CU MANAGEMENT

OCTOBER 2020 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

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New urgency for mobile & online delivery

DIVERSITY, EQUITY & INCLUSION
The journey of a CU's first VP/diversity

ANALYTICS
Define your goal before diving in

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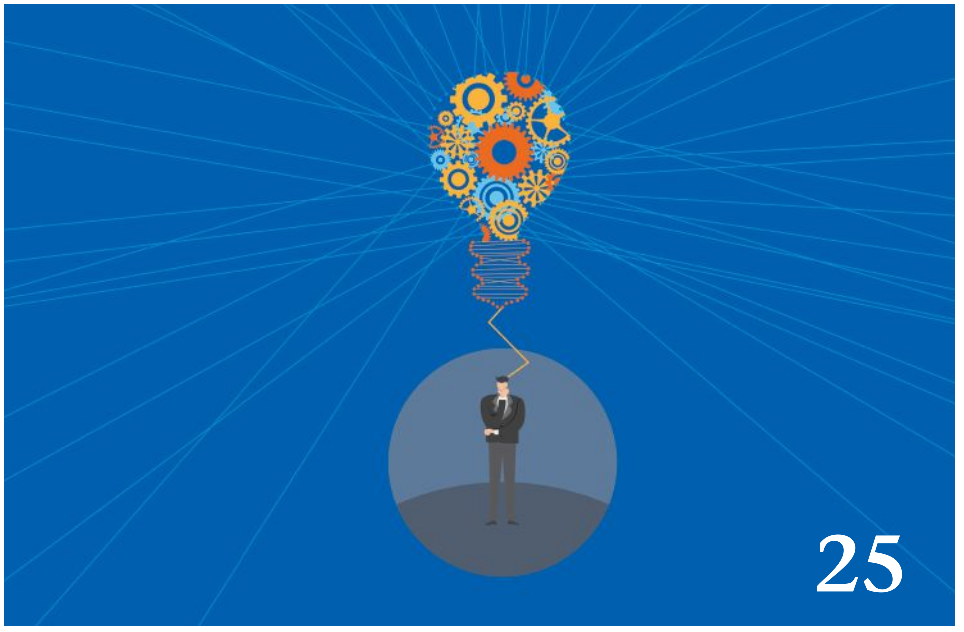

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POSTMASTER: Send address changes to Credit Union Executives Society, P.O. Box 14167, Madison, WI 53708-0167.

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Comments, suggestions and letters can be sent to **theresa@cues.org**.
TWITTER: @tawitham
LINKEDIN: Theresa Witham
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YOUR THOUGHTS

HOW IS YOUR CREDIT UNION PLANNING TO UPDATE EXEC AND EMPLOYEE COMPENSATION FOR 2021?

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

Compensation During and After *the COVID-19 Crisis*

In 2019, credit union executives received healthy salary increases across the board, according to the 2020 CUES Executive Compensation Survey.

This is perhaps not surprising. Until March 2020, the U.S. and Canada had extremely low unemployment, making finding and keeping top talent a major challenge for credit unions. In addition, CUs in the U.S. saw steady growth in total loans and assets last year.

Next year's survey will show the impact of COVID-19 on credit union compensation, allowing us to compare those numbers against several years of steady pay growth. Right now, you can still use this data to help set your budgets and compensation plans for 2021. It is always important to compare your own compensation to others in your position at similar institutions to make sure you are being paid fairly for your work. Also, credit unions can use the data to see how the compensation they offer for all positions compares to pay levels at nearby institutions of a similar size. As you determine how to handle pay increases next year, use this data to see where your credit union leads or lags.

When it comes to bonus compensation, this year could be challenging. Have you thought about how to measure executive results in a year when financial results may be down?

In our cover story, Scott Dettmann, principal consultant with Carlson Dettmann Consulting (*carlsondettmann.com*), Madison, Wisconsin, suggests questions the board can ask itself about the CEO's pandemic performance, including "In what ways and how well did the CEO work to motivate and inspire the organization?" Read more, starting on p. 10.

The CUES Executive Compensation Survey (*cues.org/ecs*) covers 21 positions. Find data for staff-level positions in the CUES Employee Salary Survey (*cues.org/ess*). Both surveys are benefits of membership to those who join CUES Unlimited+ (*cues.org/membership*).

Speaking of surveys, the *CU Management* team and I would be very grateful if every reader would complete our annual survey, coming to you this month from Readex Research. This survey helps us understand your preferences for future content and position this publication as your top source for information on leading your credit union. Watch for emails from Readex Research (check your spam folder!) and me.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

KNOWLEDGE & NETWORKING
NOVEMBER

One Low Fee Covers Your Entire Staff!

We may not be able to meet face-to-face just yet, but we've got the next best thing lined up.

We've gathered some of our highest-rated speakers, and we're bringing them to you Thursday afternoons in November. Each week, they will cover topics that are vital given today's climate, and tailored specifically to the credit union industry:

- **Leading During a Crisis, both Professionally and Personally**, presented by Harry Kraemer
- **Strategic Agility**, presented by Francesca Gino
- **Organizational Values: A Beacon in a Storm of Uncertainty**, presented by Sean Martin

Each session is from 3 to 5:00 p.m. Eastern time, making it convenient to fit into your busy schedule. Plus, we've carved out time for discussion—an excellent opportunity to connect with your colleagues.

Don't miss the chance for your entire team to learn from top-rated presenters and benefit from a shared learning experience!

Register now at **cues.org/KNN**.

Speaker **Harry Kraemer** holds the distinction of being CUES highest rated speaker ever! Don't miss the opportunity to have your entire team learn from him.

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How has COVID impacted your customers and the future of remote leadership?
The pandemic upended everything, including how credit unions are run and decisions are made, accelerating the demand for our OnBoard virtual board management platform. COVID-19 has collectively fast-tracked the digital transformation of CUs by at least three to five years.

CUs are the bedrock of our nation's recovery; our communities need them to flourish. We're a partner in the effective governance required for that to happen.

How has OnBoard made its credit union customers more successful during this time?
Today's board management platforms offer broad capabilities. Outside of meetings, directors and CEOs can collaborate and govern throughout the meeting life cycle. Encrypted chat, e-signatures, task management and an unlimited file system together centralize board work under one app.

During this pandemic, an interesting thing we've noticed is that CUs had to quickly change their loan approval processes. Many of our customers are actively managing their entire loan pipe inside our OnBoard solution. Instead of waiting until the next regularly scheduled meeting, officers organize, track, review, comment and approve loans from the comfort of their own homes.

What have you learned from working with CUs for 20 years that you now apply to your work with clients?
We've heard for years that board engagement is a top priority. Research shows that actively involved directors make better long-term decisions for the CU.

That's why we spent significant time thinking about and developing tools to increase board engagement. OnBoard provides insights into what parts of the meeting are receiving the most attention. That helps directors identify where their experience would provide the most value. For example, if a director notices the legal review of a pending merger has received few annotations, they can spend time digging into the details. That helps ensure directors are coming to the meeting more informed and that there is an expert at the table when the conversation turns to the merger.

Baseline for *Recovery*

STEADY EXECUTIVE SALARY AND BONUS AWARDS SET IN 2019 FORM FOUNDATION FOR RECOGNIZING LEADERSHIP THROUGH THE PANDEMIC.

BY KAREN BANKSTON

In the year that seems so long ago now—2019—pay raises and bonuses for credit union CEOs and other executives averaged out to steady increases, reflecting some economic softening by year-end, according to the 2020 CUES Executive Compensation Survey (*cues.org/ecs*).

And then COVID-19 changed everything.

Still, the survey "offers good benchmark data to help people find their way through these decisions in 2020 and moving into 2021," says Michael Becher, CPA, vice president of Industry Insights (*industryinsights.com*), Dublin, Ohio, which administers the CUES survey.

The median base salary for CEOs in this year's same-sample survey results (limited to credit unions participating in both years to more clearly indicate trends) is $388,989, up 6.4% over 2019, while the median $442,217 in base plus bonus pay is up 7.1% and total compensation of $458,515 reflects a 7.4% increase.

Participating credit unions reported pay increases and bonuses raising compensation in the median range of 5 to 7% for a majority of executive positions included in the survey, though overall, those raises were slightly down from the previous year, Becher notes. That pattern likely reflects economic indicators such as a year-end 2019 slowdown in the GDP, declining interest rates and an inverted yield curve, which is typically an early indicator of recession.

The increases in executive compensation follow a year of steady growth across the U.S. credit union industry, with the NCUA reporting a 6.2% increase in total loans, a 7.8% boost in total assets and an average 11.37% net worth ratio at year-end 2019.

The chief operating officer position topped all titles except for CEO, for total compensation at a median $306,205, a 7% increase over 2019. Examples across the range of other positions were chief financial officer $240,560 (5.7% increase), chief information officer $189,064 (6.2%), retail branch executive $171,342 (6.1%), and compliance/enterprise risk management executive $107,571 (5.1%).

NEW EXECUTIVE POSITIONS

The 2020 survey introduces four new executive positions, reflecting the evolution of operations and offerings across the financial services industry:

- Chief member solutions officer, described as "responsible for growing credit union membership and providing effective member sales and service through the credit union's branch offices, call centers and electronic channels. Develops, implements and assesses member services strategy." The median base salary for this new position across asset sizes was $197,191; median base plus bonus and total compensation were the same at $262,801.
- Delivery channel executive, who is "responsible for the credit union's call center, electronic banking and retail delivery channels. Develops and implements the strategic planning, development and growth of traditional and non-traditional channels. Typically reports to the chief member solutions officer or chief executive officer." Median base salary was $125,498; base plus bonus $146,880; and total compensation $147,108.
- E-commerce executive, "directs the credit union's e-commerce planning and functions. Establishes the business model for e-commerce activities that meet member needs. Identifies digital and e-commerce partners aligned with business and brand strategies." Median base salary was $156,268; median base plus bonus and total compensation were the same at $165,106.
- Investment services executive, "responsible for the development, implementation and monitoring of investment services strategies. Provides leadership and supervision to investment professionals. Works with departments to create new and cultivate existing, member relationships. Coordinates broker dealer relationship and keeps abreast of competitor, industry and regulatory trends." Median base salary was $151,152; median base plus bonus and total compensation were the same at $254,145.

The heavy reliance on bonus compensation for the investment services executive position is an outlier among credit unions, but consistent with compensation practices in the wider investment services sector, Becher says.

The new positions are definitely more prevalent among credit unions in the $1 billion-plus asset range, which typically have more diverse operations and the resources to allot to executive roles charged with leading these areas, he notes.

In recent years, the asset size of credit unions participating in the survey has migrated upward. From the 2019 to 2020 survey, for example, the number of participating credit unions with less than $100 million in assets declined from 58 to 46, while the number of $1 billion-plus credit unions increased from 84 to 103. Forty-six percent of participants in this year's survey are with credit unions with more than $500 million in assets.

COMPENSATION PLANNING FOR A POST-PANDEMIC ERA

Despite 2020's social and economic upheavals, CUES survey data continues to hold great value for boards seeking to develop a competitive CEO compensation package in line with the market, says Scott Dettmann, principal consultant with Carlson Dettmann Consulting (*carlsondettmann.com*), Madison, Wisconsin.

It can be challenging for credit union board members to get comfortable with competitive executive salary and bonus practices, compared with their own personal experience on what constitutes "a fair day's wage," he notes.

> **"It comes down to the board taking stock of where their credit union stands, understanding what they're in business to do and how well the CEO has done in managing the institution in these very challenging circumstances."**
>
> – Scott Dettmann

In Dettmann's compensation consulting practice, the vast majority of clients followed through on plans to award staff raises this year despite the economic downturn, though a number of organizations reduced the increases by a half to full percent over their initial plans.

That observation is in line with the WorldatWork Salary Budget Survey for 2020-2021 (*tinyurl.com/wawss2021*), which reports that employers awarded a median 3% raise this year across their employee base, from nonexempt hourly workers to officers and executives, and are planning to provide the same levels of pay increases for 2021.

Dettmann suggests that credit union directors may need to do a bit more digging than usual this year to assess their CEO's leadership through the pandemic. Over at least the past decade, CUES survey respondents have listed four top factors for determining CEO bonuses—earnings, board evaluation, loan growth and membership growth—which tend to skew toward answering the question, "Did we make money?"

"Many board members have a preference for an incentive formula based on four or five quantitative measures. They're comfortable with that approach because the business itself creates the numbers on which they can base their compensation decision," he notes.

But if their credit union's financial performance suffers a COVID-related hit this year, directors may need to consider more qualitative measures of how the CEO led the organization through the crisis, he says. The board could appoint a committee of directors to conduct interviews and study employee and volunteer surveys to answer such questions as:

- In what ways and how well did the CEO work to motivate and inspire the organization?
- Has the CEO communicated effectively in leading the credit union's pandemic response and in supporting employee and member needs?
- Has the CEO made consistent efforts to keep board members fully informed regarding the condition of the credit union and the underlying factors influencing its condition?

"It comes down to the board taking stock of where their credit union stands, understanding what they're in business to do and how well the CEO has done in managing the institution in these very challenging circumstances," Dettmann adds. "While we'll better understand the economics of the pandemic as we move into 2021, there's no question that the crisis has significantly affected credit unions and their members."

The impact of the pandemic on economic conditions will likely continue to be in flux as credit unions make compensation decisions this fall and winter, Becher suggests. That impact will vary by region and fields of membership on the rates of consumer, mortgage and business loan delinquencies and asset-liability management, to name just two areas of challenge.

Just months ago, a strong U.S. economy was driving record levels of employment. With every compensation study his company conducted across industries, finding and retaining talent was the chief challenge, Becher says.

"And now millions of people are unemployed, and there are many more people looking for work than there are jobs available," he notes. "But that could change just as quickly. I think we're all just sort of watching and waiting to see what happens next and how we recover from this."

Credit union boards will be studying standard financial indicators to assess how their organizations have fared through these unparalleled times in making executive compensation decisions for 2021. There is potential for smaller bonus and incentive compensation awards in the coming year, based on those economic impacts.

The industry—and the world—may be in upheaval, but reliance on solid data to align compensation with talent recruitment and retention strategies remains unchanged, Becher says.

"Is your credit union looking to be a market leader and pay for the best talent available? In that case, you'll look at base and bonus compensation and decide to pay a little bit more to get the best talent," he notes. "Credit unions with a different philosophy will aim to pay right at the median benchmark, and some a bit lower, maybe given their geographic market or other reasons."

The CUES Executive Compensation Survey offers a wide range of options for subscribers to analyze salary, bonus and benefit trends with peer credit unions in custom reports by asset size, region, field of membership, number of members, number of employees and other factors.

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

Executives' Median Base Salary + Bonus Comparison

	2020	2019	CHANGE
CEO	$442,217	$412,713	7.1%
Executive Vice President	$191,423	$181,978	5.2%
Second Executive Officer*	$218,134	$207,247	5.3%
Chief Operations Officer	$201,712	$192,093	5.0%
Chief Operating Officer	$293,705	$274,625	6.9%
Chief Financial Officer	$237,753	$225,209	5.6%
Chief Lending Officer	$195,430	$183,420	6.5%
Retail Branch Executive	$165,833	$156,297	6.1%
Marketing Executive	$166,450	$156,465	6.4%
Human Resources Executive	$185,134	$174,268	6.2%
Chief Information Officer	$188,744	$177,614	6.3%
Business Lending Executive	$188,253	$177,822	5.9%
Business Development Exec.	$138,771	$131,669	5.4%
Legal Counsel Executive	$214,550	$202,321	6.0%
Regional Branch Mgmt. Exec.	$119,500	$113,690	5.1%
Top Mortgage Lending Officer	$172,671	$162,702	6.1%
Compliance/ERM Executive	$106,852	$102,353	4.4%

NOTE: *The results in this table reflect "same-sample" reporting; they represent the data only of credit unions that participated in both years of the survey, which permits more direct comparison.*

**The Second Executive Officer was not reported as a separate stand-alone position, so there likely is some double-reporting of salaries of executives serving as Executive Vice President, CFO, COO, etc., who are also designated as the second-in-command at their credit unions.*

Median Base + Bonus Compensation for Selected Execs Across Asset Ranges

	ALL ASSETS	< $100 MILLION	$100-249 MILLION	$250-499 MILLION	$500-999 MILLION	$1 BILLION+
Chief Operations Officer	$176,164	$82,992	$111,432	$149,760	$198,804	$278,719
Chief Financial Officer	$188,160	$97,189	$127,161	$146,782	$217,421	$312,349
Chief Lending Officer	$168,395	$75,115	$105,748	$141,739	$193,563	$245,901
Marketing Executive	$142,611	$59,804	$86,263	$119,290	$155,649	$190,000
HR Executive	$151,105	*	$81,092	$114,185	$160,447	$216,240

** insufficient sample size*

CEO Bonuses and *Other Exec Benefits*

According to the *2020 CUES Executive Compensation Survey* (*cues.org/ecs*), nine in 10 CEOs were eligible for bonuses, up from 88.3% reported in 2019. Other findings from this year's survey include:

- The average CEO bonus was 17.7% of base pay, with a range from 7.7% at credit unions with less than $50 million in assets to 27.7% among $1 billion-plus institutions.
- Almost all CEOs (95.7%) were enrolled in 401(k) retirement plans; in addition, 45.3% also received retirement benefits in the form of 457(b) plans, and 38.5% were enrolled in 457(f) plans. A 457(b) plan permits executives to set aside more of their income to supplement retirement savings, while a 457(f) plan is an employer-funded deferred compensation program that a credit union might structure to reward and retain executives.
- Topping the benefits list for CEOs were supplemental life insurance (39.7%), split-dollar life insurance (at 35.3%) and executive long-term disability coverage (24.1%).
- Almost half (47.2%) of CEOs at credit unions participating in the survey have employment contracts, with the most common term of three years (36.6%).
- Among common contract components were severance pay (84.7%), change-in control provisions (54.1%), non-compete covenants (36.4%), provisions to continue specified benefits post-termination (35.9%) and a covenant not to solicit employees to move to the CEO's next organization (34.1%).

CEO Salaries (Increase over Previous Year Average Results/All Asset Sizes)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
BASE SALARY	6.8%	7.1%	7.4%	7.2%	7.0%	4.6%	7.8%	6.43%	4.93%	4.37%
BASE + BONUS	7.6%	7.4%	7.3%	7.7%	7.1%	5.7%	10.0%	8.40%	5.93%	5.01%
TOTAL COMP	7.9%	7.0%	7.5%	7.8%	6.8%	5.5%	9.5%	8.18%	5.83%	5.07%

NOTE: *The results in this table reflect "same-sample" reporting; they represent the data only of credit unions that participated in both years of the survey, which permits more direct comparison.*

2020 Median CEO Compensation

	BASE SALARY	BASE + BONUS	TOTAL COMP
ALL ASSETS CATEGORIES	$286,180	$326,808	$329,463
LESS THAN $50 MILLION	$112,975	$123,524	$128,882
$50-$69 MILLION	$125,424	$136,676	$142,084
$70-$99 MILLION	$154,300	$168,191	$168,191
$100-199 MILLION	$185,853	$196,718	$196,718
$200-$399 MILLION	$244,860	$271,150	$274,318
$400-$599 MILLION	$323,000	$371,527	$371,527
$600-$999 MILLION	$396,516	$441,378	$445,480
$1 BILLION OR MORE	$545,253	$672,920	$709,328

"I think we're all ... watching and waiting to see what happens next and how we recover from this."

– Michael Becher

MORE ON COMPENSATION

Competitive Compensation Strategies (*cumanagement.com/030220skybox*)

Do You Know What Your Employees Value? (*cumanagement.com/021720skybox*)

Using CUES Executive Compensation Survey Data to Create Great Pay Packages (*cumanagement.com/podcast77*)

Compensation Update: Proceeding With Caution (*cumanagement.com/0819compensation*)

Taking the *Plunge*

CREDIT UNIONS SHOULD START THEIR ANALYTICS JOURNEY BY DEFINING WHAT THEY HOPE TO ACHIEVE.

BY DIANE FRANKLIN

Data analytics is playing an increasingly important role in helping forward-thinking credit unions grow and become more sophisticated: CUs are using the power of analytics to maximize strengths, overcome deficiencies, devise marketing strategies and enhance the member experience. But the first step in any analytics journey must be to define the organization's goals.

"Any kind of data analytics transformation must begin with development of a well-defined strategy," says Shazia Manus, chief strategy & business development officer for CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), the analytics division of CUNA Mutual Group (*cunamutual.com*), based in Madison, Wisconsin. "Some credit unions may be farther along on their journey, while some are exploring how to get started. Our goal is to help them and meet them wherever they are in their journey."

Manus explains that a good strategy is accompanied by a clear road map featuring three key components: prioritization of objectives, calendared milestones and a budget. "What we have discovered in working with credit unions is that different organizations are on different tracks," she says. "There is no one path that fits all, but there must be a defining strategy that drives the analytics journey."

Launching a data analytics program requires an organization-wide commitment to the process. "The key point I would make about data analytics is to think about it culturally as opposed to technologically," says Bill Handel, general manager and chief economist at Raddon (*raddon.com*), Schaumburg, Illinois. "It's not just about going out and buying a piece of software. It's about creating a path. From our perspective, the first step is to build a culture within the organization and an understanding of the importance of data and how to use it."

PROPELLING GROWTH

Suchit Shah, COO of CUES Supplier member CU Rise Analytics (*cu-rise.com*), a CUSO based in Vienna, Virginia, reports that over the last decade, data analytics has played an expanded role in propelling the growth of credit unions.

"If you look at credit union growth numbers, the picture post-2010 is altogether different than the picture from the decades before," he says. "That's when the genesis of data analytics-driven strategies came in. ... As a result, credit unions are growing more, they're cross-selling more and they're becoming more aggressive in the marketplace."

Shah reports that some credit unions turn to CU Rise to address a specific problem, such as improving credit card performance or reducing member attrition, while other organizations are looking for help in devising an overall business intelligence strategy.

"You don't want to boil the ocean and take on everything at once. Data analytics is a journey, and it requires a cultural shift within the organization."

– Shazia Manus

The key to using analytics effectively is to then arrive at a reasonable course of action supported by the data. "We call this analytics-driven action," Shah reports. "After those actions are taken, we monitor to see the success of that action. Did it do what it was supposed to do? Did it succeed? If not, what could have been done differently? What did we learn?"

Credit unions can use data analytics to facilitate growth both in membership and the bottom line. "One thing that everyone wants to know is: How do I retain my profitable members—or perhaps more importantly, how do I retain my highly engaged members and help them become even more engaged?" Manus observes.

Data analytics is also useful in the lending arena, providing credit unions with loss mitigation models that can identify the impact of charge-offs on loan profitability. Analytics can also help better define loan risks in correlation with FICO scores so that CUs can price loans accordingly.

Such data also can be used to answer any number of "what-if" strategic planning scenarios. "For example, we might say, 'What would happen if I grew a certain type of loan by this much—what does that do to my net worth or profitability?'" Manus explains.

AN ANALYTICS PROGRESSION

The best way for credit unions to get started with data analytics, Manus advises, is to target small successes. After achieving a good return on investment and getting comfortable with the process, they can then expand their efforts.

"You don't want to boil the ocean and take on everything at once," she says. "Data analytics is a journey, and it requires a cultural shift within the organization to bring everybody along on not just how to look at information but how to contextualize in a way that drives business action. It is the credit union leadership—the key C-suite executives—who will have to drive the functional areas forward with their respective vision and take the organization where they want it to go."

Handel concurs that organizations are better off starting small with data analytics and progressing as they become more adept at it. "At Raddon, we're firm believers in the 'crawl, walk, run' theory of data analytics," he says. "Our experience in the data analytics space has been that many organizations go for the whole elephant. They try to bite off too much. If you start small—getting wins, piece by piece, while building competencies and capabilities—you're more likely to be successful."

When credit unions reach running speed, they'll often have multiple analytics programs or initiatives occurring simultaneously. "It will be a broad spectrum of always-on campaigning ... and the ability to continually feed data and analyze it," says Becky Summers, leader of marketing solutions for Raddon. At that point, the everyday use of data analytics "becomes much more of a strategy discussion. That's really when the organization is able to run—when they have a collaborative culture of learning and using data."

For some credit unions, taking the plunge into data analytics may seem like a daunting task. For those who are hesitant because they don't know where to begin, Summers has two words of advice: Get started. "Understand what your vision is long-term, but get started wherever you decide, and add to what you are doing over time. It's the one bite of the elephant."

The term "predictive analytics" is often used in conjunction with data analytics. Handel notes that these terms are largely interchangeable when formulating strategy, in that they both refer to using data to understand the behavior or needs of an individual.

"The predictive aspect refers to: Based on what somebody has done or is doing, can we understand what they're likely to need next?" Handel explains. "That's something that Amazon does very well, and it's why they're so successful. With predictive analytics, you're able to go beyond traditional marketing campaigns and take your marketing ... to the next level."

Shah stresses that predictive analytics is not a crystal ball, but it does enable organizations to infer what certain segments of their membership are likely to do based on past actions. "The job of data analytics is introspection," he says. "You analyze where you are and try to understand how it could relate to the future."

In the case of member attrition, for example, data analytics will allow the CU to identify a subset of individuals that have a higher likelihood of leaving, based on behaviors or characteristics they have in common with each other and members who have already left, and then take corrective action to reduce that possibility.

"With this data, what you have done is effectively reduced or squeezed your population from a big group to a smaller group," Shah says. "You've identified the group for which you are better able to predict an outcome, which will move you toward an optimized action."

THE IMPACT OF COVID-19

The coronavirus pandemic has added a new dimension to how credit unions are using data analytics in 2020. "COVID-19 has had a clear impact on credit union priorities, such as keeping branches and essential services open, enabling remote staff and helping members adapt to changes in channel usage—such as members experiencing the mobile app or remote deposit capture for the first time," Manus observes. "Credit unions also are meeting the needs of members with loan modifications or skip-a-payment. These are all data-driven issues. Each of these activities requires you to track them and manage the data associated with them."

Meeting the changing needs of members during the pandemic has become a top priority for credit unions, and data analytics have aided in identifying those needs. As an example, $11 billion

Randolph-Brooks Federal Credit Union (*rbfcu.org*), Live Oak, Texas, had intended to use its new predictive analytics solution from Raddon to assist with hyper-targeted marketing and communicating more effectively with its nearly 1 million members. RBFCU was set to launch the tool in March—exactly when the pandemic hit the United States. The CU had to pivot quickly to address the needs of members who were losing jobs, having their work hours drastically reduced and struggling to make their mortgage or car payments.

Raddon also pivoted to address the pandemic. Conducting extensive research with its clients, the company developed a new analytics tool—called the Vital Signs Report—that credit unions could use to identify the impact of the pandemic on their members' needs.

"The Vital Signs report enables credit unions to see changes in direct deposit, deposit balances, and the addition of an unemployment benefit," Summers explains. This data helps CUs to prioritize member outreach and service based on need.

RBFCU's VP/Marketing Blake Lyons found the Vital Signs tool to be extremely useful in gauging the pandemic's financial impact on members. "We were able to look at key data sets—such as seeing those recurring direct deposits disappear or identifying accounts where there was a huge depletion in savings—and take that into consideration as we reallocated resources," he reports.

One action that RBFCU took was to reposition its auto loan program messaging from promoting low rates to a message of "refinance and save."

"We wanted to get the word out to our members that they could: a) refinance and defer payment for a couple months to ease the strain on the household, or b) lower their payment," Lyons says. "Those were quick wins for our members who were under duress, especially at the onset of the pandemic."

The data also guided RBFCU in retooling its collections strategy. "To relieve some of the stress and burden during the pandemic, our collections department isn't collecting," Lyons says. "Instead, they're consulting and having one-on-one conversations with members, leveraging key data sets to identify those in need and what we can do to help them. Since the start of the pandemic, we found that tailoring our information to fit a more utilitarian style of marketing has better suited the needs for our membership and consumers at large."

Lyons has now been able to move forward with using predictive analytics for micro-targeted marketing as originally intended while continuing to monitor member needs during the pandemic.

"As a larger financial institution, we have to stay relevant, and we're using the products and tools at our disposal to help us maintain that relevancy," Lyons says. "The future of banking could be a completely customizable experience. Our goal is to leverage data to help make that possible."

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

Who Takes the Lead *in Analytics?*

Data analytics can be a strategic initiative, a marketing initiative, a technology initiative, a finance initiative—and oftentimes, all of the above. Who takes the lead with data analytics at the credit union typically depends upon the objectives that the organization is trying to achieve.

Becky Summers, leader of marketing solutions for Raddon (*raddon.com*), based in Schaumburg, Illinois, reports that initiatives requiring data analytics can originate with various teams at the credit union. "It's actually a pretty broad subset within the organization," she says. "Sometimes it's the chief financial officer or the chief technology officer. Sometimes there are data scientists on staff or people whose day-to-day work is data analytics, or it could extend all the way through to the actionable side, which may involve product-level personnel or the chief marketing officer."

Suchit Shah, COO of CUES Supplier member CU Rise Analytics (*cu-rise.com*), Vienna, Virginia, observes that the point person at the credit union varies dependent upon their needs. "When we get credit unions coming to us with a specific problem, generally there is a functional person behind it," he explains. "It could be an individual from the marketing team—like the CMO or the VP/marketing—or sometimes, a person from the lending department works with us. It really depends upon who the stakeholder is. However, when it comes to data gathering, we work with the data team, and generally the data team reports to marketing or finance, or they may work with the [business intelligence]/tech team."

Bill Handel, general manager and chief economist at Raddon, stresses that the commitment to data analytics needs to start at the board and senior management level. "In many cases, you'll want to have a champion of your data analytics effort within the organization," he says. "It's great when the champion is the CEO. But the CEO, even if they're not the champion per se, should be squarely behind the engagement. It also works well when the champion is the chief marketing officer."

Shazia Manus is chief strategy & business development officer for CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), the analytics arm of CUESolutions provider CUNA Mutual Group (*cunamutual.com*), Madison, Wisconsin. She concurs that the CUs that are most successful with data analytics have buy-in from the very top of the organization. "It is best when engagement starts with the CEO," says Manus, "so it's not just a tech-centric initiative but rather a major component of the organization's strategic agenda."

One key staffing competency that Manus recommends for CUs is the role of data translator. "What this means, essentially, is someone who has analytic critical thinking, has the data analytics type of muscle and the technical understanding of the database," she says. "They understand the discipline, they understand the rationale and they understand the business usability" of data.

Typically this person will come from the IT side, but Manus also has seen this individual emerge from the finance side. Ultimately, she concludes, "someone has to own that piece, and they need this capability within the business to be able to go through and separate the signal from noise and not get hung up in buying tools and tech that will not solve the business agenda."

Partnering on *Data Analytics*

Credit unions can pursue data analytics in a variety of ways. They can build their solution internally, or they can leverage third-party platforms, including specialized consulting services and software solutions developed by analytics firms that serve the financial institution/credit union sector. CUs that chose to partner with outside firms have done so for a number of reasons.

A solid relationship with CUESolutions provider CUNA Mutual Group (*cunamutual.com*) and a focus on strategy were key considerations when $950 million Michigan Educational Credit Union (*michedcu.org*), Plymouth, chose to do business with CUESolutions provider AdvantEdge Analytics (*advantedgeanalytics.com*), Madison, Wisconsin.

"Data analytics is a complex initiative, especially when credit union and member data is collected from a multitude of systems," notes CUES member Jeff Cusmano, vice president of the CU. "We were not looking for a vendor; we needed a partner that could help us activate our data in a strategic way.

"I appreciate their ability to listen, recognize the issues and then bring solutions to the table," says Cusmano, regarding AdvantEdge Analytics. "They provide us the guidance we need to solve and fix problems as they develop, rather than striving for perfection right out of the gate."

When looking to strengthen its data analytics program, $580 million CommonWealth Central Credit Union (*wealthcu.org*) in San Jose, California, opted to partner with CUES Supplier Member CU Rise Analytics (*cu-rise.com*), Vienna, Virginia. CUES member Jennifer D'Amico, the CU's VP/marketing, reports great progress in building its data warehouse and business intelligence capabilities over the last several years. The CU is now moving onto the next step—using this data to make strategic decisions and create actionable insights to drive results.

"The initial focus of the project centers on defining a data strategy to support the business intelligence and analytics initiatives in order to provide the highest level of benefit to the organization and its membership," says D'Amico. "We see this as an important part of our digital transformation strategy, as we know that personalizing our member interactions and making data-driven decisions will be a key driver in our growth and success. ... When we began our conversations with CU Rise, we realized that with their consultative approach, they could serve as an extension of our team and a really great partner to help us achieve our goals."

CommonWealth Central CU kicked off its analytics project in April and has already seen great value in the relationship, particularly as it relates to member behaviors and the CU's changing needs during the COVID-19 pandemic. "As they (CU Rise) become more and more familiar with our data and our membership, they will be able to help us build out predictive modeling, dashboards, personas and personalized offerings for our members," D'Amico notes.

$11 billion Randolph-Brooks Federal Credit Union (*rbfcu.org*) has been working with Raddon (*raddon.com*) as a technology provider for 20-plus years, so there was a pre-existing comfort level when the CU chose the Schaumburg, Illinois-based firm for its predictive analytics solution. "We already knew them as a trusted partner," notes Blake Lyons, VP/marketing for the credit union.

Lyons has taken the lead on data analytics at RBFCU. "Predictive analytics is really a marketing and communications tool, and so it made sense for it to live in the marketing department," he says. "However, we didn't set it up in a bubble. We include our information technology team, we include a data management team that is separate from IT, and they all had to help stand this platform up. But the channels that the platform feeds into it are all channels controlled by the marketing team."

RBFCU meets monthly with a client success manager from Raddon to discuss how best to use the solution. "Every meeting, we kick it off with, 'Here's some low-hanging fruit, here's a business opportunity, or here's something that's changed in the market that we should potentially be considering,'" Lyons says. "It's really a partnership ... and they provide excellent feedback."

Using data analytics has been a key to gaining member insights, Lyons adds. "Understanding the needs and the wants of the consumer is the biggest challenge in marketing, regardless of industry. Data gives us insight into what our members are thinking, what their spending patterns are, and what life stages they are in. As we engage our membership in various channels, we want to be able to have relevant conversations with them and present relevant information."

MORE ON DATA ANALYTICS

Adapting Member Outreach Strategies for Continued COVID-19 Impacts (*cumanagement.com/0820adapting*)

The Power of Using Data to Drive Decisions (*cumanagement.com/060320skybox*)

Amid COVID-19 Fears, Data Analytics Show Credit Unions How to Help (*cumanagement.com/0320help*)

Business Intelligence: Up the Octane (*cumanagement.com/0220octane*)

Using Data to Create Exceptional Member Experiences (*cumanagement.com/podcast63*)

M360's Powerful New Update Supercharges Your Business Decisions

The latest Trellance M360 release, the most comprehensive update in the platform's history, empowers organizations by digitally transforming their data into customized insights that accelerate business decisions. This comprehensive update offers new tools to boost customer engagement, elevates brand recognition, and saves community financial institutions time, energy and money.

With this powerful upgrade, the M360 platform further helps organizations take the risk out of decisions, minimize costs and deliver transformational business outcomes that set community financial institutions up for success – both during disruptive times and long after they're over.

Increasing Access to Data

To further transform valuable data into actionable insights, M360 has added two new Loan Origination Systems (LOS) connectors to its already robust connector portfolio – MeridianLink XA/LoansPQ and Finastra Fusion Mortgagebot.

M360 customers can now benefit from a portfolio of ten pre-built integrations to the most popular cores and ancillaries' software, unlocking key LOS insights such as loan pipeline metrics, loan lifecycle analysis, loan officer performance optimization, account/member profitability and more.

Improving Insights and the Customer Experience

As community financial institutions face a new reality of rapidly evolving global markets and changing member behavior, it is vital they have visibility into multi-domain operations and deeper transactional insights. To accommodate, M360 has recently introduced a set of 19 new PowerBI data visualization dashboards mapping nearly 200 KPIs across many critical business domains such as finance, lending, product, member and application. To easily provide the most relevant data, these KPIs have been grouped into dashboards developed focusing on the needs of five executive profiles: CLOs, CFOs, CMOs, CXOs and CAOs.

Creating an Ecosystem to Support Digital Transformations

Recently, Trellance has refreshed its partnership programs to establish an ecosystem of certified software applications supporting the digital transformation journey of community financial institutions. This ambition's guiding principle has been to help organizations reduce the complexity of integrating and managing distributed software requiring access to key core data while enabling credit unions to adopt new technologies and execute repeatable services efficiently.

Thanks to these new integrations, community financial institutions will be able to execute marketing campaigns or run profitability analyses that are automated, contextual, relevant and personalized. This not only delivers more value to members, but it also increases operational efficiency by making it easier to secure insights on member behavior via a seamless integration with Trellance M360 platform.

Supercharging the Business Future

With this latest update, Trellance's M360 platform solidifies its position as the market-leading analytics platform for community financial institutions looking to drive better business decisions through powerful data insights. As the world continues to evolve quickly, Trellance is already looking ahead to anticipate and solve new challenges in future updates with additional connectors, third-party data enrichment, predictive analytics and a cloud version of the M360 platform. These updates and continued support ensure that M360 remains a powerful and cutting-edge platform for organizations across the financial industry.


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What Does It Take *to Develop Diversity?*

REACHING OUT, LISTENING, GETTING LEADERSHIP BACKING, FUNDING AND BEING IN IT FOR THE LONG HAUL

BY DIONNE R. JENKINS

When you mention the words diversity, equity and inclusion at a credit union, you immediately see a myriad of thoughts floating around in a person's mind.

The executive team may think: Are we offering a diverse array of products for our members? How much equity should a business have in order to be approved for a loan? What information should be included in our mailers and social media posts?

Employees may see DEI as HR's responsibility. They may think: It does not affect me. Therefore, I will remove myself from the conversation.

Members, on the other hand, may have questions that are more personal: Why are there no staff members in my branch that look like me? How equitable are these loan rates? Is my voice being heard on those internal surveys?

When I became the first VP/diversity and inclusion at $1.8 billion Tennessee Valley Federal Credit Union (*tvfcu.com*) in Chattanooga, Tennessee, almost three years ago, I found the words DEI meant growth, great potential and new opportunities. I believed those words were the gateway to exploring our hiring practices, policies and procedures, marketing efforts, products and services, volunteer opportunities, vendor management services, community involvement, and so much more. They were words that would allow me to expand my mind and the minds of others. The new role focused on DEI was a chance for me to train, educate, inform and build a business case for diversity in the workplace.

Quickly, I learned that while the word diversity might close a door for some, inclusion would open it back up. Some did not see themselves in the word diversity, but everyone wanted to be included. Taking this job was a challenge I had prepared for my whole life, but I was still unsure of how to apply my thoughts about DEI at the credit union.

Whenever I walk into a room, I seek out the diversity inside. What are the physical attributes, like race, gender and ability, of the people there? At a community event, I look at what organizations are represented. Are there attendees from different economic sectors? Is the meal being catered by the same popular franchise, or is a local small business getting an opportunity to showcase its offerings? Are the same people coming to every meeting, or is someone new invited to provide a fresh voice? What role does race, gender or sexual orientation play in the attendee invitation process?

If it is an internal meeting, I take note of what departments have been invited and if there is someone there serving as the voice of the member. Are we missing growth and development opportunities by not inviting mid-level managers to various meetings? How is unconscious bias playing a role

MORE ON DEI

Inclusion Starts at the Top (*cumanagement.com/0920inclusion*)

Expanding Employee Diversity (*cumanagement.com/093020skybox*)

Diversity Insight: Not Intentionally Inclusive = Unintentionally Exclusive (*cumanagement.com/0419diversityinsight*)

DEI resources from CUES (*cues.org/dei*) in the group's conversation? DEI is so broad that the conversations and opportunities are limitless.

What I enjoy most in this role is educating others about the unlimited possibilities. My job is to ensure that DEI is always top of mind in every conversation and decision. Are we being fair and equitable to all? Who are we leaving behind?

YEAR ONE: COMMUNITY EXPERIENCE

At Tennessee Valley FCU, our employee handbook states, "We have built a reputation as being a financial institution that cares not only about its members but also about its employees as well." After a few months at the CU, I decided to spend my first year working in the community.

To understand how to be effective, I thought it was important for me to learn what the community had experienced from our CU, and what their expectations were moving forward. During that time, some members expressed their genuine pleasure with the CU, while others enlightened me on the pitfalls. I also received strategic feedback from the community about being more inclusive. "I think it would be great if you had a branch here to better serve the Black community" ... or, "I think you should sponsor this event that targets the Latino population."

What I learned early on was that the organization had a great reputation for supporting community events. There is support for technology-related initiatives and lots of effort surrounding financial literacy. Our business bankers are known for adding their personal touch in providing great service, and the lending department offers the best rates for auto loans. Our commercials are diverse, engaging and provide a platform for spotlighting local artists.

Being affiliated with an organization that is highly respected in the community, I wear my logo wear with pride. In our communities of color, members shared how pleased they were to see that the CU had added a role specifically focused on DEI. The effort demonstrated Tennessee Valley FCU's true commitment to turning words into action. Being intentional with our community engagement efforts has allowed us to expand our outreach into new areas.

YEAR TWO: THE NEEDS OF STAFF

In year two, I shifted my focus and began doing a deep dive internally to learn more about the needs of staff, their desires for growth and advancement, and how my role could help improve their engagement, retention and overall job satisfaction. In *Canoeing the Mountains* (*tinyurl.com/canoeingbolsinger*), Tod Bolsinger wrote, "You change the DNA of any living organism through birthing something new. The new birth won't be all you or all them but a new creation, a new living culture that is a combination of the past and the future you represent." In other words, to be a successful leader, you must listen to others to gain better understanding.

It was also important for me to establish myself as an authentic leader. In *Leadership* (*tinyurl.com/northouseleadership*), Peter G. Northouse describes such leaders as "having the capacity to open themselves up and establish a connection with others." Building a solid rapport with the staff was the only way for me to create true buy-in for my efforts and be the change agent the organization needed.

Being diligent, intentional and open-minded were the strategies I implemented to garner respect. It was imperative that I listen to our staff, so as to not make recommendations for change that would have a negative impact on the culture. As a team of one, I formed an inclusion council with eight members to help advance the work of my department and to keep the employees' voice present at all times.

A way we incorporate the voice of the employee is through coffee talks. These informal, off-site, one-on-one meetings with me allow staff members time to share their concerns, suggestions or build rapport.

The success of these meetings stems from the relationships I have built over time. Employees see me as their advocate and someone who will ask the tough questions on their behalf. All conversations are confidential unless we uncover a situation I am obligated to share. Despite our code of conduct, oftentimes employees are afraid of speaking up for fear of retaliation. I am able to review their concerns while keeping their identity confidential. At first, I would initiate a coffee talk by randomly inviting people for a meeting. Now, employees request coffee with me when they need to talk.

Managers may call me if they notice that an employee's production has slipped, a new employee is struggling to bond with the team, or if an employee experienced a tragic event and suddenly seems disengaged.

Initially, I had coffee talks with each senior leader to learn more about their departments and goals. Now, leaders may reach out to me if they want to brainstorm ideas, or if they are having concerns about an employee and would like for me to assist. Whatever the case or whomever is requesting dialogue, I never miss an opportunity to have great coffee and conversation.

The only way for any DEI program to be effective is through leadership commitment. Effective leaders know that you need to surround yourself with people who will be truthful, authentic and willing to challenge your ideas to find better solutions. If those around you are in constant agreement with you, it is time to surround yourself with new people. Innovation is stifled by groupthink.

Another way to foster sustainable DEI efforts is by expanding employee demographics. CUs looking to recruit candidates with a diversified skill set must start internally with their human resources department. The best way to attract diverse candidates is by showing the diversity among your team. When diverse candidates attend a job fair, they are more open to approaching your company's booth if they see diversity among recruiters.

Employees want to know that there is room for growth and opportunity within your organization. They need to envision themselves as a part of the team. If your staff does not represent the diversity they are looking for, they will take their skills and talent elsewhere and you will miss out on an essential employee hire.

Diversity comes in many dimensions. CUs committed to bringing about real and effective change need to invest in a position dedicated to championing DEI. Part-time effort for full-time work simply will not do. The strategies and initiatives implemented at each organization may be different, but the outcomes will produce unimaginable benefits.

CUES member **Dionne R. Jenkins** *is VP/diversity & inclusion at $1.8 billion* Tennessee Valley Federal Credit Union (tvfcu.com), *Chattanooga. She works collaboratively with senior leadership to increase staff diversity and advance the CU's mission and vision through recruitment, retention and community engagement. Jenkins earned her B.S. in business administration and her MBA from Bryan College. Her motto is, "I want to inspire people. I want someone to look at me and say, 'Because of you, I didn't give up!'" She and her husband, Don, have a daughter and two sons.*

All on *Board*

EMBRACE 'RADICAL TRANSPARENCY' IN FORMALIZING NEW DIRECTOR TRAINING.

BY KAREN BANKSTON

When the $2.9 billion Connexus Credit Union board decided to seek out millennial director candidates, it turned to the 20 Under 40 program of young people active in the Wausau, Wisconsin, community and recruited two people on that list as board associates.

The associates program offered CUES members Shanna Yonke and Kelsi Seubert nonvoting seats at the table to introduce them to the credit union and to the board's roles and responsibilities. After a year as associates, they were elected to the board in June 2018.

Looking back, Yonke says that, while her observations as an associate helped her learn about the credit union model, the lack of formal training once she joined the board "didn't provide a lot of guidance about how to come up to speed" as a voting member.

"There is a lot of sophisticated financial reporting for a credit union with more than $2 billion in assets, and we have a lot of indirect lending programs, which can be quite complex. But there wasn't a lot of training on how to provide adequate oversight," Yonke says.

To provide more support for incoming directors, the Connexus CU (*connexuscu.org*) board governance committee convened a task force, including both Yonke and Seubert, to create an onboarding process for board associates and new directors. Over the last two years, the task force created a handbook of useful information and developed job descriptions for associates and directors to set out expectations for their service "in a very clear manner," Yonke notes.

ONBOARDING BASICS

Director onboarding at CUs tends toward an informal introduction with an emphasis on learning through observation, when most board members would benefit from a more in-depth orientation informed by a commitment to "radical transparency," says Matt Fullbrook, manager of the David & Sharon Johnston Centre for Corporate Governance Innovation at the Rotman School of Management, University of Toronto (*rotman.utoronto.ca*).

"A lot of directors don't have any board experience, so they won't know what they don't know," notes Fullbrook, who is also faculty at the CUES Governance Leadership Institute™ (*cues.org/gli*) at Rotman. "Credit unions need to offer some fundamental training about what the role of the board is and what it means to be a board member. What are the responsibilities of a board member, and what information do you need to carry out those responsibilities?"

Toward that end, onboarding should offer full access to:

- **People**. "New board members should have as much access as possible with all key people, with one-on-one time with the board chair and fellow directors, the supervisory committee and the CEO," he recommends.

"Credit unions need to offer some fundamental training about what the role of the board is and what it means to be a board member. What are the responsibilities of a board member, and what information do you need to carry out those responsibilities?"

— Matt Fullbrook

- **Documents.** Incoming directors will benefit from a thorough guided introduction to financial reports, board policies and other written resources before reviewing them on their own.
- **Experiences.** Their attendance at board and committee meetings and firsthand views of the board culture and tone can be enhanced by conversations delving into expectations about how new directors can contribute and be fully involved.

Board orientation should also include invitations to visit branches so new directors "can get a feel for what the credit union is and for the experience of staff and members," Fullbrook advises. "Give them an opportunity to get to know all the senior managers. New board members need deep access to strategic plans, financial plans, and other metrics of current and past performance. By reviewing recent board evaluations, they can see what's worked and hasn't worked and what steps the board has taken to improve performance."

With that foundation, directors will be better equipped to identify what additional information they need to discharge their responsibilities and take charge of their continuing education as they settle into board service.

BEYOND 'LEARNING THROUGH OSMOSIS'

CUES member James Sackett likely knew more about financial cooperatives than most new directors when he joined the $1.5 billion Firefly Credit Union board in 2015. He sought out board service as a way to pursue his passion for personal financial education and "to give back to the community in a meaningful way beyond the typical volunteering opportunities."

"At a high level, I knew about credit unions, but I didn't know nearly as much as I thought I did" about the board's governance responsibilities, says Sackett, who currently serves as vice chair of the Burnsville, Minnesota, credit union (*fireflycu.org*) board. "I've learned a lot."

Sackett's early orientation involved an onboarding session introducing the credit union's mission, access to a designated mentor to whom he could turn with questions on how the board operates and opportunities to "learn through osmosis" by attending board and committee meetings.

Firefly CU also offers professional development opportunities for directors. Sackett attended CUES Director Development Seminar (*cues.org/dds*), which he describes as "a crash course on the nuts and bolts of board governance and director duties." At the seminar, he learned from CUES strategic partner Quantum Governance (*cues.org/qg*), Herndon, Virginia, the useful model and conceptualization of "the three-legged stool of governance," consisting of the board, management and supervisory committee.

Based on his own experiences in joining the board, Sackett has participated in efforts to continue to enhance onboarding at Firefly CU "to help new board members hit the ground running more easily." Sackett chairs the governance committee, which includes the nominating committee that is developing and implementing onboarding changes.

Among recent additions to that process are a headquarters tour to meet managers and team members and a session with management to share financials, core values, strategic initiatives, and the nuts and bolts of operations as a foundation for new directors.

The committee is also developing a board-led orientation session to share a more in-depth overview of how strategic planning works, how the board develops and oversees the CU's mission and vision, and "how we come together with one voice for management," he says. The session "will address the board's norms and perspectives and the need to operate independently from management."

ENGAGING THE 'ROOKIES'

Onboarding should be structured to help new directors develop their understanding of the industry business model and regulatory environment as they settle into their board responsibilities overseeing the credit union's strategic execution, says Peter Myers, senior vice president of CUESolutions provider DDJ Myers Ltd., Phoenix (*ddjmyers.com*).

"If they're trying to contribute to a forward-thinking strategic conversation looking three to five years in the future without that foundation of knowledge and understanding, they're not doing anyone any good," Myers contends.

Over time, new directors will learn and assimilate their board's "patterns of action," but along the way, they can also begin to "contribute in a strategically impactful way the expertise for which they were recruited," he adds.

In his service on two CU boards, CUES member Russ Siemens, CCD, sees greater awareness about the importance of onboarding in helping new directors contribute to strategic planning and oversight within months of joining the board, rather than years, especially in organizations focusing on competency-based recruitment.

"New directors increasingly have expertise and experiences that allow them to engage more quickly, but they still benefit from initial training about the nature of credit unions, their business model and challenges, and the board's governance responsibilities," says Siemens, who has served on the board of $1.9 billion Innovation Credit Union (*innovationcu.ca*), Swift Current, Saskatchewan, since 2000 and is currently president/board chair of SaskCentral (*saskcentral.com*).

MORE ON DIRECTOR ONBOARDING

Director Onboarding Tool Kit (*cues.org/director onboardingtoolkit*)

Make the Most of New Directors' Perspectives (*cumanagement.com/ 0920perspectives*)

Good Governance: So, You're New to the Board (*cumanagement.com/ 0819goodgovernance*)

Director On-Boarding Post-Election (*cumanagement.com/ 1215directoronboarding*)

Start Director Onboarding Pre-Election (*cumanagement.com/ 1115onboarding*)

> **"If they're trying to contribute to a forward-thinking strategic conversation looking three to five years in the future without that foundation of knowledge and understanding, they're not doing anyone any good."**
>
> — Peter Myers

Attitudes are shifting from "You're the rookie who needs to learn the way things are done around here" to encouraging new directors to engage earlier in their tenure, he suggests. Some new board members may be hesitant to ask questions when they perceive that they are treading familiar ground for more veteran directors, but Siemens advises them to "follow your instincts and ask all the questions you need to ask to be ready to participate in and contribute to decision-making."

In the past, the mark of a good board meeting was how smoothly discussions went, "but I'm not always convinced that's the best outcome," he adds. "Today, with directors bringing a range of sought-after competencies, it may be less about collegiality and more about constructive debates and healthy tensions that come from more diverse perspectives."

LAYING A STRONG FOUNDATION

Effective orientation isn't completed in a month or two, Fullbrook suggests. "We've got to admit to ourselves that being an effective board member is very difficult, and it can take time to get there."

When Fullbrook asks board members how long it took before they felt that they could add significant value to the board's work, a common range is three to five years. He considers that a fair assessment.

"It doesn't mean that you don't speak and contribute in those three to five years, but it can take a really long time to fully understand the business and the people," he notes. "Board leaders need to acknowledge that in the onboarding process. They should consider, 'What are we going to do in the next few years to get new board members fully activated and help them become really good?'"

Myers doesn't accept as a standard that it should take new directors one to two years before they begin contributing in a purposeful way, but if board members are expected to learn the ropes through observation rather than with support of structured onboarding, "that can stretch the gap between joining the board and making meaningful contributions to years rather than months."

He shares an example of working with a board to create an onboarding program for a new director, with an overview of the credit union's financial performance and reporting, its strategic and business plans, and an introduction to the industry's regulatory oversight. The new board member also completed several CUES Director Education Center (*cues.org/dec*) courses to round out her understanding of the credit union governance model.

"Because she was equipped with this fast-track onboarding support, she was one of the most valuable contributors to the strategic planning session just a few months after joining the board," Myers adds. "She shared her perspectives, which were well informed about the credit union's strategies and challenges up to that point."

Sackett says it took him about two years to feel fully comfortable participating in board operations. "The sooner the better, but realistically, there's a balancing point," he suggests. "You wouldn't be joining the board if the members didn't think you had a valuable skill set or perspective to contribute, and you bring that from Day 1. But you need to take a little bit of time to understand the surroundings. It's not about acquiescing but making sure you can add value at the right places in the conversation. It's about developing a more contextual understanding of the mission and strategy and then applying your strategic views as a board member."

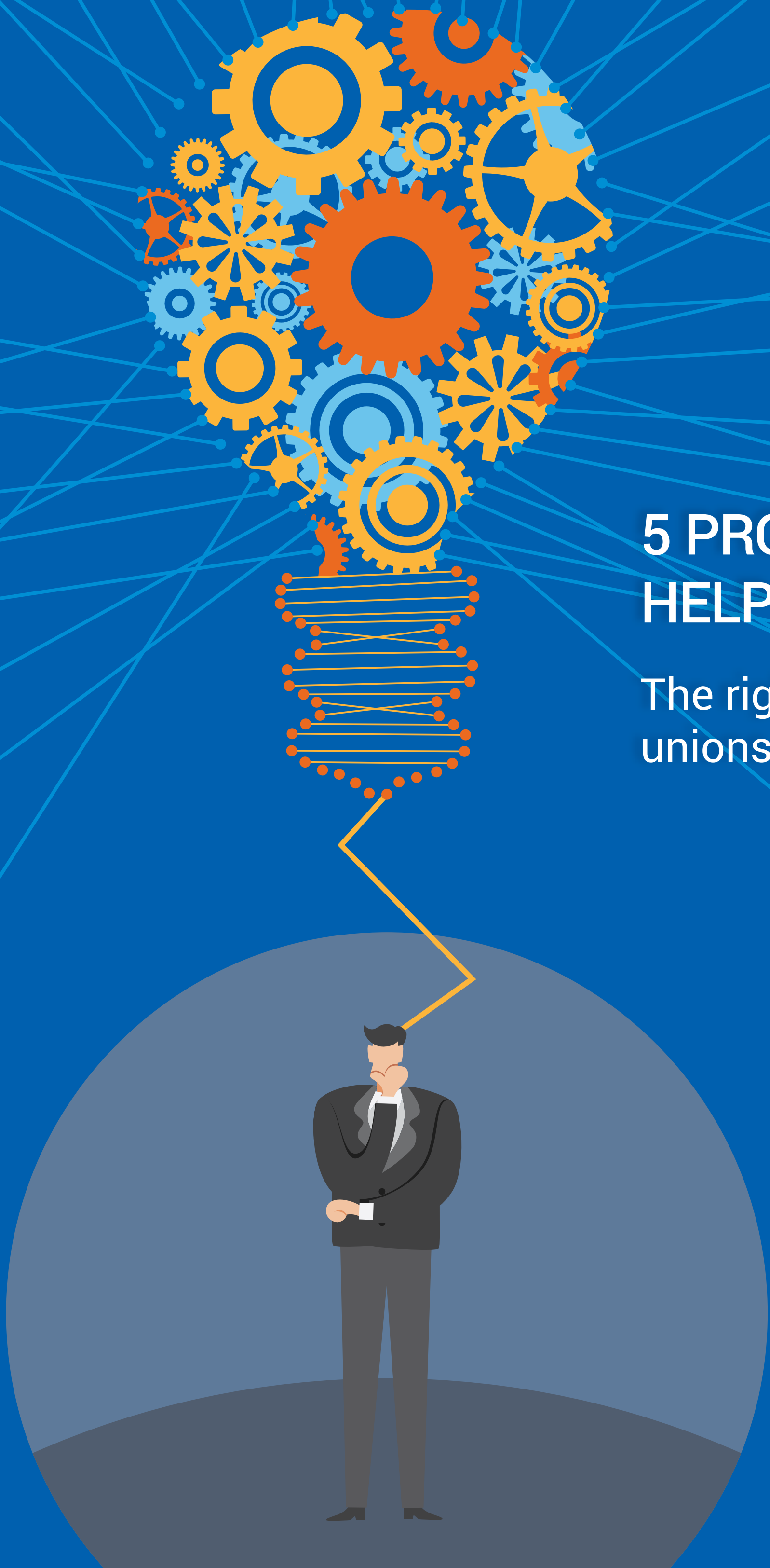
Another complex issue is how the credit union serves members' needs. "Financial returns are crucial for the credit union's continued viability, but the ultimate aim of the credit union is to optimize the return to members," Sackett says. "Our duty is to maximize returns for our members, both in financial and experiential ways, to make sure the products and services are a fit for members, rather than just making money for the financial institution.

"The sooner you learn that, the sooner you can hone in on the value you bring to the organization," he adds.

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

Special Report: Fintech

Credit Union Management



5 PROBLEMS FINTECHS HELP SOLVE

The right partners can help credit unions compete and succeed.

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5 Problems *Fintechs Help Solve*

THE RIGHT PARTNERS CAN HELP CREDIT UNIONS COMPETE, PREVENT FRAUD AND FIELD THE RIGHT TECHNOLOGY FOR PROVIDING THE KIND OF SERVICE TODAY'S MEMBERS DEMAND.

BY STEPHANIE SCHWENN SEBRING

Credit unions have all kinds of problems to solve. They must figure out how to protect their reputations by safeguarding member and organizational data. They must find ways to compete with a whole host of financial industry players for consumers' business. They must find the delicate balance of being conservative enough to stay solvent in this tenuous economy, while still having the right mindset for taking the risks required to get the tech they need to serve members.

Fortunately, CUs don't have to go it alone. Fintechs and other industry vendors can be among credit unions' allies in solving such key problems as how to:

1. PREVENT FRAUD

The need for stronger fraud management has never been more apparent than during the COVID-19 pandemic, when the number of card-not-present transactions accelerated.

"In the past, organizations detected fraud by analyzing activity on each platform using tools that were not connected," explains Jack Lynch, SVP/chief risk officer/president of CU recovery at CUESolutions Bronze provider PSCU (*pscu.com*), St. Petersburg, Florida. "While this method worked, it can't compete with the latest wave of fraudsters skilled at utilizing multiple channels to execute sophisticated fraud schemes. Many older fraud detection systems managed to prevent fraudsters from making final cash-outs but were unable to stop fraudsters in the first place."

New technologies shaped by fintech can assist credit unions in this fight.

For example, PSCU's Linked Analysis takes a proprietary approach to intercept and predict fraud through the combined use of artificial intelligence, anomaly analysis, phone printing technology, data analytics and human intelligence. Related events are monitored across numerous channels to predict fraud before it happens. By analyzing data holistically, across multiple channels, malicious patterns of fraud are identified and intercepted.

"Fintechs offering members safety and security will be critical to the future, and authentication of members before transacting across any channel will be a

focus," Lynch continues. "Leveraging AI to create a better member authentication experience in the future will also be an important component in reducing fraud. The concept of digital identities using decentralized authentication technologies such as blockchain will also play a role in creating this experience."

Scalability and reach can help differentiate fraud prevention solutions.

With Linked Analysis, for example, PSCU's fraud intelligence team can analyze data at scale across multiple channels and create alerts about events either before or as they are happening. The company's aggregate client data related to a fraudulent event is combined with metadata from third-party sources. Intelligence is also gathered from a variety of sources, including 1,500 PSCU owner credit unions.

"While we were previously aware of the channels being attacked, we did not know to what degree fraudsters were operating across multiple channels and credit unions," concludes Lynch. "In many cases, there were no instances of fraud being reported as the fraudulent transactions appeared to be 'good members' conducting routine transactions."

2. COMPETE WITH THE BIG BANKS

It can be very tricky for even a large credit union to compete with the major bank down the street. "But securing a provider like FIS can help credit unions obtain the exact tech as the big banks but at a much quicker rate," says Bill Hampton, division executive for CUES Supplier member FIS (*fisglobal.com*), Jacksonville, Florida. "This allows smaller, community credit unions to not only compete but win against bigger banks by delivering a more personalized member experience."

The key is understanding the member experience holistically rather than through individual product silos and then solving problems through that holistic lens.

"For example," Hampton explains, "consider what happens when a member loses a debit card in today's COVID environment. We could instruct the member to go to a branch to receive a new card via instant issue, but they may not want to go into a branch. So, we solve that by digitally issuing a new card in their wallet in real-time that can immediately be used."

Hampton notes there have been both positive and negative outcomes during the digital journey. "Most credit unions, for example, have several digital solutions acquired over the years," he says. "However, the current pandemic made clear these digital assets weren't knitted together to maximize their potential. The result is credit unions rethinking their digital strategies and investments. That's where the open, flexible architecture of APIs (application programming interfaces) is imperative." That use of open APIs—sometimes called "open banking"—enables third-party developers to build applications and services around the financial institution.

Historically, CUs have focused on providing fantastic face-to-face service as a way to compete with the potentially less personal service of big banks. Due to the pandemic, face-to-face service is not as good an option as it was in the past.

"Credit unions need to make the technological shift now, so the same member experience occurs, regardless if it is via phone, app or website," Hampton emphasizes. "These moments of truth are a critical juncture and must be solved in the channel the member prefers. Varying automation tools can be evaluated to accommodate this shift, while value propositions need to reach beyond the branch into all digital member interactions."

3. PROVIDE A BETTER DIGITAL EXPERIENCE

With demand for digital banking tools at an all-time high in light of the pandemic, credit union leaders are looking for the best tools and approaches to provide the superior, personalized experience their members have come to expect and appreciate.

"One of these digital tools, artificial intelligence, enables the credit union to provide a more personalized and intuitive experience, especially in the area of payments," notes Fran Duggan, CEO of CUES Supplier member Payrailz (*payrailz.com*), Glastonbury, Connecticut. "AI learns the member's patterns and habits to begin managing tasks, such as bill-pay, and shares recommendations concerning credit union products that may benefit the member, or areas where the member can find additional savings within their own accounts."

Depending on the nature of a payment, whether it is a utility bill or P2P, a smart-driven digital payments solution can use its learned understanding and the member's transactional behavior to discern how the payment should be best executed. "Our solution is unique in that it manages this via a smart router, creating an experience that is both proactive and intuitive for the member," Duggan explains.

Critical to the efficient use of AI and building a better member experience is the speed in which transactions are processed.

"Members are better able to manage their finances with greater visibility into the transaction process, specifically when it comes to quickly processing transactions," adds Duggan. "For AI to serve its role, transactions must clear in near real-time. This makes it possible for the member to have an accurate view into their finances and gives AI the ability to provide recommendations based on what is occurring in the account."

"We've seen the rise of digital for some time now," Duggan continues. "We can look to other industries, like retail, and see consumers opting for digital channels because these channels utilize tools such as AI to provide a 'do-it-for-me' experience. Certainly, the pandemic accelerated the adoption of digital channels in a compressed timeframe, but many can agree we were bound to reach this point."

Moving forward, Duggan says, credit unions must remain agile and think innovatively to build on the systems they have in place. "Technology will continue to change and adapt. Members will continue to seek out experiences that remove much of the manual work when it comes to finances—because when it comes to payments, it's the experience provided that matters."

4. BE NIMBLE WITH NEW TECH

Member expectations are rapidly changing, and credit unions must find ways to compete and move quickly and efficiently with technology. Amber Harsin, CEO of CUES Supplier member Prodigy (*cuprodigy.com*), a Salt Lake City-based fintech supporting credit unions with core processing technology, reflects that banking used to be something you first did at a branch—and later from your computer.

"Now, members expect to do their banking at any time and in any place," she says. "What's more, they expect to be able to perform sophisticated transactions, such as signing loan documents and opening accounts, not just inquiries or transfers."

CUs must be as nimble as possible to remain relevant—both in organizational structure and with technology.

MORE ON FINTECH

Finding a Nice Fit With Fintech (*cumanagement.com/0620finding*)

Fintech: From Disruptors to Partners (*cumanagement.com/1019fintech*)

Civil War-Era Law Dooms OCC's Fintech Charter (*cumanagement.com/0920civilwar*)

"Administratively, this includes reviewing policy and procedure and actively removing noncritical roadblocks that create friction to the member experience," Harsin explains. "It's also about positioning APIs to extend your core services and technologies as you see fit on the technology side. These empower credit unions to remain relevant and be responsive, even in the face of so many new challenges."

Traditionally, CUs have had to choose between expensive, hardware-intensive in-house data processing systems or overly simple, expensive service bureau systems. Either way, these systems were not designed to adapt in today's fast-paced environment.

"Today, virtually all financial technology is gravitating to the cloud," Harsin adds. "Prodigy keeps credit unions agile and relevant by providing core processing systems designed from the ground up for cloud delivery. This adds the power and flexibility of an in-house system while maintaining the 'hands-off-the-hardware' simplicity of a service bureau system."

Modern, API-driven architecture also gives the ability to seamlessly integrate other third-party solutions—including increasingly popular cloud-based solutions, which can assist speed of transacting and availability despite what is happening locally.

"Having that confidence and ability to deploy today's solutions, as well as tomorrow's, are what this nimbleness is all about," Harsin continues. "It's the agility to add key pieces that haven't even been thought of yet.

"When we first developed our cloud-based system, we were literally at the forefront of data processing technology. We were confident that APIs and the cloud were the future, but at the time, about 10 years ago, the jury was still out. We took a calculated risk, and our foresight has paid off."

All consumer-facing technology—whether it's Amazon, Google, Apple or the credit union down the street—must focus on making people's lives simpler. "Advanced technologies like artificial intelligence (AI) will gain a stronger foothold in the financial services space, and savvy credit unions will offer assistive technology, not reactive. This technology will make members' lives simpler, the secret to staying relevant today."

5. FIGHT ANALYSIS PARALYSIS

Analysis paralysis can occur when a technology decision becomes overwhelming and a CU's leaders feel incapable of moving forward with a decision.

"It happens to financial institutions of any size, and it can boil down to being deluged with information but unable to determine unique needs and business challenges," says Jennifer Addabbo, co-founder and partner of CU Engage (*cuengage.com*), St. Petersburg, Florida. "Our team can help credit unions navigate the evaluation process, ask the right questions, secure the right vendors, and ultimately negotiate the right contract and pricing conditions."

Done wrong, the process can be tedious and manual, which frequently leads to analysis paralysis. Done right, it deciphers the CU's specific needs and asks the right questions for a more compelling analysis of the options available. Addabbo thinks it's essential to analyze and structure the data elements to create an analysis for the review of credit union leaders and members of the operations and members services teams.

"Vendor discussions also occur in a more meaningful way," continues Addabbo. "For example, we ensure vendor demos cater to the specific requirements and use cases of each credit union, collaborate as a project team, and analyze the key differentiators. Then, that data is used to make vendor decisions more objective."

Addabbo adds that the process enables separating vendors and focusing on what is most important to members. "This can sometimes be lost in the analysis of an RFP (request for proposal), thus fostering the feelings of paralysis. What's needed are more table-stakes responses from vendors and to help guide the credit union to the right decision that provides the best member experience at the best value."

Credit unions are also extremely collaborative.

"Why not leverage that collaborative spirit? We find it invaluable, incorporating sentiments from other clients to the process," notes Addabbo. Consider the example of a credit union choosing Visa versus Mastercard or bringing credit card processing in-house or outsourcing. "What are the cost differences and the talent or FTEs required, for example? What problems or challenges should the credit union prepare for in the future? We can connect credit unions with their peers, helping them to learn through their experiences. And being completely agnostic from any provider allows us to guide them to the right solution."

According to statistics cited in an article (*tinyurl.com/fintechstats*) on spendmenot.com, fintech firms are used by 50% of all banking customers. So, it's not surprising that 82% of traditional financial companies plan to increase collaboration with fintechs in the next three to five years.

Indeed, these are challenging, triple-crisis times as credit unions grapple with a pandemic, the resulting uncertainty in the economy and social unrest related to injustice. It's a great time to have all the problem-solving allies they can get.

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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How to Find "The One": Selecting a Digital Banking Partner

By Brian McNutt, VP, Product and Strategy, Lumin Digital

An already rapidly changing digital banking landscape has been put into overdrive as a result of the pandemic. Credit unions and other financial institutions have been forced to be more agile than ever before as the industry collectively tries to keep up with shifting consumer preferences, needs and wants.

Digital services that were relevant a mere six months ago may now be obsolete, while others not even on the radar have been pushed to the forefront. Many credit unions that rely on vendors to develop and deliver these services to members are carefully re-evaluating. Should they continue an existing relationship? Is it time to identify a new provider? If so, what considerations should be top of mind when it comes to evaluating new partners?

Here are three important questions for credit unions to ask when it comes to choosing a digital banking partner:

Is the end-user experience a top priority?

Most credit unions and digital banking providers will agree that member needs come first. But how can credit unions actually evaluate the user experience? Because it is difficult to illustrate during a sales demo, credit unions should make every effort to use the platform before committing to it. Then they can see for themselves if it ticks all the user experience boxes. Is the experience pleasurable, fast and snappy? Are there things that surprise and delight you? Or, on the flip side, does it require the user to take unnecessary steps?

While a firsthand trial run is preferred, there are questions credit unions can ask potential providers to help the user experience evaluation:

- What is the process for developing the user experience?
- How often does the vendor do releases?
- How many designers does the vendor have?
- How is feedback collected and incorporated into the platform?

Credit unions can help members make better use of digital and remote channels and other contactless payments options that are already available, which is especially important in the current environment. Thinking ahead, credit unions should look for digital banking providers that can help them build new experiences that can address future member concerns and needs, such as managing debt, establishing and balancing budgets and navigating government programs related to COVID-19. While no one could have predicted the global pandemic and its widespread ramifications, providers should be able to quickly assess whether unforeseen events or situations will be short- or long-lived, and pivot to develop solutions that can be implemented in several different scenarios.

Does the provider use data to predict and prescribe?

A good digital banking provider should be able to do three main things when it comes to data: 1) collect it in real time; 2) readily access and analyze it; 3) use it to create future-state predictions. Credit unions should ask to see data in action during a demo, including how reports are run, the architecture of how data flows through the platform and how data is utilized in real-time to accomplish tasks.

A good partner can help credit unions understand which solutions are working and which are not, and make suggestions about next steps. Creating models for potential feature usage while simultaneously harnessing user data – sometimes on a daily basis – is a must.

Some vendors are quick to rush in and offer assistance when a contract is up for renewal. This type of reactive behavior is especially problematic as proposed features or solutions should have often times been delivered or at least under consideration or development prior to this impending deadline – in other words, it puts the credit union behind the eight ball. Credit unions would be well served to make predictions about future vendor performance based on past behavior.

Does the provider facilitate customized solutions?

Digital banking platforms must be extendable, which is to say they should have the ability to add custom features based on individual credit union needs. No matter how good or sophisticated a digital banking platform is, credit unions know their members better than anyone. They might want to create and implement features that do not fit into a vendor timeline or product vision. A good digital banking partner should allow them to do that using either the vendor's or the credit union's in-house team, or a combination thereof.

For example, a credit union might have its own rewards program that it wants to be able to show on the digital banking dashboard, or it might want to integrate to other third-party providers. Asking to see behind the curtains of the SDK (Software Development Kit) during a demo can help answer questions about the platform's extendibility.

Uncertain times require an even deeper understanding of current and potential consumer behavior. A mutually beneficial relationship between a credit union and its digital banking provider requires clarity and transparency, support for digital tools with which many members may still be unfamiliar, and new products and services for members that may be particularly hard hit by COVID-19.

Lumin Digital is redefining digital banking through its proprietary user engagement platform. By utilizing user data and predictive analytics, credit unions and other financial institutions can develop custom experiences for consumers, creating a truly personalized journey and connected relationship. Learn more at LuminDigital.com.

Brian McNutt is the Vice President of Product and Strategy at Lumin Digital. He has more than 14 years of experience delivering exceptional digital experiences to credit unions. Lumin Digital, a PSCU company, provides members of PSCU Owner credit unions with a tightly integrated and customized experience that rivals the offerings available from the big banks.

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Data Is the *New Oil*

THREE WAYS TO DRILL DOWN AND OPTIMIZE YOUR CREDIT UNION'S DATA NOW

BY TIM NARGASSANS

MORE ON ANALYTICS

The Power of Using Data to Drive Decisions (*cumanagement.com/060320skybox*)

Amid COVID-19 Fears, Data Analytics Show Credit Unions How to Help (*cumanagement.com/0320howhelp*)

Two of the most frequent questions I hear from credit unions are: "How often do our members go to a particular large retailer?" and "How can we learn more about our members from their transaction behaviors?" Seems simple enough, but it usually sets off a long-winded explanation about how complicated it really is. Regardless, it is essential to be using the enormous cache of data that your organization has at its disposal in order to create the best possible experience for members. CUs that can use their data efficiently can solve complex problems by using insights from retailer frequency and transaction information. Here are three key thoughts to help.

1. YOU CAN LEARN FROM YOUR DATA AND PREVENT OR MINIMIZE ATTRITION

Credit cards are sometimes reported to have a 10-15% natural attrition rate. That means if you're not growing at least that much, you are losing market share. What if you could reduce that rate?

Consumers will still make essential purchases and critical payments, but you likely don't know how their buying needs have changed until you examine the data. Maybe the decision to change credit unions happened this year when they realized you didn't have the digital offerings that they need during the pandemic, or maybe they were not aware of all your digital offerings. Maybe you have world-class digital products, but your members aren't 100% familiar with them. You likely had the data to save the member but not the analysis and tools to see what they wanted early enough. Learning to use the data and the insights gained from it can help both members and your credit union, especially during the current pandemic.

Data helps credit unions invest in the right technology for members while finding ways to attract new members. If you have the right combination of data, tools and partnerships, your business can continue to thrive and achieve new heights.

2. TIMELY AND RELEVANT MEMBER ENGAGEMENT IS KEY

The truth is that we see precursors in the data all the time. Maybe it's a high user of debit that starts to show a decline, someone who starts closing secondary accounts, a person who makes a balance transfer on a credit card or the loss of a direct deposit. The critical point is that you need to be able to act on what your data is telling you.

Having the tools to see the data, identify trends and take near real-time action is critical. Sometimes all that's needed is an outreach that sparks a friendly conversation. This can be an opportunity to strengthen the relationship, show you care and find that member's specific need so you can deliver a personalized and timely solution. In both hardships and good times, data can be a tremendous tool to help break the ice and build relationships. Whether it's a difficult and unique circumstance or a simple lack of incentives, your credit union can help its members weather the storm.

3. CREDIT UNIONS NEED MORE THAN BUSINESS INTELLIGENCE

First, integrating machine learning is a must. Your members want to know more than what happened, they want to know why something happened and what is going to happen next. Data science techniques like attribution and predictive analytics must be seamlessly integrated into modern business intelligence systems. The interface needs to be humanlike and in real-time. Natural language processing, or human language query, is a critical component; NLP is not just a feature but the future. Real-time solutions are changing the data integration landscape; business intelligence must follow that lead.

I have heard the phrase, "Data is the new oil," numerous times since the introduction of automation and robotic process automation solutions. In fact, your organization can be sitting on a "well" of data just waiting to be examined. The organizations that can use their data to create a personalized, creative member experience can market themselves as industry front runners. The credit unions that do this will establish their brand as centered around innovation and creativity, while most importantly, delivering a personalized experience for members.

Tim Nargassans *is a leader in the data solutions group at CUES Supplier member FIS* (fisglobal.com).

Smarter Payments *in a Pandemic*

ARTIFICIAL INTELLIGENCE SUPPORTS PERSONALIZATION AND A QUALITY MEMBER EXPERIENCE.

BY MICKEY GOLDWASSER

Credit unions of all sizes face an ongoing challenge in how to deliver a quality in-branch member experience in a digital-first banking environment. Credit union leaders understand that technology solves the challenge in question—but with so many tools in the industry, how does a credit union leader decide which to choose?

Artificial intelligence, or AI, presents a great solution to this challenge at hand. AI equips the credit union leader with an intuitive tool to directly engage with the member in the digital channel. Credit union leaders can use AI to provide a fresh member experience that maintains the personal touch of the in-branch environment, while welcoming the member into the digital channel.

AI also empowers the credit union to set itself apart from competing financial institutions by providing a new degree of personalized service not commonly found among community financial institutions or large financial institutions serving holders of accounts with small balances. However, credit union leaders need to understand the full capabilities of AI and how to appropriately deploy it. More specifically, they need to know more about how to effectively help members using AI, how to feed AI the best data possible (so the system delivers good outputs) and the best ways to use AI to their strategic advantage.

'DO IT FOR ME'

Members want their credit unions to do it for them—to proactively manage their financial affairs—including providing recommendations for specific products, automating everyday tasks and managing reoccurring payments.

Think about the large e-retailers of today. Such companies as Amazon understand customers' shopping preferences and recommend additional products based on their browsing history and purchasing decisions. Amazon also tracks what customers buy on a regular basis and allows them to set up repurchases on a schedule. Amazon takes all the hard work out of shopping for customers because it uses technology to do everything for them.

Success for companies like Amazon lies in the proactive approach used with each customer based on the data collected by the e-retailer. Credit unions need to study such success stories and find ways to emulate them.

AI ONLY AS GOOD AS THE UNDERLYING DATA

Unlike e-retailers, credit unions already possess each member's data. They can use this data to make a "do-it-for-me" experience a reality. Data is the fuel behind AI, and leveraging this rich source of information makes the member's life easier.

Focusing on AI can digitally deliver to members an experience that approaches the highly regarded traditional, in-person "private banker" experience. When CUs use AI to bring to life the personalization members appreciate, members gain a concierge-like experience previously only available to elite customers at the nation's largest banks. This strategic differentiator not only manages the member's day-to-day banking needs, including paying bills, making payments, monitoring account activity and managing cash for them, but allows the credit union to stand out among competitors.

Adding this personal touch is especially crucial today. As the COVID-19 pandemic continues, more members are turning to the digital channel than ever before. By using AI, credit unions can maintain the high level of personalized service they are known for, all within the growing digital channel.

LEVERAGING TECH TO CREATE SMARTER, SAFER PAYMENTS

Leveraging artificial intelligence and other technology that enables smarter money management strategically positions a credit union for success. In light of the COVID-19 pandemic, credit union leaders must identify new ways to maintain the personal touch that first attracted many members to their organizations. In this world driven by digital banking, credit unions must also ensure their digital capabilities mirror—or outpace—those offered by other financial institutions.

Mickey Goldwasser *is VP/marketing and chief of staff for CUES Supplier member Payrailz* (payrailz.com), *Glastonbury, Connecticut.*

MORE ON AI

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

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

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When Shopping for Your Core Consider the Ownership Model

A Review of Credit Union Cores and Ownership

The marketplace has spoken. Progressive credit unions of all sizes are moving to modern, API-driven core processing platforms. Sure, some legacy systems built on outdated technology are still growing their market share a little, but the trend is to leave these archaic systems behind.

Once you've eliminated the legacy systems, there are still a number of good core platforms whose architecture is well-suited for what's happening today, as well as what comes next. How do you narrow your search even further?

One important factor to consider is the ownership model of the organization you're thinking about doing business with. When shopping for core, credit unions have three options: public corporations, private companies or CUSOs.

Public Corporations

Public corporations' deep pockets make them attractive to some. The thinking is that because these corporations have more money to spend on development, they're going to produce better products. The problem is, the bureaucracy at these big corporations makes them very slow to react. If it takes a corporation three years to develop a product you need now, your credit union will have fallen behind by the time the product is available for you to buy. In fact, three years from now, it may not even be the product you need anymore.

Keep in mind, too, that at a big corporation, current customers aren't their top priority. The truth is, they're not even the second priority. A public company's prime allegiance is to its shareholders. They exist to make shareholders money. Your credit union just represents a supply of funds to achieve that. As a prospective customer, your credit union is valuable because the provider needs that new money coming in. Once you sign, your credit union instantly moves down to third place.

For example, it's not uncommon for a giant corporate provider to sell you an in-house system first to collect big up-front licensing fees, then a few years later, convince you to move to their old service bureau delivery model in order to increase the recurring revenue they get from you.

Private Companies

Private companies generally provide better service than public corporations and, because they're smaller, are also nimbler than their publicly traded counterparts. However, it's still important to remember who they're working for, namely the company's owners. Any owner of any tech company out there will tell you they're looking forward to a very lucrative exit at some point. That's why these systems can seem expensive. Their profit motives are driven to provide financial wealth to a small group, not the credit union industry.

Also, like public corporations, private companies derive additional income by selling you add-on modules with or after your conversion. In other words, instead of getting a core platform that does everything you need, you get a core platform that can do everything you need if you pony up a lot of extra money for the right add-ons.

The CUSO Difference

The most obvious differentiator for a CUSO is its ownership. All CUSOs are owned, in full or in part, by credit unions. That means the owners have a vested interest in creating products that credit unions want and need. What's more, at least at Prodigy, every credit union that chooses us for core becomes a part owner of the CUSO. That's right; you actually own part of your core processor.

Because the obscene profit motives aren't there, CUSO pricing is generally more reasonable than non-CUSO pricing. However, you can't just look at initial cost to make your comparison; you should consider the total cost of ownership (TCO).

For example, at Prodigy, we don't sell any add-on modules. Instead, when we add new functionality to our core, we add it for everybody – free of additional charge. Commercial checking account analysis, mortgage escrow and credit card processing are just three of the many features included in the Prodigy core for which virtually all non-CUSO core providers charge extra. Whatever money your credit union would spend on add-ons from a non-CUSO core is money you won't have to spend with Prodigy. A TCO analysis strongly favors CUSOs.

SnoCope Credit Union in Washington, moved to Prodigy's core solution and reported a savings of $100,000 in technology and related expenses per year. SnoCope's CEO Steve Ellis said, "What it all adds up to is, we'll have significantly better core technology, considerably more options, seamless third-party integrations, and all at a much more affordable cost."

First American Credit Union COO Phil Peters was fed up with his big corporate core provider, so he went core shopping. After a lengthy search, the $107 million credit union selected Prodigy.

"This core was clearly developed by credit union people who had an active hand in developing the software," Peters said. "Everything from all my years of working in a variety of positions in operations that I would love to see in a core, it was there. It was remarkable."

Best of all, because the CUSO owners and users are one and the same, technology CUSOs can remain very nimble. This means that when technology inevitably turns on a dime, your credit union will be positioned to turn on that same dime. The CUSO will always work in your best interests because you're the owner: You are the CUSO.

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New Urgency to *Digital Transformations*

MANY CUs ARE STRIVING TO MOVE FORWARD FASTER AND BETTER WITH MOBILE AND ONLINE DELIVERY.

BY RICHARD H. GAMBLE

A digital transformation is a journey that never ends, observes CUES member Rick Long, VP/information technology services at $6.3 billion PSECU (*psecu.com*), Harrisburg, Pennsylvania.

"The technology keeps improving, and the competitive environment constantly changes," he points out. The way Apple, Amazon and Google keep raising the bar for expected digital experiences forces CUs "to adapt their digital strategy to a changing environment." So everyone is getting there.

Now the COVID-19 pandemic has put new pressures on the process. Three months of closures last spring advanced digital banking by three years, estimates Jim Burson, managing director of CUES Supplier member and strategic partner for technology and strategic planning services, Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

When Steve Jobs invented the smart phone, he set off an explosion of tech innovation that changed the world, observes Michael Carter, EVP of CUESolutions Bronze provider Strategic Resource Manageme nt (*srmcorp.com*), Memphis, Tennessee. So much became possible.

Entrepreneurs sprang up to digitize one or another manual process. It was impossible for the system vendors to keep up and for the new fintechs to provide the middle- and back-office platforms needed to power all that must go on to satisfy a front-end service request. Thus, best-in-breed selections and integration became the way some CUs have coped and how all will have to move forward if they wish to be relevant in the future, he explains.

"A lot of CU executives don't like to depend on small, new companies that don't have a track record or deep pockets, but they need to get comfortable with the idea. There are ways to vet an emerging provider with limited track record and, even with an established supplier, you always need a Plan B or even a Plan C, which should be reflected in the contracts."

TWO PATHS

There are two ways to move toward digital transformation, Burson observes. One is a top-down approach where the CU starts with a clear concept of what it wants to achieve based on a refreshed business model and new strategic plan, then sets

"It's been pretty clear for a few years that the future would be heavily digital, but some CU leaders were intimidated by the size of a transformation. Now they have no choice."

— Michael Carter

out to develop processes and find tools and people to realize that concept. The other is a bottom-up approach where a CU actively screens the digital tools that are available in the marketplace, determines which ones its members would like, which ones fit its infrastructure and which ones make financial sense. Then it assembles and integrates those tools into whatever digital transformation results.

In the beginning, digital transformations started with CUs opportunistically introducing individual products as they popped up in the marketplace, reports Jeremiah Lotz, managing VP/digital experience and payment products at CUESolutions Silver provider PSCU (*pscu.com*), St. Petersburg, Florida, but the trend now is to work toward a holistic solution based on what you think the member wants—or what several marketing "personas" that represent your membership would want. The technology delivers, but the transformation starts with market intelligence, he argues.

Burson is a top-down guy, but he puts a high priority on moving down.

"You have to start with a clear idea of what you are trying to achieve to be truly transformative," he reasons. "Just adding digital tools as they become available tends to be an incremental approach. But the key to a digital transformation is the technology *and* the processes *and* the people. Too many CUs focus primarily on the technology, and they may get state-of-the-art technology, but if they don't follow through with the processes and people, they often won't get the results they expect." Any plan, he adds, should not go out further than three years; the pace of change makes anything longer unreliable.

Becoming effectively digital can be transformative or incremental, Burson notes. The outcome depends on speed and resources. "It's hard and sometimes expensive to make big changes quickly," he points out, "which is why many CUs take an incremental approach. The choice determines whether you will lead the change or follow it."

PSECU'S HEAD START

PSECU is a leader. "We developed digital banking back in 1995," Long reports, "using floppy disks and banks of modems, which prepared us to roll out internet banking in 1999. By 2001, we were providing our first mobile service. Then, five years ago, we started preparing another digital transformation that we'll be rolling out to members later in the third quarter of this year. It will reduce friction for members and anticipate their needs better. This new digital-first offering includes major enhancements to our internally developed web and mobile banking services. It will also include personalized member insights that will reflect their financial health, their full relationship with us and ways they can use our products to save money."

For example, the new app will allow members to read transactions more easily, access maps that show where certain transactions were made, add notes and categories and to see their paycheck early with pending ACH transfers, easily access their account numbers and get tips for improving members' money management skills.

Member adoption is high. "Our marketing department reports that 82% of our active members use our digital channels," Long reports, "and that the digital systems handle over 6 million logins a month."

The emphasis is a little different at $3 billion Canvas Credit Union (*canvas.org*), Lone Tree, Colorado.

"We believe that digital transformation starts with what members need," explains Chris Chippindale, CSE, CCE, COO, and former VP/digital banking. "Bright and shiny doesn't matter if it doesn't give our members a more convenient and seamless experience." And Canvas CU members want branches, he reports. Canvas, formerly Public Service Credit Union, has 29 branches in suburban Denver and a 30th set to open this fall.

"Members tell us that having a branch footprint matters," he says, "but they also want easy, automated solutions for some transactions."

CUES member Stacy DeLong, VP/digital strategy, wouldn't call what's happening at $1.1 billion Deere Employees Credit Union (*deereemployeescu.com*), Moline, Illinois, a digital transformation per se, but points out that things are indeed happening at a technology leader that operates without human teller lines, drive-thru lanes or traditional branches. Deere ECU is a single employer group CU, serving only people with a connection to the Deere & Company.

"We worked with a strategic planning consultant and our board over three years ago," DeLong reports, "to develop a digital-first strategic plan, which we've been following with a few tweaks. The plan sets strategic guidance that allows everyone, from our executive team to our front-line staff, to understand how their impacts ladder up to the greater focus." Since most members already used remote digital channels, COVID-19 hasn't changed that plan, he adds, "but it taught us a ton about our operations, our staff and our resiliency. We've been tested."

Deere ECU still has a small "traditional faction" of members but "our goal," DeLong says, "is to get them to digitally migrate so our staff can concentrate on consultations around financial goals and wellness instead of traditional routine transactions like check deposits."

$840 million Gulf Winds Credit Union (*gogulfwinds.com*) in Pensacola, Florida, has a digital transformation plan that it follows for the most part, explains CUES member Haley M. Murph, VP/e-services and payments, "but if some great tool comes along in the marketplace that we weren't planning on, we'll grab it. We're about 90% plan-driven, but we try to stay opportunistic and flexible."

CHANNEL PARITY

The message has been clear for some time that CUs need to develop digital banking or fade away. Very few CUs don't offer online and mobile banking in some form, notes Bruce Dragt, chief product officer at CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California. Most of the activity now involves building channel parity—making mobile banking do anything online banking can do, and making online banking do anything in-person banking can do—he reports, and then integrating the channels so a member doesn't have to change trains metaphorically to get to their destination. Instead of digital experiences by product, he explains, the goal should be for a member to have a holistic digital experience across their relationship with the credit union.

A transformation plan needs to come with a clear set of priorities, Burson cautions.

"A list of 50 desired changes without priorities can lead to paralysis," he explains. And the goals should be specific and measurable. "If you set a goal of using digital products and marketing to improve the member experience, you may get some results. If you set a goal that in three years 40% of all deposits will be originated online, you'll get more results."

Less than 20% of CUs have accomplished digital transformation at scale, reports Keith Riddle, president/CEO of Sherpa Technologies (*sherpatech.org*), a wholly owned credit union service organization of $3.8 billion Corporate One Federal Credit Union (*corporateone.coop*), headquartered in Columbus, Ohio. The rest are taking a measured approach, he says, evaluating flexible architectures and open frameworks to expedite digital expansion, often prioritizing enriched member experiences.

Simply pleasing members can be shortsighted, observes Tim Foley. Technology is like the proverbial onion, explains the chief growth officer of Think|Stack (*thinkstack.co*), Baltimore—it comes in layers. The outer layer, the one that has received the most attention and resources, is the layer that members see and use. But beneath it is an application layer, then a data layer and, finally, a backend layer composed of infrastructure and security. CUs have tended to focus on bringing cool tools to members to use on their mobile devices, he points out, but those tools need to work on a foundation of other layers, and that's what transformations need to move forward.

"Without a flexible, secure, cloud-based infrastructure platform, the tools themselves don't work as robustly and can't be rapidly tested and deployed," he insists.

End-to-end infrastructure like Foley describes may be necessary, but it has to come back to serving members, insists Deborah Moore, director of digital transformation, banking and omnichannel solutions and services for Celero (*celero.ca*), Calgary, Alberta. Canada, with its 236 CUs holding $249.7 billion in assets, has a more consolidated industry and more comprehensive collaboration efforts than the U.S., she notes. The result, she suggests, probably is a robust digital infrastructure.

So what's left? Even though Moore's business is providing technology, she says the frontier in Canada is not so much the next generation of technology as the next generation of people using it. "You can't go digital without the technology, but the technology doesn't create the transformation by itself," she points out. So progress has shifted to preparing the people, both on the CUs' staffs and their members, to see and capitalize on what the technology can do, she says. "The innovation now needs to focus on member needs," she insists, which go beyond the convenient 24/7 remote access to basic products and services. For example, one solution used a digital platform to deliver an alternative loan for people stuck in the payday loan cycle.

MEMBER BEHAVIOR

Transforming a CU's operating infrastructure is one thing a CU can more or less control. Transforming the way members do business with the CU is quite another thing, Dragt notes. While the pandemic certainly boosted the value of banking remotely and influenced behavior, people still pick the option with which they are most comfortable, he insists, which means that chang-

"Everywhere you go today, there is pressure to go digital, digital, digital! When it becomes a race, some organizations will overdo it and need to backtrack to include more human interaction. There must be a balance between the two."

— Bryan Boynar

ing behavior may take a while.

"CUs are reluctant to push members," he notes. "Member feedback consistently shows that members want to do things their way. A few CUs may eliminate manual and in-person options, but most will continue to support whatever their members want, even when there's a cost to doing so."

Marketing needs to use digital wisely, sending the right messages at the right time, Carter notes. A balance and last five transactions would be fine in the morning when a lot of people are starting their work day, he says, but not a long or complicated offer, which needs to be sent at times when a member is likely spending more time online with the credit union—for example, the day before a paycheck arrives when many are setting up their next round of bill-pay transactions.

COST CONCERNS

Once digital transformations were driven by one big question: What do we need? Now there is a second big question: What can we afford?

"We're clearly seeing belt-tightening across the organizations," notes Bryan Boynar, financial services solution marketing manager for CUESolutions Bronze provider Hyland Software (*hyland.com*), Westlake, Ohio. "Budgets are being limited. There likely won't be net revenue to spare, which will mean less money to invest in complete digital transformations."

The result, he predicts, will be more fine-tuning and less revamping of whole programs. The economical way to move forward with digital transformation is to add features like artificial intelligence and robotic process automation to existing systems, enhancements like chatbots that can be bought from vendors for modest amounts. Even less expensive will be turning on unused features of existing systems or purchasing upgrades from a current vendor, he points out. "First check out what more your current systems might be able to do," he advises.

Thin margins and loan delinquencies may force CUs to cut expenses, but they still have to keep investing in digital transformations, SRM's Carter insists.

"The pandemic has brought a perfect living experiment to digital demand," he says. "If the virus exposed weak points in a CU's digital delivery, like a website that crashed when too many members tried to use it, CU executives know where they need to invest. It's been pretty clear for a few years that the future would be heavily digital, but some CU leaders were intimidated by the size of a transformation. Now they have no choice."

GOING OVERBOARD?

Is there a danger of going overboard with digital transformation? Boynar thinks so. "Everywhere you go today, there is pressure to go digital, digital, digital! When it becomes a race," he cautions, "some organizations will overdo it and need to backtrack to include more human interaction. There must be a balance between the two."

The role of branches has changed, and responding to that change needs to start now, Carter says. "Going to a branch will be like going to a doctor—you make an appointment when you need special attention. Everything else you do digitally, or at least through self-service." Closing a branch, repurposing staff and selling the property could provide funds for moving the digital transformation forward, he observes.

While every CU's digital transformation may be different, there's no point in going it alone. With virtually all CUs engaged in similar projects, it pays to network.

Murph serves on Sherpa's Innovation Council. "I've learned a lot about strategy from the council meetings," she says. "CUs are strongest when they work together on big challenges like this. We all want to get better at digital transformation, and the CUSO provides space for us to explore ways to reach this common goal."

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

MORE ON DIGITAL TRANSFORMATION

No Cookie Cutters in Digital Transformation (*cumanagement.com/0920cookie*)

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Knowledge & Networking November: *An Online Event for Your Entire CU*

This fall, CUES is bringing top-rated speakers to the industry through Knowledge & Networking November, an online conference experience.

"With Knowledge & Networking November, we're delivering the quality education that CUES is known for, just in a new platform," says John Pembroke, CUES president/CEO. "Attendees will find substantive content from top speakers, along with networking time so they can connect with colleagues."

"We may not be able to meet in-person just yet, but Knowledge & Networking November is the next best thing," says Joette Mitchell, CUES VP/executive education & meetings. "This experience will offer a good mix of learning and camaraderie, true to its name."

Sessions will be held from 3-5:15 p.m. Eastern time on Nov. 5, 12 and 19. Topics and presenters are:

Leading During a Crisis, Both Professionally and Personally, presented by Harry Kraemer, business executive; leadership author; clinical professor of leadership at the Kellogg School of Management at Northwestern University; and executive partner at Madison Dearborn Partners;

Strategic Agility, presented by Francesca Gino, the Tandon Family Professor of Business Administration at Harvard Business School; chair of the Negotiation, Organizations and Markets Unit; and co-chair of Behavioral Economics Executive Education Program and Driving Profitable Growth Executive Education Program; and

Organizational Values: A Beacon in a Storm of Uncertainty, presented by Sean Martin, associate professor of business administration, Darden School of Business, University of Virginia.

"We've set pricing at a flat-rate fee so everyone in the industry can easily access quality professional development, in spite of the financial challenges many credit unions are facing," says Mitchell. "Our speakers are consistently highly ranked by our conference attendees—in fact, Harry Kraemer holds the distinction of being our highest-rated speaker ever. This is an excellent opportunity for shared group learning at a great value."

Sessions include Q&A and time left open for hot topics, so registrants can explore and discuss the latest industry happenings. Knowledge & Networking November will be recorded and available for playback for a limited time following the live event.

Learn more and register at *cues.org/knn*.

Liquidity Risk Measurements: *The Good, the Bad and the Ugly*

It's almost certain that competition for deposits will further intensify, which will require comprehensive deposit monitoring and funding concentration management strategies. It's critical that all credit unions have a sound grasp on their liquidity levels and funding composition. Managing on- and off-balance sheet liquidity has a material impact on both profitability and funding risk. Striking the proper balance (and effectively managing that position) is more important now than ever. To learn more about the most common liquidity measurements and which work best for what circumstance, read a free whitepaper from CUES Supplier member Plansmith at *cumanagement.com/liquiditywhitepaper.*

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Mentoring Through *Storytelling*

BY TY BENNETT

Communicating well is not only an intellectual exercise. To really connect with people, especially their emotions, we need to bring them into our experience. Stories do that. When you paint a picture with your words, people put themselves in that picture.

As a leader, the right story can be a gold mine. Storytelling is such an influential tool that, if you use it constructively, it can change people's hearts and minds. That is why author Janet Litherland said, "Stories have power. They delight, enchant, touch, teach, recall, inspire, motivate, challenge. They help us understand. They imprint a picture on our minds. Consequently, stories often pack more punch than sermons. Want to make a point or raise an issue? Tell a story."

One of the most underrated skills in business today and one of the most effective tools in the leader's toolbox is storytelling. So, how do we do it?

The most common story a leader tells in the mentoring process is an "aha" story. This story is designed to reveal a truth to the learner and the process by which the leader gained this aha. The point of the story is to impart wisdom and coach the learner through a new situation and—by framing this advice in the form of a story—it is heard, remembered and more likely to be acted upon.

The key to this type of story, and to all stories in fact, is the model of struggle to solution. An influential story is struggle first and then solution. This is the point that most influencers don't realize. It's the struggle that is the hook for the story. There is something about confrontation and conflict that grabs our attention. It engages emotion and draws us in.

We all want to believe we are on "The Hero's Journey," the monomyth of novelist James Joyce. To venture out in life, face struggles, experience victory and bring it all back to the village of our lives as wiser souls is the stuff of the human condition. Whether you know it or not, the story of your own struggles and your own victories—however modest they may seem to you—has tremendous power to inspire and motivate others and propel them to greater heights.

For leaders to tell this story effectively, we need to think over where we learned these lessons, and then we need to be willing to be vulnerable and share our own shortcomings, misconceptions and stumbles on the way to the aha solution.

An aha story from a leader would follow the pattern: Early in my career I was asked to lead a project ... and I was struggling with ... Everything changed when my manager ... and as a result of her advice, I changed my approach ... and this was the result ...

The aha moments in our lives and careers can be powerful teaching tools if we share them in a "struggle to solution" format. The struggle is what learners will relate to and, because of this connection, the solution will be a credible idea or strategy that they will want to implement.

Like any great skill, telling stories takes practice—both to identify the aha stories you can use in the mentoring process as well as learning to tell those stories effectively. Remember, however, that mentoring through storytelling makes the insights palatable, memorable and actionable.

Ty Bennett (tybennett.com) *is the founder of Leadership Inc., a speaking and training company with a mission to empower individuals and organizations to challenge their status quo, cultivate exceptional relationships, and compete in extraordinary ways.*

Leave a comment at cumanagement.com/082420skybox.

"A seasoned support rep can field three-to-seven asynchronous conversations simultaneously ... inside digital banking. But a call center rep can only talk to one person at a time on the phone. ... Digital must be served digitally. As ridiculous as it sounds, this is relatively new wisdom and a necessary guidepost for financial institutions who must both quickly expand digital and dramatically improve efficiencies to survive the new normal."

Lee Wetherington, director of strategic insight for Jack Henry & Associates Inc. (*jackhenry.com*), Monnett, Missouri, in "The Law Of Least Effort: Relationships vs. Self-Service Delivery in the New Age" on CUES Skybox: *cumanagement.com/082620skybox*

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