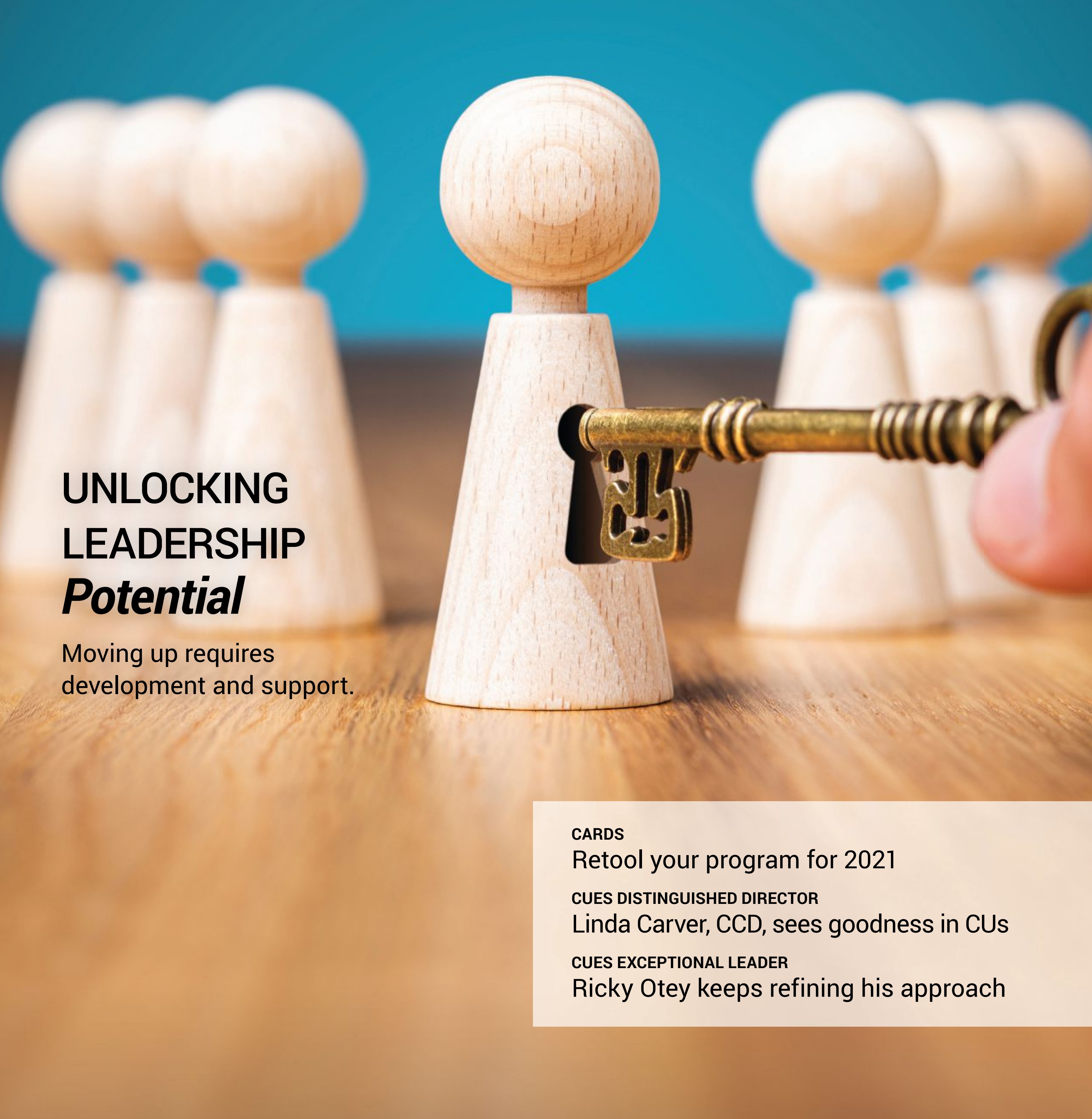
CU MANAGEMENT

JANUARY 2021 • IN-DEPTH INFORMATION FOR CREDIT UNION LEADERS



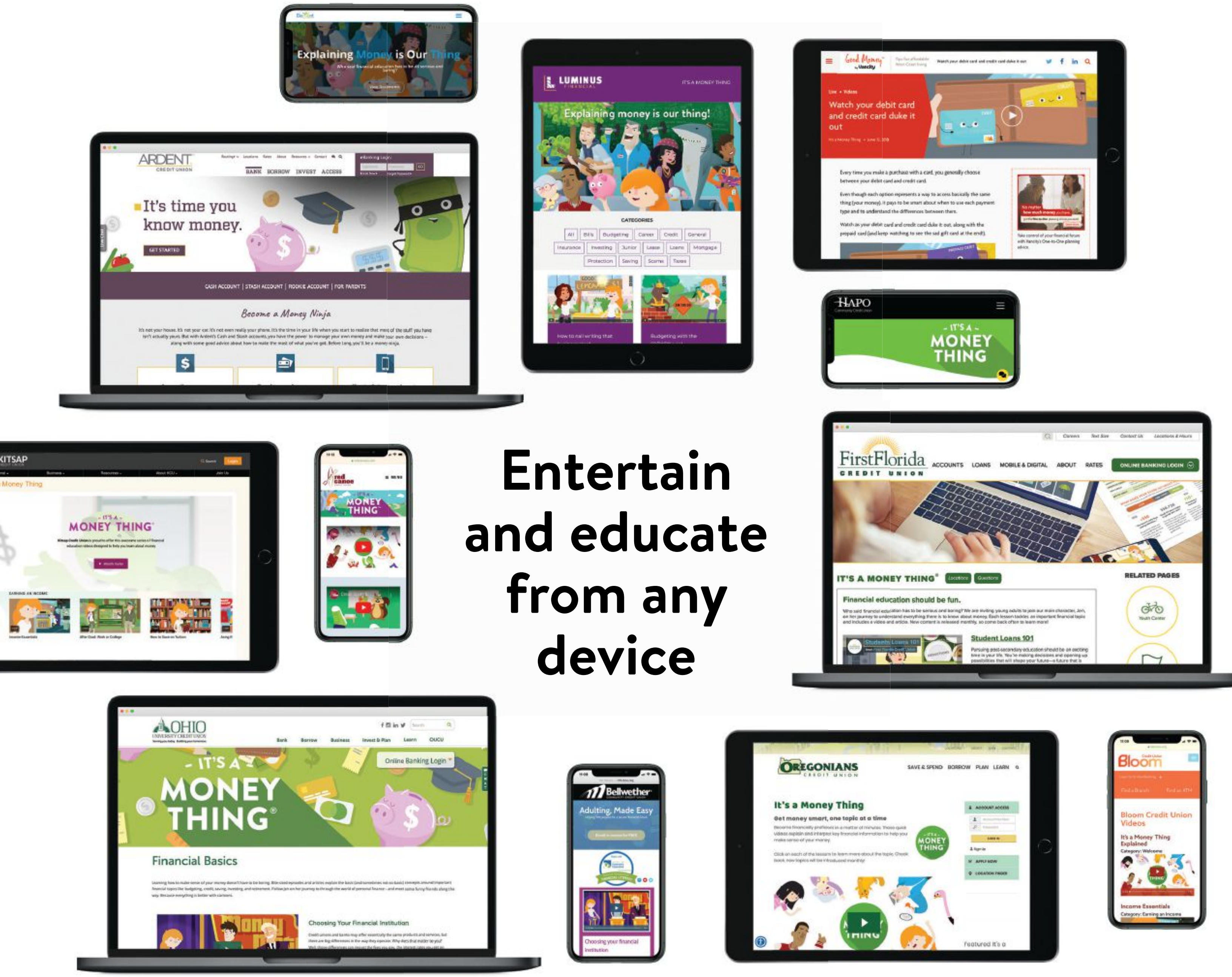
UNLOCKING LEADERSHIP *Potential*

Moving up requires development and support.

CARDS
Retool your program for 2021

CUES DISTINGUISHED DIRECTOR
Linda Carver, CCD, sees goodness in CUs

CUES EXCEPTIONAL LEADER
Ricky Otey keeps refining his approach



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In many ways, the economic impact of COVID-19 bears little resemblance to the Great Recession of 2008-2009. Still, credit card managers can apply some lessons learned from the last downturn to short-term forecasts and planning to manage their portfolios.

cumanagement.com/1220climb

CUES Video

How Can Leaders Help Women Advance Their Careers?

CUES member Terrance Phillips, AVP/head of enterprise risk management at $3.6 billion Affinity Federal Credit Union, Basking Ridge, New Jersey, discusses how he provides tools and leadership opportunities to the women on his team.

cumanagement.com/video120120

Online-Only Column

From John: 6 Ways to Turn DEI Ideals Into Action

Truly addressing the problem of racism is going to take more than a statement. It's going to take a lot of hard work. As such, CUES has committed to turning our ideals into action. Here's what that looks like for us so far.

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YOUR THOUGHTS

HOW DOES YOUR CREDIT UNION FACE UNCERTAINTY?

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

Is Your Credit Union *Resilient?*

"We need to build resilience in our organizations," said Joe Perfetti during the first session of our Directors & Dialogue December event last month.

"One of the things we've learned is that we're living in a VUCA (volatile, uncertain, complex, ambiguous) world, which is basically a lot of uncertainty," said Perfetti, who is an innovation fellow with Duke CE and a lecturer at the RH Smith School of Business at the University of Maryland, College Park.

The uncertainty affects not just organizations but also the people who work within the organizations, because people struggle during times of uncertainty.

"So, we increasingly are making decisions in uncertainty and that's adding stress to our organizations," he said.

Adding to this stress is how work is changing from a centralized model to a teams model. "Today, 80% of the work is centralized. It comes in a more traditional command and control structure," Perfetti noted. "As we become more agile organizations, the unit of work going forward is going to be the team. Eighty percent of work in the future will be done in teams, which means we're going to have to push accountability ... decision-making [and] agency further down the organization. ... And that also provides some anxiety to our organizations."

Read more from Perfetti's session at *cumanagement.com/1220resilient*.

2020 taught many of us that we are resilient in the face of crisis and rapid change. But to sustain that resiliency throughout your organization going forward, your CU will need the right leaders. In this issue of *CU Management,* we are looking at leadership from multiple angles. First, we have profiles of two leaders in the CU industry that readers can learn from.

Linda Carver, CCD, board chair at $14 billion America First Credit Union (*americafirst.com*), headquartered in Ogden, Utah, and the 2020 CUES Distinguished Director, has helped her CU thrive through both the 2009 recession and COVID-19. "As we continue to go through these unique and challenging times, I think employees appreciate how we've adjusted our way of operating to keep them safe," she says. "We're constantly trying to balance lives and livelihood, and I think we've done a good job of keeping services open to our members while also being protective of our employees." Read more about Carver on p. 14.

Then turn to p. 26 to meet the 2020 CUES Exceptional Leader, Ricky Otey. Otey is EVP and COO at $1.7 billion Sharonview Federal Credit Union (*sharonview.org*), Indian Land, South Carolina.

"I view leadership as a privilege, not a right," he says. "When you accept the responsibility of leadership, you take on responsibility for others. You forfeit your right to have a bad day. You forfeit your right to phone it in. People are counting on you to be consistent, to be honest and to be transparent."

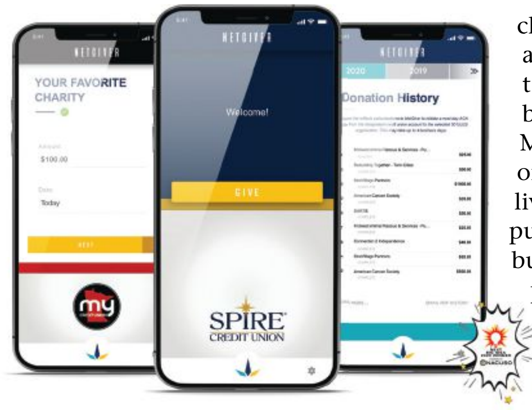
Finally, our cover story on p. 22 will help you unlock the leadership potential within your current team so you can better face whatever challenges this new year brings us.

Theresa Witham

Theresa Witham
Managing Editor/Publisher

CUSO Makes Charitable Giving *Easy and Fee-Free*

BY ERIC BERG



In 2019, more than $18 billion was lost from charitable donations to credit card and platform fees. Credit unions built NetGiver to solve that problem.

NetGiver (*netgiverapp.com*), a Minneapolis-based credit union service organization founded in 2019, is an easy-to-use mobile app that allows individuals to make safe, secure and direct donations to any nonprofit nationwide, fee-free. Because more than 7% of most charitable donations are lost to fees, credit unions that offer NetGiver save members and communities millions of dollars every year.

Recently crowned the "Next Big Idea" by the National Association of Credit Union Service Organizations (*nacuso.org*), NetGiver is the charitable-giving counterpart to PayPal and Venmo. With a built-in database of over 1.3 million 501(c)(3) organizations, member giving is as simple as a few taps on the phone, and donations are securely sent. When your members give from their CU account, their full donation reaches the charity. If they give $100, the charity gets $100. That's how it should be, and that's the difference CUs make.

Philanthropy is an important part of your many members' lives. It's also a member retention tool, an acquisition tool and an opportunity to clearly tell the story of the credit union difference—your "why"—to your community, your lobbyists and the governing bodies who vote to maintain the credit union not-for-profit status.

SHARE YOUR VALUES

The average age of a credit union member is 53 years old. 5W Public Relations' 2020 consumer culture report (*tinyurl.com/y3mwv9cb*) shows that 73% of this demographic say that it is important that the companies that they buy from or do business with align with their beliefs and values. NetGiver helps retain your members by supporting them in their most emotional financial decisions.

Perhaps more importantly, 71% of the next generation of members know little or nothing about what a credit union is or does. What they know about is the plethora of fintech solutions at their fingertips, even the ability to open a fully virtual bank account with an app. They don't necessarily see the need to go in-branch; they can have all their needs met digitally. Venmo had 40 million active accounts at the end of the first quarter of 2019, and there's also Apple Pay, Google Pay, Facebook, Cash App, Square, Snapchat, Betterment, Credit Karma, Simple and Acorn. These are the systems millennials and Gen Z interact with daily.

How does a credit union stand out in all of this noise? Tell everyone what makes you special. Claim your piece of the fintech toolkit, but do it with credit union values.

Of millennials, 83% agree with the statement: "It is important to me that companies from which I buy align with my values." The credit union "why" aligns with member values. Individuals choose where their money goes, and the full donation reaches their charity, all supported by their financial institution. Many studies show that not only do millennials want to live their values through their purchases and daily choices, but 62% enjoy associating with products that show off a social or political ideology or belief.

NetGiver started with just the simple ability to donate without fees but is growing quickly. The app offers the ability to feature your credit union's recommended charities or foundation and to easily track and report all donations as a nonprofit, credit union or donor. Recently released is the opportunity for members to share their impact across all social channels, highlighting the charity as well as the credit union that supports fee-free giving. Social sharing is free word-of-mouth marketing and increases your opportunity to capture a new generation of members.

Built by SPIRE Credit Union and venture studio DNT BLNK, NetGiver was built out of the belief that credit unions can do better. "Credit unions were founded on the principles of 'people helping people,' which is why I believe that as an industry we can not only help our members with their charitable actions but be an inspiration and resource for them as well," says SPIRE CU President/CEO Dan Stolz.

Just a little over a year after forming the CUSO, NetGiver is making waves in the innovation and fintech arenas. Along with the honor of being named the 2020 "Next Big Idea" by NACUSO, NetGiver has received a Tekne award from the Minnesota Technology Association (*mntech.org*) and is successfully building relationships with leagues, credit unions and advocates across the country.

FEWER FEES ADD UP TO MORE HELP

Credit unions using NetGiver are actively advocating for members and proudly promoting the philosophy of "people helping people." Imagine five years from now, when credit unions across the country are supporting the community and saving millions of dollars in platform and processing fees. Thousands more abandoned puppies are being saved by local animal rescues. Hundreds of additional low-income homes are being repaired to help residents stay warm through the winter. Millions more children are receiving the basic and essential school supplies and breakfasts to focus and be successful.

Imagine the difference your credit union can make by sharing your "why."

*Co-founder of NetGiver Minneapolis (*netgiverapp.com*),* **Eric Berg** *has worked with credit unions and companies to create products and services that engage, inspire and drive revenue. His diverse experience allows him to creatively draw conclusions and associations that are uniquely exciting and effective, and NetGiver is a confluence of his passion to create revenue-generating products and his compassion and work with charitable organizations.*

Retool Your Card Program *for 2021*

RECALIBRATE PRODUCTS, SELF-SERVICE TOOLS AND MESSAGING TO GROW YOUR PORTFOLIO.

BY KAREN BANKSTON

As the momentous events of 2020 continue to play out, credit unions and other card issuers are taking stock of their offerings in the context of ever-changing consumer expectations, economic uncertainties and the full-steam-ahead charge of competitors to embrace digital advances.

Card managers must decide how to allocate resources to recalibrate and retool payment technology and self-service card management, how to craft marketing and educational messages around those services, and how to monitor and respond to changing credit risk patterns. And they must look ahead to how members' payment preferences will likely continue to evolve.

SUPPORT CONTACTLESS CAPABILITIES

Especially for credit unions that have issued contactless cards or are planning to launch, it's imperative to accompany those new cards with information about how to conduct tap-to-pay transactions and how to spot NFC-enabled terminals.

CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida, produced more than 6 million contactless cards on behalf of its owner credit unions in 2020 and projects an even bigger 2021, with the anticipated production of 10 million cards, says Jeremiah Lotz, PSCU's managing vice president, digital experience and payment products.

Contactless payments were definitely on the rise over the past year, driven in part by consumers' resolve to keep hands off as much as possible during the pandemic. According to PSCU's data, the prevalence of tap-to-pay debit transactions increased from 8% to 15.5% of total payments from January to October, and credit card contactless transactions rose from 6% to 10% over the same period. Those statistics are for point-of-sale purchases and do not include the big shift to card-not-present transactions as consumers moved to shopping for groceries and other purchases online, Lotz notes.

"We've seen a significant shift [toward contactless payments], but it's all relative to the percentages," pointing to the need for continued education on the part of card issuers on how to tap to pay and for more merchant validation that they accept this form of payment, he suggests.

The pandemic has accelerated the demand for and acceptance of contactless payments at the point of sale, agrees Tim Kolk, owner of TRK Advisors (*trkadvisors.com*), Peterborough, New Hampshire. Credit unions currently in a processor's queue or in the planning phase to introduce contactless cards "are losing an inch a day" as members move toward other cards in their wallets.

Once credit unions begin issuing contactless cards, "this is a nice moment to include messaging [about tap-to-pay capabilities] because people will open and read it because their card's in there," he adds. "These are not opportunities to be lost."

PSCU data also shows a 70% year-over-year increase in the use of debit cards in mobile wallets and a 50% increase in credit cards registered in these apps, though the rate of transactions using this form of payment remains relatively low.

Even as many credit unions queue up to issue contactless cards, 2021 will also be a boom year for facilitating digital issuance—the automated transfer of card data into mobile payment apps, predicts John Patton, senior payments advisor with CUES Supplier member CO-OP Financial Services (*co-opfs.org*), Rancho Cucamonga, California.

That process, also called "push provisioning," automates through mobile apps the complexities of registering members' card accounts to incorporate tokenization and to be accepted into Apple Pay, Google Pay and Samsung Pay. This capability replaces the need for card issuers to contract separately with each token requester, such as a mobile wallet or merchant, by providing a single integration interface that enables cardholders to "push" a token to the destination of their choice without entering their card information manually. In other words, cardholders authorize this push simply by touching a button in their mobile app authorizing the transfer of their card data. (Read more about how this works at *tinyurl.com/pushprovisioning*.) Credit unions introducing this digital service should be promoting it across their marketing and information channels.

BUILD A BETTER EXPERIENCE

Improving the member payment experience extends beyond the card itself to a full ecosystem of services that includes account management through self-service channels, Patton says. "If you give consumers a digital payment device, but then they have to call in to ask for account updates, that just doesn't go together."

An example of an experience to "surprise and delight members" is proactively increasing credit card limits through automated tools that qualify members for this benefit, he suggests.

Jackson Area Federal Credit Union rolled out a mobile card management app in April with the dual goal of improving member service and setting itself apart in a market area where this technology is still not widely available, says Lindley McKellar, VP/e-services with the $90 million Jackson, Mississippi, credit union (*jacksonareafcu.com*) that serves 14,000 members.

The new self-service app is offered by Ondot Systems (*ondotsystems.com*), Santa Clara, California, through a partnership with credit card processor FIS (*fisglobal.com*), a CUES Supplier member based in Jacksonville, Florida, which is phasing out its previous credit card management app. Jackson Area FCU members can now manage both their credit and debit cards by setting alerts, turning cards on and off, and tracking the location of transactions with clear identification of retailers, restaurants and other recipients in transaction alerts, complete with logos (when available), contact information and hours of operation, McKellar notes.

Early feedback from members has been positive, and McKellar and other credit union employees using the app are enthusiastic about the new functionality at their fingertips and ready to guide members to optimize its use. Wider marketing of this service should expand the benefits to members and the credit union, he says. The app has been especially popular with millennial members, but older cardholders are also migrating to its always-on convenient access.

"The more the members can do for themselves, the less they're going to call into us," freeing up staff to respond to other service requests, he says. In addition, the app can help prevent and quickly shut down fraud as members set limits by location and dollar amounts on purchase approvals and more closely monitor transactions.

Jackson Area FCU is "on the forefront with this type of product" in its market area, McKellar says. "It's better to get in early than trail behind. This is definitely something that's here to stay."

Digital accessibility is increasingly paramount. "The moment when members realize their credit union is delivering convenience and security and is helping to keep them safe through contactless payments, that's when they understand the value their credit union provides," Lotz says. "It's not one of those things, but all of them in combination."

Card managers should continue to monitor members' payment behaviors with the understanding that their preferences are driven not just by the pandemic, but by "their knowledge of what is possible," he adds. "The more they see of the digital experiences that are possible, the more they expect from their credit union. The shift to digital is underway, and credit unions need to be investing in that experience. They will continue to see

"The moment when members realize their credit union is delivering convenience and security and is helping to keep them safe through contactless payments, that's when they understand the value their credit union provides."

— Jeremiah Lotz

growth there, even from members they didn't expect to move in that direction. The pandemic pushed them in that direction, but they have embraced it—across generations."

DO WELL BY GOING GOOD

$4.3 billion, 207,000-member Summit Credit Union (*summitcreditunion.com*), Madison, Wisconsin, provides its diverse membership with a variety of credit card options:

- Ultimate CashPerks offers 3% cash back on airfare, 2% on hotels and dining, and 1.5% on all other purchases.
- Visa Platinum Rewards features rewards with every purchase and double points on gas and wholesale club purchases.
- Visa Platinum is its low-rate offering.
- Summit Student Rewards pays bonuses for good grades and double points on Amazon and restaurant purchases.

In addition, its Summit Global Good Card® combines cardholder rewards with support for World Council of Credit Unions (*woccu.org*) initiatives, such as helping Kenyan teens learn farming skills to provide income for their families, opening a business development center in the Philippines to assist female entrepreneurs and advancing women's leadership development through donations to the Global Women's Leadership Network, says President/CEO Kim Sponem, a CUES member and past chair and secretary of the CUES Board of Directors.

Each month, Summit CU donates a percentage of its interchange income along with $10 per new account to WOCCU. Since the card's launch in 2017, the credit union has opened more than 3,300 Global Good accounts and donated more than $100,000, Sponem reports. Global Good cardholders also earn reward points on all card purchases.

Summit CU has developed marketing materials that other credit unions interested in offering a Global Good Card to benefit WOCCU can use for free, she adds.

Major card issuers quickly tailored their rewards to match pandemic-related shifts in spending habits, offering points for streaming service subscriptions, grocery deliveries and other purchases in demand during the pandemic, Kolk notes. Many credit unions did not respond as promptly, perhaps because of cultural issues that slow down decision-making, technical roadblocks and/or the need to coordinate with third-party processors—barriers that card managers need to recognize and address.

"It's imperative to ensure that their products have the value proposition that matches the market and to recalibrate their rewards program to the marketing message that's working in the moment—and that evolves all the time," Kolk advises.

GRAB OPPORTUNITIES TO BUILD REVENUE

Summit CU is in the process of issuing contactless credit cards to 74,000 members on a natural reissue cycle, providing tap-to-pay cards to new cardholders and replacing cards as they expire. It will begin issuing 140,000 contactless debit cards this year.

As a special offer to new cardholders, all Summit CU credit card accounts are opened with a 0% balance transfer rate for 12 months; a similar offer is planned for current accountholders early this year.

Balance transfer offers are popular in the current rate environment as members look for opportunities to save money by moving to their credit union's lower-rate credit cards, Patton suggests.

To hold on to debit interchange revenue, Patton recommends messaging to encourage members to enter their credit union cards for such card-on-file transactions as online shopping, click-and-deliver grocery shops and restaurant orders, subscriptions for streaming services, and branded apps for gas station, big box and other retail purchases.

For example, Summit CU's recent promotion entered members in a drawing for a $500 Visa gift card for using their CU debit or credit cards to set automatic payments on recurring bills such as Netflix, Spotify and Verizon.

"We're also launching an always-on email marketing campaign to automate the process of connecting with members shortly after they've received their card," Sponem notes. The campaign promotes card activation and features a step-by-step guide on adding their card to their mobile wallet.

CONSIDER CARD DESIGN

A small but growing contingent of credit unions is interested in such distinctive designs as colored-core, all-metal or recycled plastic cards to set their products apart in members' wallets, Lotz says. Metal is four to five times more expensive, so the tendency is to reserve those cards for an elite member segment as a more prestigious offering, while recycled plastic cards can be aligned with credit unions promoting their environmental commitment. PSCU is partnering with the CPI Card Group (*cpicardgroup.com*), Littleton, Colorado, to issue cards through its Second Wave line, which uses plastic diverted from sources that might otherwise end up in oceans and other waterways.

Consideration of specialized card materials can exacerbate an already complex decision process as credit unions look to overhaul their card offerings, Patton cautions. In the balance, most members are more concerned with card capabilities and digital management tools than the materials that make up their cards.

On the other hand, offering affinity card lines that build on support for schools or favorite sports teams can win members' loyalty, he suggests. For example, credit cards issued by university credit unions are popular among both alumni and current students, who use their cards to pay for food service meals and other purchases.

PLAN FOR CARDLESS ACCOUNTS

Even as cardless digital payments gain favor, most consumers are not ready to bid farewell to their physical cards, Patton says, though

"It's imperative to ensure that [credit unions'] products have the value proposition that matches the market and to recalibrate their rewards program to the marketing message that's working in the moment—and that evolves all the time."

— Tim Kolk

preferences vary by age and technological affinity. With the current average age of members in the 50s, credit unions need to be able to meet the preferences of cardholders across the age continuum, from young members who prefer mobile payments and card management to older members who may need more support as they adjust to and ultimately embrace self-service options.

Though some members may be tempted by competitors' cardless promotions—think Apple Card—and are embracing options like push provisioning, few are ready to opt out of physical cards entirely, Lotz says.

"Consumers want to be able to use their cards in the most efficient and effective way, depending on their specific circumstances. Sometimes it's still going to require a physical card," he notes. "Our hypothesis is that consumers will want to opt out of a physical card at some point, but that point isn't now—or likely in the next year or so."

In a webinar (*tinyurl.com/odaitewebinar*) last fall, industry experts from Ondot and Aite Group (*aitegroup.com*), Boston, cautioned that "digital-forward" megabanks and online institutions are increasing their share of new card accounts as credit unions and community banks fall behind. They advocated a "digital-first" commitment to improve self-service and digital card issuance, which allows card issuers to engage consumers via their channel of choice, even while continuing to offer physical cards.

The demand for all-digital accounts will grow, Kolk notes, and it's undeniably critical going forward for individual programs to address that expectation, especially among younger members. The Apple Card is already setting the standard for consumers to apply on their phones by supplying three to five bits of information and to receive a new account loaded directly into their mobile wallet within five minutes.

"Twelve months ago, we could say, 'That's cool, and we'll get there someday,'" he notes. But with the pandemic redirecting consumers toward mobile channels, "this is how Chase and others like them are going to gain transactional market share until credit unions catch up."

MANAGE CREDIT RISK

Recent reports that credit scores on average increased during the pandemic were a bit surprising, Patton says. With so many consumers applying their stimulus checks to pay down credit card balances and other debt, "we anticipated scores would stay level. We didn't think they'd go up."

Without another round of government support, collective credit standing could begin to erode in 2021, and credit unions should start planning how to monitor and respond to that eventuality, he advises.

Credit unions could coordinate responses across more finely tuned credit tiers than the standard four A-D levels, he suggests. A 30-point shift in credit scores among prime borrowers, typically those with a 770 or higher FICO score, might not raise concerns, but the same downward trend for members in other tiers could trigger proactive phone calls to check in with members.

An automated credit monitoring system can also be programmed to manage the reissue cycle for "sleeping accounts," which haven't been used for a specified period, Patton adds. Members with qualifying credit scores might be sent special offers as an incentive to jump-start their card usage.

Persistent trends favoring debit over credit card usage persisted into the fall, and PSCU expects members to continue "to be more careful about managing their revolving credit," Lotz says. "I think we'll continue to see that until consumer confidence rebounds. And increased delinquencies are possible, so credit unions need to remain vigilant. There are so many variables to track."

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

MORE ON CARDS

Prepare for a Long Climb (*cumanagement.com/1220climb*)

The Value of Continuing the Conversation About Contactless Cards (*cumanagement.com/1020contactless*)

New Consumer Trends Mean Revamping Your Loyalty Program (*cumanagement.com/1020loyalty*)

How Credit Unions Can Be Even More Empathetic and Effective in Their Collections (*cumanagement.com/podcast104*)

Credit Union Card Success in a Post-Pandemic World (*cumanagement.com/0720card*)

Believing *in the Cause*

2020 CUES DISTINGUISHED DIRECTOR LINDA CARVER SEES GOODNESS IN THE CREDIT UNION MOVEMENT.

BY DIANE FRANKLIN

Linda Carver, CCD, daughter of a credit union volunteer, has followed in her father's footsteps, dedicating herself to a movement whose mission is people helping other people. Nearly 18 years ago, Carver was busy with a career as a school district administrator and almost declined an opportunity to serve as a CU director. However, she reconsidered—largely as a tribute to her father—and has been grateful ever since for the experience of serving on a credit union board.

"I think it's important when you associate your name with a cause that you believe in it completely," says Carver, board chair of $14 billion America First Credit Union (*americafirst.com*), headquartered in Ogden, Utah. "There's never been a time in serving as a director that I've doubted the goodness of credit unions. I can't overstate how humbled, honored, proud and joyful I am to share my name and my time with this movement."

Carver has served on the America First CU board of directors since 2003. In 2010, she became the first woman elected to serve as the board's chair. She served a four-year term and was elected to a second term as chair in 2018. During her time on the board, Carver has fostered a culture of caring and professionalism that has helped boost the membership of America First CU to 1.2 million, making the organization one of the largest U.S. credit unions in terms of membership size. Her governance and leadership contributions have been rewarded with recognition as the 2020 CUES Distinguished Director, an honor that America First CU CEO John Lund, CCE, says is richly deserved.

"It's a pleasure to wholeheartedly endorse Linda in this recognition," says Lund, a CUES member. "She is an outstanding individual in every way—both personally and professionally. She believes in the credit union mission and purpose. She lives and breathes serving our members, trying to improve our credit union and the industry as a whole. She really adds a great dimension to our credit union."

A FATHER'S EXAMPLE

Carver grew up with her father, Larry D. Hunter, serving as an excellent role model of a dedicated credit union volunteer. As Ogden city manager, he was active in his local credit union and spent over 30 years as a director on the board.

"I remember how happy he was helping other people," Carver says. "When we walked through the town, people would come up to him and talk to him about their financial situation or thank him for his work."

One encounter in particular sticks in Carver's mind. A young man approached her father, grateful for the credit union's assistance in helping to keep his water from being shut off while he was experiencing financial distress.

"He was very emotional, grabbing my dad's hand and thanking him, saying what he had done had made a difference," Carver recalls. "Those encounters, when I was just a child, made a huge impression on me."

Now as a credit union volunteer herself, Carver is having the same type of encounters with America First CU's members. "It seems that whenever I am with her, whether at a meeting or an event in the community, everybody knows her and comes up to talk to her," Lund reports. "She's well-respected and

> **“She believes in the credit union mission and purpose. She lives and breathes serving our members, trying to improve our credit union and the industry as a whole.”**
>
> – John Lund, CCE

personable and has the ability to get to know people and let them know she sincerely cares about them. She communicates well with people, focusing on their needs and what she can do to help and support them.”

Carver’s strength as board chair comes from her understanding of the importance of personal relationships. “Even though we have 1.2 million members, we have the feel of a small community where we focus on the needs of the one,” she says. “In board meetings, we can spend as much time talking about someone who needs $250 as we do for someone who needs $250,000.”

LIFELONG EDUCATOR

Carver’s commitment to helping others was fostered during her career as an educator. She started as a teacher, gaining experience at the elementary, junior high and high school levels. She later served as a school principal before moving on to become director of student services and then assistant superintendent for the Weber School District (*wsd.net*).

To prepare herself for her career, Carver earned a bachelor’s degree in history and psychology from Weber State University (*weber.edu*) and a second bachelor’s degree in special education. She also has a master’s in educational administration from Utah State University (*usu.edu*) as well as an administrative supervisor endorsement.

Carver is a longtime member of America First CU. It was while she was principal of Canyon View School, a school that focuses on students with disabilities and special needs, that she discovered the altruistic nature that is intrinsic to the credit union’s culture.

Many of the students at the school had need of equipment, such as wheelchairs or speech-assistive devices. “The expense involved in keeping up with these needs was astronomical, so I would tap into every possible resource in the community to assist these families,” Carver recalls. “One resource I could always count on was America First Credit Union.”

Carver was grateful for America First CU’s monetary donations and wanted to acknowledge them by including a formal “thank you” in her monthly Principal’s Message. “However, they would always say, ‘We don’t need recognition. We get our joy from knowing we were able to help, so just refer to us as an anonymous donor.’ I remember thinking, ‘Wow, this is a really first-class organization.’”

The opportunity to serve on the credit union’s board came a few years later. Tom Connors, one of the teachers she had hired in the Weber School District, was serving as a CU director at the time. He approached Carver to let her know there was an opening on the board and suggested she put in an application.

“I told him no at first because I didn’t think I’d have the time,” Carver says. “I had just been named the assistant superintendent and had board responsibilities for other community entities, so I was afraid I would be overwhelmed.”

Three weeks later, Carver had a change of heart. “It was a Saturday morning, and I went to visit my father,” she recalls. “He was starting to show signs of dementia, and as I was sitting there visiting, I thought nothing would make him prouder than if I contributed to a credit union.”

After the visit with her father, Carver called Connors and was relieved to find out that the board opening was still available. She had an interview and was appointed to the position. She was thrilled to share the news with her father that she would be serving as a credit union director, just as he had done for 30-plus years.

“It’s one of the greatest things that has ever happened in my life, and I quake to think how close I came to turning down the opportunity,” Carver says. “At the time, I was thinking about what it would mean to my father, but being part of America First has enhanced my life and brought me into this whole other world of great people and a great institution. It also was an opportunity to pay them back for all the wonderful things they did on behalf of our schools.”

BOARD CHALLENGES

Carver is proud to be part of a board that has served during a period of unprecedented growth for America First CU. Since 2003, the credit union has more than quintupled its asset size from $2.6 billion and has expanded its branch network to encompass more than 130 locations in Utah, Nevada, Arizona, Idaho and, most recently, in New Mexico.

However, Carver concedes that there have been some challenging periods during the past 17 years—most notably, during the financial crisis of 2007-2009. “One of the things I take great pride in, as a board member, is that we went through the Great Recession and did not lay off a single employee,” she says. “I think employees appreciated that even in hard times, where it would have been so easy to streamline by eliminating positions, we were able to refocus our assets to continue to provide good services to our members while still sustaining their livelihood.”

Carver reports that putting employees so high on the CU’s priority list has paid off in the long term. “I’ve had employees come up to me and say, ‘We trust you, we believe in you, we know you have our best interests at heart,’” she reports. “That’s a huge thing for me as a director, when walking into a branch or a department, to know that we’ve earned our employees’ loyalty.”

In 2020, COVID-19 put the credit union through another major test. Once again, the board and executive team worked together to balance the interests of employees and CU members.

“As we continue to go through these unique and challenging times, I think employees appreciate how we’ve adjusted our way of operating to keep them safe,” Carver says. “We’re constantly

"Even though we have 1.2 million members, we have the feel of a small community where we focus on the needs of the one. In board meetings, we can spend as much time talking about someone who needs $250 as we do for someone who needs $250,000."

– Linda Carver, CCD

MORE ON DISTINGUISHED DIRECTORS

Paddling Faster Than the Currents of Change (*cumanagement.com/ 1120paddling*)

Improving the Lives of Others (*cumanagement.com/ 0220improving*)

Linda Medina, 2019 CUES Distinguished Director (*cumanagement.com/ video120119*)

From Hesitance to Exuberance (*cumanagement.com/ 0819hesistance*)

A Desire to Serve and Defend the Underdog (*cumanagement.com/ 0519defend*)

CUES Awards & Recognition (*cues.org/awards*)

trying to balance lives and livelihood, and I think we've done a good job of keeping services open to our members while also being protective of our employees."

Moving forward, Carver notes that the America First CU board will play an important role in helping the credit union keep pace with the changes occurring in the increasingly competitive landscape of financial services. "I think the challenge of being on a board and giving direction is to remain relevant, because right now the competition is off the charts," she says.

Carver contends that the best way to stay relevant is to maintain personal connections with members—even in a world where digital interactions have grown exponentially. "I still believe that reaching out to members, one-on-one, makes a huge difference," she says.

A COMMUNITY SERVANT

Carver's desire to serve to the community is evident in her involvement in other organizations. She was on the Weber County Adult Education Board (*tinyurl.com/wsd-adultedu*) and was active in the Boys & Girls Clubs of Weber-Davis (*bgcweberdavis.com*). She also has served as chairperson of the Weber-Morgan Children's Justice Center (*cjcogden.org*), which supports children who are victims of abuse.

In addition, Carver is on the board and is one of the founding members of the Northern Utah Academy of Math Engineering & Science (*nuames.org*), an early-college high school that works in conjunction with Weber State University. Ranked among the nation's top high schools, NUAMES has two campuses that prepare students—particularly women—for college and career readiness in math, engineering and science.

Though she's now retired from her job as assistant superintendent, Carver remains active in education, working part-time at Brigham Young University (*byu.edu*) as a student teacher supervisor. When she's not working or engaged in board activities, Carver enjoys small-town life with her husband, David, in Eden, Utah, a community just outside of Ogden. "We live on an acre of land, and we're just about as close to heaven as we can get," she says.

The couple has three adult children and 11 grandchildren. Daughters Jamie Froerer and Kelli Booth followed in their mother's footsteps as educators, while son David is an accountant. Two of Carver's grandsons, Taylor Booth, 19, and Zach Booth, 16, play professional soccer with two of the world's top-rated youth soccer teams. They were both captains of the U.S. soccer team for their respective age divisions, and Taylor has just signed with FC Bayern Munich (*fcbayern.com/us*), one of the most successful soccer teams in Europe.

In pre-COVID days, hopping on an airplane to attend a soccer game was a great joy for the Carvers. Not only did they get to cheer on their grandsons, but they also were able to sightsee in many of the great countries around the world.

"I'm pretty intense about traveling," Carver says. "I've visited close to 100 countries, about 25 of them just from watching our grandkids play soccer. I love having the opportunity to see other countries. You can learn so much from how other people live."

Carver looks forward to a post-pandemic time when she can resume traveling, but in the meantime, she keeps busy with credit union-related activities. She is more than happy to stay active in a movement that means so much to her.

"The bottom line is we've got to embrace each other and link arm and arm, particularly at this time, and let people know that credit unions are the real deal," she says. "I believe we're here to help one another, and I think it's important to spread the message that this is what credit unions are here to do."

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

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The Hidden Cost *of Cyber Loss*

AS THIEVES CONTINUE TO ADAPT AND THRIVE, CYBER INSURANCE AND FRAUD-PREVENTION SERVICES ARE ADAPTING TOO.

BY GLENN HARRISON

The fear of a paralyzing ransomware attack or a massive data breach leading to a class action lawsuit by members motivates many credit unions to buy or increase cyber insurance coverages. Although lawsuit settlements and ransom payments make flashy headlines, often they're not the largest losses credit unions suffer from cybercrimes.

We asked two cyber insurance experts to guide us through what credit unions need to look for in these coverages, and how credit unions can go beyond buying a policy to actually avoid or reduce cyber losses.

CYBER INSURANCE BASICS

Your credit union probably has certain limited cyber-related coverages, such as electronic theft and fraud, within its fidelity bond or other business insurance policy. Or you may have cyber liability coverage as a policy rider. Carriers call these coverages by different names, so let's define what we mean by "cyber insurance," then expand on some of the less-well-known features.

The Federal Trade Commission (*ftc.gov*) breaks down cyber insurance coverage into two main kinds of insuring agreements: first-party and third-party.

First-party cyber coverage: This protects your data, including employee and member information, and typically includes a policyholder's costs related to:

- Legal counsel to determine your notification and regulatory obligations
- Recovery and replacement of lost or stolen data
- Customer notification and call center services
- Lost income due to business interruption
- Crisis management and public relations
- Cyber extortion and fraud
- Forensic services to investigate the breach
- Fees, fines and penalties related to the cyber incident

Third-party cyber coverage: This generally protects you from liability when a third party brings claims against you, including losses stemming from:

- Payments to consumers affected by a data breach
- Claims and settlement expenses relating to disputes or lawsuits
- Losses related to defamation and copyright or trademark infringement
- Costs for litigation and responding to regulatory inquiries
- Other settlements, damages and judgments
- Accounting costs

As with any insurance policy, payment limits and exclusions affect these coverages, and the terminology may vary among providers.

When you shop for cyber insurance and/or review existing coverages, however, the policy details are just one of three areas to consider, according to Chris Lacke, director/product management for CUESolutions provider CUNA Mutual Group (*cunamutual.com*), based in Madison, Wisconsin.

LOSS PREVENTION SERVICES

An insurance policy is part of a good risk management strategy, but Lacke says you can also significantly reduce your exposure to cyber losses through a loss-prevention program and post-loss damage control services.

Lacke says cyber insurance carriers have ramped up loss prevention and mitigation services in response to the increasing number and severity of cyber losses in financial and other industries in recent years.

"With so many employees working from home because of the pandemic, business email compromise attacks like phishing continue to grow," she says. "The increase in ransomware is alarming too."

Lacke says ransomware is part of a larger trend of hackers using data for extortion, which can earn them far larger returns than simply selling the data to other criminals. "By spending more time inside the victim's systems, the extortionists can gather more confidential data so they can make bigger ransom demands," she says.

If your credit union doesn't have in-house cybersecurity expertise, Lacke recommends hiring some through your insurer or a consulting firm that includes a thorough assessment of your cybersecurity program. The assessment should yield concrete steps you can take to reduce your risk exposure.

Be sure the risk assessment service you choose has experience with the current cyber risks faced by financial institutions. "Understanding what's happening right now in the cybersecurity environment—learning from other organizations' mistakes—is far less expensive than making them on your own," Lacke notes.

LOSS RECOVERY SERVICES

Another area of expertise many credit unions don't have on staff is cyber loss recovery.

Many cyber insurance carriers now give policyholders access to cyber recovery experts, because you may need more than just an IT pro who can plug the breach.

For example, for a ransomware attack, you may need technology experts and legal counsel to restore your system, recover your property and negotiate with the extortionist. For other types of data losses, you may require forensic specialists to determine how your network was breached and how much data has been stolen, exposed or sold on the dark web. These professionals may be able to learn whether any credit union employees or third-party partners were involved.

Also, depending on the type of cyber loss you suffer, handling the IT part of the recovery may be only the beginning of your responsibilities and costs. This is why the first-party cyber insurance coverages are so important, says Patrick Touhey, SVP, CUES Supplier member Allied Solutions (*alliedsolutions.net*), Carmel, Indiana.

LIABILITY ANXIETY

Touhey says when he discusses cyber insurance with credit union clients, their main concern is most often the third-person coverages relating to members' personal financial information being exposed in a data breach, resulting in lawsuits. He diagnoses this as "liability anxiety."

While Touhey acknowledges that boards and executives certainly should address cyber liability, which falls under third-person coverages, he says the dominant claim losses generally fall under first-person coverage for recovery costs.

A frequent recovery cost is complying with federal and state regulations regarding who must be notified, plus when and how the notifications are sent. You may need legal counsel to direct your response. And once notifications go out—or even before then if the breach has hit the news and/or social media—you must be ready to handle the fallout.

"Frightened, upset members call, wanting to know if their information was stolen, whether their accounts have been targeted or their credit scores damaged," Touhey says. "These things absorb hours and hours of employees' time."

"Understanding what's happening right now in the cyber-security environment—learning from other organizations' mistakes—is far less expensive than making them on your own."

— Chris Lacke

Third-person cyber insurance coverages can pay the cost of a consultant who knows your state's notification regulations and of an outsourced call center to handle follow-up calls and emails.

SECOND-WAVE LOSSES

Data breaches often spawn alarmist news coverage, but Touhey says more credit unions are realizing that the fraud losses that can follow these events are a bigger exposure. Thieves can turn stolen or leaked data into phishing campaigns, loan fraud, fake wire transfers and other crimes more easily than ever.

"Remote services are a blessing to [thieves]," Touhey says. "They're not being directly observed. Their body language isn't being assessed. These are mainstays of due diligence."

Fraud losses typically fall under fidelity bond coverages, rather than separate cyber insurance. Touhey says he's seeing more credit unions increasing coverage limits for these types of losses when renewing their fidelity bonds.

MORE OPTIONS, BETTER PRICES

Touhey estimates that about half the CUs he worked with five years ago opted for cyber insurance policies. Now, almost all of them have the coverage, and many are increasing their policy limits to match the increasing risk. He says the credit union insurance industry is adapting—more companies are offering coverages, and competition is making it more affordable.

The insurance industry is also tailoring new cyber insurance coverages to the emerging threats. For example, Touhey mentions two coverages that are becoming widely available:

- **Dependent business income loss** (a.k.a. dependent business interruption): This pays for losses from business interruption

Pandemic's *Lagging Impact on CPI*

Unlike cyber insurance, the coronavirus crisis seems to have dampened the demand for collateral protection insurance. "It seems counterintuitive," says Trace Ledbetter, EVP/claims services at CUESolutions provider State National (*statenational.com*), Bedford, Texas. "You'd think that in a weakening economy, fewer people would be able to get their own insurance. But it's been the opposite."

CPI covers a credit union's losses when members default on a collateralized loan, and the collateral—such as a vehicle—is damaged or lost and uninsured.

CUs typically have one of two types of insurance to protect collateral:

- **"Tracked" or "force-placed" programs** in which CPI is provided to the lender to cover collateral when members don't present proof that the collateral has valid insurance. The CU may choose to add the cost of premium payments to the members' monthly loan payments.
- **"Blanket" policies** provide coverage for all loans in a portfolio—regardless of whether the member presents proof of insurance coverage.

A way to measure demand for CPI is by looking at the percentage of a CU's total number of collateralized loans for which insurance is force-placed. Ledbetter says he's seen this percentage trending lower since the pandemic, and he suggests five reasons:

1. Slow auto lending. Through Q3 2020, new vehicle sales were down 4.3% over Q3 2019, with total vehicle loan growth of only 1.2%, according to CUNA and CUNA Mutual Group—Economics.

2. Temporary reprieve from some expenses. Living expenses for many Americans have decreased in 2020 and into 2021. They're staying home, spending less on restaurant meals, entertainment, gas, etc. Also, some large auto insurers have reduced rates and issued partial premium refunds.

3. Government's economic relief benefits lowering loan delinquency rates. Stimulus checks for taxpayers, extended unemployment benefits and Payment Protection Program business loans have blunted some of the coronavirus's economic impact.

4. Repossession limits. During the pandemic, many states implemented limits on private creditors for foreclosures and repossessions of collateral.

5. Traditionally strong relationship between members and CUs. CUs are more likely to work with members to avoid repossessions, leading to better payment behaviors.

MANAGE INCREASING CPI RISK IN 2021

The economic fallout of the pandemic in 2021 is likely to reverse the effects of the five factors above that have held collateral losses in check, Ledbetter says. He recommends these collateral protection strategies:

- **Don't make short-term decisions on CPI.** Even if your collateral losses haven't increased significantly early in 2021, be wary of accepting more collateral risk given the uncertain economic terrain.
- **Protect motorcycles and RV loans with CPI.** CU portfolios have gotten a boost from loans for recreational vehicles during the pandemic. But these are often among the first collateral types that members leave uninsured during financial downturns, and they're highly susceptible to damage, theft and loan defaults.
- **Be sure it's easy for members to confirm collateral insurance.** When your CPI provider notifies members to provide proof of insurance, the members and/or their insurers should be able to use the most convenient channels, including email and text messaging, to respond.

Using a third party to administer your CPI program is a risk management tactic, but Ledbetter reminds that it's also a point of contact with members. Handling it poorly reflects on your CU.

"Every credit union has a unique culture that members gravitate toward," Ledbetter says. "Work with CPI vendors who will customize their contacts with your members and treat them as you would."

“Remote services are a blessing to [thieves]. They’re not being directly observed. Their body language isn’t being assessed. These are mainstays of due diligence.”

— Patrick Touhey

caused by a third party’s system being hacked. For example, this might kick in if you have to shut down your lending operation for days because a vendor’s loan processing system is breached or frozen in a ransomware attack.

- **Betterment**: If an unsuccessful breach attempt reveals certain cybersecurity improvements you could make in your computer systems/programs, this coverage pays the cost of these improvements.

THE HUMAN FACTOR

While insurance can help to mitigate the aftermath of cyber incidents, insurance can’t prevent all of the hardships that credit unions, employees and members will face should a cybersecurity breach actually occur.

When fraudsters do get through, reputations and credit scores can be tarnished. Feelings that members and staff may have of mistrust, anger and stress will take some time to heal. And, just to add insult to injury, it is often the case that credit unions that are victimized once are likely to be targeted again.

This is why the best policy, according to both Touhey and Lacke, is to prepare employees to spot potential cyberthreats and fraud before losses occur.

Online programs that train employees on what various forms of phishing look like can be effective, especially with follow-up testing in which employees are regularly sent mock phishing emails. (For an offering from CUES, visit *cues.org/firstline*.)

Lacke also mentions tabletop training exercises for cyber incident responses. In these, any staffers who would be called upon to respond to, say, a data breach, will gather in a room and simulate what they would do to identify and respond to the breach. The idea is to make mistakes in a safe environment and then learn from them.

“When I look at the claims data and see how much exposed personal information comes from human error, I think that could happen to any financial institution, regardless of size or complexity,” Lacke says.

Glenn Harrison *writes for* Credit Union Management *from Stoughton, Wisconsin.*

MORE ON CYBERSECURITY

Closing the Gaps (*cumanagement.com/1220closing*)

Testing Fraud Defenses (*cumanagement.com/0720fraud*)

First Line of Defense™ (*cues.org/firstline*)

Unlocking *Leadership Potential*

EMPLOYEES HOPING TO ASCEND TO THE NEXT LEVEL OF MANAGEMENT REQUIRE DEVELOPMENT AND SUPPORT TO SUCCEED.

BY PAMELA MILLS-SENN

The prospect of promoting a valued employee to a new position is appealing—the credit union stands to benefit by retaining a knowledgeable employee, and the promotion presents opportunities for the employee's growth and skills enhancement. But accurately identifying whether someone is ready to assume greater responsibilities can prove challenging.

"It's common for many organizations to promote high-performing individual contributors into management roles. That's not inherently a bad practice; on the contrary, it's laudable. That said, often what makes someone a strong performer in an individual role doesn't automatically make someone a great manager," says Rich Gravelin, director of strategic alliances for Harvard Business Publishing (*harvardbusiness.org*). Headquartered in Brighton, Massachusetts, the not-for-profit organization is owned by Harvard University and affiliated with Harvard Business School.

Gravelin's assessment can be true for both individuals under consideration for a first-time foray into management or middle managers, he notes.

"Similar to the challenges credit unions face

when identifying first-level managers, [those who are] selecting high-potential candidates for senior roles need to recognize just that—the *potential* someone displays to become a leader," Gravelin says. "These roles require an ability to think strategically and shape culture—among many other things—and that typically is different than the role a line manager fulfills."

IDENTIFYING POTENTIAL LEADERS

Jennifer Stangl, director of professional development for CUES, says credit unions can better their chances of identifying the right person by understanding the leadership qualities important to the organization as well as to the position.

"This can be done by creating a competency model or key knowledge, skills and abilities of leaders," she explains. "Once this is available, it makes it easier for current leaders to reflect on the capabilities of their team and who might have potential."

Then, the organization should offer development opportunities aligned to the desired behaviors and competencies necessary to successfully lead at the different levels and to support the credit union's mission, Stangl continues. Also important are focused development plans aligning an individual's career goals with those critical competencies.

For someone under consideration for promotion, regardless of managerial experience, Stangl says it is important to understand the person's current capabilities, growth potential and desire to continue advancing within the organization.

"Bias can play a big role in identifying individuals for promotions or career advancements," she cautions. "Promoting the wrong individual can create turnover on a team ... and lowered performance and results."

Of course, identification is only the first step; if these employees are to succeed in their new roles, providing the tools and support they need is critical.

DEVELOPING FIRST-TIME MANAGERS

"Not all new managers will have the same development needs, but the typical first-time-manager training often treats them as if they do. This can lead to making the wrong investments in that person's development," says Gravelin. Instead, credit unions should tailor training to assist the manager in achieving the organization's goals.

"Development should be ongoing as opposed to episodic," he continues. "Give new managers space to learn. Support them when they make mistakes and encourage them to become continuous learners."

For example, employees of $353 million Heartland Credit Union (*heartlandcu.org*), Madison, Wisconsin, can participate in an emerging leaders group, says Angela Hanson, SVP/chief innovation officer. Heartland CU's 83 full-time and two part-time employees serve 22,500 members. The employee-run group is open to all and provides external training opportunities, networking and social events (currently on hold because of COVID-19) with leaders inside the credit union.

Front-line employees can also take advantage of a four-phase program that prepares them to become a universal service representative. In each phase, participants receive training within the different areas of the organization.

"[The program] allows employees to work with departments cross-functionally," Hanson explains. "This also creates better insight into future career opportunities for staff and gives our department managers a look into the employees' interests and skills."

> **"Bias can play a big role in identifying individuals for promotions or career advancements."**
>
> — Jennifer Stangl

Those hoping to move to a management position can take part in Heartland CU's manager training program. Designed to teach skills "in a fun and unique format," she says, it also includes a 12-week innovation project similar to the i3 program from the Filene Research Institute (*filene.org*).

"Building this program into our leadership training gives employees the chance to show their creativity through ideation, to create cohesion with peers to move a project forward, to show their perseverance for taking on a project on top of their current workload and the chance to build their presentation skills by presenting their project to our executive team," Hanson says. "Acquiring these skills will develop a more successful leader."

$885 million Credit Union West (*cuwest.org*), Glendale, Arizona, also provides training, development and mentoring opportunities for employees who have their eye on moving into management. The credit union has 182 full-time and nine part-time employees serving over 77,000 members, says Cathy Olague, VP/marketing and learning development.

Consider the CU's three-day leadership development program. Designed with ServiStar Consulting (*servistarconsulting.com*), Franklin, Tennessee, the comprehensive program covers topics like key attributes and skills of highly effective managers, delegation, team building, leadership exercises and more. The program also includes instructor-led training and content from CUES.

Future leaders are identified and suggested by managers at Credit Union West every year; recommendations are then reviewed by senior and executive management to confirm candidates have the necessary commitment and potential, says Olague. In 2019, nine employees participated.

Employees can also acquire, via the intranet, customized development plans based on their career objectives through the CU West Professional Development Center.

"Our L&D team will work with the employee and manager to identify career growth goals," Olague explains. "The next step is creating a professional development plan using a variety of resources, such as the CUES Learning Portal and pathways (*cues.org/membership*) and job shadowing." Employees have the opportunity to specify whether they want training that is focused on "proficiency/enrichment (growing in place); cross-functional (moving over within their teams); lateral (moving across the organization) or advancing (moving upwards)."

A new program launching this year is the "Day in the Life Program." Taking a formal, structured approach to ensure consistency across the organization, this program will allow participants to

MORE ON TALENT DEVELOPMENT

CUES State of Credit Union Training and Development Report (*cues.org/TDreport*)

Purposeful Talent Development: The Ripple Effect of Individual Development (*cumanagement.com/092820skybox*)

Employee Universities Keep Teams Learning (*cumanagement.com/0820universities*)

Step Up to Opportunity and Avoid Sabotaging Your Career (*cumanagement.com/podcast93*)

CUES Emerge (*cuesemerge.com*)

experience a workday based on their career aspirations, giving them exposure they may not have had to a particular area of the business, says Olague.

MOVING MIDDLE MANAGERS AHEAD

Olague describes the organization's business strategy as one purposefully designed to support and encourage employee growth.

"Team members from all levels participate in or lead project teams to successfully launch new products, services or efficiency initiatives," she explains. "This involvement propels employees in personal and career development by having a voice and a feeling of inclusiveness with each successful implementation."

Stangl considers challenging employees with these kinds of opportunities and exposing them to new responsibilities a best practice for the training and development of managers. Feedback and coaching are also important for employee development, particularly in terms of understanding how their work is benefiting the organization and their career growth.

"Often leaders can give a project or task to an individual knowing it will support their development without sharing this information with the individual," she says. "Providing the 'why' for a project can be helpful with engagement, motivation and awareness of future growth opportunities."

Organizations can take the same approach when readying a middle manager for increased responsibilities or a new position, Stangl says. Create a development plan, review the person's strengths and areas of opportunities, and establish goals aligned to those of the organization and the individual. And look ahead.

"Be sure that as an organization, you understand the expectations and competencies for leaders at this level and the next level to support growth and recognize strengths and gaps," she says. "Be cognizant of offering development opportunities for this population, including formal training and experiential opportunities."

For instance, this year, Credit Union West will unveil a new program for middle managers who want to advance their careers to the senior or executive leader level. Olague says the details are still being worked out but anticipates the CU West Corporate Leadership Development Program will take the form of a six-month manager immersion program where participants will spend time in each critical area of the organization. An executive management panel will review the leadership recommendations and interview the candidates.

Heartland CU uses career mapping to identify middle managers who may be poised to move up. Once identified, Hanson says the strategy is to involve them in critical projects and regularly meet with them, providing a forum for the sharing of ideas and receiving input. They're also urged to get involved in activities outside their credit union roles, such as CU advocacy and volunteering, participating in CU committees (such as the innovation committee or the employee advisory council, both giving direct access to executive team members) and to seek industry certifications.

What does Hanson think is important to keep in mind when developing the skills and talents of middle managers?

"Encourage them to step outside of their comfort zones," she advises. "This is where the true growth will evolve. Our environment is vastly changing around us. Great leaders need to become comfortable living in a fluid environment."

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

A New Member *Benefit*

CUES has launched a new member benefit, Harvard ManageMentor, an online tool designed to assist in the development of credit union employees at all levels. Developed in partnership with Harvard Business Publishing (*harvardbusiness.org*), Harvard ManageMentor provides access to over 40 self-paced courses, says Jennifer Stangl, CUES director of professional development.

"Each course offers concise lessons with videos from Harvard University faculty and other trusted experts, reflections and optional articles," she says. "A self-assessment is included in each course to demonstrate knowledge, followed by the creation of a plan to support on-the-job learning and application of the new knowledge."

Rich Gravelin, director of strategic alliances with Harvard Business Publishing, says Harvard ManageMentor enables organizations to make management training available to every employee.

"A new manager might benefit from courses like 'Delegating,' 'Team Management' or 'Writing Skills,'" says Gravelin. "A middle manager may find more value from offerings like 'Leading People' and 'Strategic Thinking.' Harvard ManageMentor is updated regularly, offering learners a mix of foundational training with the latest thinking in leadership."

The benefit is available to CUES Unlimited and Unlimited+ members (*cues.org/membership*).

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Constantly Improving *His Game*

2020 CUES EXCEPTIONAL LEADER RICKY OTEY NEVER STOPS REFINING HIS LEADERSHIP STYLE.

BY DIANE FRANKLIN

Ricky Otey, executive vice president and chief operating officer at $1.7 billion Sharonview Federal Credit Union (*sharonview.org*), has served as a top-level executive at several major financial institutions during a career that has spanned three decades. Yet even after amassing such vast experience, he still considers himself a student of leadership. Just two years ago, Otey completed his MBA at the age of 50. He's also a connoisseur of business management books, seeking out the best ideas in his never-ending quest to refine his skills.

"I take leadership very seriously," says Otey, who has been with the Indian Land, South Carolina-based credit union for 6 1/2 years. "I view leadership as a privilege, not a right. When you accept the responsibility of leadership, you take on responsibility for others. You forfeit your right to have a bad day. You forfeit your right to phone it in. People are counting on you to be consistent, to be honest and to be transparent."

Otey lives up to his own high standards for leadership, which made him a stellar choice for the 2020 CUES Exceptional Leader Award. Those who work with him most closely attest that he is definitely worthy of this award.

"One of Ricky's major strengths is his ability to build relationships," says CUES member Bill Partin, CIE, president/CEO of Sharonview. "He sets clear expectations with full accountability and does a great job of coaching those relationships. He's all about helping employees improve and become the best versions of themselves they can be."

A SIGNIFICANT IMPACT

Partin had only been at Sharonview FCU a few months himself when he hired Otey as COO in 2014. Otey came to the organization after spending nearly 25 years working for several large commercial banks, including Wachovia National Bank of Virginia (since acquired by Wells Fargo), where he rose to SVP, and Capital One (*capitalone.com*), where he served as EVP and Northeast USA market executive.

The experience Otey gained through these high-powered positions equipped him to make an immediate and significant impact at Sharonview. Within a few years, he was promoted to the additional role of executive vice president to reflect his growing responsibilities in assisting Partin with strategic leadership.

"Ricky has helped me create the culture that I wanted to create at Sharonview, where we place a premium on leadership," says Partin. "Not only does he bring great ideas to the table, but he also challenges me on my ideas and how to make them better."

Otey agrees that he and Partin have an effective partnership. "And it's grown to become even stronger over the course of these 6 1/2 years," he adds.

The duo have great discussions during their "Coffee With Bill" sessions, where they hash out ideas on a whiteboard. From these sessions emerged the idea to launch Operational Excellence, an organization-wide initiative that drives creative solutions for streamlining business operations and identifying new opportunities for growth. Otey was a natural to lead this program, which solicits input from all levels of employees at Sharonview. The improvements implemented through the Operational Excellence program include retooling the CU's card services program to provide greater efficiencies and adding greater flexibility to its mortgage portfolio by writing loans to conform to Fannie Mae standards.

"You give your biggest opportunities to your best people, which is why I gave this initiative to Ricky," says Partin. "Not only has Operational Excellence saved us hundreds of thousands of dollars, but it's also brought staff members into the limelight to present their great ideas."

AN ERA OF GROWTH

Sharonview FCU has thrived in the Partin/Otey era, experiencing a 40% boost in asset size from $1.2 billion to $1.7 billion and 60% growth in membership from 60,000 to 95,000. The CU, which has 17 branch locations serving markets in South Carolina and North Carolina, is poised to cross the 100,000-member mark in 2021.

Much of the growth has occurred because of a strong effort to raise consumer awareness of Sharonview in the communities it serves. "We've worked hard to turn 'Sharon Who?' into Sharonview," says Otey. "Most people had never heard of Sharonview because the organization did not invest a lot in branding and marketing. Bill and I have undertaken a deliberate strategy to change that. We've invested in our brand, launching a new brand campaign with a new logo. We've also reinvested in our branch network, opening several new branches and relocating others."

While Otey has had many noteworthy achievements during his tenure at Sharonview, one accomplishment stands out above all others—and that's how well the organization has navigated through the challenges of the coronavirus pandemic. The outbreak of COVID-19 in the U.S. coincided with Sharonview's move into a new 150,000-square-foot corporate headquarters in March.

"On March 10, we had 175 people working in this new building, and on March 11, I had to send all of those people home," Otey reports. "We had to get every employee set up to work remotely. We closed our branches and had to make sure we could service the needs of our 95,000 members without our systems going down."

Fortunately, Sharonview already had the digital infrastructure in place to meet the increased member demand for remote deposit capture and online/mobile banking. Otey expects digital transactions to remain strong even after the pandemic subsides. "We made some large investments in digital five or six years ago, and those investments are paying off now," he says.

By mid-year, branches had reopened with cleaning, social-distancing and mask protocols in place. Most back-office employees continued working from home but have adjusted well to remote work and remain highly effective in their duties.

"These last 10 months were nothing like what we had planned for 2020, but we delivered on behalf of our members and employees," Otey says. "We had financial goals and metrics to meet, and it's nothing short of amazing that we were able to meet those goals."

A PHILOSOPHICAL FIT

Otey's leadership style fits in well with the culture at Sharonview FCU, which focuses on collaboration and teamwork. He's a big fan of Patrick Lencioni, author of such well-known books as *Death By Meeting*, *The Five Dysfunctions of a Team* and *The Ideal Team Player*. He subscribes to Lencioni's belief that effective leadership is about process and structure.

"If you are a disciplined leader, you can create processes that will hold you and your team accountable and produce repeatable results," Otey says.

He also agrees with Lencioni's belief that organizations should hire for culture and train for skills. He and Partin are on the same page in this regard, hiring people who are collaborative and work well as part of a team.

"We are looking for team players who are hungry, humble and smart—and by 'smart,' I mean people smart," Otey explains. "If someone is intellectually smart but is unable to get along with others, that's not a person you want on your team."

A native of Virginia, Otey credits his mother, a pre-school teacher, and his father, a Baptist minister, for instilling in him a strong appreciation of education. He obtained his bachelor's degree, with a concentration in finance, from Longwood University (*longwood.edu*) in Farmville, Virginia, before embarking on his banking career in 1989. However, it was not until nearly 30 years later—while working at Sharonview—that he fulfilled his longtime goal of earning his MBA, which he obtained from Wake Forest University (*wfu.edu*) in Winston-Salem, North Carolina. He considers earning his MBA his second greatest achievement—right after marrying his high school sweetheart, Adriene, with whom he recently celebrated his 25th wedding anniversary.

Otey was chosen by his fellow students at Wake Forest as student leader and had the honor of delivering the commencement address during his MBA graduation ceremony. He took that opportunity to answer a question that many students had posed to him: Why did he feel the need to pursue a master's degree when he had already achieved what for many is the ultimate goal of a C-suite position?

"My answer to that question is, 'Leadership is a journey that you never complete,'" he reports. "I try to hire and surround myself with the smartest, most talented people I can find, but that doesn't mean I should overlook my own professional development. To be an effective leader, I know that I have to be constantly improving my game."

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

MORE ON EXCEPTIONAL LEADERS

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

Paddling Faster Than the Currents of Change (*cumanagement.com/1120paddling*)

Leading With Integrity (*cumanagement.com/1219leading*)

Up to the Challenge (*cumanagement.com/1119challenge*)

CUES Awards & Recognition (*cues.org/awards*)

CUES Welcomes Robnett and Romero *to Board of Directors*

Mark Robnett, CCE

Richard Romero

Mark L. Robnett, CCE, president/CEO of Justice Federal Credit Union (*jfcu.org*), Chantilly, Virginia, and Richard R. Romero, president/CEO of Seattle Credit Union (*seattlecu.com*), have accepted appointments to serve on the CUES board of directors.

"We're pleased Mark and Richard have agreed to bring their expertise, wealth of knowledge and leadership experience to our boardroom, and I look forward to the contributions they will make," says John Pembroke, CUES president/CEO. "In these challenging times, it is vitally important that we have accomplished leaders and diverse viewpoints guiding us from the boardroom."

The addition of Robnett and Romero will increase the overall diversity of what is a historically gender-diverse board.

"I'm excited Mark and Richard have accepted the invitation to join us on the CUES board. I have no doubt the fresh new perspectives they'll bring to the table will help guide CUES to a strong future," says Kelly Marshall, CCE, ICD.D, CUES board chair and CEO of Summerland Credit Union (*sdcu.com*), British Columbia.

Robnett leads $868 million Justice FCU, which serves more than 60,000 members of the justice and law enforcement community. He has a proven record of accomplishment, with experience providing fiscal, strategic and operations leadership. Under his leadership, he has initiated a "member service-driven" philosophy introducing the latest in technological advances, such as biometric identification and facial recognition. He also holds the Certified Chief Executive designation, earned by graduating from CUES CEO Institute (*cues.org/ceo-institutes*).

Robnett also serves on the board of CUESolutions provider PSCU (*pscu.com*) St. Petersburg, Florida. He attended Oakland University, where he completed undergraduate coursework with a focus in management information systems.

Romero heads up $896 million Seattle CU, which serves more than 50,000 members across Washington. Under his leadership, the credit union has rebranded and shifted its focus to serving Seattle's low-income areas. The institution was awarded a Juntos Avanzamos certification (*juntosavanzamos.org*), which recognizes credit unions for their service to the Latinx community. In 2018 Romero was awarded the Trailblazer CEO of the Year by *Credit Union Times*.

Romero holds a Bachelor of Science in organizational management from the University of La Verne in Los Angeles County, California. He also serves on the boards of Inclusiv (*inclusiv.org*), an industry organization focused on community development credit unions, United Way of King County, and YWCA of King and Snohomish Counties.

CUES Inducts Two *Into Hall of Fame*

Stewart Ramsey, CCD, CCE, CIE

Maurice Smith

In an online ceremony in November, CUES inducted two credit union executives into the CUES Hall of Fame. Inductees are recognized for their contributions to their profession and the industry, involvement in community service, education and a history of self-improvement, and contributions to CUES. The 2020 inductees were:

Stewart Ramsey, CCD, CCE, CIE retired president/CEO of Pen Air Federal Credit Union (*penair.org*), Pensacola, Florida, who served as CUES board chair from November 2018 to July 2020;

Maurice Smith, president/CEO, Local Government Federal Credit Union (*lgfcu.org*) and Civic Federal Credit Union (*civicfcu.org*), both in Raleigh, North Carolina.

Online Learning

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

JAN. 12
12 p.m. Central
Elite Access: Leading Change for Growth Post COVID-19

JAN. 14
1 p.m. Central
Webinar: Fraud Insights with Experian

JAN. 20
12 p.m. Central
Elite Access Virtual Roundtable: Board Liaisons, Preparing for a New Year

FEB. 3-MARCH 4
CUES School of Business Lending™ I: Business Lending Fundamentals

FEB. 4
12 p.m. Central
Elite Access Live Q&A: Looking Past the Fear and the Noise: The Economic Forecast for 2021-2023

FEB. 17
12 p.m. Central
Elite Access: Succession Planning for New Normal—Future Trends & Practical Guidelines for Building the Talent Pipeline

FEB. 17-APRIL 13
12 p.m. Central
Diversity, Equity and Inclusion Cornell Certificate Program

AD INDEX

To advertise, email *westonk@cues.org* or *carlak@cues.org* or visit *cues.org/advertise*. CUES members, partners and Supplier members are noted in **bold**. CUESolutions providers are noted in **yellow**.

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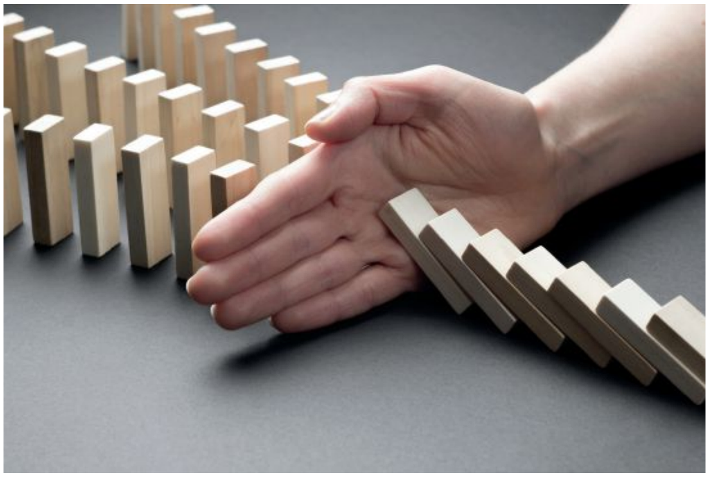
2021 EVENTS CALENDAR

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

February 2021			
CUES School of Business Lending™ I: *Business Lending Fundamentals*	Online Event	**February 3—March 4**	cues.org/SOBL
Diversity, Equity, and Inclusion eCornell Certificate Program	Online Event	**February 17—April 13**	cues.org/eCornell-DEI
March 2021			
Execu/Summit®	Sun Valley, ID	**March 7—12**	cues.org/ES
Strategic Human Resources Leadership eCornell Certificate Program	Online Event	**March 17—May 11**	cues.org/eCornell-HR
CUES School of Business Lending™ II: *Financial Analysis and Diagnostic Assessment*	Online Event	**March 31—April 29**	cues.org/SOBL2
April 2021			
CEO Institute I: *Strategic Planning*	Online Event, The Wharton School, University of Pennsylvania	**April 12—16**	cues.org/INST1
Strategy and Digital Marketing eCornell Certificate Program	Online Event	**April 21—June 15**	cues.org/eCornell-Marketing
CEO Institute II: *Organizational Effectiveness*	Online Event, Samuel Curtis Johnson School of Management, Cornell University	**April 26—30**	cues.org/INST2
May 2021			
CEO Institute III: *Strategic Leadership Development*	Online Event, UVA Darden Executive Education	**May 3—14**	cues.org/INST3
CEO/Executive Team Network™	Austin, TX	**May 16—18**	cues.org/CNET
June 2021			
CUES School of Business Lending™ III: *Strategic Business Lending*	Online Event	**June 2—July 1**	cues.org/SOBL3
Governance Leadership Institute I	Toronto, Ontario, Canada	**June 6—9**	cues.org/GLI
Governance Leadership Institute II	Toronto, Ontario, Canada	**June 9—11**	cues.org/GLI2
Execu/Blend™	Santa Barbara, CA	**June 13—16**	cues.org/EB
July 2021			
School of Business Lending I: *Business Lending Fundamentals*	Cleveland, OH	**July 19—23**	watch cues.org
Supervisory Committee Development Seminar	Amelia Island, FL	**July 26—27**	cues.org/SCDS
Director Development Seminar	Amelia Island, FL	**July 28—30**	cues.org/DDS
August 2021			
CEO Institute III: *Strategic Leadership Development*	UVA Darden Executive Education	**August 8—13**	cues.org/INST3
Execu/Net™	Whitefish, MT	**August 15-18**	cues.org/EN
Watch cues.org for more details			
Strategic Innovation Institute™	Stanford University, Stanford, CA	**TBD**	cues.org/SII



5 Reasons You Need a Crisis to *Drive Transformation*

BY URI KOGAN

There's a saying that a crisis is a terrible thing to waste. What it actually represents is an opportunity–and the space–for change that normally isn't available. Here are some of the key hurdles that usually stand in the way of transformation.

1. CHANGE IS UNCOMFORTABLE

More to the point, the status quo is comfortable. We all take comfort in our routines, whether it's a particular procedure for closing the books, a familiar organizational structure and known colleagues, or the same stretches and workout routine every morning. Breaking out of your comfort zone is both difficult and not always seen as providing worthwhile rewards.

2. INCENTIVES AREN'T ALIGNED

Every department and partner is driven by different objectives or key performance indicators. Revenue teams want to hire ahead of predicted growth, while finance wants to see proof first. Companies with capabilities complementary to yours want to explore building the adjacent capabilities you deliver, rather than investing in partnerships. Suppliers and buyers are more invested in building long-term relationships and goodwill than in making sure every payment and collection is right on time. Without aligned incentives, finding a way to work together toward new and positive outcomes becomes arduous.

3. STAY IN YOUR LANE

Teams tend to stay in their own swim lanes to avoid change. The members of the compliance department will keep to themselves, as will those in invoice processing. They have little need to talk to each other. If they need to align processes or computer systems, for example, they work methodically through that alignment, raising every possible objection and potential hurdle. The goal is to ensure the solution is correct, of course. But wading through the red tape of heavy opposition also serves to minimize transformation.

4. COMPETING INCREMENTAL INITIATIVES

In prosperous times, there are many attractive opportunities for an organization to invest in growth. From management's point of view, focus is difficult to maintain and it becomes too easy to spread capital and management attention too broadly. Because there are many "easy wins," these more incremental proven ideas tend to fill up the investment budget.

5. IF IT AIN'T BROKE, DON'T FIX IT

Persuading others to make changes is harder when the economic sea is calm and fortunate winds fill your sails. By definition, a crisis breaks things, and the fixes required can provide the impetus for changes that would be seen as too radical under normal circumstances.

Uri Kogan *is VP/product marketing at AppZen (*appzen.com*), San Jose, California, a leading AI platform for modern finance teams.*

Read about two more hurdles and leave a comment at cumanagement.com/122320skybox.

"If you can't find talent that doesn't look like you, you're not giving your hiring efforts enough attention. Are you telling the same people you always tell when you have an open position when, if you think about it, you know people who might be able to help you broaden your candidate pool?"

Jennifer Stangl, director of professional development at CUES, in "Purposeful Talent Development: Be Intentional About Removing Bias From Your Pipeline for People" on CUES Skybox: *cumanagement.com/113020skybox*

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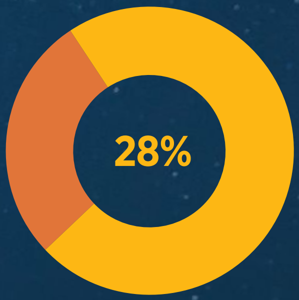
It's a good time to review your retention and succession planning strategies. Across all credit unions, 28% of CEOs are getting ready to retire.[1]



1. According to the 2020 *NAFCU–Gallagher Executive Compensation and Benefits Survey.*