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Choice of offerings forms basis for revenue and loyalty

MERGERS
Switching back to offense

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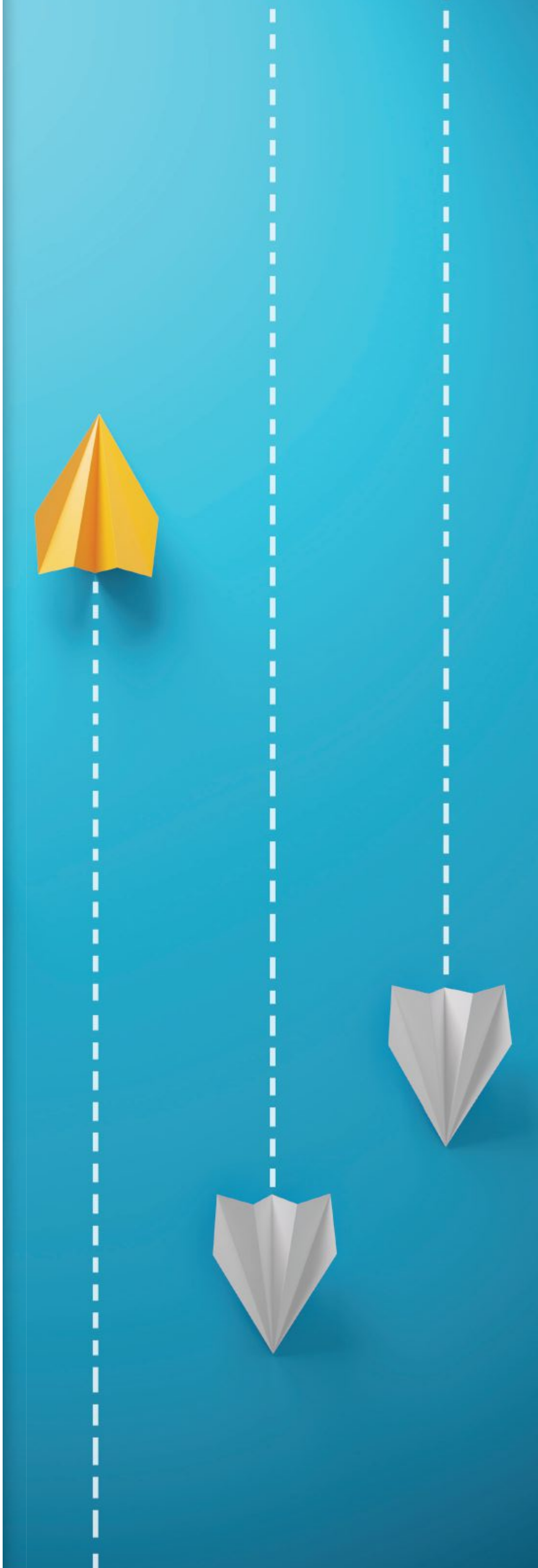

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CFO Focus: To Bitcoin or Not to Bitcoin ...

There's a lot of hubbub about the cryptocurrency market lately, but crypto is still confusing to the masses. Understanding blockchain will provide CUs with valuable tools to expand their financial services.

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CUES Podcast

Governance Gumbo

In this episode, New Orleans native Ancin Cooley, CIA, CISA, principal of Synergy Credit Union Consulting, discusses key ingredients in good governance. You can hear more from him at Directors Conference (*cues.org/dc*) in December.

cumanagement.com/podcast118

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LET'S CONNECT

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

HOW IS YOUR CREDIT UNION SUCCEEDING AT ATTRACTING TALENT IN A TIGHT MARKET?

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

Cards, Mergers and Finding the Talent *to Keep You Running*

I'm probably not supposed to have favorite issues of *CU Management*, but this month is definitely in my top 10. Not only do I love the beautiful cover, but the content within these pages is especially strong.

We've been talking about how credit unions can make their cards top of wallet for years. But our cover story in this issue dives into some new ways to make your card program stand out. After all, credit unions need to make sure their cards—whether eco-friendly, non-plastic ones or with "buy now, pay later" options—are pulled out first if they are to keep up with the big payments players. Read more on p. 12.

While you are competing with other financial institutions for your members' card business, you are also competing with those same institutions, plus many more organizations, for the talent that keeps your CU running. When the pandemic started in 2020, we were in a job seeker's market. Now, as North America re-opens, we find ourselves back in the same position—that is, with too many open positions to fill.

Employers will have to act fast to scoop up top talent, says Bill Borkovitz, partner at CUES Supplier member JM Search (*jmsearch.com*), King of Prussia, Pennsylvania. "There is absolutely a shortage of talent at the executive level," he says. "That brings a level of competition. We're seeing multiple offers for candidates, so being able to move quickly is paramount. The need for talent, especially around technology and areas of growth, has never been stronger."

If you have open jobs to fill, turn to "The Reinvention of Executive Search" on p. 16.

A lack of talent at the top is a common reason for credit unions to explore merging. "It's not the technology that will get you; it's the people," says Stephen G. Morrissette, president of Providence Advisors (*prvadv.com*), Chicago, and a visiting professor of business administration at the University of Chicago Booth School of Business.

"You need a minimum number of players to field a team," he says. "If you can't afford a qualified chief credit officer and the necessary compliance and technology experts, it will be hard to survive. You need economies of skill, not necessarily economies of scale."

After a pandemic pause, merger activity is picking up again. "2020 changed the landscape," says David Ritter, managing director of CUES Supplier member ALM First (*almfirst.com*), Dallas. "2021 will be exciting, and 2022 is likely to be a banner year for CU mergers." Read more on p. 28, including two sidebars about what credit unions that wish to avoid merging can do.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

P.S. With this issue, we are conducting an advertising impact survey. Please be on the lookout for emails from *CU Management* via Readex Research. By participating, you will be providing important feedback to our advertisers, which ultimately helps us provide you with the strong content for which we are known. If you have any questions about this survey, please reach out via email or phone.

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CURRENCY FINANCIAL EDUCATION EXPERTS

Credit Unions *Should Bank on Chat*

The pandemic has driven more consumers than ever to bank by mobile app, and seven in 10 would use a chat app for banking if their bank offered it, a new study shows (*https://tinyurl.com/3mj4xhs9*).

WhatsApp, Facebook Messenger and Apple Business Chat are widely used by consumers to talk to friends and family. The study, conducted by Dimensional Research in partnership with mobile and chat commerce leader Clickatell, found that half of U.S. consumers have already used such chat apps to talk to businesses too.

The research underscores that consumers love chat—and they'd like to do more banking on their favorite chat apps.

A NEW CX BATTLEGROUND

While the survey dealt with bank customers, the results portend big opportunities for credit unions to harness the power of chat apps to keep and retain members and compete with larger FIs, as well as to boost the customer experience in a world forever changed by COVID-19.

Credit unions have long ranked higher on the customer service and satisfaction scale than retail and commercial banks, given credit unions' cooperative nature, nonprofit status and focus on providing a more personal and flexible member experience.

But the availability of digital technologies at retail banks and the explosion of fintech challengers is eating away at the credit union CX advantage. One study from the Everest Group found that less than 5% of credit unions in the U.S. had a mobile banking app as of 2019 (*https://tinyurl.com/2cah5e9m*). Retail banks, meanwhile, invested heavily in digital technologies before and during the pandemic, and those investments have scored well with consumers. A recent J.D. Power survey found the proportion of digital-only customers at retail banks jumped to 41% during the pandemic, up from 30% the previous year, and that satisfaction improved the most among heavier users of digital channels (*https://tinyurl.com/546crbdp*).

Thanks to the pandemic, more consumers have gotten into the habit of not physically visiting neighborhood credit unions or banks. And that's a problem, since high-touch service has been a mainstay of the credit union connection with consumers, especially if branches were located at work or in shared commercial spaces.

Accelerating changes to customer service are likely, as digital technologies continue to infiltrate more of the financial services industry. All of these forces support the case that credit unions can take advantage of chat apps to:

Add high-value digital capabilities. Currently, when consumers contact banks or credit unions on an app, they mostly do it through branded apps that each organization creates for its customers. Such apps take time, money and marketing power to optimize. Credit unions, especially smaller ones, may not have the investment capability to deliver a branded app experience. By offering chat banking via existing chat apps, such as Apple Business Chat and WhatsApp, the credit union has a chance to offer the same or even higher quality chat experiences than the big banks do on a chat app. Also, on chat apps, brands sit in the same contact list in consumer phones as do friends and family. That's a great place to be.

Replace lost in-person moments with personalized and convenient chats. Chatting is asynchronous communication. Consumers send messages or ask for information when it is most convenient for them and then receive a response. No waiting for a branch to open. The Dimensional/Clickatell study found that 65% of consumers say COVID-19 has changed the way they use banking apps, including 12% who started using an app for the first time. Millennials increased their banking app usage the most during COVID-19.

Attract and retain younger consumers. Not surprisingly, younger consumers are the most invested and interested in chat apps to interact and transact with businesses, the Dimensional/Clickatell research shows. For credit unions, where current members tend to be older, chat will be especially important to win over and retain younger consumers. While half of all banking consumers have used a chat app to talk to a business, the number jumps to 68% when considering just millennials, according to the study.

Keep the high-touch feel, even if the channel changes. Financial matters are important, and consumers appreciate an institution that is ready to assist. The Dimensional/Clickatell study found the top three things consumers want to do with banks on a chat app are to access customer support, check account balances and pay bills. These simple activities are also what members often did at credit union branches prior to the pandemic. Plus, live chat for customer support via a mobile app can be highly personal, providing an opportunity to boost the member experience even while digitizing it.

MOVING AS AN INDUSTRY

The credit union industry's move to digital has been hampered by multiple factors, such as lack of in-house technology experts and relatively small technology budgets. For many credit unions, the digital offerings provided depend on what third-party technology providers make available.

But consumers have clearly shown preference for chat apps and a desire to do business and banking through this channel. The faster credit unions—as well as the technology providers they rely on—move to meet members on chat apps, the more successful they'll be.

Andreas Suma *is senior vice president at Clickatell and an industry expert in business and financial services. He has been a leader for 20 years at companies like FICO and Clickatell* (clickatell.com)*, where he works on technology solutions that drive business strategies in banking. He's spent years helping businesses scale and navigate the financial services landscape.*

Tips for Returning *to In-Person Learning*

In-person learning is back! This is a celebration, to be sure.

The period of pandemic restrictions has felt long to many—like me—who love to connect with CUES members, learn in person and check out a new part of the world in the process. CUES shares your enthusiasm for safely traveling to see industry peers and learn new things now that the vaccine rollout is well underway, cases are falling in many areas and the list of protocols to follow is being shortened.

If you're thinking of heading out to do some invaluable in-person learning and networking, I have two suggestions for you: Pace your "peopling" and follow the event's COVID-19 guidelines.

Pace Your "Peopling": Even extroverts like me have spent the last year largely with members of our immediate household. Some of us have started to expand our social events to include being with small groups of people, but most of us have not been in a large-group setting in a long time—and certainly not for an entire day.

That's why my top tip for returning to in-person learning is to pace yourself. While the hubbub of airports, hotel check-in, event sessions, meals and networking will all feel tremendous, we might tire more easily from spending time with people than we did in the past.

Suggested Actions: You know how you learn best, so if you need breaks, take them. You might want to stand in the back of the room for a while or walk a bit to stretch your legs. Maybe you need to get outside for a few minutes or listen to your new favorite song or podcast. Do it. You might even want to spend a few minutes in your room to refresh before heading out for the next dose of people.

Follow Event Guidelines: Meeting planners, including the team of us here at CUES, are closely following the changing COVID-19 health guidelines as set forth by the Centers for Disease Control and Prevention and the local health officials where our events are being held. We're also talking regularly with hotel and conference center staff members.

Our aim is to have a safe learning event for everyone. So, we're developing guidelines to protect everyone's health—and updating them regularly as more data becomes available.

Suggested Actions: Follow the guidelines. Go to the CUES website to see our latest ones (*cues.org/in-person-events*).

I look forward to seeing you on-site!

P.S. If you're not quite ready to travel for in-person learning, CUES has you covered with wonderful digital learning opportunities (*cues.org/digital-learning*). Here are my tips for making the most of that: *cumanagement.com/102220skybox*.

Sara Dyer *is director of executive education and meetings for CUES. In her role, she is responsible for the research, planning and execution of CUES' conferences, seminars and meetings. Dyer has been in the credit union industry for almost 20 years and enjoys creating memorable learning experiences. In her free time, she enjoys crochet, reading and running her high schoolers to every music lesson, play rehearsal and school event they find.*

Is Your Card *Top of Wallet?*

SHIFTS TOWARD DIGITAL PAYMENTS, PAY-LATER OPTIONS AND COLORFUL CUSTOMIZATIONS ARE SHAKING UP CREDIT UNION CARD OFFERINGS.

BY ART CHAMBERLAIN

When you look at what credit unions should offer to attract and hold their credit card customers, it seems less is more.

That's "-less" as in contactless, card-less, and interest-less. All those options have taken off during the pandemic and are projected to keep growing rapidly. Credit unions need to make sure their suite of cards matches these trends.

But at the same time, more is more. Credit unions are offering more types of affinity cards—cards branded with the name or logo of an organization that receives a portion of the money spent using the card—as well as more options on card design, including metal, more rewards and possibly more currencies, including cryptocurrencies. One thing industry experts agree on is that there is a lot to consider when contemplating your card offerings, and if you don't have staff dedicated to the effort, you should probably get outside advice or risk being left behind.

TOP OF WALLET, TOP OF MIND

The decisions you make are important, because your card in a member's wallet is one of your best branding vehicles—especially as branch visits continue to decline and transactions move digital. Payments represent 80% of a consumer's interaction with their financial provider and set the tone for that relationship, research shows (*tinyurl.com/cooppmntsoutlook*).

"We very much want to have our plastic in our members' hands, because it's the way they most regularly interact with our brand," says CUES member Tansley Stearns, chief people and strategy officer at $3.5 billion Canvas Credit Union (*canvas.org*), based in Lone Tree, Colorado.

Just before the pandemic hit, Canvas CU ran a Mastercard contest aimed at increasing use of its debit card by offering members a chance to win cash weekly, monthly and in a grand prize. That program helped increase the use of its vibrant orange Canvas-branded cards, Stearns says. "You definitely do not miss our debit card if you've got it in your wallet."

That's the sign of a successful card, suggests Guy DiMaggio, SVP/general manager of secure card sustainability solutions at CPI Card Group (*cpicardgroup.com*), Littleton, Colorado, which designs and manufactures cards. Bright, bold colors grab attention, and some financial institutions ensure the edges and outer sections of their cards are eye-catching so they stand out in a crowded wallet or purse.

"What's going to make a consumer take out the card for that specific credit union versus a card that they have with a different institution?" he asks.

Besides appealing design, consumers these days want to know their card is eco-friendly, with younger generations particularly worried about the amount of new plastic generated in card production, DiMaggio says.

These cards can be slightly more expensive to produce, but DiMaggio notes many millennials say they're willing to pay a bit extra for this feature. He recommends that credit unions at least offer eco-friendly cards as an option, even if they aren't planning to switch all their cards to this stock.

"There is a good feeling, because the consumer and the credit union are collectively doing something good for the environment," DiMaggio says. "We're going to continue to see focus on providing cardholders with products that appeal both to their interests and their values."

The third factor that DiMaggio identifies as crucial in card offerings is enabling dual interface payments, or contactless. A shift in that direction was underway pre-COVID, but it has now become the mainstream option.

SHOWING SUPPORT

Stearns says that in early June, Canvas CU introduced a new Rams+ card designed to build on the credit union's growing relationship with Colorado State University and its Rams mascot and sports teams. Three years ago, the credit union entered into an agreement to put its name on the university's stadium. The agreement set the stage to grow deep relationships across the university, including having a branch on campus and being able to connect with students, faculty, alumni and staff.

Stearns notes that her closest brand tie is with her alma mater, the University of Michigan, and she's hoping Canvas CU can build on CSU's similar connection with its communities.

The ability to match your cards and your members depends on how well you known them, says Larry Pruss, senior vice president at CUESolutions provider Strategic Resource Management (*srmcorp.com*). Some members will be more interested in environmental issues, while others may want to support Black Lives Matter or LGBTQ+ issues.

One example of the latter is Mastercard's True Name initiative, launched in 2019, which allows cardholders to have their preferred name on their card, not necessarily their legal name. BMO Harris and Citibank were the first banks to take advantage of this card option. This June, Mastercard announced it was expanding its initiative to support transgender and non-binary communities (*tinyurl.com/mctruenameexpands*) by offering it through fintech Global Payments (*globalpaymentsinc.com*).

Cheryl Guerin, EVP/marketing and communications in North

"What's going to make a consumer take out the card for that specific credit union versus a card that they have with a different institution?"

– Guy DiMaggio

America for Mastercard, said the program became easier to implement in recent years as card technology has changed, so that having a name and signature on a card is no longer necessary.

"The name isn't a secure element, so as long as the issuer collects the preferred name during an acquisition process, or as an offering to their existing customers, the change is in the presentment layer, not the processing," Guerin says. "Ideally, [the issuer] would change the customer service as well, so that you're greeted and treated with your chosen name. A simple change can make such a difference."

For at least one credit union, it's a change that was made years ago. CUES member Linda Bodie, CEO of $45 million Element Federal Credit Union (*elementfcu.org*) in Charleston, West Virginia, says her credit union has offered this option for more than 20 years.

"Our applications ask for their legal name as well as their preferred name for their card," Bodie notes. Last year, Element FCU decided to brand the program as Honestly Me (*elementfcu.org/honestly-me*) and promote it with videos and advertising. Several additional members have already taken advantage of the newly branded card.

DEALING WITH DISRUPTORS

One of the biggest disruptors in the credit card sector over the past year has been the rise of "buy now, pay later" programs, such as those offered by Affirm (*affirm.com*), Klarna (*klarna.com/us*), PayPal (*paypal.com*) and Afterpay (*afterpay.com*). Perhaps the best-known example of these programs is the relationship between Affirm and Peleton (*onepeleton.com/financing*) that allows consumers to shop online and buy a bike or treadmill worth $2,000 and up for zero down, zero APR financing and zero hidden fees, the ads say.

These offerings have spread far beyond the trendy fitness area: You can use the apps to pay for everything from jewelry to underwear at retailers from Bed, Bath & Beyond to Foot Locker. The initial success was with younger shoppers, but the trend has been spreading and is expected to almost double by 2024 to 4% of global e-commerce, according to a 2021 Global Payments Report (*worldpay.globalpaymentsreport.com*) by Worldpay from CUES Supplier member FIS (*fisglobal.com*), Jacksonville, Florida.

The big challenge for credit unions is that these payment apps grab customers at the point of sale and cut them out of the payment completely. But retailers like these payment options, because experience shows that shoppers tend to spend more when they can pay later.

"Credit unions need to be able to be in there at the point of purchase as well," says Tom Church-Adams, SVP/pay products at CUES Supplier member CO-OP Financial Services (*co-opfs.org*),

Members Enjoy Rewards *of Doing Good*

Some credit unions are offering their cardholders a chance to help do good around the world while doing their regular shopping. Instead of earning travel rewards or cash back, members are generating cash for international aid.

The Global Good Card (*summitcreditunion.com/cuglobalgood*) was created in 2016 by $4.7 billion Summit Credit Union (*summitcreditunion.com*) in Madison, Wisconsin, for the benefit of the Worldwide Foundation for Credit Unions (*doglobalgood.org*), the engagement and fundraising arm of the World Council of Credit Unions (*woccu.org*). A percentage of the money spent using the cards goes to the foundation to finance its work supporting international credit unions.

CUES member Kim Sponem, president/CEO of Summit CU, which has been a major supporter of the foundation, was the innovator of the card when she was on the foundation's board. Summit CU has shared its marketing material and background information with other credit unions interested in rolling out the card.

"I was trying to think about a way to get sustainable contributions for the great work that the foundation is doing and support that while also offering our members a credit card that does good around the world," Sponem says.

"Summit did the bulk of the heavy lifting in terms of building up the whitepapers and the resource kits for credit unions," says Mike Reuter, executive director of the Worldwide Foundation, also based in Madison, Wisconsin.

Reuter says that since he joined the foundation, he has pitched the concept of the Global Good Card to many credit unions. Half a dozen have created their own program, generating a steady stream of income for the foundation.

He notes that some credit unions are reluctant to support international programs when they see needs in their local communities that are of greater interest to their members. As such, some credit unions have adopted the rewards idea but direct the donations to local activities.

It takes a credit union 24 to 36 months to introduce the new card program, Reuter says. "It basically is asking a credit union to start a new card product, and that requires a lot of work internally to set up the processing and the marketing.

"I do think, looking ahead, the World Foundation has a true market opportunity to promote the card," Reuter adds. He thinks the COVID-19 pandemic has driven home just how interconnected the world is, and many people, particularly millennials and Gen Z, will want to support its efforts.

Sponem reports that 2,500 Summit CU members use the Global Good Card, generating between $30,000 and $40,000 a year for the foundation and its international programs.

"Credit unions are about helping people get access to credit when they need it and a safe place to put their money," Sponem says. "Helping them helps to build financial stability, and when you have economic stability around the world, you also have more peace around the world."

Rancho Cucamonga, California. "They need to be part of a credit union member's ability to buy that product."

"CU Payments Outlook" (*tinyurl.com/coopcupymntsoutlook*), prepared by CO-OP Financial Services based on research by EY, reported that many credit union members have relationships with payment fintechs and are using their services such as mobile wallets and P2P, instead of those available from credit unions.

Church-Adams says that CO-OP Financial Services and other processors are developing products that will allow credit unions to compete in the buy now, pay later area. The offering CO-OP is developing will have benefits for credit union members and credit unions.

"Rather than putting a massive balance on their credit card with a high rate that members are going to have to figure out how to pay back, this solution essentially says, 'I'm going to enable you to purchase an item now using our tool and pay that off in increments and not add that to your overall debt on your credit card.'"

For credit unions, the value is that members using buy now, pay later are less likely to fall behind in payments, research shows. "The credit union will be able to manage the risk of the portfolio much better," he suggests.

Church-Adams says the product CO-OP Financial Services is building, which will be available in early 2022, will operate the way an American Express option called Pay It Plan It (*tinyurl.com/amexpayitplanit*) does today. A member will be able to log into their credit card account, look at their charges, select a particular purchase and put it into a payment plan that divides it into equal interest-free payments.

"This product will fit into the cultural purpose of a credit union," he says. "It aligns perfectly, because essentially their goal is to enable that member to have the lifestyle they want with the financial tools that make that life accessible. It also puts the controls in place, so that the member does not get into financial difficulty and the credit union is able to lend in a way so that it doesn't get into difficulty managing that portfolio."

TAKING CONTROL OF THE FUTURE

Last February, CUESolutions provider PSCU (*pscu.com*), a credit union service organization based in St. Petersburg, Florida, announced its plans to offer a buy now, pay later program that will let credit unions offer this convenient option to members (*tinyurl.com/pscuinstallments*).

Jeremiah Lotz, managing VP/digital & data at PSCU, says development work is continuing and the product will be available later this year.

"Consumers are looking for control and convenience of managing their finances," Lotz notes. In response to this, the goal for credit unions is to offer that flexibility while building on their trusted financial relationship.

Through the buy now, pay later tool, credit unions will be able to tell eligible members that when they look at future purchases, they have the option to turn one into an installment plan. "It gives control and transparency to consumers," he says.

"The data tells us that members who use this type of transaction ultimately spend about 35% more," Lotz says.

In the past, financial institutions competed on interest rates or rewards to make their card a consumer's primary card, but the field has changed, Lotz says.

"You need to be playing offense, not defense, and looking at ways of gaining back the business that you're losing to the fintechs and to the cryptocurrency industry—because if you don't, five years from now, you're not going to be in business."

– Larry Pruss

"Now, as consumers, we have high expectations around convenience through digital capabilities. Beyond just self-service, how can I really take control of my card and my finances?"

Looking at the next five years and beyond, Pruss of SRM is worried about the future of credit unions and community banks as payments continue to change. "There are probably more threats than there are opportunities," he warns. The dangers come from cryptocurrencies and decentralized financial options that could cut out the need for intermediaries like credit unions.

"You need to be playing offense, not defense, and looking at ways of gaining back the business that you're losing to the fintechs and to the cryptocurrency industry—because if you don't, five years from now, you're not going to be in business," he says.

Pruss urges credit unions to work with partners on new payment solutions, such as the buy now, pay later plans, and to delve into cryptocurrencies and decentralized finance to find ways to take part in that revolution, when regulators allow. Some credit unions are already exploring crypto options, he notes.

There is little doubt that consumers will be interested. In late April, Gemini (*gemini.com*), a platform that allows customers to buy, sell, store and earn cryptocurrencies like bitcoin, announced its plans with Mastercard to create a credit card program that will offer cryptocurrency rewards. Within three weeks, 250,000 people had flooded the waiting list, hoping to be first in line when the cards are issued this summer. First in line, and no doubt first in wallet.

Art Chamberlain *is a writer based in Campbellford, Ontario, who has written about the credit union sector for more than a decade and has been a member for more than 30 years.*

MORE ON CARDS

The Top Benefit of Having a Buy Now, Pay Later Card Program (*cumanagement.com/050521skybox*)

Don't Give Up on Revenue Opportunities (*cumanagement.com/0521srpayments*)

Card Innovation Needs to Be a Focus in 2021 (*cumanagement.com/0121cardinnovation*)

Your Payments Revenue Is at Risk (*cumanagement.com/011121skybox*)

Retool Your Card Program for 2021 (*cumanagement.com/0121retool*)

The Reinvention *of Executive Search*

THE PANDEMIC FUELED SIGNIFICANT CHANGES IN THE EXECUTIVE RECRUITMENT PROCESS—SOME OF WHICH ARE LIKELY TO STICK.

BY DIANE FRANKLIN

Add executive search to the list of credit union activities that have changed irrevocably over the past 18 months. As the COVID-19 pandemic chased us into our homes and quashed in-person interactions, video became a prevalent method for screening and interviewing candidates for executive positions—in some cases, even CEOs. The pandemic also established remote work as a standard practice, making it possible for employers to search beyond geographical confines when filling job openings.

As the industry adapts to these changes, the second half of 2021 finds executive search in a much better position than it was a year ago. In fact, recruitment activity is booming as the tumult of the pandemic recedes.

"The pandemic has had an interesting and somewhat roller-coaster impact on executive search," says Jill Nowacki, president/CEO of CUES Supplier member Humanidei + O'Rourke (*humanidei.com*), Ontario, California. "In the spring of 2020, we were in a job seeker's market. Credit unions were starting to experience a talent shortage. Then the pandemic hit, causing executive recruiting essentially to freeze. Many employers put on the brakes with the mindset of 'let's wait and see how long this is going to last.'"

That mindset endured throughout the summer of 2020, but by fall, executive recruitment began ramping up again. "Pent-up demand as well as the regular cycle of recruitment caused a surge in executive search and hiring," Nowacki says. "It's gone back to being a job seeker's market, even more extreme than it was before the pandemic."

As winter approached, promising news about vaccine availability helped pick up demand for executive search services. "Even before the vaccine was available, but there was some certainty that it was coming, the level of search work exploded,"

“Everybody is operating from home, so scheduling has gotten easier. Whereas previously the typical search would take 90 or 100 days, we have been able to shave off maybe two to three weeks from the process.”

— Bill Borkovitz

says Bill Borkovitz, partner at CUES Supplier member JM Search (*jmsearch.com*), King of Prussia, Pennsylvania. “We have been 30-40% above what our expectations were in 2021, and it really started in December.”

Because of this accelerated activity, Borkovitz observes that employers will have to act fast to scoop up top talent. “There is absolutely a shortage of talent at the executive level,” he says. “That brings a level of competition. We’re seeing multiple offers for candidates, so being able to move quickly is paramount. The need for talent, especially around technology and areas of growth, has never been stronger.”

Some executive search firms report that recruitment activities didn’t fall off much during the pandemic. That was largely due to the ability to adapt quickly to new practices such as video interviewing and remote work.

“Executive search for us never took a breath in 2020,” says Deedee Myers, Ph.D., MSC, PCC, CEO at CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), Phoenix. “We had the pleasure of supporting progressive clients who would interview via video and hire candidates without meeting face-to-face. Most new employees started their new roles working from home and entered the … onboarding process successfully.”

Activity has ramped up even further in 2021, affirms Darlene Dumont, Ph.D., team member at DDJ Myers. “There is a material increase in hiring now, and most firms are running at 150-155% capacity,” she says. “The pandemic has enhanced our virtual capabilities and competencies across the globe. Organizations can and should take full advantage of this opportunity to expand their pool of candidates in addition to recognizing the need for new types of leadership competencies to thrive in this ripe environment for success.”

Much of the industry’s search activity is centering around CEOs, many of whom put retirement plans on hold to lead their organizations through the pandemic. “Now they are in the career legacy phase and making room for the next leader,” Myers says.

Other search firms likewise report an uptick in CEO retirements that is fueling recruitment activity. “We’ve had a flow of new CEO projects, with retirement dates scheduled for early 2022,” reports Charles Shanley, SPHR, CFS, CEO of CUES Supplier member Shanley Search Partners LLC (*shanleysearch.com*), Houston. “A lot of CEOs powered through the pandemic, wanting to help their membership, communities and employees, but now that they’ve made it through the crisis, there’s a surge of CEOs who are ready to call it quits.”

A VIDEO TRANSFORMATION

The pandemic accelerated what was already a growing trend toward video interviewing. “The acceptance of videoconferencing among clients has increased dramatically,” says Borkovitz. “Interestingly, it has helped the search process go faster. Everybody is operating from home, so scheduling has gotten easier. Whereas previously the typical search would take 90 or 100 days, we have been able to shave off maybe two to three weeks from the process.”

Many Americans entered the pandemic not knowing what Zoom was, but now Zoom (*zoom.us*) and other videoconferencing tools like Microsoft Teams (*tinyurl.com/msteamschat*) and Skype (*skype.com*) are mainstays in the business world, including in executive search.

“Early in the pandemic, the use of Zoom was considered a second-place alternative to meeting in person,” Nowacki says. “People started doing video interviews with the full expectation that ‘as soon as the opportunity comes to return to normal, we’ll get back to in-person hiring.’ Instead, what has happened is that video interviews have become standard and replaced what in many cases was the initial phone screening.”

Not only is video playing a bigger role at the beginning of the search process, but the pandemic ensured that it would play at bigger role at the end of the process as well. “The concept of video interviewing is not new to us,” says Shanley. “We’ve been using it for 20 years. It’s been part of our process for quite some time, but it hasn’t always been a part of the final stage of the process on CEO projects. That aspect is definitely newer. We typically do final CEO interviews on-site with the search committee and board. During the pandemic, this part often shifted to video, or we would take extra precautions to make sure we protected everyone from the virus.”

Even though employers are becoming more comfortable with in-person interactions again, Shanley expects video to remain the preferred method for initial screenings and interviews. “The phone interview is essentially gone,” he says. “I don’t think we’ll ever go back to phone interviews, given the ease of use and comfort everyone now has with Zoom, Teams or WebEx (*webex.com*) technology.”

An advantage of using video for the initial screening is that these interviews can be shared with the hiring committee early in the selection process. “When we make our presentation to the client, we usually provide five to eight candidates,” Shanley says. “And instead of just sending the resumes, a completed questionnaire project, personality profile testing and compensation analysis, we also include a link to the video interview that we conducted with each candidate. So, the committees get a lot more information in determining who they want to select and move forward with.”

Humanidei likewise has gotten into the practice of sending preview videos of job candidates along with their resumes. “This enables the hiring committee to see the candidate’s personality beyond what’s on a written page and before they get to the in-person or live video interview,” Nowacki says.

The question now is whether video will become a lasting standard practice deeper into the selection process. Borkovitz is not yet sure. "While video has been commonly used for search firms, the executives are not necessarily as comfortable," he says. "We're seeing some sentiment among credit union leaders that 'now we're ready to go back to normal.' So, given that there's some resistance, I think time will tell. There will be some permanent migration to video, but will it be a sea change where it's at 80%? I don't think we know yet, but the next six months should tell the story."

IN-PERSON INTERVIEWS STILL IMPORTANT

With vaccine rates rising and COVID-19 cases falling, many people are anxious to take a break from Zoom and get back to in-person interviews. "Zoom fatigue is real," Nowacki acknowledges. "To have a committee sitting on Zoom calls for an entire day can be really draining. There's an energy that comes from having interviews live and in person, in the same room as the search committee."

The Social Media *Connection*

Social media continues to grow in importance as a recruiting tool. Executive search firms routinely use LinkedIn Recruiter (*tinyurl.com/linkedin-recruiter*), which provides access to over 690 million LinkedIn members and features easy-to-use filters to facilitate screening.

"Using social media channels provides an excellent opportunity to mine the qualifications and experience that our clients are looking for in a candidate," says Jill Nowacki, president/CEO of CUES Supplier member Humanidei + O'Rourke (*humanidei.com*), Ontario, California. "Being able to connect to people on LinkedIn, who may not be out there actively searching for jobs but have profiles that match the job requirements, has been a great way to find potential candidates and connect with them."

With the talent shortage intensifying, Nowacki observes that it has become harder to get people to apply for jobs without directly inviting them. "Social media channels provide the opportunity to truly engage with qualified candidates and to do specialized and customized direct recruiting," she says.

Darlene Dumont, Ph.D., team member at CUESolutions provider DDJ Myers Ltd. (*ddjmyers.com*), Phoenix, reports that social networking has become an expectation for potential candidates, recruiters and hiring managers. "Many organizations are now hiring social networking specialists to adeptly manage the postings for job openings, which is a science in itself," she says. "The challenge for a recruiter is to manage responding to every interested candidate."

Another benefit of many social media platforms is that they facilitate search firms' ability to reach out to a more diverse group of candidates.

"Diversity and inclusion are more important than ever," says Charles Shanley, SPHR, CFS, CEO of CUES Supplier member Shanley Search Partners LLC (*shanleysearch.com*), Houston. "We run email campaigns through LinkedIn that help a lot with diversity and inclusion. I personally participate in over 50 different networking groups on LinkedIn as well as numerous associations, and many of those are diversity groups—for instance, those with a focus on HBCU (historically Black colleges and universities). We've always had a corporate diversity policy, and we go out of our way to ensure that we have a diverse pool of candidates. With LinkedIn networking groups and targeting specific associations and universities, we've been able to enhance those efforts and have built on an impressive database."

Humanidei has a strong corporate diversity policy, which includes a commitment that every candidate pool submitted will include at least one woman and one person of color.

"In addition to using channels like LinkedIn to actively reach out, we're also working to leverage partnerships with organizations that would add diversity to our typical recruitment pool," Nowacki says. "We promote jobs through organizations like Hispanic Chambers of Commerce and the National Society of Black CPAs. We don't put jobs out on just a single job site or job board. We make sure we create a far reach that increases the likelihood of being able to bring in diverse talent pools."

Though social media recruiting is growing, there is still need for an interpersonal component in executive search. "For my CEO searches, I can easily connect with top-tier professionals who I know would make suitable candidates because we stayed connected over the years," says Deedee Myers, Ph.D., MSC, PCC, CEO of DDJ Myers. "Candidates want to work with search consultants they trust, and relationship-building and -maintaining are pivotal to ensuring the best candidates want to work with the search consultant. In summary, social networking sites are extremely important, as is building a personal network."

Of course, while social media is an important tool for recruitment, it is certainly not the only tool. "Because of our scale, we also have our own proprietary database, and as a result, coast-to-coast, we will have spoken to and have insights from other search executives about candidate strengths, weaknesses and potential alignment," says Bill Borkovitz, partner at CUES Supplier member JM Search (*jmsearch.com*), King of Prussia, Pennsylvania.

Borkovitz also notes a tried-and-true recruitment method that should not be overlooked: word-of-mouth referrals.

"For most search firms, LinkedIn has become a predominant way to source candidates, but we still find one of the most powerful ways to recruit is through referrals," Borkovitz says. "If someone you trust refers a person to come work at your company, it's likely it will be worth a conversation."

MORE ON RECRUITMENT

Recruiting Executives From the Board (*cumanagement.com/0721boardhire*)

How Hiring, Community Partnerships and Culture Impact Diversity of Thought (*cumanagement.com/0221hiring*)

Diversity Insight: Committing to a Diverse Talent Pipeline (*cumanagement.com/0221diversityinsight*)

HR Answers: Recruiting and Hiring Most Challenging Issue in 2021 (*cumanagement.com/0121hranswers*)

Compensation Survey Results: Baseline for Recovery (*cumanagement.com/1020baseline*)

Recruiting Outside the Box (*cumanagement.com/0620box*)

"A lot of CEOs powered through the pandemic, wanting to help their membership, communities and employees, but now that they've made it through the crisis, there's a surge of CEOs who are ready to call it quits."

— Charles Shanley, SPHR, CFS

During the worst part of the pandemic, DDJ Myers did see some executives, including CEOs, hired completely through video interviews without in-person interaction. "So far, these hires are solid," Myers reports.

However, this is not the ideal scenario for CEO searches going forward. While Myers notes that remote workers typically do well interviewing through the entire process via video, she stresses the importance of having an in-person interaction for CEO searches between candidates and the board when possible. "The dialogue between board members and CEO candidates is richer in person, and the attention span is less susceptible to distractions," she says. "Boards need to see the CEO candidate under pressure in all modalities—audio, video and in-person."

There is a consensus among search firms that CEO searches should have an in-person component at least for the final candidates. During the pandemic, executive search firms and their clients sometimes have had to get creative to make that happen.

"For the CEO searches, it's still important to work in an in-person interaction somehow at the end," Shanley says. "I had one client go to a park and meet at a picnic table just to have five minutes of face-to-face conversation with the candidate. I had another client where the retiring CEO had a backyard barbecue on the third interview, so they could see the candidate outside of a video."

ACCEPTANCE OF REMOTE WORK

Another important change that could endure past the pandemic is the acceptance of remote work as an employment consideration. "The work-from-home environment has been thoroughly tested over the past 18 months, and it works," Shanley says. "Some of our clients have migrated most of their employees to remote positions, and they're going to continue to be remote even after COVID."

With this greater acceptance, executive search firms have been able to expand the geographical parameters for job openings. "It has, from our perspective, opened up the candidate pool dramatically," says Borkovitz. "Recently, for example, we sourced a head of marketing for an East Coast-based financial services firm with an executive from Portland, Oregon. And this firm had never hired anybody who would work that kind of distance from headquarters. What remains to be seen is whether this trend sticks in a significant way. This, too, adds to the demand for top talent and the frequency with which our candidates are fielding multiple offers."

One exception to the remote work migration may be C-level positions. "During the pandemic, those positions were remote, just like many others," Shanley says. "But now that we're moving out of it, credit unions typically want their C-suite back onsite."

Nowacki predicts that remote work will remain a common and permanent feature, perhaps even an expected benefit, of future employment opportunities. "Over the last 18 months, employees have demonstrated a level of productivity working from home, so there's no putting the toothpaste back in the tube," she says. "We're hearing candidates say, 'If remote work was good enough to get us through a pandemic, there's no reason to go backwards now.' They expect job location to be one more point of negotiation, the same way that salary or the number of PTO days might be."

As we inch toward a post-pandemic era, it's important to acknowledge that several executive search changes made out of necessity have proven to be changes for the better.

"We had to pivot quite rapidly last year," Myers reflects. "Many of the changes that took place were needed years before the pandemic."

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

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Here are just a few of the stories the scholarship winners shared about **how Mimic Personal Finance has helped them.**

"[It's] important to make sure that you are paying your bills even when you are not in class. For example, during Christmas break, I learned that you have to be checking in weekly to pay your bills. I didn't pay my bills and when I came back to school after the break I was way behind on my bills."

—Natalie Wardle 

"One of the most useful lessons was on how to do our taxes. It was really important that we covered this since I really have never understood how to file taxes."

—Freddy Gil 

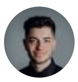
"There were many instances that we were shown the difference that it makes to commit only $100 a month into retirement starting at age 18, and how rapidly that amount grows over the course of a few years."

—Alika Robinson 

"I've never had to be the one to pay bills or pay off debt, so going through these things has better prepared me for the real world. It's also enabled me to see the positive outcomes that occur when you save money and prepare for the future."

—Mikayla Udy 

"The top three lessons I've personally learned were income growth, credit scores, and budgeting. I see my mother, working full time, barely able to support us kids, and I know that if I can graduate from college, I will be able to work full time and lift our family out of poverty. I want to become the person who ends the poverty streak in my family's decades of generations."

—Mustafa Hakeem 

"I feel way more prepared to face the real world once I graduate. Financial wellness is something not talked about or taught enough. In Mimic [Personal Finance], I learned the importance of credit, stocks, and money."

—Verenice Martinez 

"I have always been unaware of the percentage of a paycheck that bills can take up. I've known that my parents were paying the bills, but I never really knew what bills they were paying and how much."

—Margaret Newcomb 

"Before taking the Mimic Personal Finance course, I did not understand how credit scores worked or why they were important. I now understand that when the time comes to buy a house I will be happy that I, in the past, planned ahead and made sure to build and maintain a good credit score by making payments on time."

—Drake Hysell 

"Between car insurance, electricity bills, student loans, and mortgages, managing money can be a daunting task ... The Mimic Personal Finance simulation allowed me to get some practice managing money in a safe environment (with fake money!) where I discovered how to budget and make money work for me."

—Sidney Woodworth 

"Every decision I make financially has the power to affect my credit score. In order to achieve my financial goals, I have to work to not only maintain a good credit score, but I must work to improve my credit score. [Mimic Personal Finance] has helped to show me this. "

—Jenna Allen 

> **"I feel way more prepared to face the real world once I graduate. In Mimic [Personal Finance], I learned the importance of credit, stocks, and money."**

Who Does Your Credit Union *Buy From?*

THINGS TO KEEP IN MIND AS YOU BUILD A SUPPLIER DIVERSITY PROGRAM

BY LARA BRECHER

As credit unions commit to cultures of diversity, equity and inclusion, an area of focus should be supplier diversity.

"You can always tell which companies are really committed to the cause," says Tana Harris, founder/president of crane and heavy equipment operations firm Harris Hoisting (*harrishoisting.com*). "You can see through their hired executive staff that they push diversity and inclusion. They promote women (in their careers), (and do the same for) small-business owners and internal staff. They *exceed* their supplier (diversity) goals. They try to bring you (the small business) on board."

As a small-business owner competing against large contracting firms, Harris has found opportunities through supplier diversity programs to make connections, get a "hit the ground running" education in business administration and, most importantly, find work. The most successful ones are a part of comprehensive diversity, equity and inclusion practices, both internally and externally.

Since the inception of the Minority Business Development Agency (*mbda.gov*) through a presidential order in 1969 and the founding of the National Minority Supplier Development Council (*nmsdc.org*) in 1972, businesses have been inspired and encouraged to create an equitable playing field in the procurement of goods and services for their organizations by hiring and promoting diverse suppliers.

A diverse supplier is typically a small business owned by one to four people, at least 51% of whom are from a designated diverse background, including women, minorities, LGBTQ+ and veterans. (While diverse owners tend to promote diversity in the company's ranks, if it is important for a credit union to work with suppliers that employ a diverse workforce, it is a good idea to ask for information about that in any request for proposals.)

A supplier diversity program's intent is to maintain a supply chain inclusive of these diverse businesses, individuals or groups.

Hiring local, diverse small businesses benefit your CU and its community in many ways. First and foremost, it will widen your pool of local qualified suppliers and promote competition in the supply base. Greater competition leads to an improvement in the quality of work and creates more jobs, according to statistics from Small Business Trends (*smallbiztrends.com/small-business-statistics*).

In addition, potential members and employees, especially millennials and members of Generation Z, want to align with organizations committed to uplifting communities. Having a reputation as an equitable organization can also lead to exciting business development opportunities like increasing your pool of members (especially if you offer business banking), beginning new select employee group relationships, and even establishing educational components to your program that could open the door to partnerships with local and/or national business organizations. The educational opportunities could include teaching CU employees about implicit bias that might impact supplier decisions, teaching members about how to start a business, and teaching suppliers about how to better run their businesess.

CUs across the nation are pledging a greater commitment to DEI and taking a comprehensive look at supplier practices. Here are a few things to keep in mind for building and sustaining an equitable, honest and effective supplier diversity program.

COMMIT TO THE PRINCIPLES, NOT THE PROGRAM

CUs are known for their work in the community and seeking out the right thing to do. Supplier diversity certainly falls into the category of "the right thing to do" and upholds CU values.

When planning and developing your program, keep your core values/principles at the forefront. If your core values are integrity, accountability and boldness, your supplier diversity program must reflect and uphold them. Your program has integrity when its processes are equitable and transparent. Your program is accountable when you have consistent audits to ensure target demographics are being served. Your program is bold when it seeks creative ways to support small businesses and the community.

An equitable, inclusive supplier diversity program can only be realized by an organization that is itself equitable and inclusive. Before you begin any external program, you must look internally and ask yourself some tough questions. If your CU is community-chartered, is your membership a representation of the diversity of your community? What about your leadership team? Do you have an established DEI program for internal hiring and career growth? Answering well may necessitate a deep dive into your data and your culture with an eye for addressing inherent biases.

Make your core values part of your program's messaging from its inception. Cecil Plummer, president of the Western Regional Minority Supplier Development Council (*wrmsdc.org*) says, "It all starts at the top. The CEO [should] issue a written and video statement [outlining the program values and goals] and ensuring that CEO direct reports all have spend goals and incentives is critical."

PRESENTATION VS. REPRESENTATION

As stated earlier, not all supplier diversity programs are the same. There is a difference between programs that exist to check a proverbial DEI box as a marketing strategy or for compliance and those devoted to representation and growth. "It's not a question of will it work or if it is worth it to the businesses. The real question is: Is there the *will* to make it work?" Plummer says.

Organizations across North America are signing pledges and posting on social media their commitment to diversity and equity. But pledges and posts will quickly reveal themselves as hollow gestures unless there is tangible and quantifiable action behind them. This is especially true in the case of supplier diversity.

"Companies want to give interviews [about their supplier diversity programs] and make sure they are hitting the [news]papers/social media with [information] on how they are helping small businesses. But once the article is published, you never hear from them again," Harris says. It can seem as though the organization only wanted media coverage and had lost sight of the bigger idea: uplifting diverse businesses.

Whether or not your CU has an internal DEI plan, it should take some actions to shape its supplier diversity program as truly representative of your local community and its needs.

1. Crunch the numbers. The more analytical your organization can be to identify greater efficiencies and opportunities in your procurement process, the better you will be positioned for diverse procurement. This includes not only a holistic review of your current administrative processes with vendors and suppliers, but also value-based propositions for your program. Goal-setting is perhaps the most relevant way to stay on track and be consistent with your values. "Executives should cascade those goals down by department or business verticals, initiating policies requiring diverse supplier outreach and inclusion in all contracting opportunities over $10,000, for example," Plummer advises.

2. Hire a supplier diversity manager who reports to the chief procurement officer. Recruit senior-level program champions to support your supplier diversity manager. Ultimately, your program's decision-makers should be representative of and relatable to program participants. When bidding on a project for an organization and seeing decision-makers that are like her, Harris says, "I get excited and hopeful. I know that there's a possibility of having me there because this is the norm for them. I can actually see it."

3. Evaluate and revise your current outreach efforts when advertising a new bid. How will you advertise your requests for proposals to attract diverse respondents? What resources will you use? Who can you partner with to help get the word out? You can formally verify a business' eligibility through certifications. Some of the more well-known certifications are MBE (minority-owned business enterprise), WBE (women-owned business enterprise), LGBTBE (LGBT business enterprise) and DVBE (disabled-veteran business enterprise). These certificates are vetted and distributed through a number of government agencies. Often, the agencies who administer the certifications have extensive databases for public consumption. Mine these databases to create a greater network of diverse suppliers you can reach out to directly.

4. Expand your budget to support a technical assistance/mentoring program that can help small businesses bid on your projects and increase their capacities. Paul Pendergast of Pendergast Consulting Group (*pendergastcon*

Diverse procurement is about looking to the future and how today's actions and decisions will affect the future of your community.

MORE ON OPERATIONAL PERSPECTIVES

Diversity Insight: Widening Your Vendor Pool (*cumanagement.com/0321diversityinsight*)

CFO Focus: Investing for Environmental and Social Impact (*cumanagement.com/0421cfofocus*)

Lending Perspectives: There Is No Substitute for 'Give a Damn' (*cumanagement.com/0620lendingperspectives*)

sultinggroup.com), a San Francisco area-based consultancy that helps transit agencies develop equitable programming, advises, "Once you do identify a firm, it's important to provide as much technical assistance as possible. Groom and develop your vendor pool as well." Team up with your local chamber of commerce or a nonprofit business organization that can help provide such guidance as marketing and branding assistance, certification support and networking opportunities.

5. Create an annual report that re-establishes your supplier diversity guidelines and compliance standards. Evaluate program data to assess key performance indicators, goal attainment and any needs to refresh the messaging and communications around your program. If your program is not hitting its annual goals and not reflecting organizational values, it may be time for an overhaul.

REDEFINE YOUR BOTTOM LINE

According to The Hackett Group (*tinyurl.com/hackettreport*), "Corporate sustainability made the top 10 list of procurement priorities for the first time in 2021, representing a broader focus on corporate social responsibility and an acknowledgement that sustainability generates business value through reduced costs, risk management and improved brand value."

A supplier diversity program will require your organization to refocus its efforts in many ways, including how you approach your bottom line. Rather than the emphasis being placed on immediate cost-savings to your organization, diverse procurement is about looking to the future and how today's actions and decisions will affect the future of your community.

Small subcontractor businesses like the one Harris owns and runs cannot match the low bids of larger competitors and find this an impediment to bidding.

"Being a micro business, I'd like to see organizations include the much smaller companies," she says. "Give us a seat at the table when you're speaking to the larger contractors as well. They compare my costs against the larger companies' cost, and I cannot meet them. Come [to the bid meetings] knowing that a smaller company is going to have a different quote. Have a realistic expectation. If I'm constantly trying to meet their costs, I'm never going to make a profit that will allow me to grow into a larger firm."

The Hackett Group also reports that "total spend by organizations with diverse suppliers has grown to as much as 15% (of all net purchases made to outside suppliers) over the past few years." The companies that are revising and increasing their diverse procurement budgets are putting their money where their mouth is and showing their commitment through measurable actions. They are redefining their bottom lines by thinking in terms of their diverse spend, as opposed to their budget line items.

NOW, WHERE TO BEGIN …

Starting a supplier diversity program is no easy task and at times may seem overwhelming, but the benefits for your organization and local community will make all the hard work worth it. There are already major efforts underway in the credit union industry to create opportunity for diverse suppliers.

Reference points abound. Here are a few to get you started:

- $1.6 billion Self-Help Credit Union (*tinyurl.com/selfhelpsd*), Durham, North Carolina, has done a phenomenal job of clearly outlining its supplier diversity policies and opportunities.
- $5.1 billion Veridian Credit Union (*tinyurl.com/veridiansd*), Waterloo, Iowa, has made it simple for diverse small businesses to register (*tinyurl.com/veridianreg*) as potential vendors through its website.
- Nonprofits like the National Minority Supplier Development Council and its regional affiliates are a treasure trove of information and offer unparalleled certification assistance.

Uphold the values of your credit union by considering a supplier diversity program today.

A professional consultant specializing in program development and project execution in the areas of business development, community relations, supplier diversity and employee engagement, **Lara Brecher** *is founder/president of Brecher Consulting (*brecherconsulting.com*). She lives in the San Francisco Bay area with her husband, two little girls and a couple of very energetic kittens.*

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Switching Back *to Offense*

AFTER A PANDEMIC PAUSE, CREDIT UNIONS SET UP MERGER DISCUSSIONS.

BY RICHARD H. GAMBLE

If wrestlers didn't compete in weight classes, little guys couldn't win. Small credit unions compete in a market without weight classes, so the post-pandemic handicappers are now giving them longer odds. The pandemic and the dramatic rate cuts that came with it have raised conversations in CU boardrooms about the best path forward. For many smaller credit unions, there are two paths, a short one leading to merger and a long, winding one that might lead to resourceful, collaborative independence. Which path to take is not an easy choice.

Mergers take time and planning, notes M&A consultant Stephen G. Morrissette, president of Providence Advisors (*prvadv.com*), Chicago, and a visiting professor of business administration at the University of Chicago Booth School of Business, so COVID-19 caused many organizations to hit the pause button on such deals.

"COVID adjustments took attention away from mergers until very recently," he says. "Credit unions focused on defense to ride out the pandemic. They are just starting to think offense, some faster than others." There were very few mergers to absorb distressed CUs during 2020, he reports.

Priorities and bargaining power also have changed. In 2019, a CU with a strong deposit base was attractive, Morrissette points out. Now additional deposits are a drag on profits and capital ratios. In 2019, a CU with a strong branch network was attractive. Now there's uncertainty over how much activity will come back to branches, he observes.

"Two years ago, credit unions were actively buying bank branches to get the deposits and

"If you can't afford a qualified chief credit officer and the necessary compliance and technology experts, it will be hard to survive. You need economies of skill, not necessarily economies of scale."

— Steve Morrissette

the locations," he says. "Now they are less attractive." The new priorities: loans, technology and talent.

Charlie Kelly is a partner at Remedy Consulting (*remedyconsult.net*), New Berlin, Wisconsin. His day job is helping CUs manage their technology and technology partners during a merger. He's also a board member of a small CU, and he reports that whether to merge is a regular topic of discussion in 2021.

"We've seen several offers, all from in-state CUs, and have kicked around the proposals without making any decisions," he reports.

The "what-if" discussions among CU directors often depend on events, Kelly says. "If the CEO is close to retirement, that's an event. Losing a key employee is an event. When leases on buildings run out are events. So are contract dates with major vendors. Those all impact how a merger might work."

An economic recovery is also an event that might relieve merger pressure. "We're watching for signs of growing loan demand," he observes.

For many small and mid-sized CUs, COVID-19 closures, low interest rates, surging deposits and spikes in unemployment have created a perfect storm to stress-test their viability. A lot of small CUs will probably have to find efficiencies of scale, Kelly says.

"There's just not enough margin now to justify separate management teams, separate systems, separate boards. If the CU is showing a $50,000 annual profit and paying the CEO $100,000, it might be time to look at alternatives."

It's the deposits-to-loans and deposits-to-investments ratios that are causing the kind of pressure that could lead to a regulatory need for a merger, Kelly notes. With deposits up and loan demand soft in most markets, more money goes into investments, and the yields on appropriate investments are just not high enough to sustain many small CUs because of their need to be able to hit a quantitative loan target.

REINVENTING THE CREDIT UNION MODEL

The pandemic pushed a lot of CUs to the tipping point of change, reports David Ritter, managing director of CUES Supplier member ALM First (*almfirst.com*), Dallas, as spreads collapsed and demand for high-tech delivery exploded.

"With income down and expenses up," he notes, "there has been a laser focus on technology and the cost of supporting dual physical and virtual delivery channels." The old CU model is being reinvented.

"2020 changed the landscape," he adds. "2021 will be exciting, and 2022 is likely to be a banner year for CU mergers." Small CUs will continue to feel pressure, he predicts, but he also expects more mergers of equals among larger CUs.

Size matters. Morrissette is skeptical that CUs under $100 million can be viable, but he thinks $500 million could be sufficient to produce economies of scale.

"It's not the technology that will get you; it's the people," he emphasizes. Vendors and outsourcing can fill tech gaps, but if you can only afford a staff of 20, it's hard to cover the bases.

"You need a minimum number of players to field a team," he says. "If you can't afford a qualified chief credit officer and the necessary compliance and technology experts, it will be hard to survive. You need economies of skill, not necessarily economies of scale."

Mid-sized CUs can survive just fine without consolidation, Morrissette thinks, if they do three things:

1. **Have and support a good business plan**. This should be based on providing valuable service to members.
2. **Have "table-stakes" technology.** "You can compete very well without the top technology," he insists. "You can thrive with 10% less tech functionality than the leaders, but you can't get by with 50% less." Aim to be in the middle of the pack.
3. **Have productive loan engines.** It's hard to be profitable without good loans, he says. The cost of funds will stay low, and liquidity will be easy to come by, but there has to be "financial thrust from at least one or two strong loan production engines to fly the plane."

How can a small CU stay independent? "Competitive isolation," Ritter observes, such as serving a sponsor employer. But this is rare, so credit unions will continue to look proactively for like-minded partners.

Ritter thinks consolidation will be hard on insider egos but good for members. "Members are looking for convenience, competitive prices, good service, and something reassuring and familiar." Consolidation can improve the first three, he notes. Clearly, larger organizations can better afford the top technology and generally provide more competitive pricing.

Since CUs are member-owned, there's not really a purchase price to negotiate. "It's mostly about what happens to executives, especially the CEO," Kelly says. "Will they keep their jobs? Will they need to be offered a severance or a retirement package?"

Small CUs should anticipate problems while there's still time to negotiate a solution.

"You want to merge when you're in a position of strength," says Vincent Hui, managing director at CUES Supplier member and strategic partner Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona.

Why, since there is no purchase price? "You can get better terms for your staff and your members," he observes.

A small, profitable CU with capital should have competing suitors so its board and management team can ask for better employment terms for current staff, maybe a dividend to be paid to members or keeping the small CU's brand alive for at least a while, Hui explains. "There are tangible benefits that can be negotiated."

The sticking point for merger agreements won't be the numbers, Ritter suggests. It will be the people and their emotions. The hardest sell may be to board members. "CU directors hardly ever are paid, so their stake is personal. They've invested blood, sweat and tears over the years and feel a strong bond. If there won't be seats for them on a post-merger board, they may put the kibosh on the deal."

FINDING COMPLEMENTARY STRATEGIES

Traditionally, mergers have been used to expand geographic footprints. That continues, but now CUs with a particular strength or weakness are looking for partners that can complement them, wherever they may be located, Ritter says. It can mean expanding geographically but not adjacently.

To get economic diversity, credit unions on the east side of Michigan have sought out mergers with CUs on the west side, he notes. After COVID-19, it's less important to have everything under one roof, so executives can assemble the pieces of a high-performing CU where they find them. Nobody has to move.

Moline, Illinois, and Portland, Maine, are separated by more than 1,200 miles, so the May merger of $342 million Infinity Federal Credit Union (*infinityfcu.com*) in Portland with $1.26 billion Deere Employees Credit Union (*dccu.com*) in Moline is not about expanding a geographic footprint. What drew the parties together was complementary markets and the smaller CU's disparity between opportunity and resources. Eastern Maine is a hot growth market; western Illinois, not so much.

"They see us as a growth engine," reports Infinity FCU President Elizabeth Hayes. "They have the technology and know-how we can't afford but need to support our growth."

The deal required a very distinct line between front and back office. Hayes is still president of Infinity FCU. The staffs, branches, brand names—all the visible products and services—stay separate. Infinity FCU still underwrites local loans and provides the servicing and administration done by people, not computers. The membership rolls remain separate.

"They're a SEG CU, and we're community," she notes. "We don't have many Deere people here. But we'll happily migrate to their core system and much of their tech strategy, in addition to their legal and accounting operation, their compliance and their financial counselling CUSO, which we couldn't match. We'll realize economies, but we'll continue to serve locally the communities we know and which know us."

Such mergers in markets that aren't contiguous are often harder to manage and probably reduce the opportunity for economies of

Collaboration *Trumps Merger*

When two credit unions—$2.9 billion Local Government Federal Credit Union (*lgfcu.org*), Raleigh, North Carolina, and $23 million Florida A&M University Federal Credit Union (*famufcu.com*), Tallahassee, Florida—sat down in 2018 to discuss a solution to the pressures that are driving credit union mergers, they immediately ruled out a merger and started talking about other ways to find a fix.

FAMU FCU needed a lifeline, and Local Government FCU CEO Maurice Smith, a CUES member, thought of ways he could help at least one small CU stay in business and strengthen his own CU in the process.

"I didn't want to merge with them, and I didn't want them to merge with anyone," he says. "We definitely were not dressing them up to be an attractive acquisition. We need credit unions like FAMU FCU to be an effective presence in their communities."

So Local Government FCU made a $250,000 insured share deposit in FAMU FCU, which gave the latter badly needed liquidity to use to book loans. More importantly, it was a visible sign of support that FAMU FCU had a future and helped convince Tallahassee to make a $1 million cash grant to the CU, which solved its net worth problem overnight. But FAMU FCU still needed to cut expenses, build interest income and find critically needed expertise.

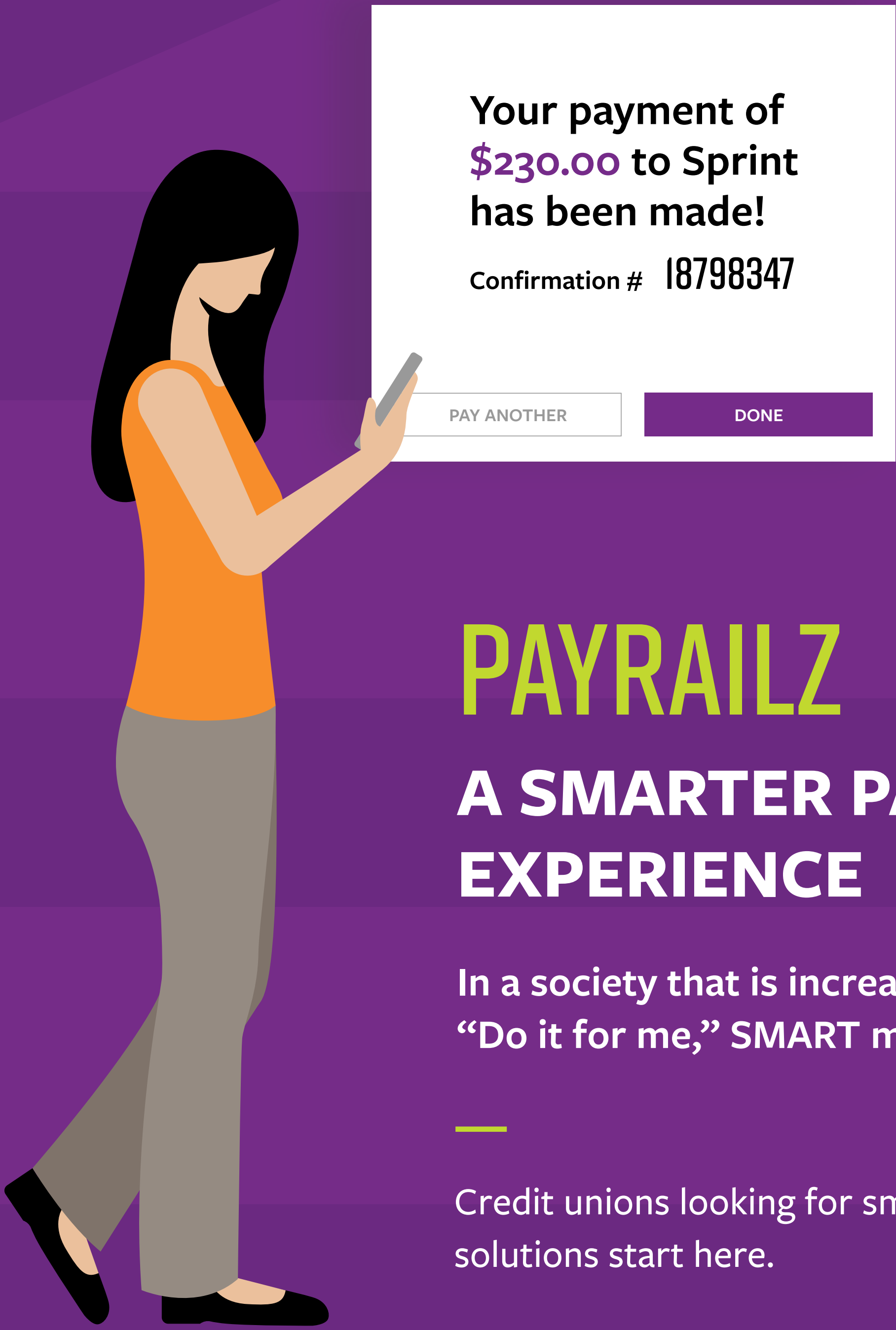
So Smith put his accountant on a plane to Florida to interface with the FAMU FCU staff, see what they were doing and help them improve accounting procedures. He did the same with his SVP/lending and his auditor.

"We stepped up with technical assistance and liquidity," Smith says. "We had talent we could share." When they returned to Raleigh, Smith's talent knew the people and procedures in Florida and could follow up with telephone or email assistance.

It sounds like a one-sided rescue, but Smith says the arrangement had real benefits for Local Government FCU.

"This wasn't charity," he says. "We're not that nice. The people sent to Florida were learning while they were there. We have smart people, and smart people need challenges." Smith's team members came back better trained, more experienced and more enthusiastic, excited by the challenge and opportunity of participating in a rescue. Their temporary replacements in Raleigh also got a chance to learn and do new things. It turned out to be a smart personnel development strategy for Local Government FCU, Smith says.

But he agrees that he's fighting for a cause. "By the end of this year," he notes, "we're on track to have fewer than 5,000 credit unions in the U.S. for the first time since 1943. This is a destructive trend. We need more credit unions to survive independently." Other CUs could do what Local Government FCU did with FAMU FCU, Smith insists, and it could be a win for both CUs, for their members and communities, and for the CU movement.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scale, Hui observes. But he thinks this option would be attractive to the nonsurviving CU because of the need to maintain local presence. Hayes would agree.

A merger causes certain legal and structural changes, but what changes the street-view perception of members is up to the CUs, Ritter points out. He's working with two CUs, each about $150 million in assets, that are exploring a merger that would achieve key efficiencies—one board, one overall CEO, one back-office core system—without changing brands and market identities very much. Members mostly would see the same branches with the same staffs and the same signs. Each would be led by an executive with a regional CEO title. Directors could remain on advisory boards. Some streamlining could occur without losing the look and feel of friendly, local, independent credit unions operating in familiar ways.

More than two CUs could participate in such an arrangement, Ritter says.

"They're at the proof-of-concept stage," he says. "It could evolve into a regional or even national chain."

While that experiment resembles the bank holding company in some ways, it's not likely to be a holding company, Ritter says, but a single CU with one charter. Morrissette thinks a holding company concept could work for CUs and has discussed the idea with several CU boards.

The idea of such a "network merger" that combines a sizeable number of CUs into a chain with one charter but a lot of local control and brand identity has been around for a while, but nobody has made it work consistently yet, Hui points out. But some CU mergers already are adopting certain aspects of a network merger, he agrees, allowing CUs with strong brand awareness and loyalty to keep their identity, at least for a while.

Complementary business lines could justify a good merger, Ritter notes. A CU that has specialized in auto loans might want to partner with a CU that has specialized in business lending, for example. A CU that has specialized in branching might find a complement in a CU that has specialized in digital delivery. Or it could be a talent fit.

"Talent is becoming an increasingly valuable asset," he observes. Combining technology talent with lending and marketing talent could be a winner. An East coast metropolitan CU might be complemented by a more rural Midwestern CU that has a top-notch call center with affordable talent.

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

MORE ON MERGERS

Is Buying a Bank the Best Return on Capital? (*cumanagement.com/0721return*)

Shades of Merger Gray (*cumanagement.com/0218shades*)

Six Steps for Evaluating Merger Opportunities Early On (*cumanagement.com/1220evaluating*)

To Merge or Not to Merge (*cumanagement.com/0620merge*)

Six Steps for Small CUs *Staying Independent*

The credit union industry, communities and consumers are better if small CUs resist consolidation, says Jan Page, president/CEO of $175 million CommunitySouth Credit Union (*communitysouth.net*), Chipley, Florida. Consumers need access to credit and financial services that are often only available at a credit union. Small, independent credit unions know their members and can look past a credit score and approve loans that a bank or branch of a large CU will not.

But there are challenges to being small, local and effective in today's high-volume, low-margin highly competitive 24/7 culture. To thrive, a small, independent CU needs to take six steps, Page suggests:

1. **Anticipate problems.** Work on solutions before earnings deteriorate to a point where it is almost impossible to turn things around. If income, membership and loan growth are trending down, make changes now.
2. **Get plugged in.** Small CUs are at risk of becoming an endangered species, but state and national leagues and associations recognize this and offer assistance. Seek out those resources.
3. **Ask for help.** Talk to peers that are growing and find out why. Look for opportunities to collaborate, and don't get sidetracked with merger discussions.
4. **Shrink the back office.** Work with credit union service organizations or other CUs to collaborate on things like accounting, compliance and training to reach economies of scale.
5. **Target vehicle loans.** If members have those loans elsewhere, find out why and use the email addresses in your core to offer them incentives to bring those loans back—maybe a rate cut or cash back.
6. **Build member usage, not member bulk.** More members not using the CU won't save you.

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5 Signs You Have a *Mediocre Culture*

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A HIGH-PERFORMANCE CULTURE STARTS WITH YOUR TOP LEADERS.

BY LAURIE MADDALENA, MBA, CSP, CPCC

A lot has changed over the last 30 years. Today we can jump on Amazon and have anything delivered in a day, we have hundreds of channels at our fingertips, and we can Google the answer to any question in seconds.

But one thing that has not changed much over the years is mediocre leadership. In organizations around the country, ineffective, traditional, uninspiring leaders persist. While there are some influential, modern leaders in business today, they are the minority. Most organizations have their temperature set on status quo, and if a brave employee speaks up, tells the truth, displays excellence or goes against the grain, the overall culture dominates. A mass of mediocrity is no match for a few high performers.

These five signs point to a mediocre culture:

1. Your managers spend more energy "disciplining" low performers than focusing on the best employees. Great cultures don't tolerate mediocre performance—they coach employees to peak performance and step in to support them when they don't meet standards. Great leaders make tough choices. They don't keep an underperforming employee because they know the negative impact this will have on high performers and the overall culture.

2. Your managers avoid confrontation. Mediocre leaders tend to avoid the discomfort of challenging situations. They prefer the path of least resistance, accepting complacency and settling for less. Mediocre managers reward compliance rather than honesty and candidness. They make excuses for low performers and are slow to take action. Influential leaders realize that although difficult conversations are uncomfortable, they are necessary for creating a high-performance culture. They focus on the bigger picture, dealing with issues early, so they don't develop into larger challenges.

3. Your managers are traditional, not modern. Mediocre managers employ command-and-control leadership. They don't see value in employee engagement; they think employees are rewarded by their paychecks. Mediocre managers don't value feedback, empathy, coaching or appreciation. Influential leaders understand that employee engagement leads to higher productivity, which leads to results. Exceptional leaders spend most of their time coaching, appreciating, supporting and developing their employees. They understand that, as the leader, they can create an environment that fosters teamwork and collaboration and, by connecting with each employee, they can develop employees to consistently deliver their best performance.

4. Your managers like doing technical work, not leadership work. Mediocre leaders spend most of their time putting out fires, dealing with interruptions and drowning themselves in lower-level technical work. They complain that they don't have enough time to coach employees, give feedback, plan or be strategic. Exceptional leaders understand the value of leading their team. They spend more of their time thinking about the future, asking clarifying questions, coaching employees through challenges and communicating a clear path. They avoid getting drawn into technical work, and make developing employees, planning and coaching their focus. They create clarity by communicating priorities and checking in on progress.

5. You have a hard time keeping high performers. Mediocre managers create mediocre teams. They accept complacency, so high performers become frustrated by the lack of progress and results, and ultimately adjust their level of effort downward or leave. Exceptional leaders set clear standards and deadlines and expect their employees to work at a high level. They positively challenge their teams and reward them for hard work. They make sure to keep their best employees and send the message that average performance is not acceptable.

A high-performance culture starts with the actions of the top leaders in the organization.

Leadership is not easy. It requires a consistent focus on people and the greater organization. It requires having courageous conversations for the sake of the culture. Exceptional leaders are the caretakers of the culture. They understand that every decision they make or don't make has a lasting impact on the culture. They choose every day to step up and lead at a higher level.

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

MORE ON LEADING

Why Leaders Need to Manage Their Energy (*cumanagement.com/video070121*)

NextGen Know-How: Beware of Compare (*cumanagement.com/0621nextgen*)

More Content by Laurie Maddalena (*cumanagement.com/author/laurie-maddalena-mba-cpcc-phr*)

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LAURIE MADDALENA is a Certified Speaking Professional (CSP), a designation earned by less than 15% of speakers worldwide. She is also a Certified Virtual Presenter through espeakers. Laurie has been personally mentored by Jack Canfield, author of the Success Principles, and is a certified Success Principles Trainer.

Laurie also worked directly with Brené Brown and is a certified Dare to Lead facilitator. She works with credit unions around the country. Whether in person or virtually, Envision Excellence offers tailored programs that will inspire your leaders and elevate your team.

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What makes AdvantEdge Digital unique?
AdvantEdge Digital is a single SaaS business offering two complementary solutions: analytics and digital lending. Each helps credit unions unlock their digital potential so they can grow and retain relationships with modern members.

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The second is our commitment to meeting CUs where they are on their digital and data transformation journeys. Strategy-first is our motto. That essentially means we are building custom road maps for our clients based on their unique business problems and opportunities, not ours. AdvantEdge Digital analytics consultants guide CUs down a path that connects decision-makers to real-time insights that can be accessed quickly and smoothly across platforms.

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Within weeks of launching the AdvantEdge Digital Lending solution, 121 Financial Credit Union reported the average time for online users to apply for a loan had been cut in half—to six minutes. Even better, the average loan application abandonment rate dropped almost 20 percentage points. The CU's VP/marketing and analytics, Adam Wade, said the first month was the best for top-of-the-funnel leads since he joined.

One of our analytics consulting partners, Coastal Credit Union, reports drastically shortened delivery times for data insights. Richard Sowell, Coastal CU's VP/reporting and analytics, says this is helping a variety of internal stakeholders. Sowell's team has helped the CU's outbound calling team with leads from predictive models; answered ad hoc business questions from executives; and provided forward-looking balance insights to the mortgage and business lending teams. Soon, they'll have built a delinquency dashboard to focus their outreach efforts.


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Digital Card *Issuance*

ELECTRONIC ASSIGNMENT OF ACCOUNT NUMBERS POINTS TO THE FUTURE OF CREDIT AND DEBIT.

BY STEPHANIE SCHWENN SEBRING

The demand for digital issuance is growing. This ability to assign an account number electronically is key to the future of cards.

"The experience of issuing a card digitally, saving your member from having to come into the branch or wait for a card to arrive in the mail, is a game changer for our industry," emphasizes Scott Young, VP/innovation and design for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "We've all examined the ramifications of COVID-19 on the financial services world. Specifically, the pandemic brought to the forefront consumer demands for more digital convenience—especially within our culture of immediacy. We want products and services that are fast, convenient, safe and on-demand."

While some lenders had digital card issuance in place pre-pandemic, others moved the process up on their priority lists in 2020.

THE BENEFITS FOR MEMBERS

Young cites travelers or those who live abroad as members who benefit from digital issuance.

"There were credit union members who needed a new debit or credit card—or one replaced if a plastic were lost or stolen. Many branches were closed during the pandemic, and overseas mail was slow. Individuals couldn't just walk into a branch or have a card mailed expeditiously," he says. "Digital issuance solved and continues to solve this problem by affording the member the ability to receive new card credentials immediately—and ensure uninterrupted usage of their account."

Young believes digital issuance will continue to be consumers' expectation in the post-pandemic era.

THE BENEFITS FOR CREDIT UNIONS

For CUs, digital issuance presents numerous advantages. In addition to being able to serve members expeditiously, not waiting for plastic helps ensure the CU's card number will continue to be the primary one members use in their digital wallets.

"This is especially critical if a card is lost or stolen," notes Young. "A credit union can issue a new card number and credentials for immediate insertion into the member's mobile wallet. It's then available for instant access—and considerably lessens the possibility of a member switching cards in their wallet."

CUs can use PSCU's DX Mobile card management app (*pscu.com/mobile-solution*) to do digital issuance. The app "encourages contactless payments, serving as a direct link to any of 'the pays' (Apple, Google or Samsung), which can reduce card attrition by allowing for uninterrupted spend of the member's account."

Using the app also reduces the chance of fraud. With a mobile wallet, "the card credentials used to authorize the transaction are tokenized and cannot be compromised," Young explains. "It is the safest way to use your card account for payment."

THE END OF PHYSICAL CARDS?

Members' mobile wallet adoption rate matters.

"Because credit unions were early adopters of 'the pays,' mobile wallet usage has always been higher, currently 49% for credit union members versus 28% for non-credit union members," says Young. "And, because of this faster adoption, the natural next step is to encourage contactless payments."

It's possible that someday the entire payments stream could go digital and contactless—with no plastic card issued at all.

"When more merchants accept mobile wallet payments, we may eventually see fewer plastics issued," notes Young. "Consider the Apple credit card issuance experience. It's extremely fast, and you're asked at the onset if you want a physical plastic (card) or [to] remain digital-card-only. It's not difficult to see a time ... when physical cards become somewhat obsolete due to the increased utility and adoption of mobile wallets, wearables and biometric payments."

It's all about meeting the evolving expectations of our members, concludes Young. "Digital issuance helps fulfill the pillars of the member experience; it's safe, convenient, easy to use and fast. If digital issuance can incorporate these four factors, it's a win for our credit unions—and their members."

Owner of Fab Prose & Professional Writing, **Stephanie Schwenn Sebring** *assists credit unions, industry suppliers and any company wanting great content and a clear brand voice. Follow her on Twitter @fabprose.*

MORE ON CARDS

Don't Give Up on Revenue Opportunities (*cumanagement.com/0521revenue*)

Eye on Payments (*cumanagement.com/0321eyepayments*)

'Clean' Contactless Cards Key To Pandemic-Driven Digital Adoption Surge (*cumanagement.com/121020skybox*)

Advancing Women *Wins Gold*

Advancing Women, a quarterly publication from *Credit Union Management*™ magazine, has won the top prize—gold—for general excellence in newsletters from the Association Media & Publishing Network's EXCEL Awards.

The awards, which are presented by the Software & Information Industry Association (*siia.net*), recognize excellence and leadership in association media, publishing, marketing and communication.

"This is our first EXCEL award, and we're truly honored," says Theresa Witham, CUES' managing editor/publisher. "This was a real group effort, as the awards are based on content and design, along with readership results—something that wouldn't have happened without our team."

Advancing Women offers information and inspiration for current and aspiring female credit union executives, and those who support them. Readers will find valuable career advice, tips for overcoming common obstacles and guidance on how to get ahead. Recent topics have included smart salary negotiations, strategies for overcoming imposter syndrome, equality in the workplace and making space for women on boards.

"We first published *Advancing Women* in 2018 to support and give a voice to the many women who are making careers in the credit union industry. We were and continue to be inspired by the amazing women of the credit union world and wanted to highlight their achievements and hard work. From the beginning, the positive feedback and support from the credit union industry have been very gratifying. We're pleased this special publication is now getting the special recognition it deserves," says Witham.

Find the most recent issue and subscribe at *cumanagement.com/advancing-women*.

CUES Offers New ALM Resource *for CU Boards*

Credit union directors have a new asset/liability management resource to turn to, thanks to a course covering the topic available now as part of the CUES Director Education Center (*cues.org/dec*).

This course will provide insights and education for board members on ALM best practices to optimize performance, including a deep look at liquidity solutions and interest rate risk management to support a board's ability to guide the credit union.

"To reasonably measure and monitor risk, directors should have an appropriate knowledge of risk/return within the industry. By taking the new ALM course available through CUES Director Education Center, credit unions can learn to make their asset/liability committee a strong profit center," says Joe Kennerson, managing director at CUES Supplier member Darling Consulting Group (*darlingconsulting.com*), Newburyport, Massachusetts. "Over the course of the educational series on liquidity and interest rate risk management, I'll teach credit union directors ways to transform their ALCO meetings from being historically focused into forward-looking and strategically focused meetings."

Like all courses in the CUES Director Education Center, the ALM course is online and self-paced. On average, the course takes about seven hours to complete.

CUES Directors Education Center is a CUES member benefit (*cues.org/membership*) offering online learning on a host of topics vital for the industry's board members, including establishing an effective risk management framework, strategic planning and understanding credit union financial statements.

Online Learning

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

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Board Liaison Workshop

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2021 **ONLINE** EVENTS CALENDAR

AUGUST 2021			
Diversity, Equity and Inclusion Cornell Certificate Program	OFFERED IN PARTNERSHIP WITH Cornell University	**Program Begins August 11**	cues.org/eCornell-DEI
Director Development Intensive		**August 16–18**	cues.org/DDI
SEPTEMBER 2021			
Board Liaison Workshop		**September 21, 23, 28**	cues.org/BLW

2021 **IN-PERSON** EVENTS CALENDAR

AUGUST 2021			
Execu/Net™	Whitefish, MT	**August 15–18**	cues.org/EN
DECEMBER 2021			
Directors Conference	Marco Island, FL	**December 5–8**	cues.org/DC

2022 **IN-PERSON** EVENTS CALENDAR

FEBRUARY 2022			
CUES Symposium	Wailea, Maui, HI	**February 6–10**	cues.org/SYMP
MARCH 2022			
Execu/Summit®	Big Sky, MT	**March 13–18**	cues.org/ES
APRIL 2022			
CEO Institute I: *Strategic Planning*	Philadelphia, PA	**April 24–29**	cues.org/INST1
MAY 2022			
CEO/Executive Team Network™	Austin, TX	**May 15–17**	cues.org/CNET
CEO Institute II: *Organizational Effectiveness*	*Samuel Curtis Johnson School of Management* Cornell University	**May 15–20**	cues.org/INST2
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**May 15–20**	cues.org/INST3
JUNE 2022			
Governance Leadership Institute™ I	*Rotman School of Management* Toronto, Ontario, Canada	**June 5–8**	cues.org/GLI
Governance Leadership Institute™ II	*Rotman School of Management* Toronto, Ontario, Canada	**June 8–10**	cues.org/GLI2

*Dates and locations are subject to change. For pricing options, visit **cues.org/Events.***

Prepare for the Impact *of Big Change*

BY C. MYERS

Consumer behavior continues to shift, and a noteworthy change is consumer adoption of financial services in places where financial services didn't exist previously. Think of financing a purchase while shopping online with buy now, pay later, opening a checking or debit account through Google, Uber paying drivers immediately in the app, or Tesla offering car insurance as part of the purchase process. People like having their financial needs addressed conveniently, when they need them, without having to seek them out separately.

The adoption of ultra-convenient financial services is on a rapid growth trajectory as more fintechs and other providers embed financial products into their apps. An emerging opportunity for FIs stems from the fact that, so far, many fintechs don't want to become banks. They'd rather focus on their core strengths and leave the banking regulations, infrastructure and details to licensed banks and credit unions.

Thus, a potential partnership is born in which financial institutions provide the behind-the-scenes nuts and bolts of financial services like loans and accounts, and in most cases, customers assume the services are provided by the fintech.

While this could represent threats to the existing business model, imagine introducing entirely new channels that provide an experience today's consumers are demanding. In addition to existing target markets of customers who interact directly with the institution, new target markets become possible.

People often feel uncertain and maybe a little uncomfortable when presented with such potentially impactful changes in the industry. One way to become more comfortable is to carve out time to think strategically and creatively about what the changes could mean to your organization, without the pressure of having to make any immediate decisions.

Don't get too distracted yet by how this would work. It might involve software development, engaging third parties to link to the fintech, regulatory and compliance questions, operational changes, and on and on. Before going down that path, start with some strategic thinking about the idea.

STRATEGIC THINKING QUESTIONS

- What new opportunities did we take advantage of and why?
- How did we shift our mindset?
- What changes to our business model were necessary to be successful in this scenario?
- What were the hardest things to change?
- What was our strategic approach to third parties?
- How have we changed our organizational roles and structure?
- How did we change our approach to talent management?
- How have our major revenue sources and expense structure changed?
- What are our new measures of success?
- What decisions could we make today that would prepare us for this scenario, and not harm us?
- What other questions should we be asking?

It's not too early to start thinking through the potential opportunities and threats that widespread growth and adoption of these emerging capabilities present. Spending time with stakeholders thinking about the possibilities and philosophical questions, while staying out of the weeds initially, is a productive way to begin the conversations that will help determine the institution's ultimate direction.

c. myers (cmyers.com) *helps financial institutions take control of their future by linking strategy, desired financial performance, and consistent execution with the right talent.*

Read the full post and leave a comment at cumanagment.com/062321skybox.

"Remember you are looking for a good employee, not necessarily a trained employee. Back in the late '90s when I worked in the banking industry, … finding bankers to hire was nearly impossible. Rather than struggle or remain short-staffed, we decided to 'grow our own.' We hired people from outside the industry, stayed open to hiring people part-time … and trained them to do the job."

Meridith Elliott Powell, business growth strategist (*meridithelliottpowell.com*), in "How to Find Employees in a Tough Market" on CUES Skybox: *cumanagement.com/062121skybox*

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