CU MANAGEMENT

DECEMBER 2021 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS

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Jen McHugh values mentorship

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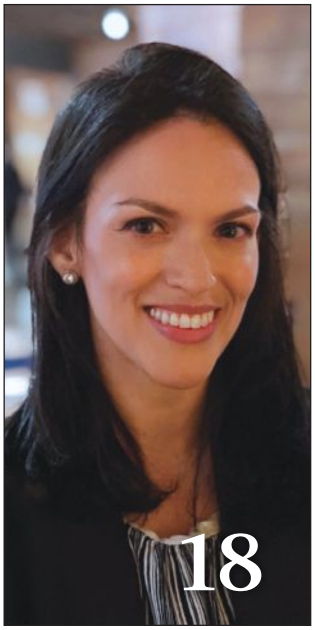

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Comments, suggestions and letters can be sent to **theresa@cues.org**.
TWITTER: @tawitham
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YOUR THOUGHTS

HOW DOES YOUR CREDIT UNION CELEBRATE EMPLOYEES?

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

Employee Connection *Is Possible Remotely*

Happy holidays! I hope you are enjoying a joyful season. At this time of year, we naturally tend to think about how we can thank employees for the good work they've done.

Sending a thoughtful gift along with a handwritten note is a wonderful way to express your appreciation. I encourage you to think of and implement additional ways to celebrate and make connections with your teams, even if you can't all be together.

As a member of the CUES Fun and Staff Recognition Team, I have some experience with facilitating group celebrations and connections. Before the COVID-19 pandemic, we would plan our annual staff party and several other in-person events, including regular potluck lunches, outings to local hockey and baseball games, paint and sip nights, axe throwing and more. We did try to include our remote employees (who work everywhere from Baltimore to Texas to British Columbia). For example, we played bingo over email (when your card got close to full, you hoped you didn't miss your winning ball during a meeting!) and, of course, everyone who could flew to Madison for the big "Spring Fling" party.

In March 2020, we were in the middle of planning our May party when the pandemic shut our world down. We had to pivot quickly to a new kind of celebration. We put together a month-long event that included shipping gifts to each employee, sending gift cards for dinner and playing a fun trivia game on Zoom. Now that CUES is a remote-work-first organization, we have doubled down on our focus on supporting remote celebrations and connections. And we are killing it, if I do say so myself. Here are few things we have done to keep us feeling like a team.

First, we use remote videoconferencing platforms like Zoom and Microsoft Teams to host monthly drop-ins to chat, check in with each other and play games (including Pictionary, Heads Up!, bingo and trivia). Plus, a lunchtime crafting circle meets to knit, crochet, needlepoint or do a puzzle together while we chat.

We sponsor friendly competitions with prizes, including a water-drinking challenge, a Halloween costume contest and an ugly holiday sweater contest.

We send gifts, including seasonal packages with small treats and stickers, gift cards for lunches, a CUES-branded backpack for when we do get to travel to see each other in person, and a puzzle with a photo of every staff member designed by one of our talented graphic designers.

We also make use of our time in full staff meetings to bond:

- We asked team members to fill out a PowerPoint slide of what they did over the summer, then shared them in the meetings.
- We celebrate "High Five" recognitions to thank co-workers for extraordinary work.
- We recently added a short, five-minute section where staff are randomly placed in Zoom breakout rooms and given possible questions to discuss. (Favorite recent book? Best show you've binged lately?) This helps us connect with co-workers we don't regularly see during meetings or in the course of our normal work.

I'm proud of our team. We were always good at creating fun in the workplace, but the past two years have taught us how to keep our culture thriving and our employees feeling connected—no matter where they work. In fact, many remote employees tell us they feel more connected than before the pandemic. I encourage you to steal these ideas and would love to hear more about what your credit union does.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

Help Keep the Industry Strong

Mark Your Calendars For This Year's Participation

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Participation in CUES Compensation Surveys *Starting Soon!*

Participation opens January 1, 2022, and runs through February 28, 2022, for CUES Executive Compensation Survey and CUES Employee Salary Survey. Update or submit your credit union's data to help keep the industry strong.

Participation is vital to help shape the latest industry trends and valuable compensation tools and data to help attract and retain well qualified professionals.

Mark your calendars for **January 1** and provide your credit union's information at **cues.org/ECS** and **cues.org/ESS.**

2022 *Lending Outlook*

OVERALL DEMAND SHOULD BE UP, BUT NET INTEREST INCOME WILL STILL BE TOUGH TO GET.

BY RICHARD H. GAMBLE

Despite 365 pretty good days called 2021, credit unions approach lending in 2022 still nursing a wound called 2020. That wound was created by an environment of low rates, high liquidity, tepid loan demand and few delinquencies.

Income suffered, but credit quality improved in 2021. Delinquencies and charge-offs at credit unions hit historic lows, reports Karin Brown-Purtell, EVP of Lending Solutions Consulting Inc. (*rexcuadvice.com*), Arlington Heights, Illinois. All the forbearance, mitigation and stimulus programs from credit unions and the government have kept delinquencies at bay, she notes, but that will probably change in 2022.

"Now is a perfect time," she says, "to prepare for the next cycle of credit challenges—to tweak policies, buy software and train people."

When it comes to lending, CUs are always trying to keep their footing on shifting ground, responding to the economy, focusing on both profitability and service, and rebalancing their portfolios.

LENDING PROFITABLY

Lending success in 2022 is critical for many credit unions because low rates have sapped loans' profitability. The sore spot for credit unions in 2021 was weak net interest income due to low yields on most assets, notes economic consultant Bill Conerly (*conerlyconsulting.com*), based in Lake Oswego, Oregon. The bright spot has been a wave of fee income from members refinancing loans, capitalizing on the steep fall in mortgage interest rates. This bright spot may fade; the sore spot may get worse without more loans and better yields.

Credit unions will benefit some from a projected 3.5% growth in overall loans in 2022, says Micheal Herman, president of CUESolutions provider AdvantEdge Digital (*advantedge.digital*), a business

> **"When the financial ground is shifting, people like to go where they belong and deal with people they trust."**
>
> — Anirban Basu

line of Cuna Mutual Group (*cunamutual.com*), Madison, Wisconsin. That should push return on assets up to 0.6% in 2022, still below the 0.8% it was before COVID-19.

Ent Credit Union (*ent.com*), Colorado Springs, is still highly liquid, reports CUES member Bill Vogeney, chief revenue officer of the $8.3 billion institution. The current loan-to-share ratio of 88% is down from almost 100% pre-COVID, and the credit union is feeling the income pinch as its larger-than-usual investment portfolio yields close to nothing and interest income from refinanced mortgages is down.

"We've felt a real impact on average asset yields," he says. "With our big stake in home mortgages—35% of our portfolio—the refis hurt our net income. We got some fee income from selling some mortgages, but that was a one-time boost and not enough, in the long run, to offset the lower yield on the ones we kept."

Without strong interest income, $290 million PAHO/WHO Federal Credit Union (*pahofcu.org*), Washington, D.C., is reducing costs by skipping in-person conferences and moving communication to digital ads and email, explains CUES member Derek Fuzzell, chief financial and chief strategy officer. Capital will not be under pressure as deposits start to drop and excessive allocations to loan loss reserves are recovered.

The 2022 outlook for increased lending is affecting the financial strategy of $1.72 billion Northern Credit Union, Sault Ste. Marie, Ontario, reports CUES member Tammy Buchanan, SVP/CFO. She's eager to see the credit union's high liquidity recede. She's cautiously encouraged by an economic recovery that could have members saving less, spending more and starting to borrow. However, recent economic surveys she's seen predict members will spend at slightly higher rates than in 2021 and savings will remain at higher levels than what they were before the onset of the pandemic.

Even before COVID-19, Northern CU was addressing profitability, Buchanan says, with a 2019 return on assets of 0% due to investing in the organization's infrastructure.

"With 31 branches and 270 employees represented by three labor unions, we have a high-cost model," she points out, "so we're sensitive to net interest margin. We want to find higher-yielding assets, which means loans." COVID-19 didn't help much. ROA increased slightly to 0.1% in 2020 and has come back to 0.35% in the first half of 2021.

THE NEXT WAVE OF MORTGAGES

Mortgage lending should reward credit unions in 2022, says Steve Hewins, SVP of CUESolutions provider CU Members Mortgage (*cumembers.com*), Dallas, Texas. Credit unions will capitalize on the situation if they can adeptly move from the last wave to the next one. Refinancing loans has been a great line of business, he says, but likely will fade from 71% of originations in mid-2021 to just 20% or 30% in 2022.

The next wave will be for home purchases, and credit unions need to pivot to a planned, aggressive move to loans to support buyers, Hewins advises. It will be a good but tight market as inventory stays low into 2022 with some supply chain shortages persisting, but there will be solid demand for mortgages in the $350,000 to $400,000 range, with plenty of members able to qualify, he predicts.

To thrive in such a market, credit unions need to get friendly with real estate agents. "Agents want to get the deal across the finish line," Hewins observes, "and will favor lenders that meet all the deadlines so they can close on schedule."

Start with agents who are also members, Hewins suggests. Face-to-face assistance is still important for purchase mortgages, but automating paperwork will be an important selling point. That includes streamlining the process by using e-documents wherever possible, he explains.

Mortgages may help a little in 2022, agrees Fuzzell. Thirty-year-fixed home loans will be the primary product, and rates might rise as much as 50 basis points by 2022. Purchase loans will predominate as refis level off after a great run for credit unions in 2020 and 2021. Some formerly unemployed members will show up at the branches looking to refinance once they can qualify, he predicts.

Mortgage rates continued to defy gravity in late 2021 because of an irrationally low 10-year-Treasury-bond rate, Vogeney says. If T-bonds rebound above 2%, demand for refinancing mortgages will dry up, he predicts. If rates stay low, 2022 should be a good year for credit union mortgage lending, but not quite as good as 2020 and 2021.

"We're on track to exceed our 2021 targets for mortgages," Buchanan notes. That might taper off in 2022, especially for refinancings if rates start to rise. Northern CU's geographic market has seen a mini-boom of members buying cottages, sometimes as second homes or rental properties.

Second-home mortgages present a particularly ripe opportunity for credit unions in 2022, Hewins points out, because they have portfolio flexibility that some of their competitors lack. The secondary market for such mortgages is thin, with strict limits on what Fannie Mae and Freddie Mac can accept and scant securitization programs for second-home mortgages.

"By their charters, credit unions can originate and hold second-home mortgages," he explains. "They can capture business in that higher-yield niche by providing a portfolio home for these mortgages, consistent with their risk tolerance."

THE BOUNCING AUTO LOAN MARKET

2022 should offer good but select opportunities for credit union automobile lending, predicts Bob Child, COO of CUES Supplier member CU Direct (*cudirect.com*), Ontario, California, and the company's Origence brand (*origence.com*), which

The Great Wealth Movement *and Lending*

To survive in a changing world, credit unions will have to lend successfully in that changing world.

One thing that's changing is who holds the wealth. And that may mean, interestingly enough, that credit unions will need to shift some of their focus from lending to being outstanding advice-givers to the new wealth-holders.

Wealth in America is gravitating toward the top quadrant, which is also getting older, says economic consultant Bill Conerly (*conerlyconsulting.com*), based in Lake Oswego, Oregon.

"The baby boomers are not only getting older; they're starting to die off," he observes. "This will bring a huge transfer of wealth to younger generations." The very rich are turning to philanthropy, but the upper-middle class is still leaving most of its wealth to its kids. This will make the traditional CU member stronger financially, with less need to borrow but more need for financial advice.

That advice now is largely coming from stockbrokers, trust bankers, estate planners and even robo advisors.

"The financial press doesn't recognize credit unions as significant players in this space," Conerly reports, "but it's a real opportunity to provide trusted, face-to-face advice to people who don't want to pay high commissions or talk to robots."

In a changing world, does the future of financial services belong to the visionaries or the institutions that stick to tried-and-true strategies?

"Most visionaries fail," Conerly points out, "but those who succeed change the world. There will be a lot of upheaval, but trust and service will remain the most important attributes of financial service."

That means that credit unions can continue to concentrate on what they have always done best, he suggests, but partner with visionaries through credit union service organizations, fintechs or other for-profit companies.

specializes in supporting credit union auto lending through its CUDL lending system.

The auto lending market has bounced quite a bit in recent times. After fairly predictable 5% to 6% annual growth in auto loan portfolios, COVID-19 brought a deep dive of 40% less growth, Child reports, then a bounce to 17% annualized growth in the first half of 2021.

Growth is coming mostly in used car financing, he notes, which makes up 74% of credit union auto loans industrywide. Low inventory and 0% financing from automakers have shut the door on most new car loans. In 2022, used car lending will still be rewarding for CUs that do it well.

Even once supply chain kinks are worked out and auto sales rise, auto lending will still be a challenge for credit unions going into 2022, Herman says. Why? Because CUs are losing ground in the competitive battle for those loans.

"Auto loans make up just over 32% of CUs' loan portfolios," Herman points out, "which is the lowest share in six years. Their share of overall vehicle financing has fallen from 20% to 17% in three years. The new, high-tech players are taking market share away from credit unions."

A Deloitte study (*tinyurl.com/deloittemillennialstudy*) has found that a lot of people still prefer to buy cars at dealerships, Herman reports.

"That's a big win for the finance captives," but it's also an opportunity for credit unions as buyers move away from that model to digital transactions. "That's where the fintechs and autotechs like Carvana are killing it," he observes, "and it's where credit unions can play and work their way back into a bigger share in the auto loan market." Electric cars provide special opportunities.

Zero-percent financing effectively blocks credit unions out of much of the new-car market, Vogeney agrees. "It's strange to push incentives when there's a shortage of cars, but the finance captives are still trying to recover market share they lost in the Great Recession," he says. "Low rates give them a cheap way to do it." Intense competition will make it hard to gain share *and* make money with indirect auto lending, he adds.

Auto loans won't help Fuzzell's credit union in 2022, he laments. "Rates are too low to make a profit. We'll make those loans to accommodate members, but it's not an asset class we're targeting."

BORROWERS CURRENTLY MORE CREDITWORTHY

The pandemic has brought less interest income and fewer delinquencies than expected. Consumers are sitting on a stunning $2.6 trillion of excess savings, says Anirban Basu, chief economist of Sage Policy Group (*sagepolicy.com*), Baltimore. This has deflated credit card balances and delinquencies considerably despite millions of lost jobs. But that will change, he predicts.

"This is a great time for lenders to be a little more aggressive with credit card programs, because borrowers are more creditworthy than usual," he points out. Again, it's cyclical, and delinquencies will start to rise, probably in 2022. But borrowers were stress-tested by the events of 2020, and many came through with flying colors—so credit unions can lend with greater confidence than usual, he asserts.

However, there's some evidence that consumers are reluctant to run up their card balances again post-COVID, and that is creating

"The new, high-tech players are taking market share away from credit unions."

— Micheal Herman

new opportunities for personal loans that get paid off on schedule, according to Vogeney. Consumers are using personal loans as well as excess cash to pay down credit card debt, he reports.

Fintechs have grasped this opportunity and are pushing digitally generated personal loans, letting automation technology remove most of the overhead. They are scoring wins with small, short-term "buy now, pay later" plans that appeal to consumers who want loans for specific purchases with specific repayment plans that get paid off and not mixed into the credit card stew, Vogeney reports.

Personal loans are nothing new for Ent CU. "We've been focused on personal lending for 10 years," Vogeney says, "and our balances are up 18 times over that decade, starting from a fairly small base. The Ent personal loans are unsecured closed-end loans for four or five years. Members apply online or by mobile. We put the money in their account as soon as they electronically sign the document. It takes a good user interface and mobile banking app. It has to be simple, with quick, automated decisions and fast funding."

The personal loan market is competitive thanks to fintech automation, but Ent CU can provide lower rates than fintechs, especially for borrowers in the 600-680 FICO range, he says.

Northern CU is hoping personal lending rebounds in 2022 after a dip during the pandemic.

"We hope to see increases as consumers go through accumulated savings and turn to credit," Buchanan reports. Those loans promise decent yields, but competition is fierce because almost all financial services businesses are excessively liquid and driven to find higher-yielding assets, she explains. With government support still flowing to consumers in Canada, it's hard to gauge just how solid members' finances are, and risk is a real constraint.

"Personal loans are not an area where we want to take more risk," she concludes. "Our regulator is looking more closely at risk management practices. So far, it's been consultative, but rules may be coming."

HELOCs LIKELY A GOOD OPTION

For one of the best lending products in 2022, credit unions may need to dust off the home equity line of credit. With home values rising 15% to 16% annually, HELOCs are a bright spot that will strengthen moving into 2022, predicts Steve Rick, chief economist of CUESolutions provider Cuna Mutual Group, Madison, Wisconsin.

"People will use HELOCs to finance RVs, boats and other high-end consumer durables," he says. With alert CUs already offering 1% for the first year, "it's a no-brainer to use the HELOC instead of a boat loan or RV loan." Other than HELOC pricing, he doesn't expect much product innovation in the near future.

HELOCs are "the next great growth opportunity for credit unions," Vogeney declares. "Banks have largely abandoned them. Bank portfolios never returned to the level of home equity lending they had prior to the Great Recession, and during COVID, many shut down their modest HELOC programs in favor of PPP (Paycheck Protection Program) loans. They've been slow to reenter this market."

It's already a rewarding market for Ent CU. "In 2021, we are having our best year ever in home equity lending," Vogeney reports.

With home equity rising and refinancing losing its appeal, home equity credit will become popular, Hewins agrees. "People will want to touch the cash without touching the mortgage," which will give CUs a valuable product in 2022.

Fuzzell offers caution about HELOCs. Home equity lines of credit are floating rate, and most members will be looking for fixed. Even for home improvement projects, HELOCs may not be the best option. Anecdotally, he reports that his father-in-law investigated the options and found that it was cheaper to refinance his home and that, with current low rates, he could recapture the closing costs in four months.

In all, expect 2022 to be a year of adjustments when it comes to lending, Basu suggests. While constantly changing is hard, the silver lining is that the shifting gives credit unions a special opportunity to bond with borrowers.

"When the financial ground is shifting," Basu notes, "people like to go where they belong and deal with people they trust." What a wonderful opportunity for member-owned financial institutions with a reputation for personal service.

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

MORE ON LENDING

Making More Mortgages Available to Minorities (*cumanagement.com/1021mortgages*)

Lending in a Two-Lane Economy (*cumanagement.com/podcast120*)

Lending Perspectives: Are Home Equity Loans the Next Great Growth Opportunity? (*cumanagement.com/0821lendingperspectives*)

What Credit Unions Must Know to Combat *Cyberattacks in 2022*

THE CYBERCRIME INDUSTRY IS MORE SOPHISTICATED THAN EVER. HERE'S WHAT YOU NEED TO KNOW TO PROTECT YOUR CREDIT UNION AND MEMBERS.

BY FELICIA HUDSON HANNAFAN

The news isn't great: According to a 2021 report by Black Kite (*tinyurl.com/n29v4cu8*), a cyber-risk rating platform, credit unions estimate an annual financial risk due to cyberattacks ranging from $190,000 for small credit unions to more than $1.2 million for large credit unions.

Financial institutions are 300 times more at risk of a cyberattack than other companies, according to a report by Boston Consulting Group (*tinyurl.com/3eyb93bx*). Add to that, a 2019 Accenture study (*tinyurl.com/4vdkps8h*) found that the average annualized cost of data breaches for financial services globally had risen to $18.5 million—and that only included the direct costs of cyber incidents, not the longer-term costs of remediation.

What is driving this growing cost of cyberattacks? Experts point to two major factors: commoditization and COVID-19. Paul Love, chief information security and privacy officer for CUES Supplier member CO-OP Financial Services (*coop.org*), Rancho Cucamonga, California, says though the automation of cybercrime is not a new trend, it's continuing to escalate—and the velocity is increasing. This means that from the time a company becomes aware of a technology weakness in software or hardware, cybercriminals already have tools in place to exploit it.

Love adds that whereas in the past, those looking to exploit vulnerabilities would have sought out cybercriminals who knew social engineering and how to create the necessary code and then monetize it, such activity has now become automated to the point where no specialized knowledge is necessary.

"They're getting more and more professional, and that's what we're seeing in the [cybercrime] industry—the commoditization," Love says. "It's no longer something that requires a unique skill set. You just get into the underground and find the right people, and you can get a whole program set up with no skill set on your part at all. It opens the door to a larger group of criminals than in the past."

Chris Sachse, CEO of CUES Supplier member Think|Stack (*thinkstack.co*), Baltimore, a managed IT services credit union service organization specializing in cloud and cybersecurity solutions for credit unions and nonprofits, says the pandemic is the second biggest factor in the cybercrime increase. "COVID opened up new doors where people are clicking on new things all the time," he says. Scammers are taking advantage of more people spending more time online by reaching out with phishing

"They're getting more and more professional, and that's what we're seeing in the [cybercrime] industry—the commoditization. It's no longer something that requires a unique skill set."

— Paul Love

emails offering fake support and resources such as information about stimulus checks and benefits, and vulnerable consumers are unwittingly clicking on these links.

While this is discouraging, the good news is that when armed with advances in cybertechnology, education and vigilance, institutions can create strategies that will enable them to be proactive and successfully battle or prevent most cyberattacks.

Although there are always new tools appearing in the cybercrime toolbox, there are also new tools for combatting them. Here are five of the biggest threats to your operations today and what you can do to thwart them.

1. DATA BREACHES

Jim Van Dyke, SVP/innovation at Sontiq (*sontiq.com*), an intelligent identity security company, and former advisory board member of the Consumer Financial Protection Bureau (*consumerfinance.gov*), says the No. 1 threat to credit unions is what he refers to as a two-crime crime. "There are two crimes involved in victimizing the member," he explains. "First, the bad person has to get their hands on the data. So that's the data breach, ransomware attack, anything like that. And then, second, it's the misuse of the data."

Takeaway: Van Dyke, who has served as an expert witness in many of the nation's largest data breaches, including the Equifax breach, says that though there is little credit unions can do to stop data breaches, especially breaches to third parties, what they can do is understand how every member faces a unique risk profile stemming from having their data compromised. Every member's risk profile will be different, as likely all members' personal information has been compromised by various breaches.

"This is why members fail to act on credit unions' and banks' advice," Van Dyke says. "Can you imagine if your doctor gave you the same diagnosis and advice as every other patient that walked through that doctor's office? What credit unions can start doing is, in their member-facing efforts, speak more and deploy tools in a more individualized way with the member."

2. SPOOFING

"These days, hackers are spoofing websites, banking apps, executive social profiles to solicit information from unsuspecting users," says CUES member Patricia Campbell, president/CEO of $803 million Christian Financial Credit Union (*christianfinancialcu.com*), Sterling Heights, Michigan.

Spoofing, as defined by malware-detection and cybersecurity software provider Malwarebytes (*malwarebytes.com*), is when someone (e.g., a hacker) or something (software) pretends to be someone or something else (e.g., a business) in an attempt to gain your confidence, gain access to your systems, steal data, steal money or spread malware. Spoofing attacks can come in many forms, including email spoofing, website or URL spoofing, and even caller ID or text message spoofing.

"While these attacks fall outside of system networks, they can impact a credit union's reputation and potentially target its members," says Campbell.

An example might be an email sent to members requesting they log into online banking—this email looks like it's from your CU based on the address but is really a clever attempt to get members to reveal their credentials via a false online banking website.

Takeaway: As spoofing is on the uptick, Campbell advises making digital security a priority in protecting the credit union's brand in the digital space, outside of its secure networks. "We are continuously working with our security vendors (Think|Stack) to monitor that behavior and take it down when identified," she says.

3. RANSOMWARE

Sachse says that ransomware, malware that employs encryption to hold a victim's information until the victim pays up, is misunderstood in many respects. "It is maybe not the most frequent attack, but it is probably the most impactful attack that you could go through right now and the one that would be most crippling to the organization," he says. (See *cumanagement.com/0921ransom* for a notable example.) "So ransomware continues to be something that people really need to pay attention to."

Takeaway: Sachse says that while there are many protections that must be put in place to protect against ransomware, his biggest recommendation is immutable (consistent and reliable) backups.

"You can make sure your backups are done correctly or off-network, off-site," he says. "That's not a guarantee because they [cybercriminals] can still get into your backups depending on how they're done. But if you put a gun to my head and said, 'Give me a recommendation,' I would say backups are going to get you pretty far."

4. PHISHING EMAILS

Phishing continues to be a concern for credit unions. Similar to spoofing, fraudsters might impersonate the credit union and contact members through email or text—for example, to alert them of suspicious account activity and ask them to take action. Additionally, employees may be targeted.

Takeaway: In addition to having a good email security system in place, Sachse says user awareness training, such as videos that the credit union can regularly send out to educate employees and

3 Tips to Maximize *Your Cybersecurity Budget*

Chris Sachse, CEO of CUES Supplier member Think|Stack (*thinkstack.co*), Baltimore, a managed IT services credit union service organization specializing in cloud and cybersecurity solutions for credit unions and nonprofits, says that regardless of size and budget, there are three fundamental factors credit unions should consider to make the job of combatting cyberattacks less daunting.

1. The architecture and design of your network: Sachse says that often when it comes to cybersecurity, people are inclined to buy fancy tools and implement 24/7 monitoring. And while there is nothing wrong with those options, they are usually executed before the most important things have been taken care of, such as making sure your network is designed appropriately.

"I always liken this to a football team," he says. "If you go out and sign Randy Moss or some fancy wide receiver, it makes you feel good, but it often doesn't lead to a Super Bowl. On the other hand, if you get a really good offensive line and a really good defensive line, stick to the basics, and get back to the fundamentals, you'll see that those teams are good over the course of time. Cybersecurity is much the same way."

Sachse explains that a well-designed network that sets the foundation, followed by maintenance, including keeping current on updates, is critical. He says that most attacks come through outdated machines. "Just doing your patching and your maintenance—and making sure your network is designed appropriately—is probably going to protect you from 80% to 85% of the attacks out there," he says.

2. Governance: Sachse says that the biggest issue he sees in credit unions is not paying enough attention to cybersecurity at the board and executive team level and instead relying too much on IT. Not pursuing more detail when an examiner comes out is a common example, as is assuming that because the examiner didn't have any findings, everything is good.

"We don't ask enough questions," he says. "Good governance is simply just asking good questions to the right people. It's really about having those conversations more frequently. And if you have those conversations more frequently, then the rest of the organization starts to know that the leadership team is taking this seriously. I really encourage that."

Read the full article, including one more cybersecurity tip, at cumanagement.com/1121maximize.

members, is key. "They'll let you know about the most current types of attacks and how people are trying to come in. Anything you can do to train your employees and make them a little bit more vigilant is the idea.

And just be skeptical. If someone is asking you to change your bank account, call them."

Sachse also recommends a move away from email. "If it's a critical conversation, it shouldn't be sent in an email," he says. "If you're asking for information, you shouldn't be asking in an email. Start looking at your processes and make sure you're really doing as little in email as you can."

5. SUPPLY CHAIN VULNERABILITIES

"The other big risk to credit unions is the supply chain," Campbell says. "Credit unions rely on many vendors to deliver services to members, and those vendors use technology and have access to our members' data and our network."

As such, a third-party vendor breach can be just as damaging as a direct attack on the credit union.

Takeaway: "As a result of this risk, we have to take our vendor due diligence and oversight to new levels of scrutiny to ensure our security standards are met not only by us internally, but also with our vendors," explains Campbell. "Aligning with the very best partners is key to building a strong framework."

CRITICAL STEPS TO PROTECT YOUR ASSETS

It is essential for credit unions to understand that network, systems and security management does not fall only under the purview of the chief security officer and IT—it's everyone's responsibility.

Campbell says that today's CEOs, regardless of the size of the credit union, must be an integral part of developing and supporting the CU's cybersecurity and overall risk mitigation posture.

"CEOs—just like they must understand the credit union's credit risk or interest rate risk—need to understand the cybersecurity risks the organization can face," Campbell advises. She emphasizes that CEOs must support both the IT and the risk management/security departments as they work to mitigate potential vulnerabilities that are introduced with the implementation of new products and new delivery channels, whether on-premise or in the cloud.

"CEOs need to invest in not only hiring new talent who are well-educated and trained in this space but also in educating their current teams. Cybersecurity is not a one-person or one-department effort. CEOs often share information and best practices with peers, and they need to continue this dialogue around cybersecurity tools, preferred vendors and best practices," Campbell adds. "The entire system is stronger if there is strong alignment on the need for the use of the best tools and vendors in our space."

The Black Kite report cited leaked credentials, legacy systems and vendor vulnerabilities as the greatest sources of cyber risk for credit unions. In addition to support from the top, following these recommendations can help CUs guard against attacks:

1. Stay up to date on local breaches. Van Dyke says the average credit union member is compromised about two times a year. "If you're a credit union, I think ... you can use your regional footprint to your advantage against the big banks," he says. He recommends training employees to stay informed about regional breaches and notifying members on your website.

"Can you imagine if your doctor gave you the same diagnosis and advice as every other patient?"

— Jim Van Dyke

2. Keep systems up to date. Using outdated systems, technology or software makes you an easy target for hackers.

3. Consider ethical hacking. Have a trained third party look at your systems from the outside in and tell you where weaknesses exist.

4. Have your incident response capability in place. Love says the first priority is a good information security program, but if you're starting from scratch, he recommends that smaller organizations start by creating an incident response team and process. "From there, make sure that your monitoring is in place and you have the appropriate preventative tools. You have no control over when an incident is going to occur. And if an incident does occur, having a program in place to respond to it quickly, to identify and contain the issue, is critical to resolving it," he says.

5. Educate employees. Love suggests that if you have a well-built information security program, protections in place and training for employees, today's remote work environment does not have to present a significant risk. He advises ensuring employees treat their remote environments similar to their corporate work environment—for example, locking screens when away from their computers, cross-shredding printed documents and not using the work computer for personal use.

6. Educate members. Van Dyke proposes doing a quick audit of your website and including security education in all financial health sections of the site. "There is great opportunity to get [out] a simple message for members to understand about how they should protect themselves and avail themselves of the strong tools that many credit unions have rolled out, like alerts, two- factor authentication and card controls," he says.

WHERE TO FOCUS YOUR RESOURCES

"The old adage, 'you have to spend money to make money,' is perhaps transformed in this context to 'you have to spend money to protect money,' and sometimes it is a lot of money you have to spend," notes Campbell.

"Security of assets is not cheap, nor would you expect it to be when we are protecting trillions of assets in our systems," she continues. "These assets represent the hard-earned savings of our members, and they deserve our allocation of financial resources to protect those assets and their identities. The world is a different place today, and for the countless benefits we have recognized from technology, it does not come without a whole new level of risk for which we must be diligent. The key is that your cybersecurity initiative cannot be a part-time job or operate in a silo; it has to be at the center of your IT infrastructure, from around which everything else must live."

Campbell advises credit unions to focus both their financial and talent resources in three key areas:

1. Protection solutions: Invest in products or services designed to detect and block a cyberthreat before it succeeds. However, Campbell says that while firewalls, antivirus programs, intrusion prevention systems, advanced malware protection solutions and cloud-based email filtering solutions are all important, they have become table stakes and are only part of the equation.

2. Detection and response solutions: These solutions help identify and clean up a potential threat or, if necessary, a threat after it has infected a network. These products help IT teams learn about the threat and remediate it. Examples include endpoint detection and response products, security information and event management solutions, and other incident-handling tools. Some platforms, such as Back Kite (*blackkite.com*), Boston, and Digital Defense Inc.'s Frontline.Cloud (*digitaldefense.com/platform*), San Antonio, provide integrated risk management that identifies, measures and remediates risk.

"If you don't have a great SIEM, and if you are not monitoring your environment every second of every day around the clock, you must be willing to accept the greater risk to which you are exposing your institution," Campbell says.

3. Partnering with a trusted third party: Campbell says perhaps the most important investment is engaging a managed security service provider that has expertise and talent in cybersecurity. "MSSPs use high-availability security operation centers to provide 24/7 services designed to reduce the number of operational security personnel a credit union may need to hire, train—and perhaps most difficult—retain in an effort to maintain an acceptable security posture," she says.

Formerly a member of the CUES marketing staff, **Felicia Hudson Hannafan** *is a writer based in Chicago.*

MORE ON CYBERSECURITY

Three Tips to Maximize Your Cybersecurity Budget (*cumanagement.com/1121maximize*)

Tech Time: FFIEC's Revised Architecture, Infrastructure and Operations Booklet (*cumanagement.com/1021techtime*)

Pay or Else (*cumanagement.com/0921ransom*)

Three Cybersecurity Trends Influencing IT Leaders Today (*cumanagement.com/0921trends*)

How to Mitigate the Risk of Using Remote Monitoring and Management Tools Like Kaseya (*cumanagement.com/0721kaseya*)

First Line of Defense™ Fraud-Prevention Training (*cues.org/firstline*)

Fulfilling Its *DEI Mission*

GREAT LAKES CREDIT UNION SERVES AS A CATALYST FOR CHANGE WITH A FOCUS ON DIVERSITY, EQUITY AND INCLUSION.

BY DIANE FRANKLIN

At $1.06 billion Great Lakes Credit Union (*glcu.org*), DEI is more than an acronym. It's an integral part of the organization's mission to empower people and businesses in the diverse communities it serves. By offering comprehensive counseling services, financial assistance and lending programs, the credit union has made good on its promise to improve the lives of its members and community.

Great Lakes CU's efforts in fulfilling this mission make it a worthy recipient of CUES' first-ever DEI: Catalyst for Change award (*cues.org/awards*). CUES introduced the award this year to recognize a CU that has advanced diversity, equity and inclusion within its organization, community and industry.

"We're thrilled to receive this recognition," says CUES member Steve Bugg, Great Lakes CU's president/CEO. "We know DEI is a journey, and this award helps validate that we're moving in the right direction."

Headquartered in Bannockburn, Illinois, Great Lakes CU has 79,000 members. "We sit in the

Steve Bugg

suburbs of Chicago, but we also have a downtown Chicago location," Bugg reports. "Over 50% of our membership is low-income, so we've put a lot of emphasis over the years in developing programs to help those who are underbanked, underserved, and come from diverse backgrounds."

As one of eight credit unions nationwide that are a HUD-approved housing counseling agency (*hud.gov*), Great Lakes CU is making a difference in the lives of people who are struggling financially. "We think of it as banking with a mission," says CUES member and Chief Administrative Officer Michael Hersh, who heads the credit union's DEI leadership team. "We're reaching out with free counseling services to anyone in our community—not just financial counseling, but credit counseling and housing counseling as well. I think that's a key differentiator for GLCU. We're providing outreach to the community as a whole, which allows us to have an impact beyond our membership."

Michael Hersh

A CENTRALIZED STRATEGY

Great Lakes CU formed its DEI leadership team and a DEI committee as a means of facilitating a centralized DEI strategy. Senior Manager of Housing & Financial Counseling Jeanette Velazquez heads the DEI committee, while Hersh serves as the committee's executive sponsor.

"Michael's role is to be a resource to the committee and to make sure their work aligns with the goals, objectives and strategies of GLCU," Bugg says. "We had a lot of DEI initiatives in existence already, but over the last year, we put everything under one umbrella to strengthen our strategic focus."

Velazquez reports that the social unrest that occurred in the summer of 2020 intensified Great Lakes CU's urgency to step up its DEI initiatives. "We were already engaged in conversations about how we could target great products and services to match the needs of our community, how we could provide cultural competency training before engaging in volunteer work, and how we could integrate our housing counseling agency's mission of serving low- to moderate-income individuals into every part of our credit union," she says. "After the murder of George Floyd, everything escalated. We had a sense that we needed to get things done ASAP, so we worked quickly to put the committee together, create a committee charter and identify concrete steps that would help us become a more diverse, equitable and inclusive credit union."

One of the committee's early successes was to raise cultural awareness by educating staff about various religious holidays and heritage celebrations. This eventually became a community-facing educational effort, with social media posts on Facebook, Instagram and other platforms used to commemorate important dates on the religious and cultural calendar.

Other priorities of the DEI committee have included rolling out DEI training for committee members, preparing a quarterly newsletter on DEI impacts, integrating DEI metrics in social media and marketing efforts, and adding a DEI/cultural orientation component to employee onboarding. "We felt it was important to work on multiple initiatives at once to build on our early momentum," Velazquez reports.

> **"We want to build a valued partnership with all of our members, one member at a time."**
>
> – Steve Bugg

EMPLOYEE INCLUSIVITY

The principles of diversity, equity and inclusion are embodied in the makeup of the DEI committee itself, which features participation from all levels of the organization. "We took a pragmatic approach and identified what we wanted to accomplish with our DEI program," Hersh says. "Part of it was looking internally, with the desire to get more team members involved from a DEI perspective beyond the leadership team. That's why we decided to form a DEI committee—to ensure grassroots involvement across all levels of our organization."

The DEI committee launched with the participation of 13 people, including employees with roles ranging from entry-level positions, such as member specialists and call center reps, to upper management. Recent turnover on the committee has broadened participation even further. "We ensure that we give committee members proper training so that they understand what DEI is and also equip them with the tools they need to drive the initiative," Hersh says.

Another indicator of Great Lakes CU's dedication to DEI is inclusivity in its hiring practices, which has assured diversity among its 225 employees. "We look at our employee base as representative of the greater market we serve," Bugg observes.

In overseeing the organization's HR responsibilities, including hiring, Hersh reports that Great Lakes CU has implemented several recruiting strategies to ensure a diverse pool of job candidates across its footprint. "It was important to look at our team members from that lens, understanding our applicant flow in conjunction with the community we serve and attracting a diverse group from our community that understands our community best," he explains.

Once new employees are hired, they learn about DEI through the new onboarding standards developed by the DEI committee. They also are informed about how they can serve the community through volunteering and give-back opportunities.

Great Lakes CU promotes inclusion among employees by providing them with multiple venues for sharing their opinion with senior management. "We want our employees to feel like their voices are heard," Bugg says. "Those of us on the leadership team go out to branches and departments on a regular basis to get feedback from staff. We also have employee meetings and hold town halls where we open up the lines of communication to staff."

Credit union leadership uses employee surveys to give employees a further opportunity to share feedback. "These surveys help us gauge what our team members are looking for and what they need from us to do a better job in serving our members as well as our community," Hersh says.

MORE CUES AWARD WINNERS

Leadership That Inspires and Empowers, *p. 28*

Creating a Winning Team (*cumanagement.com/1121winning*)

Contributing to the Mission in Spanish (*cumanagement.com/0221mission*)

Constantly Improving His Game (*cumanagement.com/0121improving*)

MORE ON DEI

How You Can Help Close the Wage Gap for Black Women (*cumanagement.com/1021wagegap*)

What to Say When You Can't Stand What's Being Said (*cumanagement.com/101121skybox*)

What You Need to Know About Becoming a Community Development Credit Union (*cumanagement.com/video100121*)

CUES on DEI newsletter (*cumanagement.com/diversity-equity-and-inclusion*)

"We think of it as banking with a mission."

– Michael Hersh

Jeanette Velazquez

COMMUNITY IMPACTS

While having a strong internal commitment to diversity, equity and inclusion is important, Hersh stresses that the Great Lakes CU is most effective at being a catalyst for change through its external interactions with the community.

"Our DEI initiatives are best measured by our outreach," he contends. "We spend a lot of time in our communities, doing what we can to put the unbanked and underbanked into a more financially secure situation. I think that's where we have the largest impact as well as the best opportunity to build a model for potentially other credit unions to follow."

Great Lakes CU's outreach efforts are extensive, encompassing such activities as spearheading school supply drives during back-to-school time, partnering with local agencies to offer food relief and building lending programs with inclusivity in mind. One example is Cash-In-A-Flash (*tinyurl.com/glcucash*), an alternative to high-interest options for those who need quick access to funds.

"Through this program, members can come to us to get a short-term loan, offered at significantly lower rates than they could get from a payday lender," Bugg reports.

As another important differentiator, Great Lakes CU is the first state-chartered credit union in Illinois to offer a certified BankOn checking account (*joinbankon.org*), a safe and affordable option for the unbanked and underbanked. "This is similar to a second-chance checking program," Bugg says. "We found that it's not only for those who are unbanked or underbanked, but it's also an excellent opportunity for working youth to have their own bank account and manage their own finances."

COVID-19 heightened the need for Great Lakes CU to be impactful with its community outreach. Especially in the first months of the pandemic, there was growing demand for mortgage and rental assistance in Chicagoland communities. The credit union redoubled its efforts to make a difference.

"We secured a grant from the state of Illinois to help those most in need through COVID with mortgage and rental assistance," Bugg says. "Individuals didn't have to be a member of the CU to receive this assistance. It was available to anybody in the community. This opened the door for other local nonprofits to come to us and ask us to help their clients who needed counseling or financial assistance."

Great Lakes CU also helps local businesses through its DEI efforts. For instance, the credit union is partnering with the Lake Community Foundation (*lakecountycf.org*) to launch a small-business incubator program in an economically depressed part of Lake County with a predominantly Hispanic population. "We were the only financial institution that stepped up to the plate, not only to offer financial assistance but to provide guidance and be a resource for them," Bugg reports.

Now the incubator program is being expanded to help businesses in other low-income and diverse areas of Lake County. "They don't have to be a GLCU small-business member to have access to these services," Bugg reports. "We're providing this assistance as a resource to the community."

Great Lakes CU further reaches out to the community through the GLCU Foundation for Financial Literacy. "We see the foundation as the future of our philanthropic efforts," Hersh reports. "Bringing various programs together under the foundation is one of our long-term goals. Eventually our community outreach, our financial literacy and education program, our housing counseling and our DEI initiatives will all sit together under the foundation's umbrella so that they can work more collaboratively and we can achieve better leveraging of these opportunities."

5 STRATEGIC PILLARS

Great Lakes CU's DEI commitment is consistent with its five strategic pillars: Cultural Transformation, Exceptional Member Experience, Efficiency & Sustainability, Financial Empowerment, and Smart Growth.

"Our DEI initiatives impact all five pillars, but most especially the financial empowerment pillar, which is about working toward the greater good and empowering the communities we serve," Bugg says.

Bugg adds that Great Lakes CU's DEI commitment also will help employees live up to their member promise—to be responsive to members' needs, simplify their financial lives, and make it easy for them to do business with the credit union.

"We want to build a valued partnership with all of our members, one member at a time," he concludes.

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

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The Rise of the *Member Experience Executive*

CREDIT UNIONS ARE TRYING TO KEEP UP WITH THE EVOLUTION OF SERVICE BY ADDING MX EXECS.

BY CELIA SHATZMAN

You don't become one of the biggest companies in the world by accident.

Amazon has conquered the competition and become an iconic brand by bringing customer service to a new level. It identified all the friction points of online shopping and essentially eliminated them—think one-click shopping and creating Amazon Prime to deliver your order to your doorstep faster than you thought possible.

As a result, Amazon hasn't just changed shopping on the internet forever; it also has evolved how all businesses—including credit unions—interact with and provide for their customers.

To stay competitive in this world of Amazon-level customer service, credit unions are taking a long look at the experiences they are providing for their members. To elevate their efforts, some are hiring executives to lead their member experience efforts.

"Credit unions are member-focused; they place members at the focal point of the organization. Because of this, it's important to have an advocate or area for ensuring that the member experience is getting better and better as time goes on," says CUES member Archie Bonifacio, chief member experience officer at $2 billion Your Neighbourhood Credit Union (*yncu.com*) in Kitchener, Ontario. "We learn a lot from companies like Amazon about how they're utilizing their data, information and member feedback to make themselves better. That's something we definitely want to continue to strive to do as a credit union.

"Although I hold that title [of chief member experience officer] and that oversight, I see the member experience as a shared responsibility throughout the organization," he continues. "Having an area of accountability makes it easier to start the process of getting things done and identify other key areas of the organization to approach improving the member experience as a team."

Providing a great customer experience is necessary for growing revenue too. "More and more credit unions are adopting a member experience perspective," Bonifacio says. "Putting metrics behind the member experience provides focus on improving processes to make it easier for members to do business with you."

Though having senior-level member experience managers is relatively new for CUs, these positions seem likely to continue to grow as the overall demand for top-notch customer experience grows. Customer loyalty and retention has always been a top priority for CUs.

"Realizing that member expectations have changed significantly, they (credit unions) need a person to lead the strategy for the member experience across channels," says Jill Nowacki, president/CEO of CUES Supplier member Humanidei + O'Rourke (*orourkeconsult.com*), Ontario, California.

> **"What doesn't MX entail? Most aspects of the business impact the member experience."**
>
> — Archie Bonifacio

"At a minimum, consumers expect companies to provide consistent experiences. Beyond that, there is a personalization that consumers encounter in so many areas of their lives, and they should get that from their credit union too. Finances are so personal. Consumers get that level of understanding from other companies—like Amazon—where there is less at stake. Shouldn't the organization that they trust with their financial lives know them at least that well?

"Credit unions are seeing that need to connect with their members better—whether that is through predictive analytics and artificial intelligence or if that is through consultative sales strategies," Nowacki continues. "Credit unions that understand this are weaving this level of expectation into job descriptions for other executives too."

FOLLOW THE LEADER

Appointing someone to a chief member experience officer role seems to help grow the member experience immensely.

"Having a leader oversee the entire member experience journey can bridge different departments in the organization and be sure there is consistency among the channels the member uses to access the credit union, as well as to make sure the messaging that is sent to the membership is authentically lived across the organization," Nowacki says. "Everyone should be thoughtful about the member experience, but a leader who is charged as the executive champion of this can help to bring all the individual areas of focus together into a coordinated strategy. A leader can also hold the organization accountable for understanding and meeting the different needs of a diverse membership base."

CU MX leaders are typically tasked with building a successful program. They must know how to create a robust member experience across the entire organization, meaning they'll improve service across every channel, from the brick-and-mortar branches to email, phone, social media, apps, and every other touch point available to members. Boosting the total member experience is crucial, and doing so requires collaborating with many different departments.

"Having an MX-focus helps drive us to be the type of company that we want to be," Bonifacio says. "I'm very fortunate to have a number of peers in similar roles at other credit unions who are willing to share their perspectives and provide insight into how they improve the member experience. If you're just looking at your own organization, you may not see the opportunities realized at other credit unions. The key is to make sure that you are always listening. You need to gather as much information as you can from your team. Ensure you have a proper feedback mechanism and willingness to listen because you won't be able to change if you're not willing to hear the feedback."

FOR HIRE

Making the right hire for a MX exec is crucial. Just like any other role at a credit union, certain qualities and skills are needed to do the job.

"Great member experience officers will be strong in understanding the products and services the credit union offers, as well as able to incorporate a high degree of empathy into the work they are doing," Nowacki says. "They should have great communication and change management skills, as they are likely to be making enterprise-wide recommendations for how to improve the way members are served. A member experience officer will be able to understand members, understand the business and build connections across departments that result in improved processes and enhanced products or services for members."

Because the MX executive works across so many different departments, being able to build relationships is key. Being a people person is also a huge boon, as well as a deep understanding and dedication to quality service.

"There are some commonalities in individuals that are in this role," Bonifacio says. "I see them as service-oriented. I see them as empathetic. They're problem-solvers. They care about the needs of others. The most important thing is these are individuals that are willing to learn and grow—people that don't think they have all the answers but rather ask the member if their needs are being met. Members are the ones driving the business and know how they're feeling in certain instances."

Not surprisingly, it's imperative for an MX officer to gain a deeper understanding of the member experience a CU is offering. CUES member Peter McMahon, chief member experience officer at 3Rivers Federal Credit Union (*3riversfcu.org*), a $1.9 billion credit union based in Fort Wayne, Indiana, believes the path to that is being curious.

"You really need to have a curious mind and ask questions that go deeper," he says. "What does the mortgage experience look like? What about each one of the functions of a credit union? If you're the member sitting in that seat getting a consumer loan, what does that look like? Having the ability to see the business through the eyes of our membership is key to being successful."

COMMON GOALS

Successful MX execs will ensure the entire credit union is aligned to its goals. This goes beyond looking for financial success. MX execs need to determine how to reduce friction to improve member satisfaction and loyalty, as well as create new initiatives and programming. They should be in agreement on their customer service priorities, since working as a team is the best way to surpass them.

"First and foremost, the goal is to remove as much friction as possible from the member experience," McMahon says. "Friction is anything that gets in the way of a member having a positive experience. In addition, engagement is key. We know that when our members are engaged, we have the opportunity to give great service and exceed their expectations. We also look at our Net Promoter Scores—it's a baseline understanding of how we're doing with our membership and would they refer us to their family and friends."

An MX exec must be dedicated to constantly evaluating and

> **"Often it is the small things that add up to big things when moving the member experience needle forward."**
>
> — Peter McMahon

MORE ON MEMBER EXPERIENCE

Tech Time: Preventing Fraud While Delivering the Best Member Experience (*cumanagement.com/0921techtime*)

Clear the Bar of Expectations With Personalized Online Account Opening (*cumanagement.com/0921bar*)

Engaging With Members in the Wild (*cumanagement.com/0921engaging*)

improving the member experience and deepening relationships. That means constantly evolving and challenging the way a CU does business.

"You're looking for someone that can understand what it looks like for members to have a positive experience at a much deeper level," McMahon says. "You want to be able to blend the people side with the strategic side of business, in terms of the vision of creating the best path forward for the credit union. What got us to current success is not necessarily going to be what keeps us there and moving forward. Growth does not happen standing still, and you have to look for ways to get even better."

Being an MX executive is synonymous with being a problem-solver who's always asking, "How can we change the way things are done to make the process easier for customers?"

"A great member experience officer will get to know member expectations and work to build and deliver an experience that meets them where they are," Nowacki says. "When members have access to products and services that can really improve their lives, they will return to the credit union; they will bring their friends to the credit union; they will expand their business with the credit union. As cooperatives, a key metric of success is product penetration—how much the member-owner is using the cooperative. When members are loyal to the credit union, the numbers follow."

BRIDGE THE GAP

An MX exec is, in many ways, a liaison between the CU and its customers. This leader's responsibility is to grow understanding of what customers want and need and bring that to the leadership team to determine how to implement it.

"It's easy to make decisions that look good on paper, but they don't always equate to something that the member can experience and notice," McMahon says. "We strive to create a best-in-class member experience, one interaction at a time. Often it is the small things that add up to big things when moving the member experience needle forward. Having the ability to identify the big opportunities, when combined with a culture and mindset that allows an empowered team to talk about what can be better, drives the improvement to achieve growth and continued success."

MX execs should have a deep understanding of every touch point the member has and how it can be improved. This can span anything from signing up for mobile banking and bill-pay to new accounts to loan applications.

"What doesn't MX entail?" Bonifacio says. "Most aspects of the business impact the member experience. Every individual in the organization can play a role in enhancing it. In my role, I get the opportunity to work with individuals from different areas of the organization. There are a lot of cross-departmental meetings, where we can discuss how to improve the experience. We get feedback from individuals in our branch network that are working with members directly, validate that with data from our business intelligence area who analyze member data and work with our marketing team that gathers member feedback on a regular basis.

"I also see this role as building external relationships and helping the credit union become a committed community partner. Our focus is the member, the staff that serve them, and the communities that we're a part of."

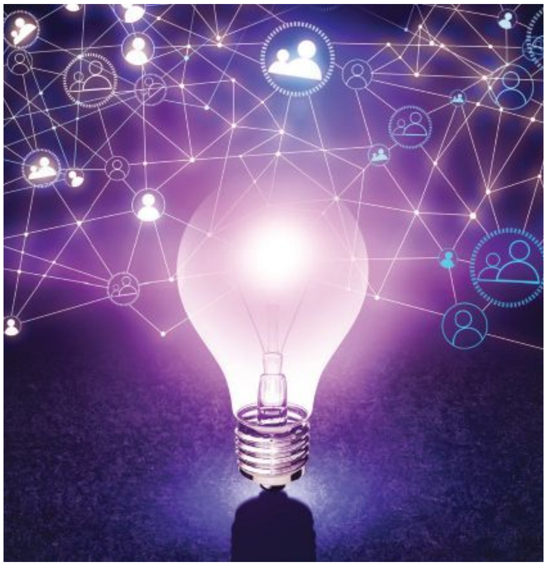
All those details are what optimize the member experience. Targeting any gaps will naturally translate to customer satisfaction and, in turn, retention and loyalty. Adding in extras and "wow" moments is what keeps customers coming back for more.

Credit unions that can't or don't want to hire an member experience executive can still pursue the perks of having one.

"In that case, executives can draw close to the member experience through using cross-functional teams or work groups designed to gain insights into member needs and member expectations," says Nowacki. "This is a very effective way to build understanding of what members are really going through, to capture the insights of those who work closest to the members and see their challenges and hear their stories—whether with using the credit union's products and services or in what they are experiencing in their lives that the credit union can help them address."

Celia Shatzman *is a Brooklyn-based writer who has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

Your Virtual *HR Assistant*



CREDIT UNIONS, HUMAN RESOURCES EXECS AND EMPLOYEES BENEFIT FROM APPROPRIATE AUTOMATION.

BY LIN GRENSING-POPHAL, SPHR

MORE ON HR

HR Answers: Can Technology Save Your Managers From Burnout? (*cumanagement.com/1121hranswers*)

How to Find Employees in a Tough Market (*cumanagement.com/062121skybox*)

HR Answers: How to Overcome the Challenges of Online Learning and Training (*cumanagement.com/0421hranswers*)

Human Resources Analytics Cornell Certificate program (*cues.org/ecornell-hr*)

Fueled by the pandemic and the challenges faced by employers to find and retain staff, virtual human resources assistants are seeing a resurgence. Having good tech tools can be like having extra HR staff members on hand to do administrative tasks. This lets leaders tackle higher-level, more strategic priorities.

"HR technology can help free up employees to take on more important tasks and help make their jobs easier," says Greg Pryor, executive director of Workday (*workday.com*). "It can also help facilitate employee development by tracking engagement and performance. New employee listening systems are helping HR and line leadership understand exactly where to focus their attention to have real impact rather than guessing or boiling the ocean."

According to Josh Bersin, CEO of HR consultancy The Josh Bersin Company (*joshbersin.com*), this shift to fuller use of HR technology was already in progress pre-pandemic. But when COVID-19 forced companies to send employees home to work, their leaders couldn't wait to move forward with digital interfaces and transformation. "Everybody's accelerated their development," Bersin says.

Credit unions, HR professionals and employees are all finding big benefits in the technology.

HR AUTOMATION

The HR function is ripe for automation across a wide range of processes.

"If you think about the whole talent supply chain of HR from recruiting through onboarding, training, development coaching, management, promotion and so forth, all of it is being automated more and more," Bersin says.

When it comes to technology to streamline HR processes, then, the question becomes not "should you" but "why shouldn't you" adopt technology to augment your HR staff and their services?

"Consider this," says Pryor. "If you can free up time an employee typically spends on paperwork and have that employee spend more time doing something that more closely relates to bringing in revenue or improving customer experiences, wouldn't you do it?"

Recruitment is a top area of automation in HR.

"There are intelligent systems that can find candidates and select and score candidates based on more and more intelligence," Bersin says. The application process is also becoming more automated and can increasingly be handled by chatbots. Bersin points to McDonald's and Walmart as two organizations that allow job applications to be made using an intelligent agent on a smartphone. That can be a big boon for HR because the virtual agent can take calls 24/7/365. As candidate pools expand exponentially due to an increase in hybrid work, it's increasingly likely that candidates will be in different time zones. Smart technology can offer the kind of coverage and responsiveness that would be extremely expensive, if not impossible, for human agents.

$1.7 billion FORUM Credit Union (*forumcu.com*), Indianapolis, has been very progressive in the adoption of HR technology, leveraging it primarily in the area of recruitment, according to Anne Wiseman, VP/human resources. The organization has had an applicant tracking system from iCIMS/TextRecruit (*tinyurl.com/textengage*) that it has now paired with automated interview scheduling from TimeTrade (now Engageware, *engageware.com/appointment-scheduling*). The technology saves application processing time and automatically creates and stores a record of each step in the process, she says.

AUGMENTING HUMAN INTERACTION

Wiseman stresses that automation doesn't, or shouldn't, replace a personal touch or voice-to-voice (or face-to-face) interactions. But, she says, it can definitely augment those interactions and help with sending out automated responses so no touch point in the hiring and onboarding processes—such as acknowledging receipt of an application, reaching out to set up an interview, making the job offer, first day of work scheduling and so on—is overlooked.

"It's not that you never have contact with a human in the process," Wiseman says. "We're very much about having that face-to-face or video or phone conversation with all of our candidates."

FORUM CU is also making use of programmatic advertising for recruitment—that is, using software to buy advertising. Advertising internally is also important.

Automation, says Wiseman, allows the CU to stay in contact with candidates who might not have been hired for one position but might at some point be qualified or interested in others.

HR TECH BEYOND RECRUITING

FORUM CU also automates some aspects of onboarding, including sending out reminder messages to new hires like: "We look forward to seeing you tomorrow. Don't forget to bring your identification," or "Hope you had a great first day," or "Don't forget tomorrow morning is your health insurance enrollment." Enrollments can also be handled electronically, a boon during the pandemic.

An article from *HR Executive* (*tinyurl.com/hrexechybrid*) suggests that remote onboarding during the pandemic has driven increased adoption—and creation—of automated tools to streamline the process, making it easier for remote employees to fill out required paperwork and for HR staff to process everything they need to get a new candidate on board and signed up for benefits and payroll. Performance management and benefit administration also lend themselves to automation.

According to Pryor, self-service automation can also relieve pressure on HR staff by doing things like answering a volume of employee questions about a wide range of issues.

"Whether they're accessing benefits or a learning module or they want to look at their pay stub or whatever it is, we want to make sure it's easy for them to do," says CUES member Celia Armstrong, SVP/chief HR/learning officer at $2.5 billion TTCU Federal Credit Union (*ttcu.com*) in Tulsa, Oklahoma. The easier it is, the greater the likelihood they'll turn to technology before contacting HR.

Another big benefit of many of the technology systems is that they can gather, store and analyze text or voice data and glean important insights from it.

Wiseman says that FORUM CU's HR technology has allowed analysis of such things as where candidates are coming from, where they learned about job openings, workforce demographics, how benefits adoption is going and at what point after hire employees are most at risk of leaving. Analysis of HR data helps with succession planning as well, she says.

The potential for more advanced data analysis is emerging.

"There's a new breed of systems that can tell companies things like 'This part of the company is growing faster than that part of the company' or 'You may not be paying these people enough because the job market is growing at this rate and you're not keeping up,'" says Bersin. That kind of comparison has the potential to be applied across a wide range of other considerations from recruitment to onboarding and beyond.

In addition, technology has been playing a growing role in employee communication.

For instance, TTCU FCU uses TVs across all of its branches to send out specialized messages recognizing events like birthdays or anniversaries or the achievement of a strategic goal—or even to communicate severe weather alerts, Armstrong says. The CU also has an intranet called 34 (because the CU was founded in 1934). The CU also has implemented the social networking tool Microsoft Yammer (*tinyurl.com/yammertool*), which has seen especially strong use during the pandemic, and Microsoft Teams (*tinyurl.com/teamstool*) for videoconferencing.

"Whether they're accessing benefits or a learning module or they want to look at their pay stub or whatever it is, we want to make sure it's easy for them to do."

— Celia Armstrong

CHOOSING THE BEST SOLUTIONS

While technology can offer a wide range of benefits for streamlining the employee experience from recruitment through termination, one of the biggest challenges that CU HR leaders face is deciding among the growing array of options now on the market—and the new options emerging almost daily.

"That's actually the problem," says Bersin. "There's so much stuff out there."

Ease of use is a chief factor to keep in mind when selecting, he says. Another consideration is to not overdo it with too many systems. Finally, he says, depending on where your CU operates, make sure your vendor can accommodate any local requirements related to payroll or other factors.

"Considering your end-user and empowering their success is a guiding light that has always been at the top of the best practice list on the projects I have seen be most adopted and most successful," says Pryor. "Engaging your key stakeholders early and often can help you understand what is most important to them and how to frame the benefits. Building for the end-user following a design-thinking approach can help reduce or eliminate training efforts and generate advocates that will help create positive pull for your new solutions."

While there's a lot to track and stay on top of when it comes to HR technology, good new tools keep emerging.

The team at FORUM CU leverages learning and professional networks to stay abreast of the possibilities, Wiseman says. "We do research, we sit through a lot of webinars, we talk with peers about what they're doing, and we listen to experts in the field." That includes experts outside the CU industry.

"One thing I've learned in 35 years," says Armstrong, "is you'd better be agile, you'd better be able to pivot, and you'd better make sure that you're relevant. ... Technology allows you that ability."

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Leadership That *Inspires and Empowers*

2021 CUES EXCEPTIONAL LEADER JENNIFER MCHUGH VALUES THE POWER OF MENTORSHIP.

DIANE FRANKLIN

MORE CUES AWARD WINNERS

Fulfilling Its DEI Mission, *p. 18*

Creating a Winning Team (*cumanagement.com/1121winning*)

Passing on a Cooperative Legacy (*cumanagement.com/1220legacy*)

Constantly Improving His Game (*cumanagement.com/0121improving*)

Believing in the Cause (*cumanagement.com/0121believing*)

Contributing to the Mission in Spanish (*cumanagement.com/0221mission*)

Jennifer McHugh, VP/community engagement at $3.8 billion Royal Credit Union (*rcu.org*), Eau Claire, Wisconsin, was chosen as the 2021 CUES Exceptional Leader, and with that honor has come contemplation about what leadership means.

"I keep coming back to two words: inspire and empower," says McHugh, who leads a team of 16 women in Royal CU's community engagement department, serving 235,000 members in Wisconsin and Minnesota. "That's what I'm trying to accomplish with my team. I want to inspire them to think about what they can do to make a difference. And I want to empower them to come up with ideas for products, services and programs that will make a positive impact in the communities we serve."

Being an exceptional leader often starts with having an exceptional mentor, and McHugh considers herself fortunate that her predecessor, Vicki Hoehn, filled that role for her. McHugh spent nine years working for Hoehn—as community relations manager from 2011 to 2015 and as director of public affairs and financial education from 2015 to 2020.

"Vicki taught me everything she knew," reports McHugh, a CUES member. "She helped put me in a position to compete for her position when she retired. There were no guarantees, but she gave me opportunities to develop my skills."

Since succeeding Hoehn in 2020, McHugh has followed her example by mentoring others. "That's my main focus and goal—to help the 15 other people in my department grow and find their passion," she says.

McHugh engages her team members with weekly coffee chats, group meetings and one-on-one conversations. To further team members' growth, she encourages them to participate in Royal CU's two-year leadership development program, Exploring Leadership.

"If a team member expresses a desire to be in leadership, we'll work together to get them into that program," McHugh says. "Not everyone wants to be a leader, and that's okay. Again, it's about helping people find their passion and purpose."

Jan Johnson, SPHR, SHRM-SCP, Royal CU's EVP/organizational agility, enumerates many qualities that make McHugh an exceptional leader, including her ability to create, reinvent, collaborate and communicate.

"Jen sets the bar high for herself," Johnson says. "She is also a role model for self-development, continuous learning and applying lessons learned while simultaneously encouraging and assisting others to achieve their potential."

FINDING A HOME

McHugh first learned about credit unions when she was growing up in Rockford, Illinois. Her mother, an elementary school teacher, had a savings account at a local credit union for educators. "Mom's credit union savings account helped fund my first college degree," McHugh recalls. "Credit unions financially empower individuals, strengthen families and change lives, including my own."

After earning her Bachelor of Arts in Journalism from Northern Illinois University (*niu.edu*) in 1993, McHugh embarked on a career in broadcast journalism. She spent seven years as a TV reporter and news anchor in three markets, including her hometown of Rockford. She then became public relations/marketing director for the University of Illinois College of Medicine.

In 2005, McHugh relocated from Rockford to Eau Claire when her husband, Terry, took a job as VP/general manager of a local TV station. McHugh became communications manager for Sacred Heart Hospital, which is where she met her future mentor.

“I have been privileged to have the support of exceptional mentors over the years. I love being in a role that allows me to impact careers like others have impacted mine.”

– Jennifer McHugh

“Vicki was on the board of directors for the foundation of the hospital, and I could tell she was a real go-getter,” McHugh recalls. “She was so inspiring and someone I knew I could learn from.”

When Hoehn needed to fill an opening for a community relations manager, McHugh jumped at the chance to work with her. “Vicki changed the trajectory of my career and helped me find a home with credit unions,” McHugh says. “I’ll always be thankful for that.”

EXHIBITING HER LEADERSHIP

McHugh assumed the VP role in March 2020, just as the COVID-19 pandemic was forcing lockdowns all over the country. “We were packing our boxes to go home and work at the same time that Vicki was packing her box to retire,” McHugh recalls. “I had just landed my dream job, and here came the pandemic.”

Johnson reports that the pandemic was an immediate test of McHugh’s leadership. “The week that Jen took over her current role, her highly collaborative and cohesive team was disbursed to work from home,” she says.

Thanks to strong leadership skills and what Johnson characterizes as “authentic empathy,” McHugh was able to motivate her team under stressful circumstances. “Jen’s guidance, in a new role that she herself was learning, enabled her team to stay connected and find new ways to continue making the Royal difference in our communities,” Johnson says.

Among the challenges that McHugh and her team faced was converting the credit union’s signature financial education programs to virtual formats. One of those programs is School $ense (*tinyurl.com/rcuschoolsense*), which was launched by Hoehn in 1993 and has grown to include 29 student-run credit union locations in high schools, middle schools and elementary schools.

Student savings are at the heart of the program, and during the pandemic, McHugh’s team arranged to pick up weekly deposits through a lockbox system. “We were able to keep students in the habit of saving, which is what the program is all about,” McHugh says.

Royal CU also has a financial education program for correctional facilities, encompassing several county jails and a state-run correctional treatment facility. “We provide education to individuals at those facilities so they’ll be better able to manage their finances when they return to their communities,” McHugh reports. “During the pandemic, we were able to buy some equipment for some of the facilities and teach the classes virtually.”

Other financial education programs include a reality fair for high school students, branded as Test Drive: Next Stop Reality (*tinyurl.com/rcutestdrive*), and Takeover Day Featuring the Superheroes of Saving for elementary school children (*tinyurl.com/rcutakeoverday*). Both programs attracted thousands of student participants in their virtual formats.

“I’m so proud of how our team responded in finding new ways to stay connected with the public,” McHugh says. “We were able to pull together quickly and figure out how to get financial education into the hands of those who need it the most.”

A few months into the pandemic, Royal CU’s market area—which includes Minneapolis/St. Paul—was shaken by the social unrest that occurred in the aftermath of George Floyd’s murder. Local businesses, many owned by people of color, experienced severe property damage.

“We pulled together as a team and talked through various options of what we could do to help,” McHugh reports. Royal CU contributed to the Frogtown & Rondo Community Business Recovery Fund, raising more than $30,000 to help businesses in a particularly hard-hit neighborhood get back on track (*tinyurl.com/khbxy8va*).

Internally, the spotlight on social issues led to the formation of Engage in Change, an employee group launched by two of McHugh’s team members, Melissa Janssen and Brittany O’Malley. They arranged for outside speakers to address the group on such topics as the practice of redlining in lending and how to be more respectful and compassionate when communicating with others.

“We’ve learned and grown together as a team by having a safe environment to talk through issues related to DEI,” McHugh says.

COMMITTED TO GROWTH

While McHugh is committed to her team’s professional growth, she is likewise committed to her own growth. This year, she earned a Master of Arts in Strategic Communication and Innovation from Texas Tech University (*ttu.edu*). While the classes were virtual, McHugh attended the graduation ceremony in Lubbock, Texas, so that she could meet a student with whom she bonded online.

McHugh also is active in a variety of community and civic organizations. She currently serves on the Wisconsin Governor’s Council on Financial Literacy and Capability (*tinyurl.com/wdfilit*), having been appointed and re-appointed by two successive governors.

Outside of her professional life, she and Terry enjoy spending time at their cabin in northern Wisconsin. The couple are die-hard fans of the Chicago Cubs and Chicago Bears, and they have a long-time passion for adopting rescue dogs.

“I’m grateful to Terry for supporting my career, and for making me a ‘bonus’ mom and grandmother of three stepchildren and five grandchildren,” McHugh says.

No matter how busy her schedule, McHugh always will prioritize being a mentor to her team. “I have been privileged to have the support of exceptional mentors over the years. I love being in a role that allows me to impact careers like others have impacted mine.”

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

Elevations Credit Union CEO Gerry Agnes and Board Chair Kate Brown

Elevations CU Pursues *Audacious Goals*

THE CU HAS RECEIVED THE PRESTIGIOUS MALCOLM BALDRIGE AWARD TWICE FOR ITS RELENTLESS, ORGANIZATION-WIDE PURSUIT OF EXCELLENCE.

BY PAMELA MILLS-SENN

When CUES member Gerry Agnes, CIE, assumed the role of president/CEO at $3 billion Elevations Credit Union (*elevationscu.com*), Boulder, Colorado, in 2008, he had a very bold objective in mind, one he articulated to the credit union's board during his interview. In fact, it was this stated ambition—among his other stellar qualifications—that led to Agnes' hiring.

What was this vision that so compelled Agnes and excited the board? Achieving the Malcolm Baldrige National Quality Award (*nist.gov/baldrige*), a prestigious recognition of performance excellence. In 2009, the Elevations CU team identified this objective as its first "Big Hairy Audacious Goal" with the understanding that earning this honor could take anywhere from 10 to 15 years. Instead, it took five. Even more astounding—in 2020, Elevations CU achieved this recognition for a second time.

THE BALDRIGE FRAMEWORK

To understand the significance of this accomplishment, some background on the award is necessary. Established by the United States Congress in 1987 to recognize achievements in quality and performance by U.S. organizations, the award was named after Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his death in 1987. The Baldrige criteria provides the framework to help organizations along their journey to excellence.

There are seven categories that comprise this framework:

1. **Leadership.** How do senior executives guide the organization, and how does the organization meet its civic/community responsibilities?
2. **Strategic planning.** How does the organization develop and implement its strategic plans of action?
3. **Customer focus.** How does the organization identify the needs of its customers and how it acquires, retains and satisfies them?
4. **Measurement, analysis and knowledge management.** How does the organization manage, use, analyze and improve its use of data and information to support its processes and performance management system?
5. **Workforce.** How does the organization support, develop and align employees with its key objectives?
6. **Operations/process management.** How does the organization design, manage and improve its critical production, delivery and support processes?
7. **Results.** How does the organization perform? How has it improved in several essential business areas—customer satisfaction, financial/marketplace performance, human resources, supplier/partner performance, operational performance, governance and social responsibility? How does the organization perform compared to its competitors?

Each of these categories provides the basis for the more than 250 application questions the organization is encouraged to address as thoroughly as possible. In addition, each category has a set possible total score, explains Agnes:

- Leadership: 120
- Strategy: 85
- Customer focus: 85
- Measurement/analysis/knowledge management: 90
- Workforce: 85
- Operations: 85
- Results: 450

"The Baldrige framework is comprehensive, and all recipients must demonstrate exceptional excellence in each category," says Agnes. "However, no recipient organization has achieved perfect scores in all categories.

"An organization cannot become a recipient if they perform well in all categories except for results," he continues. "The scoring model implicitly indicates that leadership drives the results, yet in doing so, it must be integrated with high-caliber practices in the other categories."

There are additional requirements. For instance, those vying for the Baldrige award must also achieve state or regional recognition for excellence. In Elevations CU's case, this came in the form of receiving the Rocky Mountain Region's highest honor, the Peak Award, in 2013 and again in 2019.

This achievement in 2013 qualified Elevations CU to apply on the national level and to also receive an on-site visit from a team of examiners tasked with scrutinizing every area of the credit union. After this visit, their findings were reviewed, and Elevations CU was deemed worthy of receiving the Baldrige honor. In 2020, because of the pandemic, examiners "visited" Elevations virtually.

"The initial examination occurred in early October 2020," Agnes recalls. "Then Elevations received a call from Secretary Wilbur Ross on November 18, alerting leadership to the recognition. The 32nd Quest for Excellence Conference took place on April 13-15, and that was when Elevations was publicly recognized for receiving the award."

THE ROAD TO BALDRIGE EXCELLENCE

The journey to Baldrige is onerous but worth it, benefiting the credit union's members through a team that is well-positioned to serve them, said CUES member Pete Reicks, CIE, former chief strategy and performance officer at Elevations CU. (Sadly, Reicks passed away in May 2021. Read more about him on p. 32.)

"Our processes are tighter, our service lines are stronger and our team is more committed to a shared vision and mission," Reicks said about the impact of receiving the first Baldrige award in 2014. "We also credit the growth of our organization to the Baldrige framework."

Elevations CU has 15 branches in Colorado. The credit union's more than 600 employees serve over 175,000 members.

The award's impact is borne out by the credit union's annual growth rates, as the following pre-Baldrige (2004-2008) and post-Baldrige (2009-2020) data provided by Elevations CU illustrates.

	PRE	POST
Capital growth	1%	13%
Member growth	1%	6%
Asset growth	7%	10%
Deposit growth	7%	10%

"Each member of the Elevations team has played a part in our Baldrige journey and has been essential to our success—from changing the way things have always been done, to adopting new processes and collaborating to make change," said Reicks.

"And we would be remiss to not also include the value our membership brought to the table over the course of the journey," he added. "We developed a comprehensive model for eliciting feedback from our members, allowing them to honestly share their desires of us as their partner in banking and finances. They spoke, and we listened, and our capability to serve them has ultimately improved."

"We're always obtaining substantial feedback from our members," adds Agnes. "We capture this through Net Promoter Score surveys, focus group research, experiences recorded by our member relationships management system by branch and contact center staff, systematic recordation of staff observations, online chat and others."

Reicks also credited Elevations CU's success to a "host of advisors" who helped the credit union identify growth opportunities and created a process for moving forward. Included among these advisors is Jan Johnson of Jordan Johnson Inc. (*jordanjohnsoninc.com*), who has served as Elevations CU's Baldrige coach from the effort's inception in 2008, to the present. Johnson and her team were instrumental in helping the credit union prepare for the 2020 "onsite" examination.

"Our strong relationship with Rocky Mountain Performance Excellence (*rmpex.org*) has also contributed to our Baldrige journey, serving as an objective reviewer of our internal systems and setting us on the right path for the Baldrige recognition," Reicks said.

TWO-TIME RECIPIENT

After receiving the 2014 Baldrige Award, Elevations CU waited the required five years before applying for the honor again, wanting to continue its relentless pursuit of excellence and build on what was learned and achieved through the first effort, says Agnes. There were some differences between the two.

"One of the biggest changes between our first and second experience with Baldrige was a result of our organization's evolution," says Agnes. "Elevations had experienced significant growth, going from 350 employees in 2014 to nearly 600 employees in 2020. This growth put us in a new category with enhanced scrutiny by the Baldrige judges. Our leadership responded positively to the pressure, receiving the Peak Award again in 2019, and investing in additional resources to objectively evaluate our areas for enhancement as we prepared to apply for Baldrige once again in 2020."

Then there was the financial crisis, which by 2014 had exacted a heavy toll on the mortgage banking industry, Agnes says, adding that Elevations CU "felt the pinch." As a result, credit union leadership and employees were focused on stepping into the void left in the marketplace by the crisis to help members realize their goal of home ownership. Consequently, getting full-throttled buy-in organization-wide to the Baldrige framework—a concept that was "relatively unknown," says Agnes—took some work. Exacerbating the challenge was the fact that Elevations CU was in a rebuilding period, adding expertise to the leadership team inspired by the recognition of the need to equip the organization with those who could not only lead in the present, but into the future as well.

"Despite the internal and external challenges, we managed to assemble a team dedicated to elevating our internal framework and ultimately came out of the process a leader in the mortgage banking industry—a result we credit not just to the talent on our team, but to the framework instilled in our institution as a result of the Baldrige journey," says Agnes.

Remembering *Pete Reicks*

Pete Reicks, Chief Strategy & Performance Officer, Elevations Credit Union

On May 18, 2021, Elevations Credit Union lost a beloved member of its family with the passing of Pete Reicks, chief strategy and performance officer. After a long and courageous battle with a rare form of cancer, Pete passed away at the age of 48, leaving behind his wife and daughter, and a community of family and friends.

While reflecting on his time working with Pete, Elevations CU President/CEO Gerry Agnes used an analogy inspired by one of Pete's favorite pastimes—football. "Pete Reicks was Elevations' star quarterback. There's a strong lineup on the field, but, at every game, the stadium's eyes are drawn to the quarterback. This player knows every intricate detail of the game. He has the skill to adapt to its changing circumstances and the confidence to throw the tightest, most accurate spiral to score the winning touchdown. We're blessed that Pete was our team's quarterback."

Pete's career in financial services included leadership roles with Federal Reserve Bank of Kansas City before he joined the Elevations CU team in 2008. He excelled in his roles with the CU, ultimately being promoted to chief strategy and performance officer in 2019, championing a culture of innovation and leading the credit union to twice receive the highest national recognition for performance excellence that an organization can receive in the U.S.—the Malcolm Baldrige National Quality Award. Elevations will continue to honor Pete's legacy for many years to come.

A MOVE TOWARD AGILE LEADERSHIP

For the 2020 award, strengthening the leadership system was a primary focus. One way the credit union addressed this challenge was fortifying the system and developing and equipping leaders to achieve their future vision. Another tactic was implementing the concepts of Agile and Scrum within the credit union's enterprise-wide management team.

Originating as a software development methodology, the Agile concept assumes an "incremental and iterative approach" to project management, explains Agnes. Unlike the common Waterfall planning process, the Agile methodology recognizes that requirements may change over time and that adjustment, tweaking or improving may become necessary. It also encourages soliciting and utilizing ongoing feedback from stakeholders. (This is contrasted by the sequential Waterfall approach, characterized by exhaustive planning at a project's beginning.)

"The Agile methodology delivers a large and complex completed project by delivering many small projects, while the Waterfall methodology completes one single project," Agnes explains. "Scrum is a subset component of Agile that incorporates disciplined fixed-length iterations called sprints that commonly last one to two weeks. Each sprint includes four structured 'ceremonies' that our co-located multi-disciplined teams partake in: sprint planning, daily stand-up, sprint demo and sprint retrospective."

According to the Scrum Guide (*scrum.org*), the purpose of sprint planning—a scrum event that kicks off the sprint—is to determine what can be delivered in the sprint, how that outcome will be achieved and what will contribute to that goal. The daily stand-up meeting is a short status check held at a set time, preferably in the morning. The sprint demo provides the opportunity to generate enthusiasm among stakeholders and to showcase accomplishments. The sprint retrospective allows the Scrum team to review/evaluate its progress and accomplishments and what improvements are necessary for the next sprint.

Elevations CU deployed both the Agile and Scrum methodologies, an innovative approach that enabled the credit union to launch projects faster and more effectively and to quickly propel critical strategic initiatives forward. The Baldrige examiners took note, recognizing how this approach positively impacted Elevations CU's ability to better serve its members and community, says Agnes.

Although it can be challenging to enact, the Baldrige framework has enabled the credit union to thrive and to be responsive regardless of external events, says Agnes. For example, when COVID-19

Are Your Compensation Packages Competitive?

struck last year, Elevations CU found itself in the position of having to react to the immediate issues springing from the pandemic while still refining and improving processes.

"As a result of the resolve, discipline and fortitude embedded into our culture and our processes, we came together as a team to find solutions," he recalls. "We rapidly deployed new loan deferment programs and employee resources, including catastrophe pay, all while continuing our pursuit for future excellence and pushing ourselves to understand where we still need to evolve for both the short- and long-term."

The culture forged by the Baldrige framework also well-positioned Elevations CU to respond to the mass shooting at the Kings Soopers Grocery Store on March 22. The credit union's Table Mesa branch is adjacent to that store, says Agnes—fortunately, all staff and members who were at that branch at the time were safe. Right after the shooting, Elevations CU and the Elevations Foundation launched a fund for the families affected by the shooting and committed to matching all donated funds up to $200,000. Credit union members, community leaders and organizations aligned with Elevations CU helped to raise nearly $550,000, which rose to almost $750,000 with the match from the credit union and the foundation, says Agnes. The monies were evenly distributed to the 10 families who lost loved ones that day.

SHARING THEIR JOURNEY

The Elevations CU team has also committed to sharing what they've learned throughout their Baldrige journey with their credit union peers, says Agnes, explaining that after receiving the 2014 award, it became apparent that the mechanisms for communicating this knowledge were not in place.

"We had to quickly develop those capabilities," Agnes recalls. "We rose to the occasion and shared abundantly. That experience better prepared us for how to share our findings the second time around."

They implemented two "sharing days" that brought together those in the Elevations CU community, in the industry and in the Baldrige community. In total, 78 people from 31 organizations nationwide attended for learning, networking and sharing, he says. The sessions were held at the Boulder office, with each one lasting two days. The credit union's leaders held intensive sessions on the Baldrige framework to educate attendees on its value, in the hopes that doing so would encourage attendees to share the framework's benefits with their own organizations and inspire them to deploy it, says Agnes.

In 2016, Elevations CU produced and hosted "Colorado's Path to Performance Excellence." The panel discussion featured then-Gov. John Hickenlooper and the state's four Baldrige recipients and was attended by 137 executives from companies along Colorado's Front Range.

"Once we can safely do so, our intention is to hold similar sharing days and possibly conduct them with other recent Colorado Baldrige recipient organizations, such as the City of Fort Collins and Donor Alliance," Agnes says. "We're also exploring ways of sharing our experience with other industries on a national level. Much can be learned from outside an industry when it comes to best practices related to customer service, employee recruitment and retention, and other areas of general business productivity."

As for what Agnes can immediately share with other credit unions, he suggests that the best time to start your own Baldrige journey is now.

"Don't let outside factors stop you from taking the first step. It is also critical to garner support from the entire organization, starting with your board, and to engage a Baldrige coach," he says, adding he "highly recommends" Jan Johnson. "We also encourage any credit union interested in starting the journey to align with their local or regional Performance Excellence organization."

It's important to remember that the effort to achieve operational excellence does not stop, there is no arriving at a final destination. Instead, says Agnes, the objective is to always grow, learn and evolve, keeping pace with how people—individual members and small businesses alike—want to bank.

"As a leadership team, we also had to evolve and remind ourselves of this growth mindset we had bought into," says Agnes. "Recognition should never be the end goal; it is the journey that must keep us motivated."

A strategy Elevations CU uses to keep excitement and motivation high is setting Big Hairy Audacious Goals (BHAG), says Agnes, explaining the organization is modeled after business consultant and author Jim Collins' "Built to Last" philosophy (*jimcollins.com*). Typically, similarly sized companies tackle one BHAG every 12 to 15 years, notes Agnes.

The first BHAG was clear—We will win the Malcolm Baldrige National Quality Award! Elevations CU has since grown beyond a "winning" mentality to a culture of excellence prevalent throughout the organization that ultimately benefits the membership, thus leading to its second BHAG—Audacious Excellence!—and receiving the Baldrige Award for the second time. Regardless of what the third BHAG becomes, one thing is clear: "We intend to receive the Baldrige recognition again in the future," Agnes declares. "We are always pushing forward, challenging norms and continuing our pursuit of excellence—qualities that have all become integrated into our culture as a result of the Baldrige journey."

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

MORE ABOUT ELEVATIONS CU

Goal-Getter: CUES Outstanding Chief Executive Gerry Agnes, CIE, led Elevations CU to win the Baldrige National Quality Award—and he isn't done reaching. (*tinyurl.com/6e79e4aw*)

Video: What You Can Learn From Elevations CU's Award-Winning Success With Its Quality Initiative (*cumanagement.com/video020121*)

Video: How the Elevations CU Board Has Supported the Organization's Significant Success With Quality (*cumanagement.com/video012521*)

Announcing Award Winners *and Hall of Fame Inductees*

CUES is pleased to announce the winners of its annual individual awards and the class of 2021 Hall of Fame inductees. Winners were announced Oct. 21 during the CUES Member Appreciation & Awards Event. The event was sponsored by CUESolutions provider Experian North America (*experian.com*), title sponsor, and CUESolutions provider PSCU (*pscu.com*), engagement sponsor.

Notably, this year's awards honor the first-ever recipient of the DEI: Catalyst for Change Award, which recognizes the highest level of achievement in advancing diversity, equity and inclusion efforts in the workplace. Honors went to Great Lakes CU, Bannockburn, Illinois. The credit union will receive a seat to attend CUES' Diversity, Equity and Inclusion Cornell Certificate Program.

Thomas Ryan, CCE, president/CEO of Langley FCU, Newport News, Virginia, was honored with the CUES Outstanding Chief Executive Award based on his professional achievement, employee motivation and dedication to his community.

Jennifer McHugh, VP/community engagement for Royal CU, Eau Claire, Wisconsin, was named the 2021 CUES Exceptional Leader.

Joan Nelson, board chair of Coastal CU, Raleigh, North Carolina, received the CUES Distinguished Director Award, presented to a board or committee member whose achievements have strengthened their CU.

In addition, the 2021 inductees into the CUES Hall of Fame were recognized for their contributions to the profession and the industry, involvement in community service, education, and a history of self-improvement and contributions to CUES. This year's inductees are:

- **Ed Bergen, CCD, CCE**, president/CEO of Sunova CU Limited, Selkirk, Manitoba;
- **Tyrone Muse**, president/CEO of Visions FCU, Endicott, New York; and
- **Kit Snyder, CCE**, president/CEO of Consumers CU, Kalamazoo, Michigan.

Learn more about the awards program at *cues.org/awards*.

Ed Bergen

Tyrone Muse

Kit Snyder

Thank You *Sponsors!*

CUES' Directors Conference (*cues.org/dc*) is the annual must-attend director event for the credit union industry. After a hiatus last year, we return to an in-person event—Dec. 5-8 in Marco Island, Florida—with a digital-only option. We appreciate the following sponsors helping to make this event a success:

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CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 24—29**	cues.org/INST1
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*Dates and locations are subject to change. For pricing options, visit **cues.org/Events.***

A Loss Of $7,227 Per 'People Problem' *Per Day*

BY LISA HOCHGRAF

In research about the cost of "people problems" published in *Harvard Business Review* in 2016 (*tinyurl.com/3wbs8uzp*), Tanya Menon and Leigh Thompson report that executives estimated wasting an average of $7,227.07 per line item per day, for a total of $144,541.30 per day.

"These are perceptions rather than scientific measures, but they reveal significant amount of lost value," write the authors, who asked leaders to place costs on such people problems as hiring the wrong employees, unproductive meetings and uninspiring leaders.

Menon, a speaker at Directors Conference (*cues.org/dc*) this month, is a professor of management and human resources at the Ohio State University's Fisher College of Business and co-author of *Stop Spending, Start Managing: Strategies to Transform Wasteful Habits*. Thompson is the J. Jay Gerber Distinguished Professor of Dispute Resolution and Organizations at the Kellogg School of Management, Northwestern University.

According to Menon and Thompson, managers are by and large highly motivated and educated. They are busy trying to solve tough people problems any way they can. But sometimes traditional approaches don't work. When this happens, managers can get caught in "spending traps" that cost their companies money.

Interestingly, it isn't weakness that brings out these traps, according to Menon and Thompson, but overused and misapplied strengths. In this HBR video (*tinyurl.com/t6kxdt8c*), the authors detail the traps.

5 SPENDING TRAPS TO AVOID

Here is a quick summary of the leadership traps managers fall into when trying to handle people problems as defined by Menon and Thompson:

1. **Expertise trap.** Managers get so practiced at their jobs they go on autopilot and fail to adapt to the uniqueness of a new problem.
2. **Winner's trap.** Successful managers become too accustomed to "seeing it through" and fail to make appropriate course corrections.
3. **Agreement trap.** A manager's desire to be well-liked leads to conflict avoidance and causes the team to miss out on the kind of productive conflict that can lead to breakthroughs.
4. **Communication trap.** Managers get overwhelmed by information and fail to focus on the good conversations where work actually gets done.
5. **Macromanagement trap.** Managers become too far removed from their teams in the name of empowerment.

By understanding these traps, the video narration suggests, managers can channel their strengths to access real solutions without the cost. Additionally, in her Ted talk (*tinyurl.com/3az4aewa*), Menon describes how leaders can find new ideas and opportunities by being more intentional about expanding our social universes.

Lisa Hochgraf *is senior editor for CUES.*

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Matthew J. Painter, speaker, author and organizational health expert, in "Purposeful Talent Development: Staying Current Is a Moving Target" on CUES Skybox: *cumanagement.com/102521skybox*

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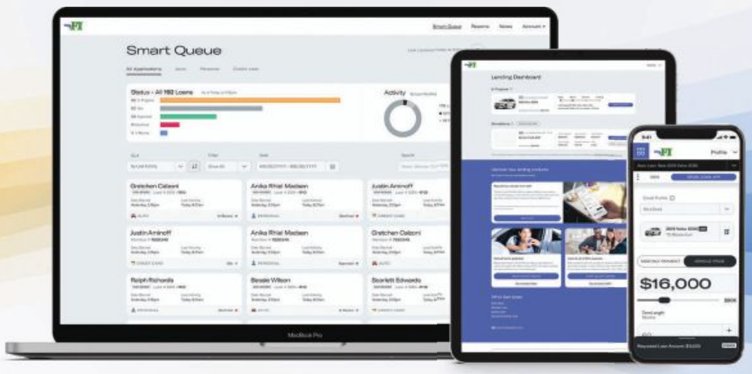

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