains. "I love the quote by Stephen Covey: 'First seek to understand, then to be understood.'"

Birkhofer says one trick she uses to slow herself down is waiting six seconds before responding. "This gives you time to think about what the person is communicating to you and how you plan to respond without responding too quickly or defensively."

Bay FCU employees take an assessment test called "True Colors" (*truecolorsintl.com/the-four-color-personalities*) that identifies their particular style. For example, "blue" signals someone more emotional and sensitive, so Birkhofer says she makes sure to acknowledge or inquire about that person's feelings as they begin talking. "Gold" indicates someone who likes to get to the point. Consequently, Birkhofer will be more direct with those individuals.

"The point is, it's important to know your audience, whether it's a group or one person, and appeal to their style of communication to be most effective," she says.

Flexing communication helps leaders lead more effectively—as Sponem discovered many years ago. She recalls meeting with an employee who came to her for help with an issue.

"In the meeting, a very clear option came to me, and I shared it with her, feeling helpful and efficient," Sponem recalls. "I thought it went very well. Later I found out that because I had answered so quickly, she felt I was being dismissive, not willing to take the time to think about the issue.

"I was completely taken aback and revisited with this person," Sponem continues. "This situation helped me get better at reading others and measuring the impact of my communication. It's always worth working on communication skills for ourselves and those around us."

Doing so can also help advance your career, says DiResta.

"Companies have become less hierarchical and more of a matrix or team approach," she explains. "This calls for the ability to influence without authority. And the way to do this is through clear, effective communication and flexing to the situation."

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Employee *Universities*

STAFF AND EXECS ALIKE LEARN THROUGH PARTICIPATION IN THESE INTERNAL EDUCATION PROGRAMS.

BY MAURA KELLER

Traditional universities are known for bringing together a wide array of learning opportunities to offer to their students. In a similar vein, relatively newly minted credit union "employee universities" are embracing new and innovative ways to offer a wide range of learning and development opportunities for employees at all levels. In this article, we take a look at the programs of four larger credit unions.

GRIT AND ENDURANCE

$700 million Ardent Federal Credit Union (*ardent cu.org*), Philadelphia, launched its in-house employee university in January 2018. According to CUES member and Langevin-certified (*langevin.com*) personal trainer Angie Croumbley, LCPT, assistant manager/organizational development, employees are expected to participate and earn at least 12 "Ardent University" credits annually. To promote accountability, this expectation is incorporated into Ardent CU's performance management system. Earning the 12 credits means an employee will get a "meets expectations" review for this goal.

"In addition to regulatory (training) and training focused on job skills, we offer content focused on life skills, such as time management and dealing with stress," Croumbley says. "We also offer professional development sessions with coursework on personal branding, creating team synergy, leadership and business writing."

Ardent University separates courses into two categories. Courses in the "GRIT" ("Get Real Information Today") category earn credits and include such topics as team building, diversity and inspirational leadership. Courses in the "Endurance" category are non-credit sessions geared toward such things as software necessary to perform job duties. For instance, if Ardent CU's core provider completed an upgrade and staff needed to learn a new way to perform a daily task, the CU would hold an endurance session.

In keeping with its company culture, AU offers courses on fun topics, too. This gives staff

> **"Some may not think training is essential during this time (of the pandemic), but we believe it's more important than ever."**
>
> — Angie Croumbley, LCPT

a chance to spend time together and build relationships as a work community. The "Just for Fun" series, a subset of the GRIT courses, have included painting, candle-making and couponing.

"If presented by a guest trainer, we do our best to add additional sessions if interest is high and budget allows for it," Croumbley says. "We try to make the staff 'in charge' of their university experience by putting out surveys on desired content."

Staff members are also encouraged to seek out learning opportunities independently and can take advantage of the CU's tuition reimbursement program ($6,000 annually per employee) to do so. Some of these additional opportunities are free through Ardent CU's partnerships with third parties, such as the Elite Access Virtual Classroom courses that are part of its CUES Unlimited membership (*cues.org/membership/unlimited*). Others may have a registration fee that must be approved by an employee's manager.

"We also allow staff members who prove proficient in a particular topic to present material to organizational development," Croumbley says. "If approved, they can present as a subject matter expert to the staff and receive AU credits."

In early 2019, Ardent CU partnered with another not-for-profit, Litmos (*litmos.com*), San Ramon, California, to provide a learning management system to the CU's staff. According to Croumbley, this allows the organization to track attendance and credits earned, as well as push out content to groups or individuals, create sign-up sheets and provide a place for staff to upload their own content.

While some classes are lunch-and-learns, others are held during regular working hours. The timing is determined by several factors.

"We consider staff coverage, time of year/volume, guest trainers' schedules, etc.," Croumbley says. "The 'Just for Fun' series is always done after work hours and [those sessions] are completely voluntary." Ardent CU staff typically have attended sessions at headquarters in Philadelphia or via GoToTraining (*gotomeeting.com/training*).

As the workplace environment has changed due to COVID-19, so too have the training and "university" experiences at credit unions. For instance, COVID-19 has forced Ardent CU to get more creative and find new ways to engage staff while working from home.

"Some may not think training is essential during this time, but we believe it's more important than ever," Croumbley says. "We need to continue to flex those mental muscles and practice our skills. We believe COVID will show the true value of Ardent University. When this is over and things get back to 'the new normal,' we are confident that staff will have gained important skills that allow them to serve credit union members and one another. During this pandemic, staff have told us they are truly realizing the benefits of learning. This shows Ardent and our staff members have GRIT, and that gives us great pride."

TECHNOLOGY SPANS DISTANCE

CUES member Erica Kemp, AVP/branch strategy at $1 billion Credit Union 1 (*cu1.org*) in Anchorage, Alaska, says her CU has split its training into five different processes that support the needs of the employees and the organization overall: initial training (new hires and teller training), promotion training (generally any position outside of a teller role), product knowledge training, member service training and leadership development.

"There is a lot of individuality to each process and a lot of intentional crossover as well," Kemp says. "Most of our offerings are taught by one of our three instructors. Our senior learning and development specialist trains our supervisors and coaches, and our learning and development manager works with our management team. Some of this is broken up into 10-day training sessions, or it's customized to fit the needs of the departments involved."

Classes are set out for employees in their first year of employment; refresher/advanced training is available for those with more than a year of service. The curriculum of the initial training includes the CU's culture, plus the history of the CU and the larger industry.

"This nine-hour program goes into depth of how we expect staff to become knowledgeable experts who provide exceptional service and how we meet our members where they're at in life by showing empathy, critical thinking and creative thinking," Kemp says.

In 2020, CU 1 launched an improved "supervisor and up" training plan, including "promotion" training to fit the needs of a new role/level and such HR-based classes as "Right People, Right Seats." Employees then move into nine hours of coaching training related to the nine hours of culture training they've already received.

A training needs analysis is conducted for anyone in a supervisor through senior manager role, and a customized training plan is developed. Executing the plan is done via in-house training, e-learning and outside training options. This could even mean having a vendor with expertise in a field conduct the training, Kemp says.

"Finally, all supervisors through senior management are set up in CUES (Learning Portal, *cues.org/clp*) and assigned three mandatory career pathways that are directly tied to their role and tenure to complete each year," she adds. They're also encouraged to utilize the other resources available with their CUES memberships (*cues.org/membership*).

Kemp selected the pathways based on each role: supervisor, assistant manager, manager, senior manager. She also separated the pathways by first year versus second year or more in the role.

"This enables us to customize mandatory and elective training that is specific to the needs of each individual, their roles and their desires for growth. Our supervisors and up are drivers of change and success," she explains. "Therefore, they need to be provided the tools to succeed as coaches, leaders and managers of their areas."

CU 1 also uses technology to support its training efforts—and with good reason, even beyond COVID-19.

"Some of our locations can only be accessed by plane," Kemp says. "Therefore, we rely heavily on Zoom (*zoom.us*) for face-to-face interactions, webcams, cameras in our training rooms and training rooms/offices in our remote branches. Not only do our remote employees get to join training over video conference, we also allow

MORE ON TRAINING

Employee Universities for Credit Unions of All Sizes (*cumanagement.com/0720universities*)

Purposeful Talent Development: Why You Should Still Invest in Talent Development During a Crisis (*cumanagement.com/042720skybox*)

CUES Membership Minute: Digital Learning Resources You Can Access Now (*cumanagement.com/041320skybox*)

Creating a Culture in Which Women Can Learn (*cumanagement.com/0819creating*)

our Anchorage-area employees to join remotely. Ultimately, we want all of our staff to have a consistent and positive training experience."

The online learning platforms are an extension of the technology CU 1 uses daily. The CU's primary learning management system, Travitor (*travitor.com*), allows uploading custom content. CUES and SANS CyberSecurity (*sans.org*) are among the other platforms that supplement the CU's training efforts organization-wide.

TRAINING FOR ASSESSED NEEDS

$6.9 billion ESL Federal Credit Union (*esl.org*) in Rochester, New York, evaluates staff learning needs on an ongoing basis, determines gaps and then develops tools for strengthening those areas.

"We offer courses that allow employees to craft their own development in many ways," says Julie Ahrens, manager of learning and development and administrative support. The course catalog "provides opportunities for all employees … interested in exploring other areas of the organization."

Most content is developed by the learning and development team in-house. However, ESL sometimes works with outside vendors Franklin Covey (*franklincovey.com*), Dale Carnegie (*dalecarnegie.com*) and local consultants to supply content. Collectively, the L&D team holds many certifications to be able to deliver a variety of content to ESL employees.

ESL offers courses on a wide variety of subjects including diversity and inclusion, sexual harassment and discrimination prevention, mentoring, coaching, software skills, emotional intelligence and time management. In addition, ESL provides a robust leadership curriculum to its current and aspiring leaders. The learning and development team offers career coaching services to help employees plan a path towards achieving their career goals.

"All ESL employees are encouraged to participate in learning experiences to expand their knowledge and develop skills," Ahrens says. "We evaluate the most appropriate training modality for every program we develop. Sometimes classroom training makes the most sense. However, we also deliver learning via our online learning platform. We use Adobe Connect (*tinyurl.com/adobeconn*) to deliver online learning, which is separate from our learning management system," Brainier's élan LMS (*brainier.com/elan/lms*), which employees can use to take the initiative for their own development.

PATHWAYS TO SUCCESS

Blackhawk Community Credit Union's training programs are split into two categories, according to CUES member Holly Baumel, director of staff development at the $698 million CU (*bhccu.org*) in Janesville, Wisconsin. Technical and job skills training is covered by the CU's peer training program and begins immediately after initial onboarding. The CU's internal university, called "Pathways to Success," covers personal and professional development, including soft skills and industry topics.

"Every employee in the company is eligible to participate in the program after they have met their 120-day probationary period," Baumel says. "We currently have about 60% of our staff enrolled. The staff is required to complete online training courses throughout the year," which, like the university, is housed in the LMS by BAI (*tinyurl.com/baitraining*).

"Using the same platform for our internal university makes pulling reports and tracking progress easy," Baumel says.

Started in 2017, the university was born from a 2016 survey that revealed the staff was hungry for more training about the industry and the inner workings of Blackhawk Community CU.

"Additionally, as a leadership group, we recognized that many of our frontline staff had the desire to further their careers, but seemed stuck in what steps to take," Baumel says. "Career development was added as an objective in the program. The original program was called 'Learn to Earn' and was presented as part of the CUES Next Top Executive competition (now CUES Emerge, *cuesemerge.com*), which made it to the top five finalists for the 2016 competition (*cumanagement.com/0816tilton*). There were some internal changes that took place later that year and the program was revamped and completed."

The original structure of "Learn to Earn" included the incentive that employees would receive a pay increase with each level completed. The decision to detach the pay increase from the learning and other program changes prompted the new name of "Pathways to Success."

"Our core curriculum focuses on the five different legs of the executive team (CEO, experience, lending, operations and finance). They teach the staff not only what they do but give an inside look on how they make decisions," Baumel says. "It really brings our vision and mission statements to the forefront of every employee's mind and gives them a great compass to follow in their everyday work life."

And because every employee is eligible, a wide variety of electives is offered. "We offer classes on stress management, diversity and inclusion, a deeper dive into e-services and Word & Excel classes. Industry topics like 'The CU Difference' provide a look inside the credit union movement," Baumel says. "This class equips every student with a deep knowledge and history of who we are and why we do what we do."

Based in Minneapolis, **Maura Keller** *frequently covers financial, legal, medical and other topics for regional and national publications.*

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What is at the top of your mind regarding credit unions today?
Board chairs and CEOs are leading from a burning platform. How they respond to defining events has lasting effects. Over recent months, how did you respond cognitively, physically and emotionally to the shutdown, buying and wearing your first mask, #BlackLivesMatter, the unemployment rate, financial markets, video meetings or notifying people that a team member tested positive for COVID-19?

What do you see as recent effective leadership moves?
CEOs and their executive teams are collaborating on staffing, safety and challenging the status quo. Boards have necessarily moved to remote meetings and are learning more about technology. Some teams are moving from crisis response to more thoughtful strategic thinking and planning. Learning from others and building transparency have been major factors in moving through uncertainties.

What is your hope for credit unions?
Commit to not settling for less than the best in your governance. Keep diversity, equity and inclusion alive as a part of your organizational DNA. Move to a board succession process that ensures a diverse candidate pool and a systematic selection and onboarding process. Embody "what" and "why" questions in board dialogue rather than "how" questions, which belong to the CEO.

Why are you in your role, Deedee?
In much of my earlier life, I found myself occasionally lost because I look different than others and was often treated differently. Working in this industry makes me feel comfortable in my skin, yet not so comfortable that I become complacent. Our company was founded on the principles of diversity of mindsets, the inclusion of all, and equity and accountability. The DDJ Myers team is bright, innovative, and at the forefront of the intellectual and practical approach of people dynamics in the market. We organize ourselves to provide masterful support of your pragmatic actions and outcomes.

4 Characteristics *of Influential Leaders*

ENVISIONEXCELLENCE

LEADERSHIP IS A STATE OF BEING, A JOURNEY AND A PRIVILEGE.

BY LAURIE MADDALENA, MBA, CSP, CPCC

My first job after college was as a help desk service representative in an insurance company. I knew it wasn't a position I wanted to be in long-term, but it was a way to get my foot in the door. After working in that position for a few months, I realized that I wanted to work towards a leadership role. It seemed so glamorous—having the authority to make decisions, being in charge of a department and making more money. Setting my sights on leadership seemed like the next best step.

As I moved up the ranks in my career, I realized leadership wasn't about prestige, power, money or authority. It was about service, humility, relationships and influence. In fact, being a leader wasn't as exciting and glamorous as I had expected. It came with a lot of responsibility, a lot of headaches and choices that weren't always easy to make. There were moments of impact and fulfillment, but there were also times of high demands and high stress.

I had the blessing of having a few excellent leaders in my career who modeled great leadership through coaching, developing and mentoring. I also had several bosses who taught me what *not* to do. These leaders were focused on themselves, how much power and control they had and how to expand their turf.

We all know people in leadership roles who are not true leaders. Being promoted and granted a title does not make one a leader. True leadership is a journey, not a destination. Leadership is a state of being, not a role one fills while at work. Leadership is not an appointment; it's a process. You become a leader.

Effective leaders strive for constant improvement to better themselves every day. They strive to impact those around them. They look outside themselves and seek a bigger impact in their organization and perhaps even in the world.

True leadership is about service; it's serving your employees by developing them and helping them reach their highest potential and personal goals. It's serving the organization by contributing your best to achieve the goals. It's serving the membership by having their best interest in mind and helping them achieve their financial dreams.

Most people look at what they will gain when they become a leader, yet very few look at what they can give. Leadership is a privilege and a responsibility.

In my work with executives and managers, I have found several characteristics that influential leaders possess:

1. A dedication to continuous learning. Influential leaders strive to improve every day. They read books and articles, listen to podcasts, and seek to learn more about their industry, as well as how to become a better leader and person. They are self-aware; they understand their strengths and weaknesses, and are not afraid to hire others to fill the gaps.

2. A focus on others. Influential leaders aren't in leadership for themselves, they are there to make an impact on others. They provide clarity, direction, appreciation and support to their employees. They make their employees a priority and invest time and effort into helping each individual reach their peak performance and potential. They are not afraid to provide constructive feedback, for they know it's about facilitating improvement and is in service to the greater good.

3. Emotional intelligence. Influential leaders realize that great leadership isn't just about driving the agenda and getting results. They understand the importance of people, and they are approachable, compassionate, supportive and great listeners. They understand that employees are people who have desires, goals and fears.

4. Create a stable environment. Even in the midst of change and uncertainty, influential leaders foster an environment of stability. They do this by being dependable, honest, trustworthy and respectful. They follow through on their word and possess a high level of integrity. They don't have all the answers, and they are not afraid to admit mistakes.

Certainly effective leaders need to possess some talent, confidence and strategic ability. But what separates the mediocre leaders from the exceptional leaders are the qualities that go beyond technical and strategic mastery. They are skills that cultivate an environment of engagement, trust, loyalty and growth.

The world needs more of these leaders. We need the next generation of leaders to bring change to our credit unions and cultivate true and influential leadership. Being a leader is a privilege and a responsibility, one that should not be taken lightly.

Laurie Maddalena, MBA, CSP, CPCC, *is a certified executive coach, leadership consultant and founder of CUES Supplier member Envision Excellence LLC* (envisionexcellence.net) *in the Washington, D.C., area. Her mission is to create exceptional cultures by teaching leaders how to be exceptional. Contact her at 240.605.7940 or* lmaddalena@envisionexcellence.net.

MORE ON LEADING

NextGen Know-How: Your Employees Need Active Leadership (*cumanagement.com/0620nextgenknowhow*)

Tips for Leading Effectively During Challenging Times. (*cumanagement.com/video042720*)

Find more content by Laurie Maddalena (*cumanagement.com/lmaddalena*)

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CUES Governance Leadership Institute™ *Vancouver 2020 Attendees*

For more than 10 years, CUES Governance Leadership Institute™ (*cues.org/gli)* has helped credit union directors better understand their ever-increasing fiduciary roles and responsibilities. After launching in 2009, it quickly became a vital educational component for credit union board members and executives alike. Attendees who complete CUES Governance Leadership Institute and an in-class reflection assignment become a Certified Credit Union Director (CCD). This prestigious designation honors their outstanding professional development efforts and represents their dedication to the credit union movement. More than 873 industry professionals have earned their CCD, including the following individuals who attended a special session of the program in Vancouver, British Columbia, last February: Darla Ashton, CCD; Michael Atkinson, CCD; Lindsay Babineau, CCD; Catherine Bell, CCD; Sandra Blair, CCD; Jordan Bowness, CCD; Doug Callaghan, CCD; Sylvan Daugert, CCD; Bev Dornan, CCD; Doug Eveneshen, CCD; Jason Gilbert, CCD; Fred Greig, CCD; Gus K. Hartl, CCD; Ariel Haubrich, CCD; Tom Havard, CCD; Daryl Hoey, CCD; Darlene Hyde, CCD; Anita Jensen, CCD; Lyle Johnson, CCD; Mark Jones, CCD; Agnes Kokke, CCD; Kristyn Kolosky, CCD; John Kortam, CCD; Elaine Layman, CCD; Kelly Longley, CCD; Jamie Malthus, CCD; Nola Milum, CCD; Kim Mushynsky, CCD; Howard Normann, CCD; Debra Oakman, CCD; Margaret Poohachoff, CCD; Jeff Shewfelt, CCD; Jessie Sidhu, CCD; Beverly Skinner, CCD; Greg Sol, CCD; Michael Strukoff, CCD; Cheryl Turcotte, CCD; Lee Varseveld, CCD; Cheryl Wallace, CCD; and Bill Wilby, CCD.

Prepare for the New Normal *In Your Card Network*

U.S. credit unions can expect to spend more quality time with their payment network providers in 2020 and beyond. Within this market segment, a disproportionately large number of network agreements will be up for renewal in the coming months. These are long-term contracts, some lasting as long as a decade, that set the terms for the greater part of most community financial institutions' costs and non-interest revenue streams.

The whitepaper, "Preparing for the New Post-Coronavirus Normal in Your Card Network," from CUESolutions provider SRM (*srmcorp.com)*, Memphis, Tennessee, outlines key considerations to understand and review before entering (or extending) a card program agreement:

- an overview of interchange data and dynamics;
- ongoing changes in the payments industry landscape;
- strategies to maximize card programs within a given set of terms; and
- factors unique to each credit union and bank that should play a deciding role.

Download the free resource at *cumanagement.com/cardwhitepaper.*

Online Learning

CUES members can attend all webinars and access playbacks for free. CUES Elite Access™ Virtual Classroom (included with Unlimited and Unlimited+ memberships) offers an innovative take on online education. Learn more at *cues.org/events.*

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Noon Central
Elite Access Live Q&A: Making Simple Shifts to Support Your Professional Development

AUG. 12
Noon Central
Elite Access: Shift Your Brilliance: Lead Differently

SEPT. 10
9 a.m.-3 p.m. Central
CUES Michigan Council Fall Virtual Economic Summit

SEPT. 16-17
Board Liaison Workshop

Bob Child

Title: COO

Company: Origence, a CU Direct Brand

Phone: 833.908.0121

Email: info@origence.com

Website: origence.com

What makes Origence unique?
Origence is the new brand CU Direct launched specifically for our financial institution solutions. It builds on our rich history as a financial technology leader. With Origence, our vision is to create the ultimate origination experience. We are focused on making it easier for members to interact and engage so credit unions can form closer bonds and deliver better loan experiences. Origence provides origination solutions for all loan types that help our clients achieve efficiency, continued growth and better member experiences.

What do your clients love about Origence?
Since our inception as a credit union service organization 25 years ago, we have continually evolved, developing industry-leading products and services to help credit unions win in our challenging marketplace. We have been focused on transforming the lending industry from the very beginning. Today, we serve more than 1,100 financial institutions nationwide, helping originators fund more than $215 billion in loans, a true testament to our clients' support of the company and our solutions.

How does Origence make its credit union clients more successful?
Origence solves for the many pain-points lenders face. We're reimagining the user experience from point-of-sale to closing by streamlining and automating the entire lending journey, connecting lenders and borrowers in new and exciting ways. We're helping credit unions increase efficiency through automation, focusing on cycle time reduction, staff productivity and unified systems. We've introduced an enterprise platform strategy for the future of lending, which provides a single enterprise origination solution for consumer loans, mortgages and indirect lending. As a result, credit unions can facilitate and manage all types of lending—as well as account origination—without the tech sprawl and multiple vendors and integrations that are so common in our industry.

Take Off *Those Blinders!*

BY TERRI HUGHES

It's not easy to face facts that, as leaders, we frequently get in our own way. How often do you do or say things that create results just opposite of what you are trying to achieve?

It's not enough to have good intentions if we're not clear about how we're being perceived. Perhaps surprisingly, most of us are quite unaware of our impacts and continue blindly along our way.

START HERE

It helps to first get clear on what you want to accomplish, and then determine if it's you who's getting in the way of your desired results.

Start by addressing these initial questions:

- What do I want to accomplish for myself and the people around me in the next six months? And what difference would it make if I am successful?
- If I were incredibly successful, what would things look like?
- If I accomplished my goal, what would people know, think, feel, do and believe that they don't today?
- What is challenging me, standing in my way or slowing me down? What's missing?

Once you are clear with the vision you want to achieve, engage a trusted colleague or coach to help you answer the following questions to become self-aware in your leadership approach. Ask yourself:

- Do I know my strengths and areas of opportunity? Would others who work with and around me agree with my assessment?
- Am I clear about my thinking patterns and how I use them in specific situations (like when I'm under pressured or being criticized)? Also, how do my thinking patterns impact others?
- How do my leadership behaviors add to or undermine the results I am trying to achieve?
- Are my actions and words in sync with my intentions? Or am I confusing others because they aren't?
- How would my listening behaviors be described by others?

It's easy to become comfortable with our picture of ourselves. It's not easy to put the mirror up and face that, as leaders, we frequently get in our own way. If we don't periodically test our self-awareness assumptions, we risk overlooking the important impacts we have on others that can undermine results.

Our success is not created by how smart or experienced we are as leaders. Rather, it's created by how self-aware we are and how well we observe ourselves in action that allows us to shift seamlessly along the way.

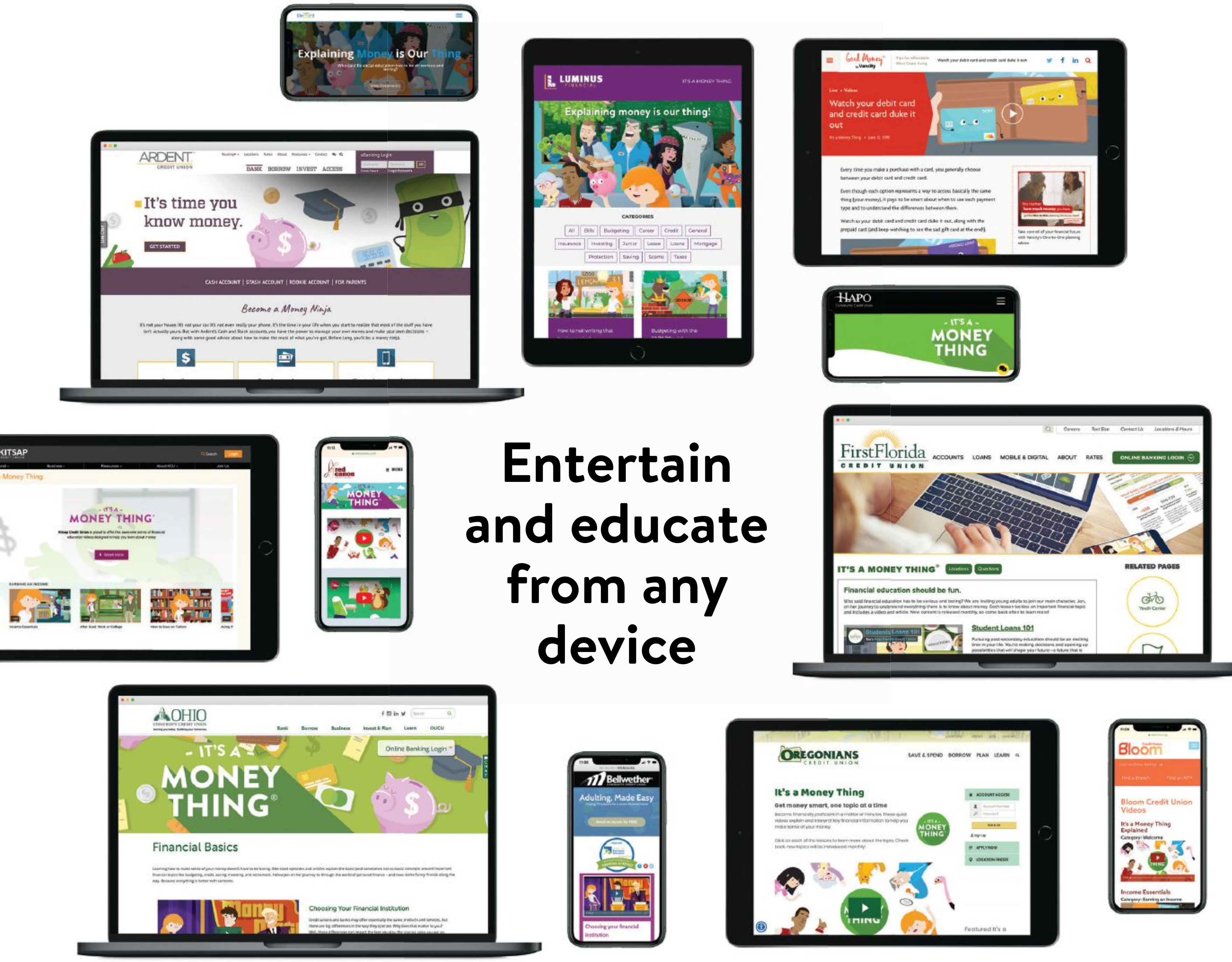
Good news: Becoming self-aware doesn't have to painful and hard. But it does take introspection and being open to feedback from others. Increasing self-awareness can help you create a whole picture of yourself to recognize your most important simple shifts toward greater leadership effectiveness! The best leaders make simple shifts or practical changes for big results.

Terri Hughes (terrihughes.com) *is a results-driven leadership coach and the author of* Simple Shifts: Effective Leadership Changes Everything.

Leave a comment at cumanagement.com/071420skybox.

"We are not immune to bias in our lives, but as we have awareness and a desire to reflect on and expand our experiences, we can better mitigate the impact of bias. Recognizing our biases can move us out of our comfort zone, help provide a clearer direction, and open opportunities to grow and develop."

Jennifer Stangl, director of professional development at CUES, in "Purposeful Talent Development: Bias Can Hold You Back" on CUES Skybox: *cumanagement.com/062920skybox*



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