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Defining *Your Purpose*

How do you define success in your career? That is a question we examined in the latest issue of *Advancing Women*, a quarterly publication that offers inspiration and information for aspiring female credit union executives and those who support them.

The women we spoke to agree that success is highly subjective and that what counts as success will change throughout your life. Ultimately, it is something that only you can answer for yourself.

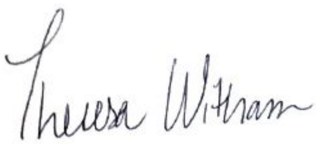
If you feel stuck on your journey, I like this suggestion from Laurie Maddalena, MBA, CPCC, PHR, chief leadership consultant for CUES Supplier member Envision Excellence LLC, Laytonsville, Maryland: "If you don't feel fulfilled, reflect on what's most important to you now. What attributes of another job would be most fulfilling? It may take some time, effort and reflection to discover the path forward."

In each issue of *Advancing Women*, we profile an amazing credit union woman. This month was Aisha Scott, manager/learning and organizational development for MECU Credit Union (*mecu.com*), Baltimore. Her advice is going on my wall: "The easiest way I've come to answer this question of how, is to be a BOSS," says Scott. "Be Outstanding in Something Simple. Find the one thing that gives you joy—and that you do well—and build your craft, your profession and your career around it. When you find that job or position that makes you happy to get up and go to work every day, *that* is your passion. Then, gather as much knowledge around it as you can—there is power in knowledge and being an expert."

Read both articles at *cumanagement.com/advancing-women*, where you will also find a video about finding your voice, a podcast about unconscious habits that can get in the way of career growth, an article about increasing the number of women on boards and more.

If the CEO job is your ultimate career goal—and not because of the title but because you are driven to lead at the highest level—be sure to read the article on p. 24 of this magazine issue. In it we explore the loneliness that often comes with leadership and offer tactics to help.

One more thing to consider on your path to success as a leader and credit union executive is stated nicely in our cover story about artificial intelligence. "For centuries, people have worked to gain business wisdom from studying financial statements. AI can now do that for them. They can pivot to a more human orientation, more about helping people realize their dreams or find stability and less about poring over numbers," says Peter Scott, a futurist and founder of The Next Wave Institute (*nextwaveinstitute.org*), Vancouver Island, British Columbia. Read more starting on p. 10.



Theresa Witham
Managing Editor/Publisher

P.S. CUES stands with those who stand for change. To that end, CUES is making a commitment to help the industry take on the uncomfortable conversations that must happen to truly address the problems of racism and bias humanity faces. Visit *cues.org/dei* for resources to help credit union leaders guide their institutions to a better tomorrow.

LET'S CONNECT

Comments, suggestions and letters can be sent to **theresa@cues.org**.
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YOUR THOUGHTS

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*Kasasa survey conducted online by The Harris Poll among 1,045 U.S. adults ages 18+, March 2020. For more info on the survey, please contact mary@williammills.com.

Be Better Than *Your Bias*

BY RUSSELL EVANS

George Floyd, Philando Castile, Eric Garner. These are some of the names of African American men whose deaths by the hands of law enforcement were captured on video. Horrific events like the ones these men and their families were subject to cause me a great sense of frustration, disappointment, discouragement and reflection that I try to work through, as this article on maintaining professionalism while black articulates very well (*tinyurl.com/y8vjgy3z*).

I feel great sorrow for their families and concern for those raising African American children in this world. I wasn't raised to have prejudice or bias dictate my decision-making, and I live in a community where we embrace our differences. I was raised, however, to know prejudice and bias are everywhere, sometimes in your face like we are seeing on various videos but often lurking behind the scenes that go unnoticed and unchecked in schools, companies, industries, neighborhoods and households.

I was trying to get my arms around why we still see this struggle. I heard a TV pundit mention the role bias plays, and I searched for resources on this topic. A CUES Elite Access course led by Sarah Gibson on unconscious bias really got me thinking (*cues.org/build-leadership-skills-session-1*).

The more I think about where we are as a society, the more I hope we still want to be a nation filled with communities, employers and residents that are diverse, inclusive and respectful of differences. So why aren't we? I think it boils down to unconscious bias, which comes in many types as this article on examples of unconscious bias depicts (*tinyurl.com/ujrx6zq)*.

In Gibson's session, she used Travis Bradberry's definition of unconscious bias as the process we use to sort information quickly based on our knowledge or past experiences. Unconscious bias is not purposeful or deliberate and creates shortcuts in our decision-making and judgments that aren't true. The damage of these biases is elevated when situations escalate, especially when it is held by those with the authority to use deadly force.

Our unconscious biases, or blind spots, can be as dangerous as outright racism because those that are biased often feel there is nothing wrong with their perceptions, beliefs and decisions about others. That's just how "those people" are. We must work to become better than our biases and that is an area each one of us can improve in.

- Remove your unconscious biases towards groups of people and allow your feelings toward each individual you come across to apply to that individual only.
- Remove your unconscious biases toward those who are young or old.
- Remove unconscious biases for those who are brown or white.
- Remove your unconscious biases of those who went to college or those who didn't.
- Remove your unconscious biases of women who often get compared to each other and to men.
- Remove your unconscious biases of those who are urban, suburban or rural.

We are all humans, flawed and striving to become better. African American men especially want to be given the chance to do just that, improve without being prejudged or worse. Allow our behaviors as individuals drive your perception, not your unconscious bias towards a group. We will fall short as a country if we don't start to see our prejudice and biases and stop allowing them to influence our decision-making or treatment towards each other.

That's how you can help, with self-awareness and positive influence! Attack, address and challenge your biases and prejudices and the biases and prejudices of those you know and love. Develop your emotional intelligence, show your vulnerability and embody being inclusive through your actions—not just your words and posts. If you are unsure, ask. If you don't understand, learn from those who do. If someone in your circle lacks perspective or shows bias, engage and educate them respectfully instead of pushing them away because they have an opposing thought. It's probably due to an unconscious bias.

Find those to help you challenge your unconscious bias, and you will see such shortcuts in thinking and snap judgments are often unfounded and not true. These biases continue to be displayed everywhere in our world—in your neighborhood, your workplace, in law enforcement, a sporting event and in the home taught to our children, and that is what frightens me most.

Russell Evans *is CUES VP/sales and member relations—Northeast.*

Diversity, Equity & Inclusion *Resources From CUES*

CUES stands with those who stand for change. To that end, CUES is making a commitment to help the industry take on the uncomfortable conversations that must happen to truly address the problems of racism and bias humanity faces.

This is a pivotal moment. We will be part of the solution, to keep these issues in the forefront, and overcome them. After all, CUES exists to support and strengthen the credit union industry and help improve the lives of those in the communities they serve. As such, we've created a resource page at *cues.org/dei* hosting many tools to help CU leaders guide their institutions to a better tomorrow. These include CUES Elite Access™ Virtual Classroom courses (such as the one Russell Evans writes about, above) that are now open to everyone in the industry regardless of membership status.

Expect more from us in the future, including diversity assessments, and development and educational tools for both individuals and organizations.

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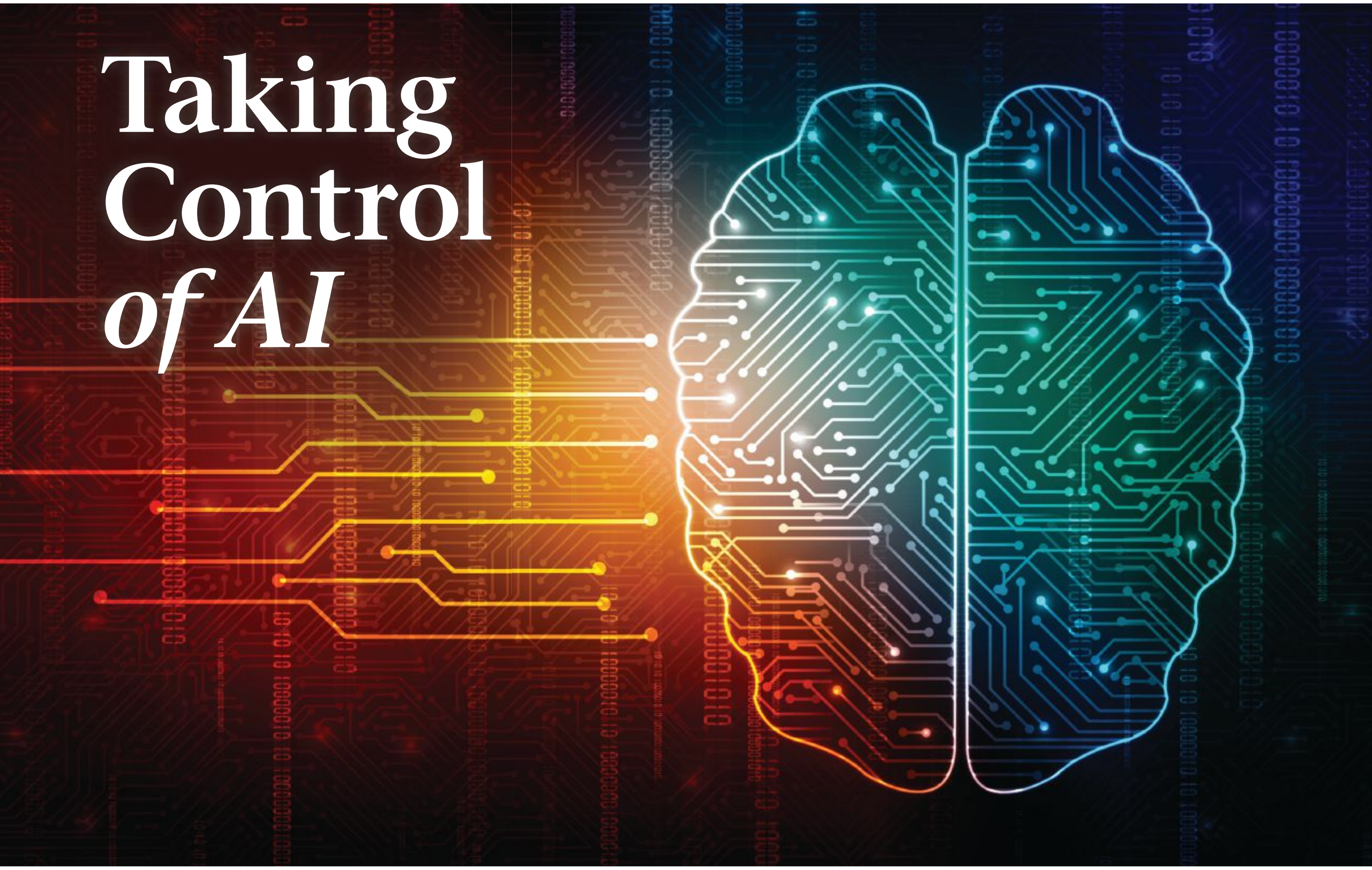


ARTIFICIAL INTELLIGENCE IS HERE. NOW. C-SUITES ARE WORKING TOWARD AN AFFORDABLE, HOLISTIC STRATEGY.

BY RICHARD H. GAMBLE

Futurists speculate about a world driven by artificial intelligence. But is it too soon for practical credit union executives to build a strategy around speculation?

CUES member Sean McNair thinks so.

"We've always had a deep appreciation of what technology can do," says McNair, VP/marketing at $9.7 billion Digital Federal Credit Union (*dcu.org*), Marlborough, Massachusetts. "It's ingrained in our culture. We're primed to be early adopters, so we're alert to AI initiatives and quick to adopt them when it makes sense."

DCU has an AI strategy that consists largely of maximizing the use of tactical AI whenever and wherever it improves productivity, enhances the member experience and is cost-effective, reports McNair.

"We live in the present and need today's benefits," he explains. "We often discuss emerging technologies and where things could be in five to 10 years, but we move forward in step with what's available now. That said, we regularly conduct pilots and test programs for new AI applications, working with our partners in the DCU FinTech Innovation Center (*dcufintech.org*)."

But for now, the CU is fine with tactical AI working in various automation products for various operations, as long as it produces results.

"It all depends on the application and its purpose," McNair explains. "We have AI working broadly in enterprise systems (Adobe Experience Cloud, *adobe.com/experience-cloud.html,* and an enterprise marketing automation system) but also in specialized applications (such as working with Coalesce, *coalesceservices.com,* to build a system to combat synthetic fraud). We just make sure it's working and not duplicative. Our vision is pieces of the best automation technology working together."

DCU doesn't have a C-suite per se, but it has a senior management team composed of the CEO and 14 SVPs and VPs. Meetings are flexible, and issues sometimes are addressed by subgroups, depending on who is affected. "AI and machine learning are central to most of what we do," including but not limited to marketing, compliance, lending, deposit-

> **"Don't take a plunge. Start with a toe in the water, a process that can be automated and then improved."**
>
> — Michael Carter

taking, strategic planning, HR, authentication and mobile, McNair notes, "so they're in many of the conversations."

$1.2 billion Verve, a Credit Union (*vervecu.com*), Oshkosh, Wisconsin, has four chairs in its C-suite—for the CEO, the COO, the CFO and the chief marketing and strategy officer. These leaders meet twice a month.

"We empower our team to bring forth new technology and trends," reports CUES member Karrie Drobnick, chief marketing and strategy officer. "Our investment in AI is part of what fuels Verve and our goal of challenging the status quo."

Drobnick refers to AI as "an element" and "a component" in Verve's strategy, not an end in itself. It doesn't have a designated champion or its own line in the budget, she explains. It's basically an array of high-performing tools from which the credit union can choose the best options for its unique situation. "When it aligns with our goals," she notes. "We're quick to take advantage of it."

DO'S AND DON'TS

While only executives can determine an AI strategy, experts who have studied the issue have some recommendations on where to start. The first thing that has to be clear is the CU's digital strategy and data strategies, says Kirk Kordeleski, CCE, former chief strategy officer for Best Innovation Group (*big-fintech.com*), now executive benefit consultant at OM Financial Group (*om-financial.com*), a CUES Supplier member based in Boston.

"Everything starts with the data," explains Kordeleski, who also previously served as the CEO of a large credit union. "AI and machine learning are tools for getting what you want from the data. You need the data, the skills to manage it, project road maps and a strategy."

Starting with data is the right approach, agrees Zach Hill, CTO of CUES strategic partner Think|Stack (*thinkstack.co*), Baltimore, which advises and provides service to CUs on technology issues.

"Have a plan to consolidate and package your data to make it more actionable," he advises. "Most credit unions are in the early stages of doing that."

Executives also need to make an honest assessment of whether their CU's culture is a good match for AI, Kordeleski points out.

"You need the right people and the right policies," he says. "Not every credit union is ready. The value has to be there because it's an investment that won't necessarily pay off unless you're ready for a pretty drastic change. It has to be a financial decision but strongly supported by the culture. Can you get the rewards in lending, marketing and operations from these tools to justify the investment?"

The big task for the C-suite, Kordeleski says, as they think through and formulate an AI strategy, is resource allocation. If you're frugal, you could fall further behind because artificial intelligence is evolving quickly, he warns. If you're enthusiastic, you could overspend.

"There are many ways to go," he continues. "Some credit unions may not need a comprehensive AI strategy. But what you plan needs to align with what you will spend, or what you can spend needs to determine what you plan."

Most CUs have badly underestimated the time and money it will take to embrace AI, Hill observes. "You can't flip a switch and see results. You have to nurse it like a plant. There are a few easy wins—like using Snowflake (*snowflake.com,* a cloud-based analytics tool) on sales and membership data—but for a strategic move to AI, most are woefully falling short."

Don't be too slow to consider AI strategy, cautions Vladimir Kovacevic, co-founder and managing partner at Inovatec (*inovatec.com*), Burnaby, British Columbia. AI isn't coming; it's here, he says, permeating business processes. Because of this, CU leaders need an AI-first mindset and should make specific business decisions around what will connect to their AI premise. The most immediate opportunities are in risk management and work automation, he notes, with enhanced member experience close behind.

THREE LEVELS

C-level executives need to understand three kinds of automation technology, according to Michael Carter, EVP at CUESolutions provider Strategic Resource Management (*srmcorp.com*), Memphis, a business that interfaces between CUs and the providers of AI technology.

The first is robotic automation, which works well for simple "if this, then that" situations. Each metaphorical "robot" can be coded for different functions to work together and make a process happen automatically, repetitiously, until a human programmer changes the code, he says.

The array of possible applications of robotic automation are still being developed, but the C-suite folks at most CUs probably are familiar with projects to tackle manual, repetitive back-office work routines and look for ways to replace resource-consuming tasks with robots that improve efficiency and quality, Carter says.

Carter thinks C-suites should start small with robotic automation. "Don't take a plunge," he says. "Start with a toe in the water, a process that can be automated and then improved."

He suggests auditing invoices as a place where robotic automation can be effective. "When credit unions audit invoices, it's after the fact, and some invoices are complex, taking as much as two hours for a human to process. They often skip the deep dive and compare the invoice with the prior month or information on a purchase order. If the numbers align, usually they pay it, without comparing the invoice to the contract, which is a dynamic document that probably has triggers that impact the fees paid, like types of services, numbers of users or levels of transactions."

In contrast, AI robot has instant access to the various bits of information that might determine the proper price the CU should

> "You can't flip a switch and see results. You have to nurse it like a plant."
>
> — Zach Hill

pay and can almost instantly produce the right information. It does more than the human would do. For a human, a deep dive is complicated and time-consuming. For a properly programmed robot, it's quick and easy.

The second type of automation technology driven by artificial intelligence is machine learning. Here the tech is programmed to receive and respond to input, like find a second path to the goal if the first path is blocked, Carter says. This tech will also remember that path if the situation recurs. It doesn't replicate the job of a teller cashing a check or a call center agent answering a routine question like robotic automation could do, but rather the job of the person who sets priorities and designs and adjusts the workflow.

Deep learning is the third and most complex and powerful application of AI. The machine can observe and identify correlations between data sets and within processes, Carter explains. Deep learning applications are not given a specific set of criteria like machine learning applications, he says. They are intelligent enough to make deductions and decisions without humans as guides.

TOOL PROVIDERS

The more complex and advanced AI gets, the more CUs are relying on outside experts to help them make it work and let staff focus on the business and member relations side of the operation. Only the very largest are trying to put AI experts on staff, Carter reports.

AI is "deeply mathematical," Kordeleski notes, so it's nothing to build in-house. "You need involvement by data scientists and business analysts with specialized skills"—which raises the critical question of where those skills will come from. CU execs can't rely on mainstream vendors to supply them, he warns.

"Ten years ago, you could count on your vendors to provide a road map and the tools to stay pretty current with the technology," he reports. "Now it's a humongous challenge. The traditional vendors are not up to it." Even so, you should consult with key vendors—such as your core provider—because they are talking to data scientists and business analysts, he adds.

Leaders should also have vendor review initiatives to align their CUs with providers that can most effectively access their data and process it in an AI-friendly way, Hill recommends, and ones that can work well with other vendors to achieve interoperability.

And new vendors are popping up that need to be on the C-suite's radar. Kordeleski cites CUES Supplier member CU Rise Analytics (*cu-rise.com*), Vienna, Virginia, for "amazing, credit union-specific analytics" and Quinte Financial Technologies (*quinteft.com*), New York, for fraud analysis. Sherpa Technologies (*sherpatech.org*), Columbus, Ohio, offers chances for credit unions to participate in "fintech accelerators." Also helpful in the right situations, according to Kordeleski: InfoBuilders (*informationbuilders.com*), New York, which supports business intelligence efforts; CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin, a "full-service analytics provider that uses a cloud-based solution and offers analytics apps and services"; and CUES Supplier member Trellance (*trellance.com*), Tampa, Florida, a "full-service data warehouse platform."

USING WHAT YOU HAVE

As many C-suite leaders look for an AI strategy, managers at progressive credit unions already have tested AI tactics and can bring some experience to the table, Kordeleski says. The deci-

What the C-Suite Should *Know About AI*

The C-suite learning agenda should include three questions about artificial intelligence, according to Vladimir Kovacevic, co-founder and managing partner at Inovatec (*inovatec.com*), Burnaby, British Columbia.

1. **Does your lending infrastructure work with AI?** This is critical, Kovacevic says, because AI can't be bolted onto a legacy system. To properly leverage various services and solutions, a lender needs core systems built to support or embed AI from the ground up. If the answer is no, look to replace and upgrade the legacy infrastructure.
2. **Are current processes and policies precisely documented?** And is there a workflow that's consistently used and followed? If not, fix this. You need that vision to identify what parts of the process can be automated, improved or augmented by AI solutions. Defining your process also makes it possible to build proper business cases and demonstrate the return on specific AI investments.
3. **Is there an in-house AI center of expertise?** Or will a partner be engaged to assess and recommend the appropriate solutions? Jump right into this alongside steps 1 and 2, as it will take time for in-house resources to get trained and up to speed, even to work with an expert partner.

"AI and machine learning are tools for getting what you want from the data."

— Kirk Kordeleski, CCE

sioning process for approving indirect auto loans automatically is a common example.

Automated document indexing and recognition is another activity where CUs are chalking up wins, he adds. "Here AI-powered tools can really shine because they can recognize and adapt to new types of documents without having to constantly update and load forms. AI can learn on the fly how to recognize new types of documents and classify them."

And keep working on the member experience, Carter urges, which doesn't mean just digital, but high-performance digital.

"Most credit unions are converting to digital—digital account openings, loan originations, mortgage underwriting—but just having it doesn't mean it's working well. I bought a house in Memphis recently and did it online but had to input the same information three times. That's back-office inefficiency. AI could have eliminated that. It can expedite processing. That can mean pulling a lot of relevant data from different systems and using it almost instantly to complete a process or make a decision."

OUTLINES OF A VISION

The likes of Citibank and Bank of America have aggressive plans to convert service decisions to AI, but that doesn't mean CUs should plan to do everything the largest players in the market are doing, suggests Peter Scott, a futurist and founder of The Next Wave Institute (*nextwaveinstitute.org*), Vancouver Island, British Columbia. Instead, CUs should implement AI selectively, on a scale appropriate to the institution.

"For loan applications, AI can tell you yes or no and how much and quote a rate, but it can't tell you *why* and how the applicant might change that outcome," he explains. "Here's where the friendliness and accessibility of a credit union can shine."

Scott gets into concepts that may be new to some C-suites. AI can create "digital avatars" that become "co-workers" alongside people in adjoining cubes. In these scenarios, a person and an avatar can work together as a team, he says. He cites innovative work in this area by IPsoft's Amelia (*ipsoft.com/amelia*) and mentions IBM's Watson (*ibm.com/Watson/Products*), Magic Leap's Mica (*tinyurl.com/mlmica*) and Samsung's Neon (*neon.life*).

"Amelia, for example, combines natural language processing, selectable domain-specific knowledge, and on-the-job learning, to make her the 'smart kid in the corner cube' ... who does some of the rote tasks and answers specific questions," Scott elaborates. "More specifically, Amelia can accept a mortgage application, conduct a conversation with the client to refine the responses, and provide team members with recommendations, following instructions for advancing the application or answering questions about its status."

IMPLICATIONS FOR THE C-SUITE

Of course, the elephant in the room is whether AI can replace the people in the C-suite. Scott thinks it's possible because, essentially, a C-suite is a system with functions that can be recognized and automated.

What you have now, Scott explains, is people sitting in meetings pooling their collective intelligence. Corporate staff and business unit leaders talk about what they are seeing, and then the CEO makes a decision based on their input. That's a lot like what AI does, Scott notes, only AI does it faster.

McNair, on the other hand, is not concerned that AI will ever replace executive management. "It will never control decisions," he predicts. "It will take over routines and be programmed to make low-level process decisions, giving management more time to be strategic and creative. It's just a tool for helping people do their jobs better."

But executive team members might consider changing their roles, Scott suggests. "For centuries, people have worked to gain business wisdom from studying financial statements. AI can now do that for them. They can pivot to a more human orientation, more about helping people realize their dreams or find stability and less about poring over numbers."

With that change, the composition of the C-suite also needs to change. "Traditional roles are losing value," Scott notes. "Leadership needs to be re-engineered to complement the role of AI systems." And it will absolutely take a new kind of board, he insists. He recommends reading *The Fifth Discipline* by Peter M. Senge (*tinyurl.com/petermsenge*).

Richard Gamble *writes from Grand Junction, Colorado.*

MORE ON ARTIFICIAL INTELLIGENCE

'Artificial' Intelligence Sounds Scary, But It Isn't (*cumanagement.com/0620scary*)

Inside Marketing: Machine Learning Is the Secret to Personalization (*cumanagement.com/081519insidemarketing*)

Serving Digital Donuts: How Artificial Intelligence Is Changing Member Service (*cumanagement.com/0819donuts*)

Tech Time: 4 Ways AI-Driven Solutions Are Changing the Learning and Development Landscape (*cumanagement.com/0719techtime*)

Testing Fraud *Defenses*

CYBERSECURITY AND CARD FRAUD AUDITS SUPPORT A CULTURE OF PREVENTION AND EARLY DETECTION.

BY KAREN BANKSTON

Just as they regularly convene audits of their financial practices and controls, credit unions should be scrutinizing their cybersecurity and payment fraud systems to ensure that their technology channels and member accounts are safely secured.

By definition, an audit entails an independent examination of an organization's accounts and practices. Applying that term to a review of cybersecurity effectiveness, Sharee English, founder and chief security officer for WECybr (*wecybr.com*), Boise, Idaho, notes that a credit union or managed service provider evaluating its internet security and cyber fraud prevention and detection ability amounts to "auditing how good they are at their jobs. That doesn't work as well as calling in a neutral third party."

As with financial audits and reviews of internal controls, cybersecurity audits "should become part of your everyday vernacular," English says. "Employees shouldn't be alarmed when a … person comes into audit security. It's just an accepted and expected part of doing business."

SECURITY OVER CONVENIENCE

A fundamental message within the scope of auditing cybersecurity is that keeping the credit union safe is not the responsibility of a single person or department.

"It's an 'everybody job,'" English emphasizes. "We have to embrace a culture of security. But security measures can be inconvenient, and in that fight between security and convenience, convenience almost always wins."

In conducting cybersecurity audits, WECybr often finds that procedures aren't followed, typically because those procedures add what employees may view as unnecessary steps or complexity to their everyday tasks. Regular reinforcement through training and drills—during a monthly Security Awareness Day, for example—is one way to drive home why those procedures are so vital.

"It's a matter of housekeeping. Our digital lives can get messy, too," English says. "Credit unions can develop this culture of security awareness and acknowledge that, 'Yes, it's not convenient to have 57 different passwords, but it's important that we as a society embrace security, even when it is inconvenient.' Everyone needs to realize that people are the most significant risks, so educating them and getting them on board is our No. 1 priority."

ALL-IN APPROACH

The most effective cybersecurity oversight monitors layer upon layer of fraud protection by credit unions and their third-party security partners as well as employees and members, suggests Ben

Hayden, manager of risk services for CUES Supplier member SHAZAM (*shazam.net*), Johnston, Iowa.

Credit unions should also develop and maintain a cybersecurity assessment tool as a "living document" that can be continually updated, Hayden says. "That's going to give institutions a little bit more perspective on their information technology controls."

Assessing cybersecurity defenses should involve two primary fronts, recommends Paul Love, chief information security and privacy officer for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California: (1) internal teams identifying and addressing vulnerabilities and monitoring strict adherence to security procedures, and (2) third-party specialists conducting periodic penetration testing. In addition, the organization should maintain ready avenues for staff to report possible weaknesses or glitches in the credit union's defenses.

In many organizations, cybersecurity and fraud teams work separately when they should be more closely integrated, Love cautions. Typically, fraud teams are focused on detecting thefts of personally identifiable information and funds from member accounts. Cybersecurity teams work to protect the institution's information assets and technology systems. But fraudsters don't respect departmental boundaries as they seek to exploit security vulnerabilities.

Despite this obvious link, "a lot of organizations don't have their fraud and security teams talking very closely," Love says. Attackers may take advantage of that divide by exploiting a flaw in website integrity, for example—especially in recent months when so much attention was diverted to the pandemic response.

"If the security team sees something, they can immediately bring in the fraud experts, and the fraud experts can look into whether they're seeing an increase in a particular area," he adds. "By working together, they can get a clearer understanding of what the hackers are trying to achieve."

Bringing together both teams can enhance the view of emerging threats to credit union systems, agrees CO-OP's Director of Fraud Management Ashley Town.

"A lot of times when you're looking at card fraud, you can be so focused on a specific trend and how best to mitigate that, but there's also this other space you might be ignoring," Town says. "Bringing together fraud and cybersecurity efforts really helps to close any gaps."

CARD SECURITY ENHANCEMENTS

Audits of the effectiveness of card fraud measures have become more prevalent with the rollout of new built-in security for EMV and contactless cards, but launching these new cards may also result in system disruptions or gaps that could open the door to hackers, warns Town.

For example, monitoring the match between card numbers and card verification values is a standard fraud prevention tool, but as credit unions are working through updates or upgrades to systems, they may temporarily remove the CVV check step, she notes. "You have to make sure that this step is reinstated—rather than finding that out too late in the game after fraudsters have exploited it."

Another area that merits regular review is staff access to fraud controls and systems. As employees transition to other positions and/or departments, some of that access—especially control to authorize card transactions—should be curtailed, Town advises.

> **"We have to embrace a culture of security. But security measures can be inconvenient, and in that fight between security and convenience, convenience almost always wins."**
>
> – Sharee English

Vigilance in adhering to routine processes and procedures is especially crucial in this "new normal" of the COVID-19 pandemic, as employees adjust to working remotely and members adapt their money management and spending practices. For example, "in these 'hands-off' times, people with contactless cards are looking to take advantage of not needing to swipe or insert their cards when they can just wave it to pay," Town notes.

At the same time, bad actors are working hard to exploit these new cards. Fraud attempts have been reported in Brazil as hackers attempted to slip contactless transactions through portfolios that don't issue chip cards, Town reports. And researchers recently uncovered system flaws that might allow attackers to bypass the U.K. £30 verification limit on contactless Visa cards (*tinyurl.com/yd5qyoqy*).

When it comes to card-not-present transactions, credit unions should regularly revisit their risk tolerances, with a focus on where they may face the greatest potential for financial loss and what types of fraud might have the most significant impact on members.

Card associations have become strong partners with card issuers to prevent and detect fraud and to test fraud prevention systems, Town says. Mastercard recently rolled out a new service called Threat Scan (*tinyurl.com/mcthreatscan*) that sends tests transactions in a live production environment to ferret out vulnerabilities and to see if financial institutions' systems are approving or declining transactions that are obviously risky.

At many credit unions, auditing card fraud systems and procedures will involve a network of internal monitoring, reliance on third-party vendors and association services. "It's most important that the credit union's fraud team has a pulse on what's being put in place on their behalf," she concludes. "They need to know who's doing what across the board for card security."

WHEN PERSONAL AND PROFESSIONAL LIVES INTERSECT

Cybersecurity controls like placing alerts on incoming email that identify them as external communications can help thwart some fraud, but "the best defensive weapon against phishing is training your workforce and testing repeatedly to reinforce that training," Love recommends. "That testing should be non-penalty-based, so that there's no discipline for responding to a phishing test

Get an Early Drop *on the 'Deepfake'*

Among the latest scams to emerge is hackers collecting video and audio from social media and corporate websites to perpetrate "deepfakes." This subterfuge employs artificial intelligence to manipulate a person's image and/or voice in a doctored video or audio clip.

In one case, a CEO's voice was exploited in a phone call to his assistant authorizing a wire transfer, a routine request in that company, says Sharee English, founder and chief security officer for WECybr (*wecybr.com*), Boise, Idaho. But the phone call was a deepfake, and the money was wired into a fraudulent account.

Forrester (*forrester.com*) has forecast that the cost of deepfakes across business sectors could run as high as $250 million in 2020. Though there have been no known cases at financial institutions as of this writing, credit unions can take steps to detect this ruse by stepping up their authentication procedures.

"If a boss calls an employee with a request to conduct an action, the employee can follow up with an email to confirm," English suggests. "Requiring a second form of authentication is not convenient, but without that extra layer of verification, the criminals win."

Another precaution is to incorporate "live detection" as a routine cybersecurity precaution. In video interactions, for example, participants can ask incoming callers to blink on command or move in real time.

In responding to this new fraud vehicle, which is emerging at a time when video conferencing among employees is at an all-time high, credit unions should implement procedures to authenticate individuals via visual and auditory communications, agrees Paul Love, chief information security and privacy officer for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California.

"When caller ID was introduced, everyone considered it a reliable way to identify the caller. What most people didn't know is how easy it can be to fake caller ID," Love says. "In the same way, staff needs to learn to verify orders authorized by video conference," either through a follow-up call to a known number or to a second executive to confirm.

Another tool in combating audio deepfakes may be systems that assess phone and call characteristics, suggests CO-OP's Director of Fraud Management Ashley Town.

"Voice biometrics can be spoofed very easily, so we can look at the biometrics of the phone instead: Where was the phone purchased? What network is the incoming call coming from? Is it coming from Verizon or off Skype?" she notes. "Information like that helps to create a score that can be used to guide security on whether a transaction is suspicious. The official term for that is 'telephony behavioral intelligence.'"

Start staff training now to educate employees about deepfakes as an emerging threat and steps they should take to respond to requests submitted by phone or video conference, Town adds. "If your boss is asking you to go out and buy $10,000 in iTunes gift cards and put them in the mail, that's a suspicious request, so you should be aware and alert."

as long as employees report it. The goal is to reinforce the lesson learned so it doesn't happen again and keep constant communication with employees open."

Phishing campaigns are a persistent threat because they yield results for their perpetrators, English notes. "We've yet to see a single campaign where at least one company didn't get hooked. It only takes one click on a phishing email to download malware."

Hackers are also leveraging social engineering to bolster phishing attacks, scouring people's Facebook and other social media posts to find out personal details that they can use to impersonate employees and members. English shares a real-life example of the corporate network of a large company being infiltrated because two employees on a bowling league inadvertently divulged sensitive information in their social media posts.

"Recognize that if you live your life out loud on social media, you expose not just yourself but your credit union to a hacker's ability to create 'fake yous,'" she cautions.

As an "ethical hacker," English knows how easy it can be to execute these kinds of fraud. Ethical hackers complete training through the EC-Council (*eccouncil.org*) and commit to hacking only with written, legal authorization with the intent of detection and remediation.

Based on her experience "hacking for good," she knows how easy it is for bad actors to snatch the personal information of consumers who take seemingly harmless actions, like using the free Wi-Fi to check their Facebook account while waiting in line at the coffee shop.

"Within a minute of doing that, a hacker can identify your mother's maiden name, your Social Security number and your last five known addresses. It's scary," she warns. In addition to gleaning information from your profile, gaining access to one account is often a stepping stone for hackers to break into other accounts. "People don't realize how easy it is to access confidential information, and the only way we can help them is to educate them."

STAYING AHEAD OF FRAUD IN THE COVID ERA

From a cybersecurity standpoint, the COVID-19 pandemic created new vulnerabilities with people working from home for the first time, English says. The transition to remote work happened quickly for many employees, without a lot of time for security training.

"One of the most insecure aspects of working from home is the Wi-Fi network," she notes. "The equipment typically comes preconfigured with a password, and most people just plug it in, turn it on and don't do anything else."

Employees working from home should be required to change their home Wi-Fi passwords to conform with the credit union's policy for more robust password protection, she says. And they should be regularly reminded not to use public Wi-Fi when conducting credit union business.

The shift to remote work during the pandemic has uncovered new vulnerabilities, Hayden agrees. "People feel a little bit safer in their house. They're not as likely to lock their screen or keyboard when they walk away. They tend to forget that the bad guys are still out there working away trying to steal money."

The myriad COVID-themed phishing schemes that have popped up underscore the need for member education, he adds.

It's difficult for a credit union to monitor every transaction on its own, so guiding members on how to spot potential fraud on their accounts and report suspicious transactions adds a quick and effective component to cybersecurity efforts.

BIG-PICTURE VIEW

A solid threat intelligence service or network can help keep credit unions informed about evolving fraud attempts at other financial institutions, Love says. For example, some banks have reported infiltrations by hackers monitoring how their organizations communicate and who communicates with whom within and across departments—with the apparent aim of impersonating executives through compromised business emails. Their goal might be to authorize fraudulent money transfers or discover ways to bypass controls.

Compliance and IT managers assigned the responsibilities of overseeing cybersecurity and fraud audits, both internal and external, should coordinate those efforts to ensure that they cover all the bases, Hayden recommends. That can include regularly reviewing advisories from the Financial Crimes Enforcement Network (*fincen.gov*), for example, to ensure your team is aware of such reported attacks and the tactics used.

"As a former compliance officer for a financial institution, I certainly feel the squeeze that a lot of compliance departments do," he says. "That's pushed us to think of cybersecurity and IT audits as a check in the box. We shouldn't think of them that way. Decades ago, credit unions worried about robberies where they might lose the cash in one or two teller drawers. These days, they could be out tens, even hundreds of thousands of dollars in just a couple days, so they need to focus on their cybersecurity programs."

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

5 Not-So-Technical Practices *to Make Your CU More Secure*

Cybercrime is an insidious threat, but credit unions can do "five little things" to significantly enhance their security, recommends Sharee English, founder and chief security officer of WECybr (*wecybr.com*), Boise, Idaho.

1. **Update software on all devices.** Remind employees to authorize updates on smartphones, tablets and laptops whenever providers send them out. "Almost every update has a security patch in it. Providers find security flaws in every piece of software every day," English notes.
2. **Implement password management software.** Simple passwords are extremely easy to crack: With password-cracking systems, hackers can identify them in three to five seconds, she warns. If more complex passwords extend that time to minutes rather than seconds, hackers are more likely to move on rather than risk detection.
3. **Connect through a VPN.** Caution staff never to use public Wi-Fi networks, and encourage them to use virtual private networks even in their personal interactions. "Every one of my friends and family members is on a VPN because it encrypts their traffic," English says. "It hides your IP address and your location services, and it makes you significantly more invisible online."
4. **Train, retrain and train again.** Even 10-minute sessions every other week can help keep cybersecurity top of mind and inform staff of new threats. Training tools like interactive videos, escape room-style team competitions and other forms of gamification enhance engagement and retention, she suggests.
5. **Consider a corporate social media policy.** Discouraging employees from posting personal details online can protect them and the credit union.

"We need to get our digital lives together—together," English concludes. "People think cybersecurity is so technical. It's really not. It can be a little tedious and inconvenient, but we can do it, and we need to do it together."

MORE ON FRAUD

Tech Time: Keep Pace With Evolving Fraud Detection (*cumanagement.com/0620techtime*)

How Fraudsters Are Adapting to the 'New Normal' (*cumanagement.com/0620fraudsters*)

Webinar: Cybersecurity—It's an Everybody Thing (*cues.org/0320cybersecurity*)

Special Report: Fraud Prevention (*cumanagement.com/0420fraudsr*)

Q&A: Safely Sharing Fraud-Related Information (*cumanagement.com/0420fraudqa*)

The State *of ATMs*

AUTOMATED TELLER MACHINES ARE AN INTEGRAL COMPONENT OF THE TRANSFORMATIONS OCCURRING AT MANY CREDIT UNIONS.

BY DIANE FRANKLIN

More than half a century has passed since the first automated teller machines took the financial world by storm. Now ATMs are everywhere—at grocery stores, gas stations, shopping centers, office buildings, sports arenas and, of course, at banks and credit unions. There are over 3.5 million ATMs worldwide and more than a half-million in the U.S. alone (*tinyurl.com/ychlmmlc*). And the functionality of ATMs continues to broaden, ensuring their place as an important channel for credit unions.

"The ATM has evolved from being a simple cash-fulfillment device to a self-service banking hub, providing additional transactions and banking services," says Adam Crighton, SVP/general manager of Digital First Self-Service Banking for NCR (*ncr.com*), headquartered in Atlanta. "Video banking with a remote teller, new biometric authentication technology, contactless card-based transactions and mobile transaction pre-staging (e.g., queuing up a cash withdrawal via mobile app before arriving at the ATM) are some of the latest capabilities that add value and help financial institutions ensure consumers can access a wide range of transactions where and when they choose, 24/7."

Many credit unions are expanding their ATM capabilities as part of their branch transformation strategies, reports Terry Pierce, director of ATM product management at CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California, a payment and technology provider for the credit union industry with a network of 30,000 ATMs.

"Credit unions have made ATMs one of the key touchpoints for reaching out to members," Pierce says. "We have seen trends in which credit unions are migrating routine transactions to self-service options, freeing up staff to address more complex transactions that require one-on-one interactions with members, such as opening new accounts, cross-selling products and services, and taking on a financial advisory role. ATM check-imaging capabilities were particularly critical when members started depositing their CARES relief checks (*tinyurl.com/usdotcares*)."

The ability for credit union branches to take on a financial advisory role is facilitated by members' comfort level with self-serve digital options. "Members want to interact physically but transact digitally," says Simon Powley, head of global advisory consultant services for banking solutions provider Diebold Nixdorf (*dieboldnixdorf.com*), North Canton, Ohio. "They're looking for branches to help them with complicated products and services or problem resolution, but they're increasingly turning to digital channels such as ATMs to meet their transaction needs. Certainly the COVID-19 pandemic has become an escalation point for that to continue."

Over the years, ATMs have evolved to meet the changing needs of consumers, Powley adds. "We see ATMs as a core channel that has proven itself. They are no longer just simple cash-and-dash devices. The way we've seen them evolve is in their ability to leverage different technologies and complement other channels, whether that be the branch channel, mobile or internet. They are a strategic touchpoint—and today, they're a key digital lifeline to the credit union."

ATM EVOLUTION

ATMs have come a long way from the rudimentary functionality of the original OS/2 operating system, says Jorge Fernandez, chief development and marketing officer for Paramount Management Group (*paramountmgp.com*), Lancaster, Pennsylvania, and its subsidiary, Sharenet (*sharenetatm.com*), a Jacksonville, Florida, company that has pioneered unique ATM solutions for credit unions. Fernandez notes that the migration to the Windows operating system was a turning point for ATMs, which have become more functional and versatile in recent years.

"Within the past five years or so, what we have been focusing on most strongly has been deposit automation," Fernandez says, noting that ATMs are now able to capture check images and count cash automatically—even mixed in the same deposit—and update balances without human intervention. "Deposit automation already had the wind in its sails, but because of COVID-19, I believe you'll see an even greater push toward taking transactions out of the hands of humans and pushing them toward technology. The challenge for credit unions will be how do you automate to make your operations more efficient without losing your niche, which is your personal relationship with your members."

Fernandez suggests that CUs can maintain their personal connection by reassigning frontline employees to more meaningful interactions. "Employees who used to do deposits can now be repurposed as a sales team selling the credit union's products and services, and the more mundane transactions can be pushed to a financial kiosk that also happens to be an ATM."

Another way for CUs to maintain the personal touch is through video tellers. Fernandez notes that there is an overlap between ATMs and ITMs—interactive teller machines. "Some vendors sell you a separate ITM as a remote teller solution, whereas others are building it right into the ATM itself," he reports.

The versatility of Windows technology has greatly broadened the capabilities of ATMs, sometimes in surprising ways. "Consumers today expect ATMs to do a lot more than cash withdrawals," says Pierce. "Over the last 50 years, we've seen ATMs expand from withdrawals, balance inquiries, deposits and transfers. Consumers can now use them to make loan payments, access multiple checking or savings accounts, or do stamp purchases. ... There are also ATMs out there that dispense tickets, sell Bitcoin or accept charitable contributions. There's even an ATM that does cupcake dispensing (*tinyurl.com/sprinklesatms*). Those are the types of things that self-service automation is capable of doing. We're seeing a lot more features and functionalities, which are sometimes non-traditional, to meet consumer expectations."

Though ATM capabilities have broadened considerably, Powley notes that they continue to be a workhorse for withdrawals and deposits. Diebold Nixdorf has introduced two functionalities to make withdrawal and deposit options more versatile: cash recycling and enhanced denomination selection. "These two features complement each other very well," Powley says.

Cash recycling turns ATMs into a "cash-in, cash-out" system. Consumers and small business owners replenish the cash in the machines with their deposits for others to withdraw, thus reducing cash handling costs for the financial institution.

"This makes ATMs much easier to operate inside the credit union," Powley reports. "There are fewer people who need to touch cash or spend time on cash-related activities. The workforce can become more efficient as they are able to refocus on the members in an advisory role."

Enhanced denomination selection allows consumers to deposit and withdraw a greater array of bills. Powley explains that ATMs traditionally have had just one or two cassettes, loaded with $20s and perhaps $10s.

> **"The ATM has evolved from being a simple cash-fulfillment device to a self-service banking hub."**
>
> – Adam Crighton

"What we are offering now in functionality with our new DN Series (*tinyurl.com/dieboldnixdorfdn*) is five cassettes or more that can hold different denominations," Powley reports. "So you might have ones, fives, tens, twenties, one hundreds—whatever the financial institution wants to use and whatever the member base demands or expects the ATM to deliver."

In the longer term, NCR anticipates a paradigm shift in ATM architecture. Crighton reports that the company is taking a leadership role in an industry-wide initiative to redefine the legacy ATM as part of the ATM Industry Association's Next Generation consortium (*tinyurl.com/atmiaconsortium*) "Built upon and incorporating web-based, APIs, tools and processes, the new architecture will enable banks to create and deploy new transactions faster than ever before, and allow them to better manage, run and operate the channel," he says.

A MOBILE CONNECTION

Another important development in the ATM universe is integration with mobile technology. "The mobile phone will increasingly become the starting point for transactions," says Crighton, explaining that consumers will pre-stage transactions using their mobile devices, then withdraw cash or deposit checks using QR (quick response) code or NFC (near field communication, such as used with contactless cards) technologies.

"We also see greater interest in alternative forms of authentication," adds Crighton. He notes that NCR is exploring such technologies as facial recognition and palm or fingerprint identification. "These methods will evolve as banks and consumers look for faster, easier and more secure alternatives to the traditional card and PIN entry."

Pierce sees cardless technology as part of a trend at credit unions to become mobile-driven. "I think we're going to see NFC and contactless access continue to grow in the credit union space, either with members using their mobile phone or a contactless card, like tap-and-go," she says.

The appeal of pre-staged transactions has become more pronounced during the COVID-19 pandemic because they keep interaction with public surfaces such as touchscreens and PIN pads to a minimum.

"In this age of COVID, members are most comfortable with their own devices," Powley says. "They can clean them and keep them close to them, and nobody leaves home without their smartphone these days, so we expect to see a lot more of that functionality going forward."

Based in Missouri, **Diane Franklin** *is a longtime contributor to* Credit Union Management *magazine.*

MORE ON ATMs

Safe Use of ATMs Amid COVID-19 Concerns (*cumanagement.com/0620safe*)

What About Our Physical Locations While COVID Requires 'Social Distancing'? (*cumanagement.com/0320physical*)

A Look at the Impact of COVID-19 on Member Transactions During April (*cumanagement.com/0420transactions*)

Facility Solutions: Keeping Sane While Sanitizing (*cumanagement.com/0320facilitysolutions*)

What's Coming For ATMs? (*cumanagement.com/1118atms*)

The State *of Cash*

When Mark Twain heard speculation about his supposed death in 1897, the very much alive humorist proclaimed reports of his demise to be "an exaggeration." More than 120 years later, the death of cash has likewise been exaggerated. Cash is still with us, and if the activity at ATMs is any indication, it will continue to be with us for the foreseeable future.

One recent indicator of the regard that consumers have for cash was the uptick in ATM activity that coincided with the COVID-19 outbreak in the U.S. From March 11 to March 18, dollar banknotes in circulation rose from 1.809 trillion to 1.843 trillion, an increase of 1.92%. This was the largest boost since December 1999, when banknotes in circulation rose 3.78% amid Y2K fears (*tinyurl.com/ybs4ktnd*).

While the pandemic precipitated a larger-than-usual increase, cash in circulation has been on an upward trajectory for decades, according to data from the Federal Reserve Bank of St. Louis (*tinyurl.com/y779bdwh*). "If you look at it on a five- or 10-year basis, there's always more cash in circulation, which means that people are still wanting access to cash," observes Jorge Fernandez, chief development and marketing officer of Paramount Management Group (*paramountmgp.com*), Lancaster, Pennsylvania, and its subsidiary, Sharenet (*sharenetatm.com*), Jacksonville, Florida. "It's been proven … that, regardless of what forms of payment are available, there is always a need for cash. Every time, there's a national disaster, people rush not towards gold but toward cash. Cash is universally accepted. It is resilient. In times of uncertainty, the first thing people do is grab what is secure."

The continuing viability of cash helps assure that the unbanked and underbanked are able to participate in local economies. These consumers' access to cash has been bolstered by a wave of legislation that prohibits businesses from going cashless (*tinyurl.com/y7yejj6u*).

"We've seen this trend occurring with local and state governments saying, 'No, Mr. Merchant, you cannot refuse to accept cash," says Fernandez. "Various jurisdictions—San Francisco, New York City and the state of New Jersey among them—have passed regulations saying that businesses have to accept cash if a consumer wants to use it."

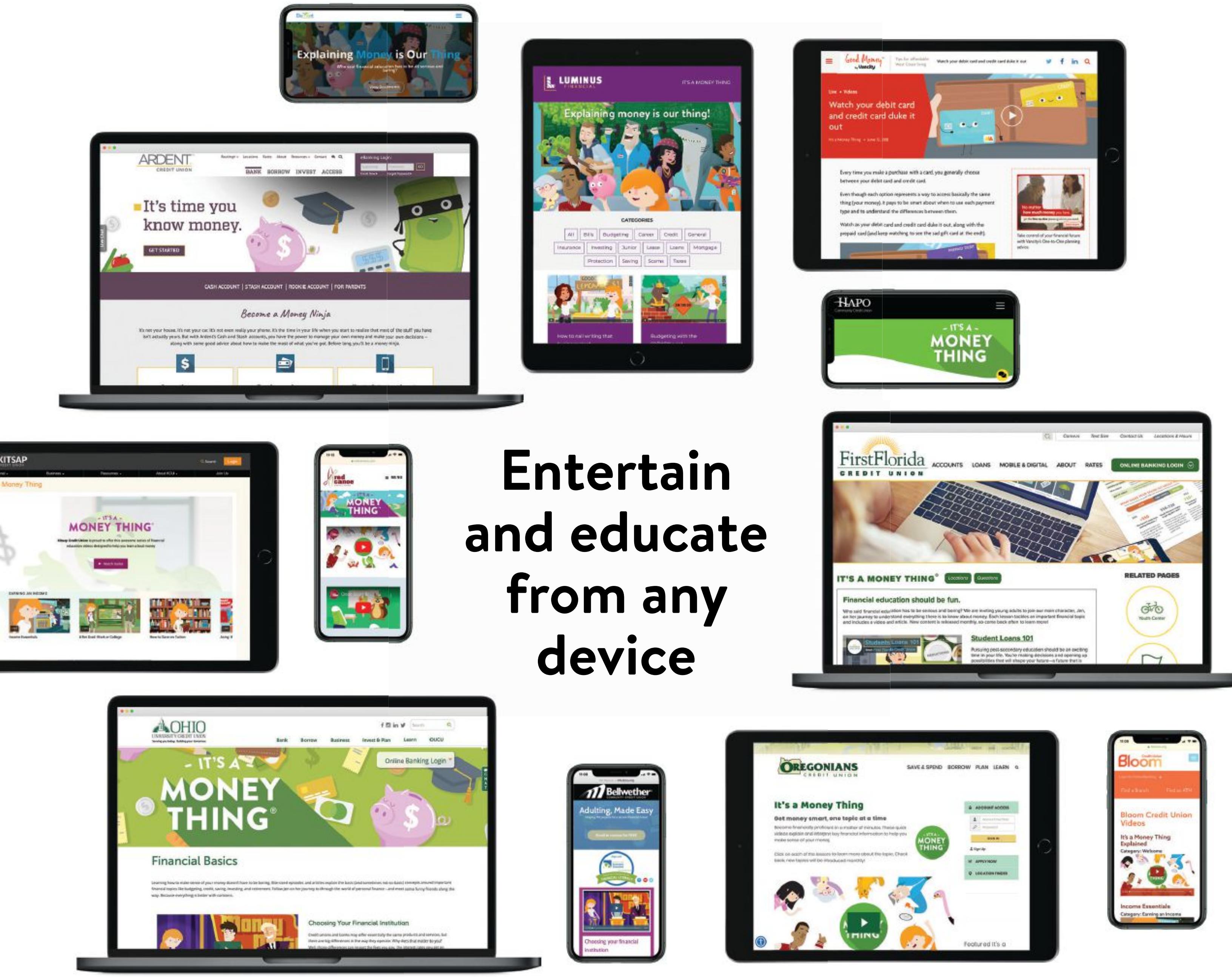
ATM activity reflects the appeal of cash. "We initially saw a surge of cash withdrawals with the onset of COVID-19, as consumers felt cash was tangible, and they wanted to have it in their hands," says Terry Pierce, director of ATM product management for CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California. "However, cash withdrawals decreased in April, and we are now starting to see it normalize."

The initial surge in ATM transactions likely occurred because people worried that COVID-19 would cause a disruption in the banking community, reports Simon Powley, head of global advisory consultant services for Diebold Nixdorf, (*dieboldnixdorf.com*), North Canton, Ohio. "There was something of a … run on cash as people wanted to assure those resources were available to them," Powley says. "As businesses shuttered, we saw a decrease in ATM withdrawals somewhere between 20% to 40%. Interestingly, the deposit volume decreased at only about half the rate of ATM withdrawals—10% to 20%—indicating that consumers still see ATMs as a viable channel for making deposits in the current environment."

Even before COVID-19, ATM usage had shifted toward fewer transactions but larger withdrawals. "For quite some time now, we've been seeing from a volume perspective—and this came out in the Fed's study of wealth—that the number of transactions at the ATM has decreased, but the dollar volume on the average transaction increased," says Pierce.

According to the 2019 Federal Reserve Payments Study (*tinyurl.com/y7mebmf5*), the number of ATM cash withdrawals was 5.1 billion in 2018, a slight decline of 0.1 billion from 2015, but the average value of ATM cash withdrawals rose to $156 in 2018, an increase from $146 in 2015. Overall, the value of ATM withdrawals grew to $0.8 trillion, an increase of $0.03 trillion from 2015.

Thus, ATMs remain—as Diebold Nixdorf calls them—a "critical on- and off-ramp" for cash in circulation. "We certainly don't anticipate a shift away from cash," says Powley. "The impact and importance of cash is widely recognized, not only to ensure that those who are underbanked still have access to funds, but also for the needs of society in general."



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Optimizing Performance *in Crisis Mode*

CREDIT UNIONS NEED TO STEP UP DIGITAL DELIVERY AND BE DRIVEN BY DATA.

BY RYAN MYERS

In response to the COVID-19 pandemic, credit union leaders have shuffled their operations, reassigned and relocated staff, and taken a hard look at their strategic priorities. Some goals have moved down a few notches, while others have been elevated to accommodate shifting priorities.

Financial cooperatives that committed to developing mobile and online access before the pandemic had a much smoother transition to social-distancing delivery than those that continue to rely primarily on traditional banking channels. Especially for credit unions that have not made big strides in digital channel functionality, this current crisis has underscored an urgent need to embrace performance optimization.

WORK SMARTER, FASTER

As credit unions respond to the heightened need to deliver a superior digital experience to members, two initiatives are key: solid, data-driven management and significant investments in virtual delivery.

By gathering the raw data generated across operational units and deploying it in real time to front-line staff and executives, credit unions can ratchet up efficiencies, speed up turnaround times, improve the member experience and, ultimately, grow their businesses. In essence, they can become smarter credit unions.

Consider, for example, the impact of skyrocketing call volumes in the contact center as a result of the pandemic. A well-run organization has real-time reporting on call volume, call types, answer times, handle times, etc., enabling leaders to quickly evaluate resource needs. Accurate and easily accessible data can provide such valuable information as:

- the number of phone agents needed to achieve target service levels for inbound calls,
- the impact to service level targets when updating options within the interactive voice response system,
- the cost savings from only assigning less experienced, temporary phone agents to the least complicated calls through skills-based routing, and
- the number of experienced phone agents needed to handle phone-based loan applications while maintaining average hold times of two minutes or less.

A tough economic situation exacerbates the negative impact of outdated systems, outmoded processes and low-traffic, high-cost delivery channels. Now is a critical time for managers to be monitoring their operations and staff workloads in search of systems and procedures that can be streamlined, automated and updated with more advanced technology. They should be inviting employees—the people who know firsthand where wasted or duplicative effort leads to unnecessary costs—to suggest improvements. Every dollar saved by improving efficiency can be redirected into delivery channels and business lines that need to be accelerated.

While emergency or even recovery mode is not typically the best time to be diving into a major rethinking of how business gets done, the pandemic has made it mandatory for credit unions to commit to identifying and correcting inefficiencies under an accelerated timeline.

Credit unions that are not continually looking for ways to reduce needless spending may not be around for better times. On the flip side, there is a tremendous amount of long-term opportunity because of the upheaval for credit unions willing to embrace it.

CAPITALIZE ON NEW CAPACITY

The pandemic reset channel affinities for many members. Stay-at-home orders steered branch regulars to mobile and online channels—some of them for the first time. Quite possibly, many members are so pleased to discover the ease and convenience of remote delivery that they won't be stopping by their favorite branches on a routine basis when regular operations resume.

> **"Now is the time for credit union leaders to identify initiatives that can go on the back burner to free up capacity for critical projects to effectively elevate digital strategies and optimize operations."**

One credit union executive related this member service delivery story from the early days of the pandemic shutdown:

An elderly member who drove to his neighborhood branch every week to check his account balances was met in the parking lot by a team member wearing a mask and gloves. Through the car window, the service representative helped the member download the credit union's mobile app onto his digital device and showed him how to check his balance and make other routine transactions. The member was delighted to find out how easy remote access could be and mentioned that he will likely log in from home going forward.

If the COVID-19 crisis permanently drives down branch traffic, it will only accelerate a trend that is already well documented. Credit unions need to improve remote channel competencies—not just to deliver on members' transactional service expectations, but also to drive growth through digital interactions. Honing their mobile and online marketing acumen has become a priority for organizations leading the digital revolution.

MORE ON THE CAPACITY CHALLENGE

Credit unions must address two additional capacity challenges as they aim to step up operating performance in these uncertain times:

Development bandwidth. Delivering a robust range of services to members as a friction-free experience will require significant time and resources. The technology needs to be identified and related processes revamped with system implementation. It is up to executive leadership to be picky about which projects are prioritized to ensure critical efforts are not hampered by internal resource bottlenecks.

Online application backlogs. Burdened by double or triple their normal online application volumes over the last few months, credit unions that funnel electronic loan and account applications for manual processing behind the scenes have likely been forced to extend response times and do their best to calm frantic members. While high demand for loans, new deposit accounts, and debit and credit cards is a good problem to have, demand will dissipate if the credit union can't quickly turn around applications and fund accounts. Smart credit unions will optimize their servicing performance through technology and by eliminating dated policies rather than ramping up hiring or staff redeployment.

NO TIME LIKE THE PRESENT

The degree to which credit unions exhibited performance optimization before and during the pandemic varies widely. Organizations with strong digital capabilities and technology-enabled workflows in place have weathered the crisis well. Others, operating with woefully inadequate remote delivery capabilities, were forced to implement stopgap measures or, in worst-case scenarios, simply sent employees home without work to do.

This crisis has trained a spotlight on credit unions' priorities. It has tested the limits of their mobile and online channels, their ability to mobilize a remote workforce, and their capacity to sustain service levels without throwing bodies at inefficient processes.

The virtual delivery call to action is stronger than ever. As we move into the second half of 2020, resources will continue to be spread thin, and any credit union that is coming up short on reliable technology and operational data now can expect to come up short on meeting members' expectations for virtual delivery.

Now is the time for credit union leaders to work hard to identify initiatives that can go on the back burner to free up capacity for critical projects that effectively elevate digital strategies and optimize operations. Organizations that set the stage to make ambitious progress over the next 12 months will be better prepared to adapt to future uncertainties and execute well in the new normal.

Ryan Myers *is a director with CUES Supplier member and strategic provider Cornerstone Advisors* (crnrstone.com)*, Scottsdale, Arizona.*

MORE ON PERFORMANCE

Pushing Performance (*cumanagement.com/0517performance*)

False: If a Credit Union Is Performing Well, the Board Must Be Doing a Good Job—Unlimited+ video (*cumanagement.com/video030220*)

The Culture-Performance Link (*cumanagement.com/1118culture*)

Cornerstone Advisors (*cues.org/cornerstone*)

Is Anybody *Out There?*

CONNECTION AND SUPPORT ARE ESSENTIAL FOR COMBATING THE LONELINESS THAT OFTEN COMES WITH LEADERSHIP.

BY PAMELA MILLS-SENN

It may be a cliché, but that doesn't make it any less true: It *is* lonely at the top. A sense of isolation isn't just an issue for newly ascendant CEOs whose relationships with their pre-promotion peers have changed. Longtime executives without a network of supportive colleagues or unable to stay connected to those they are tasked with leading face this challenge as well.

An advancement that puts someone in charge of his or her former "equals" can spark an array of interpersonal challenges, says Susanne Biro, master coach and co-founder of Syntrina Leadership LLC (*syntrinaleadership.com*), Indianapolis, a boutique leadership development firm specializing in working with senior-level leaders and their teams. Perhaps a former peer (or even several) coveted the position, Biro posits, causing resentment, disappointment and jealously towards the one chosen—emotions that can undermine support for the new leader. Or they might have wanted another person to receive the promotion, resulting in the same problematic attitudes. Trying to keep things as they were before the promotion can also cause problems.

"Leaders and peers might try to remain friends and fail to recognize the need for a new relationship with new boundaries of what can be discussed, with whom, how and when," Biro explains. "This can be extremely subtle, but the results can be large."

The speed at which a promotion happens can also contribute to interpersonal issues, says Deedee Myers, Ph.D., CEO of CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), a Phoenix-based firm providing executive search/recruitment, strategic organization and leadership consulting services.

"If overnight, this can be a game-changer in relationships," she says. "However, if the promotion was strategically managed and communicated, then the transition had checkpoints to support the newly defined relationships."

Concerns and expectations on both sides can also affect relationships. Myers explains that some promoted leaders struggle under the weight of the "tall poppy syndrome," with former peers thinking the advancement was based on luck rather than merit. The consequences of this perception can be undercutting remarks, poor collaboration, resistance, envy and a general lack of support.

New leaders may feel pressured to prove they deserved the promotion by having all the answers and being the smartest person in the room, says Biro. This can cause them to become overly focused on themselves, charting their own solitary course rather than paying attention to what is going on with their team, the organization and even the marketplace—an insecurity that can make them reluctant to share power, decision-making and authority.

"They micromanage others, and the impact is that people feel they're not valued or trusted," she explains. "They begin to disengage and resent the leader. The leader then begins ... to feel alone."

Stress can worsen a leader's reactive tendencies, Biro adds. For example, if leaders are prone to making quick, unilateral decisions under pressure rather than delegating responsibilities and giving others an opportunity to perform, they might begin to feel they can't rely on their own people, further exacerbating the feeling of isolation.

LETTING GO, MOVING FORWARD

One common misstep made by the newly promoted is failing to create a separation between present and past roles in a timely manner, says Myers, something she attributes to a reluctance to admit relationships *have* changed. This reluctance thwarts productive conversations that could help everyone understand the new reality.

What should these conversations entail?

Myers advises leaders to express appreciation to their former peers and acknowledge their value. At the same time, leaders should clearly articulate how their own responsibilities have changed.

"Practice discernment with former peers in social events and settings," Myers advises. "Stay connected, but know you have other relationships to build."

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MORE ON NETWORKING & LEADERSHIP

From John: I Bet You'd Benefit From Social Learning (*cumanagement.com/1019fromjohn*)

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

CUESNet™ (*cuesnet.cues.org*)

CUES Conferences & Events (*cues.org/events*)

CUES Symposium: A CEO/Chairman Exchange (*cues.org/symposium*)

Biro agrees it's important to fully accept that past ways of working, communicating and interacting with peers are over. It's important to recognize the impact of these changes and to give people time to adapt to and accept them. Even so, everyone must be held accountable, she says. If not, the result can be performance- and morale-sapping problems that sabotage the new leader's efforts and leave him or her dangerously adrift.

Longtime CEOs are not immune to missteps that isolate them and undermine their leadership. Myers lists the most common: acting without gathering and understanding relevant perspectives; acting without obtaining feedback; failing to listen fairly and impartially; demonstrating a lack of equity and inclusivity; and assuming that the board is always right.

Especially important to CEOs of any tenure is acting with deliberation and awareness.

"Too often—*way* too often—new CEOs jump right into the role without doing the deep reflection necessary to understand what their true offer is as a leader, speculating on what may or may not work, what needs to shift and how to create that shift in a sustainable way," Myers says. "Jumping into action must be accompanied by reflection, data collection, analysis and assessing what is possible."

ADVICE FROM THE TOP

Consider the experience of Eric Dillon, CEO of $8.6 billion Conexus Credit Union (*conexus.ca*). Headquartered in Regina, Saskatchewan, with approximately 900 FTEs. Dillon joined the organization in October 2011 as CEO, arriving from another credit union where he was COO.

"Having ascended to a CEO role at a reasonably young age (42), I've frequently been faced with needing to build relationships and teams with others who had more experience—people that I worked alongside of previously who had invested in me as a leader," Dillon recalls.

"The initial reaction for most leaders is to try to become someone different, to act like something they're not," he adds. "What has helped me immensely is to become more authentic, more vulnerable and more open about my strengths but also the areas that I needed help in from those around me."

One of Dillon's most vivid memories of his first days as a CEO was when he received a call from another CEO who reached out with counsel. Remembering how positively that impacted him, Dillon now does the same, connecting with colleagues recently promoted to their first CEO position to serve as a sounding board.

"I speak openly about the isolation that can be experienced as a CEO, where you own the decisions of the most significance and consequence together with the board. My advice is to find those who have lived it before and build networks of other CEOs, managing partners, mentors and coaches you can lean on from time to time," Dillon says, adding he continues to rely on his network.

CUES member Steve Bugg, president/CEO of $921 million Great Lakes Credit Union (*glcu.org*), with 236 employees in Bannockburn, Illinois, also seeks advice from mentors and coaches.

Bugg came on board as CEO in May 2018, after serving as executive vice president at another CU in Indiana. As with Dillon, other CEOs reached out to Bugg, offering welcomed advice and assistance.

Bugg says new leaders can avoid interpersonal challenges with former cohorts by building strong, collaborative relationships, continuing to show a sincere interest in them, engaging in active listening, respecting their expertise, being honest and transparent, and demonstrating empathy. Moving forward, he advises new CEOs to develop leadership succession and personal development plans, with support from the board and chair.

"You also need to do this for your leadership team" he adds. "Part of your plans should include securing formal coaches for your leaders, including yourself, that leaders can reach out to for advice, or to just have the coach listen or serve as a sounding board, and that will aid in continuing to develop their leadership skills."

Bugg has connected with peers through CEO symposiums hosted by vendors, associations and partners, including CUES (*cues.org/symposium*), CUES Supplier member Allied Solutions (*alliedsolutions.net*) and CUESolutions provider State National (*statenational.com*). Conferences, trade shows and leadership roundtables are good ways to meet other leaders, as are state leagues and CUES Councils (*cues.org/councils*). Additional ways to connect with leaders outside the industry include volunteering in the community or serving on a nonprofit board.

Bugg also advises developing a strong relationship with the board and chair. "This is extremely important—I utilize my relationship with them to seek feedback all the time," he says. "Building a strong collaborative relationship with [the board] can be very rewarding, even though you work directly for them.

"My executive leadership team also knows I want to build a strong collaborative partnership with them," he continues. "They know I want to develop, coach and mentor them while being the best servant leader I can be, and part of this is counting on them for their expertise. Being at the top can be very lonely, but it doesn't have to be. Seek out other peers and develop strong networks of like leaders. We are by nature a collaborative industry. I've never not been able to secure advice from another credit union CEO."

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

Jimese Harkley, J.D., CUDE

Membership Minute: *Refresh Your Board's Learning*

BY JIMESE HARKLEY, J.D., CUDE

Over the past few months of shelter in place and slow reopenings, some people started learning a new language. Others tried meditation. Still others learned how to cook. What is your board learning?

I'm pleased to say that, as CUES members, your directors are eligible to take advantage of refreshed and hopefully refreshing online education opportunities. These include some that can help directors comply with the financial education-related requirement in the National Credit Union Administration's rule 701.4.

For example, CUES Learning Portal features these learning pathways designed especially for directors who are CUES members at any membership level (*cues.org/governance*):

- Credit Union Cybersecurity
- CEO/Board Relations
- New Director Resources
- First-Year Director: CUES Recommendations
- First-Year Director: Additional Resources
- Second-Year Director: CUES Recommendations
- Second-Year Director: Additional Resources

All of our governance content and Governance+ learning pathways are also regularly updated. Check out our complete collection of governance content on *cumanagement.com/governance*. If you have Unlimited+ membership, your directors also can leverage the CUES Learning Portal Governance+ pathways on everything from governance basics to CEO relations to risk management to strategy (*cues.org/governance*).

Learning can become a positive habit. If you have Unlimited or Unlimited+ membership and your directors are asking for even more, suggest that they download the *Welcome to Credit Union Leadership Guide* (*cues.org/culeadership*). If you have Unlimited+ membership, *The Director Onboarding Toolkit* (*cues.org/directoronboardingtoolkit*) is available for your directors as well.

This is a perfect time to help your board do some refreshing learning. I hope you find your membership benefits a valuable assist in doing so.

Jimese Harkley, J.D., CUDE, *is VP/membership at CUES.*

Who Will You Nominate for *CUES Distinguished Director?*

We are accepting nominations for CUES Distinguished Director, which honors strong volunteers whose achievements have strengthened their credit union. The deadline to nominate is July 31. The award winner will receive special recognition at CUES 2020 Directors Conference, a crystal trophy, a feature article in *CU Management*, and the ability to moderate conversations in the directors community within the CUESNet online community. Learn more and download the nomination form at *cues.org/awards*.

Free Resource: *Setting Up A Foundation*

Credit unions have a rich history of supporting their membership and bettering their communities. For this reason, many credit unions have taken the step of setting up a foundation to further their ability to support charitable endeavors. For those credit unions that haven't taken that step, a free whitepaper from CUESolutions Platinum provider CUNA Mutual Group will help in the determination of whether to do so and describes the steps to take if you wish to go forward at *cumanagement.com/0520foundation*.

Online Learning

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

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1 p.m. Central
Webinar: Enabling Your Sales Channels—Keeping the Mortgage Pipeline Full

JULY 15
12 p.m. Central
Elite Access Virtual Roundtable: Emerging Leader, Virtual Networking

JULY 21
12 p.m. Central
Elite Access: Cultivating a Design Thinking Mindset for Problem-Solving

JULY 27-AUG. 21
CUES School of Business Lending™ II: Financial Analysis and Diagnostic Assessment

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

DATE TBD
CUES School of Strategic Marketing™

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Keep on Learning, *Even During COVID-19*

BY CHRISTOPHER STEVENSON, CAE, CIE

Years ago, long before I began working in professional development for credit union leaders, I was a middle school language arts teacher. The district in which I taught was struggling with the "summertime slip," that inevitable backward step that many students make when they are out school for the two or three months of summer break.

My district's solution was to shift to a year-round schedule in which the long summer break is replaced by a series of three shorter breaks throughout the year. We assumed that three shorter sessions of academic inactivity would lead to better results. It didn't. We traded a single case of "summer slip" for three periods of academic atrophy.

The three shorter breaks model didn't account for the challenges of self-directed and distance learning that are very much a part of any break from school. Learning is inherently social. That's why we like to share ideas with others in the classroom, discuss our favorite books and teach others about our hobbies. When we divorce learners from each other and teachers, motivation goes down the drain.

A parallel challenge is now taking place in the credit union industry. Social distancing is currently being practiced in many areas to help delay the spread of the coronavirus. This means that many CUs are wisely postponing traditional in-person learning events until it's safer to travel and be in a classroom. But targeted professional development is essential to respond to the rapidly shifting business environment. That means your staff and board will have to continue their professional development on their own.

Fortunately, there are things we can do to stay engaged:

- **Switch things up.** On any given day, students experience a range of activities—reading and writing workshops, science and math labs, model building and group discussion. The variety hamstrings boredom and keeps the students engaged and learning. Apply these principles in your own self-directed learning. Combine short articles and longer pieces of literature, videos and podcasts, case studies and structured online learning on the topics you need to know.
- **Share and ask questions of others.** Humans learn best when we share ideas, ask questions and brainstorm together, so it requires some creative problem-solving when our teams and learning partners are all working from home. My team at CUES uses Zoom calls for more structured discussions and problem-solving, but we are relying more on Microsoft Teams to ask quick questions and share ideas and resources. It's common to receive a chat message during the day that says something like, "Hey, I just read this article about having an entrepreneurial mindset. How can we apply the principles to our team?" Find what works for you.
- **Seek opportunities to interact with subject matter experts.** A key benefit of learning in the classroom is the opportunity to interact with the teacher. When we engage in self-study, we can't always answer our challenging questions by performing another Google search or reading another book, but to our detriment, we are often reluctant to pick up the phone, send an email or ask a co-worker for help. It's time to change that mindset. Actively seek out experts—co-workers, friends, or LinkedIn and social media contacts—who can answer questions and add more color to your learning.
- **Apply what you've learned.** Knowledge for knowledge's sake won't position your organization for success. Use your new-found knowledge to improve your processes, enhance your communication, implement a new business model or develop better plans. Applying new information on even a small scale helps us retain what we've learned and transfer that knowledge to new contexts, meaning we are better able to apply it to solve other problems.

All of us hope that social distancing is effective and that the pandemic is over as soon as possible. I encourage you to keep learning through self-directed and digital offerings during the crisis, so you'll be primed and ready to return to the full blend of options later on.

Christopher Stevenson, CAE, CIE, *is SVP/chief learning officer for CUES.*

Read the full post and leave a comment at cumanagement.com/052020skybox.

"Ask yourself … are you the one saying you can't wait for things to go back to normal—back to the status quo? Or are you the leader who is willing to learn, unlearn and relearn—to embrace disruption to create opportunities to innovate a new pathway forward for your organization?"

Cal Bowman, VP/strategy & innovation for CUES strategic partner Think|Stack (*thinkstack.co*), Baltimore, in "Back to the … Status Quo?" on CUES Skybox: *cumanagement.com/052720skybox*

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