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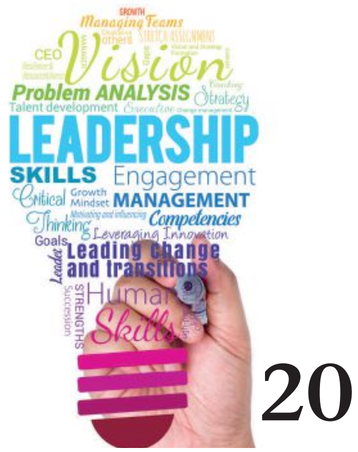

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Theresa Witham • *theresa@cues.org*

SENIOR EDITOR
Lisa Hochgraf • *lisa@cues.org*

EDITOR
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VP/MARKETING
Nicole Morrison • *nicole@cues.org*

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Kari Sweeney • *kari@cues.org*

SUPPLIER SOLUTIONS MANAGER
Loriann Mancuso • *loriann@cues.org*

SUPPLIER SOLUTIONS COORDINATOR
Rina Salverson • *rina@cues.org*

DIGITAL MARKETING SPECIALIST
Molly Parsells • *mollyp@cues.org*

DESIGN & PRODUCTION
Sara Shrode • *sara@campfirestudio.net*

ADVERTISING/SALES MANAGERS
Carla Kalogeridis • *carlak@cues.org*
Phone: 313.300.0547

Weston Kalogeridis • *westonk@cues.org*
Phone: 313.610.8092

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Comments, suggestions and letters can be sent to **theresa@cues.org**.
TWITTER: @tawitham
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Don't Forget Yourself During *Back-to-School Month*

"What are the most critical credit union leader behaviors needed to drive effectiveness and relevancy for the industry in the next three to five years?"

That is the question CUES asked credit unions last year in a joint research project with TalentTelligent (*talenttelligent.com*).

Responses came from across asset sizes and geography, all staff levels and functions, and board members. The top three leadership behaviors identified as critical were vision and strategy formation; leading change and transitions; and critical thinking. View the full list of 11 top practices in our story on p. 20.

The researchers stress that the competencies needed will vary by credit union and depend on each organization's strategy and goals. For example, leading change and transitions will be more important for a credit union that includes mergers as a strategy or one that needs to update its core processor soon.

This list of competencies is a great place to start when planning your own development and that of your teams. How would you rate yourself and your team members against each skill? What areas need improvement? Where are your personal gaps, and where does your credit union have gaps?

To aid your thinking, CUES has a free resource at *content.cues.org/plan23* that you can use to create a personalized development plan for 2023. At that link, you'll find resources, online courses, designation programs and in-person events for everyone on your team, including emerging leaders, executives and board members.

If dedicating time to development next year seems daunting with everything else that's going on, keep in mind that most of our Harvard ManageMentor (*cues.org/hmm*) courses take just two hours to complete, and the topics cover each of the 11 competencies identified in the research as important for leading a credit union. That's not a lot of time to commit to developing the leadership behaviors your credit union most needs for the future!

I recently took the Harvard ManageMentor time management and delegating courses and have already implemented new practices from both. For example, writing this column was on a Post-it note as one of the three most important tasks I needed to complete today, a tip I learned in the time management course. Those two courses work really well together, and I highly recommend taking them back-to-back.

September is back-to-school time, and I plan to take at least one more Harvard ManageMentor course before the month is up. Won't you join me?

Theresa Witham

Theresa Witham
VP/Publications & Publisher

P.S. Join your fellow CUES members for our 2022 Member Appreciation and Awards Event on Oct. 20. Sign up at *cues.org/mae*.

YOUR THOUGHTS

WHAT SKILLS DO YOU NEED TO DEVELOP TO LEAD YOUR CREDIT UNION IN THE NEXT THREE TO FIVE YEARS?

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

In Strategic Planning, *the Board Owns the Race Car*

BY LISA HOCHGRAF

During a session of the High Performing Boards Digital Series (*cues.org/hpb*), presenter Steve Morrissette likened staffing a board-level strategic process to staffing a winning race car.

"All the best practices literature suggests that the CEO [and] the executive team should drive the process," explained Morrissette, visiting professor of strategy at the University of Chicago Booth School of Business. "Sometimes they'll use a consultant to help with the engineering, but the executive team, especially the CEO, needs to drive the strategic planning process."

While the CEO is the driver of the strategic planning process, Morrissette believes it's important for the CEO to have conversations with the board chair about what process will be used, then make sure the full board is in agreement with the approach.

"The CEO should recommend a process, but the board has to be bought into not just the final strategy but the process by which we're going to develop the strategy," he said.

The board makes additional key contributions to the strategic planning process, Morrissette emphasized.

"We, as the owner of the race car, as the board who represents the member-owners of the race car, we have a role in this process," he said. "We're not just here to watch the race. We're not going to get in the driver's seat. We're not going to grab a wrench and try to change the spark plugs. But we have a role and we're going to talk about what that proper role is in that process."

Whereas the executives draft, develop, design, propose and execute a strategic plan, Morrissette offered a variety of words to describe what the board does during strategic planning. These verbs included: review, challenge, pressure-test, validate and question.

"We're more than approvers," Morrissette said. "We need to make sure it's the right strategic plan—the right race car for our ownership." In fact, he suggests the board needs to participate in several ways: by validating the work, creating a dialog with management about the strategic plan, approving the plan and allocating resources to it.

Morrissette quoted management great Ram Charan on the relationship between the board and CEO in strategy building:

"The best strategies are born from management's analysis and creativity, coupled with the board's incisive questioning and probing. The board should see the CEO and the top team present the strategy in their own words, then probe it, question it and offer opinions on it. In-depth interactions with management strengthen the strategy and ensure that it is realistic. As the strategy is reshaped and improved, management and the board reach a common understanding of it. In the end, directors will wholeheartedly support it."

REFINING AND OVERSEEING EXECUTION

Morrissette said another way to think about the board's role in strategic planning is as the "refiner's fire."

"We need to help the management team improve the strategy by asking questions, bringing that outside perspective," said Morrissette, who serves on several boards. "We're not just there to listen and applaud or approve. We are going to help the management team" to build the right strategic plan for the organization.

"The goal in the end is we all understand it, we all embrace it," he said. "We're ready for the hard work of actually executing the strategy over the next couple of years."

Indeed, after the strategic plan is in place and funded, the board's role turns to one of oversight and monitoring.

"You need to make sure as a board member that the strategy is turned into action plans with accountability, and those action plans have results, and you want to see those results measured," Morrissette said. "How they drive the car isn't up to us. But we want to see, are we winning races or are we getting the speed?"

Using a gardening analogy, he added, "If we measure how much the plant (in the backyard) grows every day, we're going to drive ourselves crazy. But if we ignore it for two years, we [might later] find out the plant withered and died, or we thought we planted a tomato plant and we actually planted a pepper plant. That's not what we wanted, so we make some changes."

HOW LOW SHOULD YOU GO?

Overall, the board should be focused on the conversation about "what" the organization should do, not "how" the organization should do it, Morrissette continued.

Thinking about football, the board might decide whether to build a running team or a passing team, but not which quarterback to hire, he suggested. Thinking about navigation, the board decides whether the organization goes east or west, but not which highway to take.

Morrissette acknowledged that consistently taking a big-picture view can be tricky in the highly regulated financial services space.

"The regulator requires us to get down on the ground in certain aspects of the business," he explained, "and expects board members to have a surprisingly on-the-ground knowledge. In some respects, it creates a bad habit." After dealing with the details of spending time in an audit committee meeting, for example, switching to a 10,000-foot view to do the higher-level thinking required for strategic planning can be challenging.

"You and your CEO need to dialog about 'What does 10,000 feet mean?'" Morrissette added. "What's the right level of engagement?"

Lisa Hochgraf (lisa@cues.org) *is senior editor for CUES.*


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Hit the Road, *App*

MEMBERS ALREADY DO THEIR BANKING ON THE GO; CREDIT UNIONS NEED TO HIT THE GAS TO CATCH UP.

BY ART CHAMBERLAIN

"Have branch, will travel" is the new slogan for many credit union members.

A growing number of members prefer to take their favorite branch with them everywhere they go, keeping it handy for when they need to deposit a check, transfer money between accounts or review their balances.

If that sentence left you with the image of a person burdened by a branch on their back, think again. For a significant slice of your members, their favorite branch is the one in their pocket—your mobile app—assuming it offers all the same services as your physical locations. Therein lies the challenge, one that some experts say credit unions are failing: Your app faces high expectations and strong competition from other credit unions, banks, neobanks and fintechs, not to mention the PayPals, Venmos and Apples of the world.

For the past several decades, one of the best ways to determine someone's primary financial institution was to ask where they did their checking. Now, the best determinant is which mobile banking app they use most.

"We're seeing now a mobile-only generation," says Preston Packer, chief marketing officer, FLEX Credit Union Technology (*flexcutech.com*), Sandy, Utah, a provider of core technology to more than 260 credit unions in 48 states. "Members don't want to go between the browser and an app. ... Whatever features have historically been available in that internet banking space, they expect those to be available in the mobile app."

MEMBERS ALREADY MOBILE

Packer says credit unions need to focus on member experience within the app to meet those expectations and needs. "We've transitioned quite capably not just as an industry but also as a society to kind of this app base. The experience

"Members don't want to go between the browser and an app. … Whatever features have historically been available in that internet banking space, they expect those to be available in the mobile app."

– Preston Packer

that a user has with those apps is going to determine whether they adopt it or not."

A recent study by J.D. Power highlighted the fact that consumers have not been impressed with their mobile banking apps, even though they have been using them more (*tinyurl.com/2yy2p3ft*). "Based on their experiences with other consumer apps and websites that anticipate their needs and offer a highly personalized customer experience, bank and credit card customers are expecting more from their digital solutions," said Jennifer White, senior consultant for banking and payment intelligence at J.D. Power.

Lack of personalization contributed to a drop in consumer satisfaction from the previous year, the study found.

In the financial services industry, mobile banking is the only distribution channel that is growing. Branch use is declining, a drop helped by the pandemic, while web-based banking is holding steady. The shift has been led by younger members, but the pandemic and growing comfort with online services and shopping has increased mobile use by all ages.

For example, during the pandemic, the percentage of Americans who said mobile banking was their preferred method increased to 44% from 33%, with Gen Z hitting 56% and millennials 51%, says a report by the American Bankers Association (*tinyurl.com/3ycwn2hf*). Only Gen Xers and baby boomers preferred online over mobile.

Sean Calhoun, VP/general manager of digital banking solutions for CUES Supplier member Fiserv (*fiserv.com*), Brookfield, Wisconsin, a provider of payments and financial services technology, says he expects mobile will become the primary channel for most age groups in the future, and it's the focus of Fiserv's development efforts. "For Gen X and younger, it's the channel people are using for their typical banking."

ROADBLOCK OR EXPRESS LANE?

Soon it may be unnecessary to use the word "mobile" in "mobile banking." Most members will simply refer to managing their money on their smartphones as "banking." The transition started 15 years ago when Apple introduced the iPhone and has gained steam in the past five years as networks and phones have become more powerful.

By the end of 2020, 78% of people worldwide were smartphone users, and this year alone, smartphone shipments worldwide are projected to hit 1.43 billion units (*tinyurl.com/2s4amkzk*).

Financial services is just one of the many industries upended by the rise of the smartphone. For example, the news business has been shaken to its core since 2010, first by the shift to online news and then by the rise of news apps and social media. The loss of readers, viewers and advertisers has left media giants and local outlets scrambling to survive.

Two-thirds of all online news activity will soon be on mobile phones, and that presents many challenges for news organizations to be able to communicate effectively in the new format, says a report by Johanna Dunaway for the Shorenstein Center on Media, Politics and Public Policy at Harvard's Kennedy School of Government (*tinyurl.com/bde3pscv*).

Credit unions face similar challenges determining how to successfully offer their services in the palm of a member's hand. But Packer notes credit unions have an advantage in the competition with fintechs and banks, because they know their members and have a relationship with them—in addition to having access to lots of valuable data, such as credit reports.

"What we have to do is take that relationship and use it so that the member does feel that engagement and they do feel like, 'Hey, my credit union knows me.' We have to take that information and turn it into actionable data," he says.

Calhoun notes an important shift in member behavior: For mobile users, banking is no longer an errand that involves a trip, or something they expect to focus on; instead, it has become one of the many things that are done while multitasking.

"So, you want it to be an experience that gets them in, enables them to very quickly do what they want to do, and then they can move on with their day," he says.

10-4, GOOD BUDDY

One advantage of the mobile channel is that it also allows credit unions to communicate with members immediately and directly as part of their daily life. Calhoun says CUs can do this through texts or notifications, messages within their mobile app, or through features in the app, such as an "agent chat that allows the credit union to be there when the consumer might need them, inside their mobile app, as they're trying to perform a banking function."

He says a credit union's focus on meeting members' needs will allow it to provide better service than a fintech or neobank.

"I don't believe we've seen the neobanks really want to have that high-touch relationship with their end users," Calhoun says. "Their focus is on a good digital experience but it's also very focused on automation and things of that nature, which is not necessarily where credit unions are looking. They're looking for that engagement and relationship with their members."

A report by CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, found nearly eight in 10 mobile banking users rated managing balance/fraud alerts as either "critical" or "important" features (*tinyurl.com/yt4rux5j*). The second most highly rated feature—by 74% of users—was the ability to turn payment cards on or off, followed closely by the 71% of users who said mobile deposit is a critical or important feature.

Calhoun says members will soon be able to view a more detailed history of their transactions that includes relevant data about where they made those purchases and perhaps even have the locations mapped with links to the merchant's website or email address.

This would help members who have questions about a transaction and also eliminate many questions to member service representatives about contested transactions, he says. "I think offering the ability for a member to dispute a transaction in the mobile app ... will be necessary for credit unions, beyond the ability to set up additional controls, set up alerts and view transactions."

FROM TRUCK STOP TO OASIS

Mike Duncan, founder/CEO of online and mobile technology company Bankjoy (*bankjoy.com*), says credit unions need to do more to replicate their member service capacity in a mobile world.

"The competitive advantage that we've seen credit unions have, which is providing really great service to people, is deteriorating because the mobile apps are not providing the bare minimum when it comes to online experience," Duncan warns.

The personal touch—the knowledge of their members that has allowed credit unions to tailor services and experiences in person—needs to be provided digitally. "We're not translating that good service into the digital world," Duncan says.

He urges credit unions to think about how they can help members achieve their financial goals through the app delivery channel.

"Even though they're not coming into a branch or not calling, when we have a personal relationship with them, how can we translate that personalized, tailored experience from the branch into mobile?"

Duncan says some legacy core banking systems have been a barrier for some credit unions because they haven't made it easy to innovate and offer fully featured mobile apps. In some cases, that has forced credit unions to try to stitch together solutions of their own by working with up to a dozen vendors. That approach can be inefficient and time-consuming, so Bankjoy, founded in 2015, now works with more than 65 credit unions to circumvent these challenges.

Duncan says credit unions need to use "more targeted and segmented messaging to ensure they're providing the right products and services to the right people at the right time." He notes that there are many marketing tools available to help credit unions do this via mobile and online banking, "but they need to adopt these tools and do a better job targeting the people who need services."

For example, he says credit unions should start providing mobile tools to give members a better understanding about how their money works and help develop better personal financial wellness.

"Most credit unions have not figured out yet how to grow beyond the basic table stakes features of digital banking to provide quality tools that are going to transform a member's life," Duncan says.

He notes that fraud is a growing problem that credit unions must help their members combat—ideally before an alert is even necessary.

"Criminals are finding more creative ways to take advantage of people, and instead of trying to break the systems and trying to break the technology, a lot of times now they're just calling them up and they're disguising themselves as someone from the credit union and asking for personal information they need to take over that person's account," he says.

He suggests credit unions fight back by providing more educational tools via app to highlight potential threats and make members aware of how they may be approached by criminals.

LOCKED UP TIGHT

By their very nature, mobile apps can actually help reduce fraud and make life tougher for crooks. The first step is the sign-in procedure, which can include requiring biometric matches, made easier by the latest iPhones and Androids, and two-factor authentication with SMS texts.

"You want [mobile] to be an experience that gets them in, enables them to very quickly do what they want to do, and then they can move on with their day."

– Sean Calhoun

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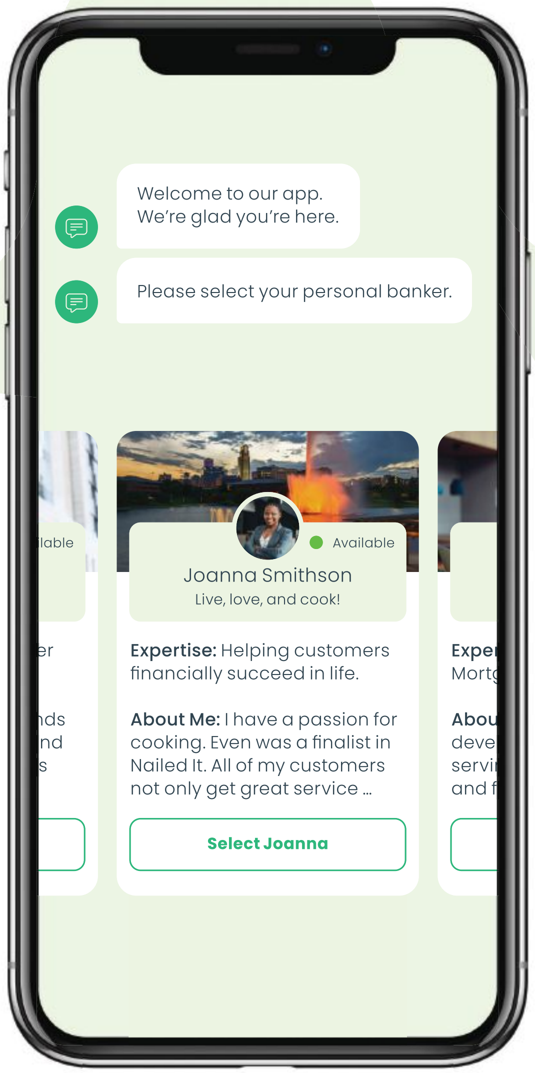

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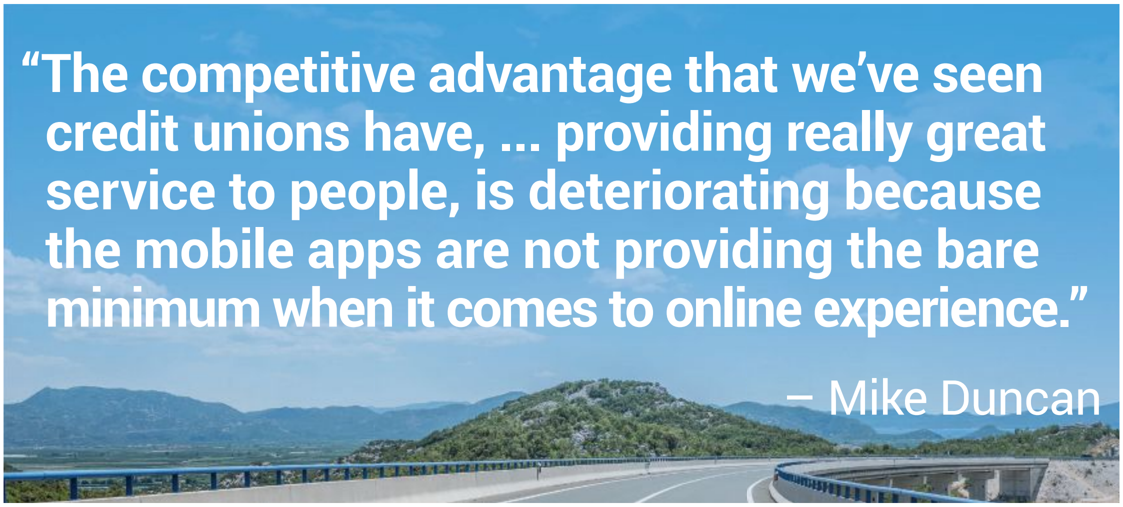

MORE ON MOBILE

A Differentiated Experience Is the Foundation of Your Fintech Strategy (*cumanagement.com/061522skybox*)

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Moving Toward Mobile Maturity (*cumanagement.com/0422mobile*)

Digital, Mobile and Contactless Usage Continues to Trend Upward (*cumanagement.com/120821skybox*)

Packer says he's careful about his privacy. "I'm the type of person that every account I own requires two-factor authentication, including a biometric. I have set up controls so that I'm getting notifications anytime the account is accessed."

He notes that banking in a mobile app can be much safer than a laptop browser. "Phishing increased exponentially during the pandemic, but if you're [banking] in a mobile app, there's no risk of getting an email and mistaking that for the credit union's mobile app. I'm not accessing a link or a web browser to connect to my [mobile] account. A perpetrator can't download an app to my phone, but they can disguise a link that makes me think I'm going somewhere I know."

Calhoun of Fiserv believes the biometric capabilities offered by mobile apps will continue to see more and more use. "I think that biometrics provide the best level of security that's available, as opposed to a user ID and password. A mobile app secured with biometrics may also be an access point for other channels."

He suggests many financial institutions would like to get rid of passwords and use the biometric security of their apps, so that "in the future, if you want to log into your web solution, there will be a component that takes place on the mobile application to verify your biometrics and then allows you to log in.

"The general view is that any place we can replace passwords is a better solution," Calhoun says.

Packer notes that one of the primary ways credit unions can help members avoid fraud is by making it easy to turn their cards off for new transactions while still allowing already-authorized payments.

THE AI ATTRACTION

A few years ago, there was widespread agreement that online banking and mobile apps should include personal financial management tools to allow consumers to aggregate their various accounts, cards and investments. That approach has not succeeded, in part because it relied on individuals to carry out the work. But now artificial intelligence is making it possible for apps to offer real-time, plain-language financial advice that can help consumers manage their money and their expenses.

Calhoun says this contextual method of personal financial management offers more value than the aggregation approach tried earlier.

Duncan notes that people at every stage of their life have financial challenges that credit unions can help meet with targeted advice in their app. Bankjoy also offers a conversational AI feature that lets people just talk to the device and check balances or arrange transfers, much as they might talk to Alexa or Siri when they want to play music or turn down the lights.

Bankjoy additionally uses AI to do segmented and targeted advertising that builds on all the data a credit union has to serve members useful offers.

"What I want to provide is an experience in the user interface and design, ... [a] thoughtful experience that's going to make people take a look at their app and say, 'Wow, my credit union really gets it. They really care about my experience, and you know, a lot of banks and credit unions don't do that,'" reflects Duncan. "You want to create this effect where this person is saying, 'Hey my friend or family member should go check out this credit union.'"

And, of course, you also want to create an experience that will inspire users to go to their app store and give your mobile offering a high rating, since that's a key place consumers will be comparing their options and seeking advice about what branch to put in their pocket.

Art Chamberlain *is a freelance reporter who focuses on the credit union system.*

Celeste Schwitters

Title: SVP/Head of Community Accounts

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The Best Branch *Configuration Today*

AIMING TO GROW COST AND STAFF EFFECTIVENESS, CREDIT UNIONS DEPLOY HYBRID, HUB-AND-SPOKE LOCATIONS.

BY STACY GITTLEMAN

Walk down Main Street USA these days, and you might notice that the regional commercial bank is gone. Moving into that space may be a newly constructed branch of your credit union.

In a September 2020 report, the National Credit Union Administration (*ncua.gov*), said 745 CUs had plans to add branches or expand facilities, and there were 21,000 CU branches nationwide.

But unlike the marble-pillared facades and cavernous interiors of financial institutions past, today's branches are smaller and sleeker. They've traded bulk and size for a robust array of technological and in-person offerings designed to compete with those of mid- and larger-sized commercial banks.

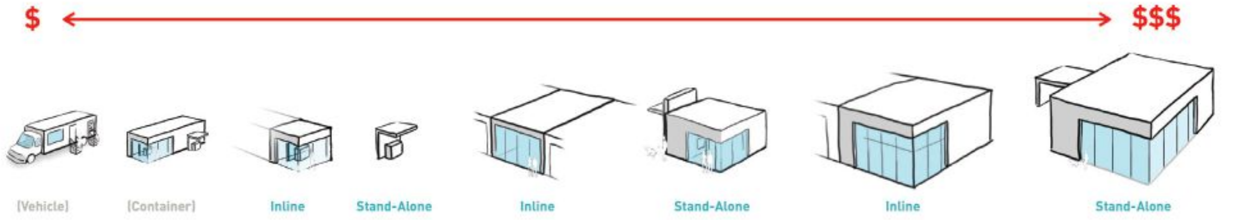
Steven Reider, president of Bancography (*bancography.com*), a CUES Supplier member based in Birmingham, Alabama, says the median size of a free-standing banking branch decreased from 3,900 square feet to 2,800 square feet, and an inline storefront branch has shrunk from 2,500 square feet to 1,800 square feet in the last 10 years.

Reider says the pandemic accelerated the pace of the migration of consumers to online and remote technology for simple transactions like deposits, withdrawals and transfers. A Statista report (*tinyurl.com/statistausmobile*) finds the number of digital banking users in the U.S. is expected to grow year on year between 2021 and 2025. Starting from roughly 197 million users in March 2021, the number of digital banking users in the country is forecasted to reach almost 217 million by 2025.

With deposits and withdrawals increasingly automated, branch employees can dedicate more time to higher-value tasks. This matters because branch technology functions support just 25% of sales, according to a 2019 McKinsey study (*mckinsey.com*). The biggest sales still involve human interaction.

"Transactions cost [banks and CUs] money (at about $2 per transaction if conducted by a human

THE RANGE OF BRANCH FOOTPRINTS



	Mobile	Remote	Micro	Full-Service
SIZE	-	100-600 square feet	1,000-2,000 square feet	2,500-3,000 square feeet
FTE	2	0	3	5
CAPEX	$150,000-$200,000	$200,000-$400,000	$500,000-$1 million	$1 million-$2.5 million
OPEX	$100,000	$200,000	$500,000	$1 million
SVC TECH	ITM/ATM	ITM/ATM	ITM/ATM, TCR	ITM/ATM, TCR

FTE = Full-Time Equivalents | CAPEX = Capital Expenditure | OPEX = Operating Expenditure | SVC TECH = Service Technology

Illustration credit: Adrenaline

teller), but sales earn credit unions money," Reider maintains. "Because they are freed up from cashing checks or transferring balances, credit union employees now have more time to help members figure out the best line of credit for a student loan or a home equity line of credit.

"Our most expensive resource is our human talent," he adds. "Now we've freed up that talent to provide the best service and greatest value to members."

With the disappearance of the midsized regional bank, Reider says there's a craving for person-to-person financial services with the human touch once given by smaller, local financial institutions. That's where CUs are stepping in to fill the void with branches that come in a range of sizes and services, says Reider.

He explains: "For banking customers, mergers created a lot of upheaval. The familiar loan officer or banker the customer had come to know is no longer there because mergers mean layoffs. Credit unions have come to see these mergers as an opportunity to move into this void by emerging as the proxy community bank in many markets."

Reider points to examples of the growing presence of such CUs as $8.3 billion Desert Financial Credit Union (*desertfinancial.com*), Phoenix, which operates 48 branches and service centers throughout Gila, Maricopa and Pinal counties, and $12.3 billion Vystar Credit Union (*vystarcu.org*), Jacksonville, Florida, which has 20 branches. In total, Reider says CUs are showing a dominant presence in 18 to 21 of the 50 largest metro areas in the country.

"The midsized commercial institutions that once sponsored the Little League or the art museum exhibit in the community are gone," Reider explains. "This is the realm where credit unions are having good inroads, and having the physical presence of a branch network is the ticket into that local audience."

Here's how CUs are deploying a hybrid environment of branch configurations to maximize cost savings and staff efficiencies while still growing membership and member satisfaction.

THE HUB-AND-SPOKE APPROACH

A popular and cost-efficient way for CUs to maximize their presence in a market is by adopting a hub-and-spoke branch configuration model that comprises one large hub location with several smaller satellite locations that may be no larger than a few hundred square feet.

Transforming a branch network to align with changing market needs is a strategic initiative that must be rooted in a data-driven understanding of the market and a CU's performance in that market, says Terry Johnson, director of advisory services at Fiserv (*fiserv.com*), a CUES Supplier member based in Brookfield, Wisconsin. Using a data-driven foundation allows a CU to build an end-to-end custom road map for branch network optimization, which may include such initiatives as market expansion analysis and potentially mergers and acquisitions, he says.

"A complete branch transformation … is a large undertaking," says Johnson. "It's certainly not a one-and-done proposition but a living and evolving process. So … having a comprehensive data- and market-driven road map is critical to guide you in making the right changes at the right time across your entire delivery network."

A March 2022 Fiserv-sponsored study conducted by International Data Corporation (*idc.com*) found that branch transformation gave smaller CUs the ability to compete with mid- and larger-sized financial institutions. By not reconfiguring, some of the smaller CUs in the study estimated they were losing $20,000 to $30,000 a year.

In terms of expense management, Johnson says that about 67% of a financial institution's noninterest expenses are tied into its physical delivery network. He says the hub-and-spoke branch network model is the best way to create the "network effect"—the premise that if a financial institution owns 3% of a market branch share, it should garner about 3% of the deposits in that market. If that percentage is bumped up from 6% to 10%, the institution begins to take in deposits of up to twice as much as its fair share in that market.

He explains: "A credit union … can't afford to garner 6%-plus branch share in a market by constructing branches that are 2,500 or 3,000 square feet. They must find a way to create that maximum presence in the market and do that with minimum spend. Deploying a hub-and-spoke branch network design creates efficiency and maximum presence without breaking the budget.

"Typically, there is one full-service branch with a footprint of about 2,500 to 3,000 square feet (hub), then several smaller branches (spokes)—all overseen by one branch manager by using technology," he continues. "The smaller branches can range in size from 2,000 square feet down to a self-service location with maybe about 100 to 200 square feet, and they can even include mobile branches. But all configurations are designed to achieve optimum and efficient presence with a consistent experience."

Unfettered from the overhead of extra square footage, Johnson says the CU can reallocate funds into technology that improves the member experience, training its live tellers to serve in higher-level financial advisory positions and replacing large vaults with a teller cash recycler (See the next section for more on TCRs).

"We are creating a world where there's more self-service transactions occurring within the branch, and then there's more efficiency and opportunity in terms of how we're handling member interactions inside the branch overall," Johnson says. "Employees are no longer tied to a teller station to supervise a teller drawer. ... They are now trained to meet and sit with members to have face-to-face interactions to discuss complex financial matters such as loans, mortgages and long-term investments."

Caitlin Tallar, senior interior designer at credit union design-build firm Momentum (*momentumbuilds.com*), Seattle, explains that although many CUs are cutting their bottom-line costs by shrinking branch footprints, some still want one larger branch per region to serve as a financial community center.

"Though some clients want to shrink their footprint and streamline efficiencies inside and out of the branch with technology like mobile apps, some of our clients still want a larger presence," says Tallar. "That can be done by adding a community room or other amenities to have a gathering space. And the virtual technology allows one associate to be available to a member in another branch, but it will feel more like a face-to-face interaction. So, while branches overall are getting physically smaller," CUs are still trying to provide places for people to gather and be in person.

TELLER CASH RECYCLERS

An article from teller cash recycler vendor Arca (*arca.com*) defines TCRs as "electronic devices that completely replace the cash drawer at a teller workstation. Tellers control cash dispense and deposits with a software command. The device automatically counts and sorts cash and dispenses and deposits and stores cash in between transactions in a certified safe. No one can access or even see the cash without issuing a software command."

Bancography's Reider says having a TCR or two can free up staff members to concentrate on higher-end transactions—equal to 1.5 full-time employee equivalents per TCR.

"The TCR offers the credit union much in staffing efficiencies as it eliminates the need for multiple tellers to be committed to sitting at one station," says Reider. "Instead of employing a branch with three tellers and two member service representatives, a CU can merge these two positions into a new position called a universal agent. This new position requires a bit of additional training and commands a bit of a higher salary. But paying three people at a 16% premium is a cost efficiency compared to paying five people."

Johnson adds that in addition to reducing the time a human teller counts cash by 80%, a TCR can serve as a secure, self-enclosed vault for branches with smaller square footage.

INTERACTIVE TELLER MACHINES

Interactive teller machines—also sometimes called interactive branch kiosks—emerged on the fintech stage beginning in the 2010s. An amalgam of an ATM and a video-banking application, an ITM can act as a regular ATM for basic cash withdrawals and deposits, but allows the member to engage a member service rep by video if needed, Reider explains.

The member rep on the ITM's video screen can help members with their cash transaction or more complex needs like getting cash even if they forgot to bring their debit card (the ITM can scan a driver's license to confirm the member's ID), opening a checking or share account, applying for a loan, adding overdraft protection or transferring funds.)

An ITM can be installed in a drive-thru, Reider adds, in which case the applications would be mostly for deposits and cash withdrawals; it can also be installed in a branch lobby to replicate many of the same services an MSR would provide.

Most notably, he says, an ITM is "driven" by a centralized agent in the CU's call center, not by branch staff, so one agent can fulfill requests at multiple ITMs across the CU's network, and the ITM can operate at night or on the weekend without having to reconfigure branch staff since call center agents are providing the services. Another perk of an ITM is making bilingual staff more available to members in various locations via the video screen.

According to a March 2022 white paper on the viability of ITMs published by Adrenaline (*adrenalineagency.com*), Atlanta, an end-to-end brand experience company serving the financial industry, 78% of facilities managers at financial institutions are generally satisfied with the presence of an ITM, mostly because of the quality of member experience the units deliver. Most report having an ITM in a branch lobby that is available 24/7. Half have this constant availability in a drive-thru setting. As part of an expansion strategy, 62% of the financial institutions that responded said ITMs are a critical component of their branch expansion plans. Johnson and his Fiserv team have partnered with Adrenaline to jointly deliver branch transformation services to Fiserv's credit union clients.

"As our clients have introduced the ITMs, which are integrated into the core of an institution's technology operations, they have been able to automate about 80% of the typical branch transactions," says Fiserv's Johnson. "Technology such as the ITM allows our credit union clients to shift all of those branch transactions into a self-service realm, and we see the adoption of ITMs moving at an increased rate."

Fiserv has worked with many credit union clients, including $1 billion Members Cooperative Credit Union, (*memberscu.org*), headquartered in Duluth, Minnesota, on branch transformation initiatives.

Members Cooperative CU spent time researching branch configuration models and leveraged its decisions on how to create a more consultive member experience while incorporating such technology as Fiserv's Verifast biometric solutions and the DNA core account processing platform. As a result of its efforts, the credit union was able to speed up service while providing better support and offering more in-branch options for members.

AI AND MOBILE MESSAGING

When it comes to proactively fostering personable member relationships that lead to higher-value transactions, Slaven Bilac, CEO of Agent IQ (*agentiq.com*), San Francisco, suggests that artificial intelligence, mobile messaging and chat are must-haves for CUs.

Bilac asserts that using artificial intelligence can lead to branch profitability and increased member satisfaction because it allows a branch staffer to develop a cumulative, in-depth relationship with a member that can't be matched by conventional call centers. This was especially true early on in the pandemic when call centers were completely inundated with calls.

"Agent IQ's financial clients value the human connection in creating relationships," explains Bilac. "AI and mobile messaging—something that customers are already familiar with because of social media—are far more effective and satisfying for customers than long hold times or being rerouted in the call center environment. Each time they called, they would have to start from scratch because the context of why they are calling is not preserved."

Because of the flexibility of the platform, a member types in their question, and their designated branch staff member can answer their specific question when in-branch foot traffic is slow.

Agent IQ says one client leapfrogging into AI for client return on investment is $278 million Pinal County Federal Credit Union (*pinalcountyfcu.com*), Apache Junction, Arizona. In the summer of 2020, the seven-branch credit union deployed Agent IQ's Lynq mobile app, branded as PCFCU Connect.

PCFCU Connect pinpointed what services members most frequently requested based on information harvested from mobile message conversations. They included auto loans (18%), credit cards (11%), home loans (7%) and personal loans (6%).

Pinal County FCU Branch Manager Rebecca Pena says these conversations led to preapproval of car loans of $50,000 and $34,000. Another PCFCU Connect member completed the process of securing a loan for $37,662 through the platform.

BRANCHES IN RETAIL SETTINGS

CUs also are bridging the physical and digital world in retail settings. $1.2 billion USE Credit Union (*usecu.org*), San Diego, teamed up with Momentum to design its Mission Valley branch. The space embodies the vision of the future of financial services in a retail space, offering top tech solutions and engaging personal encounters.

While the location was ideal, USE CU didn't want it to look like a typical mall business, so Tallar's team created a modern, personal interior designed to support the CU's service-first sales culture, including zones designed to quickly address visitors' needs and questions.

The reality of the real estate market is that while branch sizes are mostly shrinking, the area of rentable real estate in prime locations is not, Tallar adds. This can lead to CUs renting locations with more space than they may need, as was the case with this USE CU branch.

The design for the branch transformed otherwise unused back-of-house space in the branch into an ITM contact center, Tallar explains. Because the CU rotates staff between the retail branch and the on-site contact center, members see the same faces in the branch and on the ITM screens. This strategy helps to alleviate members' worries that the ITMs are eliminating jobs and their relationships with staff.

The location's three ITMs are available to help members 24/7, as the machines are partitioned from the rest of the branch at night. The setup has a high appeal to all age demographics, especially millennials and Gen Zers, she notes.

Still, all the technology does not detract from the value of interpersonal member associate relations. Whether big or small, Tallar says all CU branches should be designed with the intent of providing personal, face-to-face interaction.

"It's definitely a more open and less rigid setup, and that's meant to create a relationship with members. It's a place to discuss future financial goals and learn how USE can make that happen," says Tallar. "Yes, there are lots of inroads gained with virtual technology. That customer desire [for in-person meetings] is not going to go away."

Stacy Gittleman *is an 11-time award-winning writer based in West Bloomfield Township, Michigan.*

MORE ON FACILITIES

Facilities of the Future (*cumanagement.com/0522facilities*)

Bank Branch-Buying Opportunities Abound (*cumanagement.com/041921skybox*)

Facility Solutions: Is It Wise to Invest During Economic Uncertainty? (*cumanagement.com/0720facilitysolutions*)

Great Green Buildings (*cumanagement.com/0420greenbuildings*)

Facility Solutions: Closing Branches (*cumanagement.com/1219closing*)

"We are creating a world where there's ... more efficiency in terms of how we're handling customer interactions inside the branch."

– Terry Johnson

Leadership Competencies *for Credit Unions*

THESE ARE THE 11 SKILLS NEEDED TO BE AN EFFECTIVE LEADER IN 2022 AND BEYOND.

BY LIN GRENSING-POPHAL, SPHR

Over the past two-plus years, organizations, including credit unions, have had to find new ways to work, new ways to interact with employees and members, and now, even in the face of a return to quasi-normalcy, new ways of anticipating and operating in the future.

We will never be the same.

Amid this change and uncertainty, in the fall of 2021, CUES worked with TalentTelligent (*talenttelligent.com*), Winston Salem, North Carolina, a research-based talent management tool provider, to determine the most critical credit union leadership behaviors needed to drive effectiveness and relevancy for the industry. Respondents to the survey included credit unions across asset sizes and geography and individuals from staff level all the way up the board across CU functions. Findings are based on fully completed surveys from 73 respondents.

The foundational question the survey sought to answer was: "What are the most critical credit union leader behaviors needed to drive effectiveness and relevancy for the industry in the next three to five years?"

When considering the results of the research and the implications for individual credit unions, context is important, says Garrick Throckmorton, CSE, chief product and services officer and associate with TalentTelligent. The survey was done in the context of the credit union industry and provides insights from leaders across North America. "The next layer to this," he says, "if we were to work with an individual credit union, is to take this research and ask, 'How does this profile match what's important in our credit union?'"

For example, "a \$3 billion Pacific Northwest CU will have a strategy that's likely very different than a \$750 million Florida-based CU," he says. This research, "was intended to be a discussion starter."

THE LEADERSHIP LANDSCAPE

The 2021 CUES/TalentTelligent research was designed to paint a broad stroke across the industry to elevate the mission-critical roles and practices needed by our leaders over the near term—three to five years.

The most important practices identified by respondents, rank-ordered based on aggregate average, were:

- vision and strategy formation,
- leading change and transitions,
- critical thinking,
- growth mindset,
- motivating and influencing,
- leveraging innovation,
- developing others,
- problem analysis,

- engagement management,
- resilience and resourcefulness, and
- managing teams.

These research-based insights emerged through the study:

- The identified leadership practices were framed through the lens of four domains: leading myself, leading people, managing my thinking, and applying knowledge and experience.
- All practices are not created equal—some take more time and resources to develop.
- Credit union leaders of the future need advanced emotional intelligence capabilities.

Credit union leadership is what makes credit unions stand out—what provides them with their competitive edge, Throckmorton says. It's relatively easy for competitors to quickly "clone" ideas, products or services that CUs deliver. But, he says, the element that can't be stolen or cloned "is the ecosystem that you create around your talent and your people." That is the "market differentiator that creates sustainability."

KEY TAKEAWAYS

Based on the research, there are some important takeaways for credit unions and their leadership teams.

One key takeaway, says Throckmorton, is that credit unions "need to be looking at talent and talent management through the lens of research." Often, he notes, approaches can be too elementary or too simplified. "Human behavior is complex, and we need to be hiring people and developing people toward behavioral-based profiles that we know we can confidently say will drive effectiveness, given our strategies."

It's clear that effective leadership is critical for credit unions and other organizations to thrive. To be effective, talent management strategies must be aligned with organizational strategy and based on data across four key areas:

- interviewing and selection;
- self-directed learning and development;
- 360° surveys and coaching; and
- succession planning.

What came out through the research "is pretty reflective of what I hear in my conversations with CU executives, whether they're the CEOs or those in charge of HR and talent development," says Christopher Stevenson, CAE, CIE, SVP/chief learning officer with CUES.

Looking at the characteristics deemed most important—vision and strategy formation, leading change and transitions, and critical thinking—Stevenson says "these are all areas that people regularly point to as the most important for both emerging leaders and senior executives to develop."

All of the leadership characteristics are important, he adds—"it's just a matter of which are most important to focus on in the short term."

WHAT TODAY'S CREDIT UNION LEADERS NEED

Credit unions of all sizes recognize the need for a more concerted focus on leadership and the need for leaders to develop leadership competencies that are different from what they have been in the past.

Today's credit union leaders need to look different today than they did five or 10 years ago, reflects CUES member Jennifer Dickey, PHR, SHRM-CP, VP/talent and culture at $380 million Cornerstone Community Financial Credit Union (*ccfinancial.com*), Auburn Hills, Michigan. COVID-19, she says, "launched the evolution of a new workforce with different needs, emotions and motivations. The change was fast and furious, causing organizations and leaders to reevaluate not only what work will look like going forward but how they will contribute to the success of that work and define how they will lead."

Today's credit union leaders, says CUES member Tonita Webb, CCE, CEO of $794 million Verity Credit Union (*veritycu.com*) in Seattle, are faced with a number of emerging issues that they need to respond to—issues related to diversity, equity and inclusion, technology, the rise of fintechs and more. Traditionally, Webb says, CUs have been relatively conservative institutions, but that conservative nature won't serve them well moving forward. Today, "we have to be bold and ambitious." It's not about "throwing caution to the wind, but we have to set aside our aversion to risk."

Technology is also having a significant impact on credit unions and their members, Webb notes. "We need to be tech-savvy with a humanist lens." It's important to look at technology from a human perspective, she says—"how humans use technology, how humans navigate their lives—and we should not implement technology that causes our members pain."

In addition, CUs need to think about competition differently. "We have to think outside of our industry; we have to have a global mindset," she says. "It's not just other banks or credit unions that are our competition; we have to look at the fintechs and organizations like Amazon because they are dipping their toes in our business and they're creating expectations for consumers that we have to meet."

Credit unions need to understand what the competencies of their current leaders are, where the gaps are and how to provide the education, resources and support to close those gaps.

When evaluating her own leaders, Webb considers how they're spending their time and the extent to which they're being strategic. "Are they spending less time reacting and more time driving a transformative agenda? How frequently do I have to intervene in day-to-day operations? How are we developing others?" This is different than how she evaluated leaders in the past, she says, which tended to be based on metrics like how many loans were made or how many accounts opened.

Throckmorton says that the most robust way to assess leadership competencies is through 360-degree assessments or multi-rater assessment. These inputs can then be compared to the desired leadership profile for the CU based on its unique needs and goals.

HELP LEADERS DEVELOP NEW COMPETENCIES

Being intentional is important for developing leadership competencies and a best practice that successful CUs follow, says Stevenson. "They're intentional about providing development opportunities in the classroom but then also allowing employees to stretch their wings a bit by taking on some development exercises."

That, he explains, may represent tackling a stretch assignment on a project for the credit union, leading a smaller group project or chairing a committee for some task. These types of projects are not only an opportunity for leaders to demonstrate their abilities, but also provides "an opportunity to learn more about where their shortcomings are, and then to be coached by somebody who's more seasoned," he says.

To help credit union leaders develop the competencies they need, "The process of changing competencies takes some time. It takes education and some trial and error. The most important thing in this process is creating psychological safety that allows these folks to develop new competencies and not be so concerned when they get it wrong."

— Tonita Webb, CCE

Dickey says, "you must first identify the goals you want to achieve—lower turnover, higher engagement, more production, better service levels?" It's imperative "to align what your members, your employees and the credit union expect from the organization." Then, she says, it's important to "evaluate individual strengths and identify personalized areas for opportunity and growth."

This evaluation can be done internally or with the assistance of an outside consultant, Webb suggests.

While the board is responsible for ensuring credit union CEOs have the leadership competencies required to achieve CU objectives and may provide input to the CEO on desired leadership succession qualities, the CEO and leadership team will be responsible for development of other employees, Stevenson says. Once the leadership team determines the skills and core competencies that are required from their high-potential employees and outlines those priorities, the supervisors of those employees should develop individual talent development plans.

Training and development needs will vary based on the existing competencies, skills and experiences that individual employees have, Stevenson points out.

"You may find that somebody in your succession pipeline already has pretty strong management skills, for example," he says. "Maybe there's somebody who has been on a merger team or who has worked through a core conversion or something like that, but they may need some additional work in strategy." Development plans should be tailored to individuals, and their direct supervisors should regularly have conversations with them about how progress is coming along toward achieving that plan.

The HR and talent development team, Stevenson says, will play a role in checking in on a regular basis with supervisors to make sure that, as an organization, everybody is making the progress that needs to be made.

In this environment of change and shifting expectations for leaders, Webb says it's important to be patient. "The process of changing competencies takes some time. It takes education and some trial and error. The most important thing in this process is creating psychological safety that allows these folks to develop new competencies and not be so concerned when they get it wrong."

WANTED: A NEW KIND OF CREDIT UNION LEADERSHIP

Another critical point? As Marshall Goldsmith proclaimed back in 2008 (*tinyurl.com/2p8wydcc*): "What got you here, won't get you there."

Stevenson notes that many credit unions today are growing rapidly—and that growth requires different leadership. As credit unions grow through mergers and organically, their people strategies will change. He suggests having standing planning sessions focused on people strategy so the need for change isn't overlooked and so credit unions are constantly assessing, developing and positioning their leadership team for success in a rapidly changing environment.

"Many times, credit unions' people strategies lag behind their actual asset growth and the number of employees they have," Stevenson says. CU leaders need to make sure that they're regularly—at least on an annual basis—talking about their people strategy.

Lin Grensing-Pophal, SPHR, *is a writer and human resource management and marketing communication consultant in Chippewa Falls, Wisconsin. She is the author of* The Everything Guide to Customer Engagement *(Adams Media, 2014) and* Human Resource Essentials *(SHRM, 2010)*

TALENT DEVELOPMENT RESOURCES

Whitepaper: Key Competencies for Credit Union Leaders (*content.cues.org/cu-ld*)

CUES Consulting (*cues.org/cuesconsulting*)

Purposeful Talent Development: Why Credit Unions Should Offer Continuing Education for Employees (*cumanagement.com/062722skybox*)

The Playbook: Invest in the Indispensable in 2023—Yourself and Your People (*cumanagement.com/071522theplaybook*)

Pathways to Digital *Transformation*

ENGAGE ORGANIZATION-WIDE THROUGH DIGITAL VISIONING, PILOTS AND LEARNING.

BY MATTHEW J. HILL AND MARIO MOUSSA

In January 2020, a consulting client—we'll refer to them here as Major Metropolitan Credit Union—was coming off one of its most successful years ever. Member satisfaction scores had climbed to an all-time high. Profitability measures pointed to impressive financial strength. Ambitious plans to build new branches were forging ahead. Within a few short weeks, however, a deadly microscopic virus arrived and changed everything. Sick patients overwhelmed local hospitals, businesses shuttered their doors, and MMCU was thrust into an existential crisis.

Yet the COVID-19 crisis created opportunities for renewal as well. The pandemic accelerated changes already taking place in the CU's workplace culture. Throughout 2020, we documented the transformation to capture the ways that staff were improvising—sometimes in ways that suggested valuable new paths for going forward. We also created forums with leadership and front-line staff to reflect on these pathways. These discussions ultimately created an opening to introduce the notion of "digital transformation" as a means of building on the momentum of the newly emergent ways of working.

MMCU responded well to the crisis. Work that the CU's leaders and staff had done on breaking down silos and collaborating across departments made them more resilient as they transitioned to remote work. Their cooperative values also kept morale high. In contrast to big banks that reacted to the pandemic by slashing jobs, closing branches and forcing customers online, MMCU supported employees taking COVID-19 leave, opened a new branch and utilized its skip-a-pay program to assist members with delinquent auto and home loans. Meanwhile, branch employees stepped in to assist overwhelmed contact center agents who were flooded with phone calls. However, while MMCU was resilient, its leaders realized that they could be more resilient if their digital tools were more effective.

While digital transformation might seem like a daunting task, taking an incremental approach focused on leveraging pilot teams, organizational learning and digital visioning provides direction and a pathway for entering the work.

We build on our work with MMCU to discuss how credit unions can engage *organizationally* with digital transformation. For most people, digital transformation conjures ideas of the latest technology: mobile devices, cloud computing, artificial intelligence, blockchain. Yet while technology plays an important role in digital transformation efforts, we discuss how credit unions can lay the groundwork organizationally for successful digital change efforts. Specifically, we explore ways, including visioning and pilot projects, in which credit unions can connect the adoption of digital technologies with specific organizational needs. We also discuss how credit unions can create the right cultural environment and promote receptivity to digital change by creating learning organizations.

CRAFTING A DIGITAL VISION

"We need to have a shared vision and digital roadmap!" exclaimed MMCU's CEO a year into the pandemic. Through crafting an organization-wide digital vision, the CEO hoped to ensure that the objectives of the business units aligned with the overarching digital strategy. At that point, a number of pilot teams were already knee-deep in digital transformation work. These efforts focused on things like enhancing online collaboration, augmenting digital product training, working out the kinks in the member service request system, and streamlining MMCU's ever-expanding ecosystem of internal systems and applications. But these digital change efforts lacked a clear North Star. In this context, MMCU's leadership sought clarity about the digital vision to ensure that the pilot teams were rowing in the right direction.

In their book*, Lead from the Future: How to Turn Visionary Thinking into Breakthrough Growth* (*tinyurl.com/leadfromfuture*), futurists Mark Johnson and Josh Suskewicz describe one way to arrive at a compelling future vision. But before engaging in futuring, they lay out a caveat: that leaders should be wary of what Johnson and Suskewicz call the "present forward fallacy." This is the idea that organizations can simply extend their current way of doing things into the future through incremental improvements.

Blackberry learned the limits of that approach on Jan. 7, 2007. That was the day that Steve Jobs unveiled the first Apple iPhone—an iPod, phone and internet communicator in a single touchscreen device. Research in Motion's (*tinyurl.com/rinmblackberry*) decision to ignore Apple's threat and continue incrementally improving the Blackberry led to its loss of the handset war by 2013.

The story of Blackberry is the reason Johnson and Suskewicz urge leaders to extend their visioning horizon to a distant future and then work backward to the present. To be exact, they suggest looking five to seven years out, where the horizon appears fuzzy, like an impressionist painting. To identify that future, they challenge leaders to identify key "inflection points" in their industry. In the automotive industry, they point to autonomous vehicles. A world dominated by driverless cars would not only make car ownership obsolete, but also see auto insurance rates plummet, ride-sharing fleets boom and auto manufacturers cede ground to tech companies like Google and Apple.

Following Johnson and Suskewicz's lead, we embarked on a round of discovery-driven interviewing, encompassing MMCU's entire leadership team, key board members and a swath of visionary consultants. In driving those conversations, we sought answers to a set of core questions: What disruptive technologies could significantly change the cost-value equation of the financial services industry? How might these technologies impact the way that MMCU conducts its business? What type of financial problems might MMCU's members be trying to solve in 2030? How could MMCU help solve these problems? How might MMCU's working environment shift in response to changing markets and member needs?

Through these in-depth, multifaceted conversations, a key disruptor surged to the top: embedded finance. In their recent book, *Embedded Finance: When Payments Become an Experience* (*tinyurl.com/embeddedfin*), fintech thought leaders Scarlett Sieber and Sophie Guibaud distill the essence of embedded finance: Your money appears instantly and transparently in any context. Whether making a purchase with a smartphone in the grocery store, opting for buy now, pay later at the point of sale, or tipping an Uber driver through the Uber app, payments are made naturally and invisibly at the point of context.

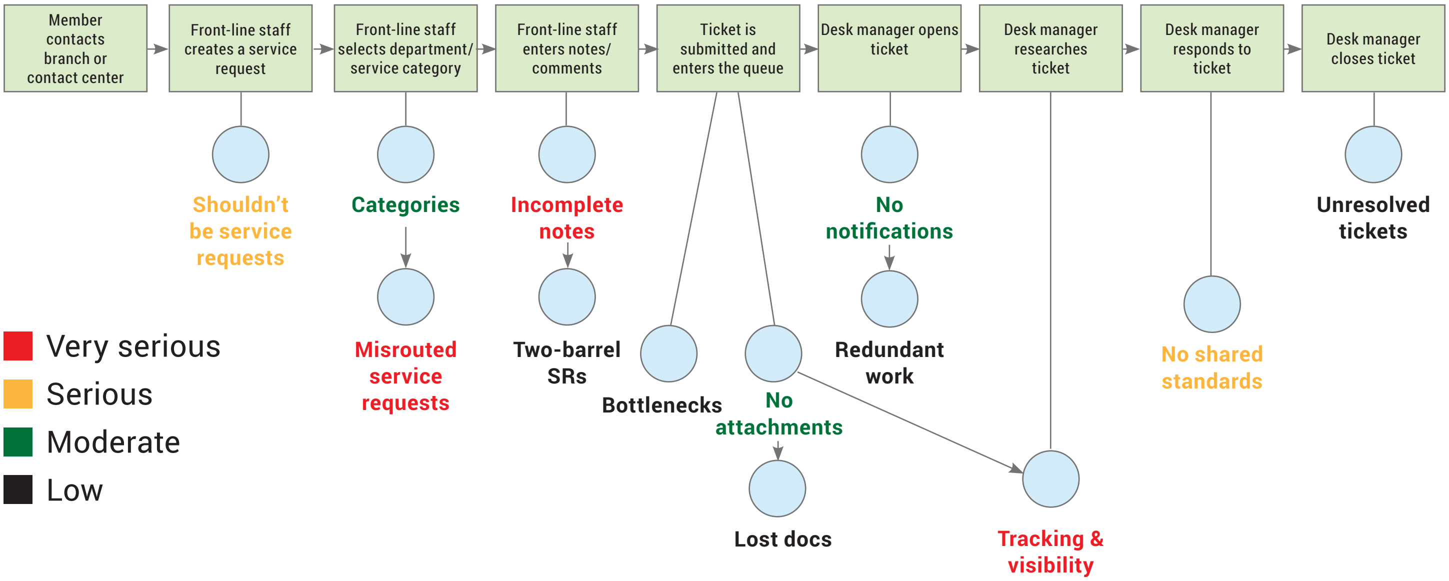
Steve Williams, president of CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona, further clarified the challenge of embedded finance, noting how it had crossed the moat that formerly protected the banking and credit union industries. By breaking down the financial services that banks and credit unions offer into their component services or "use cases" (e.g., making a payment, transferring money, borrowing money), fintechs have succeeded in embedding commerce anywhere. Examples might include Starbucks making it possible for customers to pay using a stored value card or Amazon allowing small-business owners to borrow money against their receivables.

In our work with MMCU, we captured the essence of this and other disruptive threats. We then facilitated a discussion with the leadership about how MMCU's business model might morph in response to these threats. From the conversation, it became clear that MMCU needed to continue to rely on easy payment and money transfer solutions like Zelle (*zellepay.com*) and Transfer Now (*transfernow.net*).

Given its size, MMCU also needed to partner strategically with fintechs that could help in areas like digital onboarding, loan origination and identify verification. To forge such partnerships, MMCU also needed to leverage its custom-coding capabilities to gain access to real-time data, eliminate data silos and leverage the benefits of data analytics driven by artificial intelligence.

Each of these future directions were part of the foundation for MMCU's vision statement. As Johnson and Suskewicz note, a good

FIGURE 1: Friction Points Associated With Each Step of a Member Service Request Process



vision statement should be more than a generic phrase or two. In fact, it should tell a succinct story in a couple of paragraphs about what the future will hold, what it means for your organization and how your organization will shape the future.

Johnson and Suskewicz also challenge organizations to consider new growth opportunities that might leverage core capabilities but in new and distinct businesses, with new business models. MMCU, for instance, explored the idea of expanding its reach in small-business lending. The CU's leaders also discussed pursuing a partnership with a fintech to help develop a suite of small business products. They then incorporated these ideas into their vision statement. In the end, the vision told the "what" and "why" of where they were headed and how they planned to get there.

DIGITAL BARRIERS AND BREAKTHROUGHS

Our actual digital visioning work with MMCU began in the midst of the COVID-19 pandemic. The rapid transition from on-premises to remote work forced MMCU's employees to adopt, literally overnight, several new ways of working. To document those changes, we conducted a study of the barriers and breakthroughs in MMCU's workplace culture in response to the pandemic. Through interviews with leadership as well as front-line and back-office staff and with the support of a group of "culture journalists" who helped to document changing work practices, we discovered a number of breakthroughs that had important ramifications for MMCU's digital future.

First, the rapid shift to remote work didn't significantly impact overall productivity. One self-described "super commuter" who formerly left at 4:45 a.m. to avoid a two- to three-hour morning rush-hour commute found it easier to focus while working from home. A call center manager similarly described how his hybrid work schedule gave him greater flexibility to organize his workday in ways that increased productivity. He could work his normal shift during the day, but if anything was left over, he could quickly log into the office in the evening after he had put his children to bed. Not having to physically be on-site to do his work enabled him to stay ahead of the curve, making his mornings more relaxed. With the shift to virtual meetings, back-office staff similarly discovered that they could attend weekly branch meetings via Zoom (*zoom.us*) without having to travel long distances to the branches.

In addition to remote work, employees made other productivity gains by inventing new digital work processes for transactions that had previously required paper documentation. For instance, they developed a remote process for wire transfers that facilitated easy audit, file sharing and approvals using digital signatures, effectively streamlining workflows. Remote work also contributed to heightened contact among departments, which switched from quarterly meetings to short, daily morning check-ins on Zoom. Other employees developed a new content management system with remote folders for sharing documents online. And MMCU's chief information security officer used the pandemic as an opportunity to accelerate the CU's cloud migration plan so employees could connect to the credit union from anywhere.

Rather than treat the pandemic as a crisis, MMCU turned it into an opportunity. By documenting the many types of innovative practices taking place spontaneously with the transition to remote work, MMCU attempted to capture and codify these changes, then communicate them to the rest of the organization.

ENACTING DIGITAL CHANGE

MMCU's research into COVID-19's impact on its workplace culture, coupled with a virtual town hall, led the leadership to focus its organizational change efforts on digital transformation. It formed a series of pilot projects to address troublesome operational issues that might benefit from digital change.

Harvard Business School Professor Amy Edmondson refers to such pilot teams as a critical ingredient to forming what she calls a "learning organization." She urges organizations to use pilot teams to promote active processes of research and data gathering on operational issues, customers and technology trends. But to create

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MORE ON DIGITAL TRANSFORMATION

How Member Experience Changes the Digital Transformation Conversation (*cumanagement.com/1119conversation*)

Video: What Is Digital Transformation and How Can It Be Applied to Your CU? (*cumanagement.com/video031819*)

Unlimited+ video: What Board Members Need to Know About Digital Transformation (*cumanagement.com/052221video*)

Haven't Got a Clue What to Do About Digital Transformation? (*cumanagement.com/1219clue*)

such teams, she suggests that leaders commit time and resources to problem identification, active reflection and knowledge transfer. She also advocates creating what she calls "psychological safety" in organizations so that employees can express their viewpoints freely, report mistakes and try out new ways of doing things (*tinyurl.com/hbrlearningorg*).

In the aftermath of the pandemic, MMCU embraced pilot research teams as a way to further the momentum of workplace changes ushered in by COVID-19. As previously noted, these pilot projects focused on four troublesome operational issues. They included improving MMCU employees' ability to communicate about its digital product and service offerings, enhancing the quality of cloud-based collaboration tools for employees, augmenting MMCU's member service request system, and streamlining the 130-plus systems and applications so that they were easier to access and navigate. Not each of these issues necessarily focused on big, earth-shattering, digital company makeovers. But they didn't need to.

LEARNING ORGANIZATIONS

Columbia Professor Rita McGrath, in an article entitled "Discovery-Driven Digital Transformation" (*tinyurl.com/dddigitaltransform*), recommends that organizations begin their journeys of digital change by focusing on operational issues that pose challenges or require cumbersome workarounds. She suggests that these are areas that digitization can likely improve. In our experience, they can also point the way towards further areas for digital technology adoption, leading to a kind of virtuous circle.

McGrath suggests that teams conduct research on the troublesome processes, then look for ways in which to redesign these processes so that technology adds value. Once teams have identified the problem areas, studied the causes of the problems and proposed solutions, she further recommends that they identify metrics to measure their progress. By starting small with a portfolio of experimental projects and demonstrating financial or productivity impacts, McGrath maintains that organizations can learn their way into a digital strategy.

This is exactly the path that MMCU pursued with its member service request and other pilot projects. In the case of the service request pilot, its pilot team conducted in-depth interviews with front-line staff as well as the service request desk managers in every department. The interviews focused on each employee's perspective on the steps involved in the life cycle of a typical service request and the associated friction points. We then worked with the pilot team to create a process map showing the relationship between the various steps and the breakdowns or "friction points" associated with each step. (See Figure 1 on p. 26.) The process map helped give visibility to the relationships between the steps and the various friction points.

The pilot team members then organized a workshop with the desk managers using the process map as a communication tool to discuss ways to address the friction points. The friction points labeled in red and yellow received particular attention since they were most frequently mentioned in the interviews.

The process map showed, for instance, that front-line staff frequently initiated member service requests for issues that they could have resolved directly with the proper training. Similarly, back-office departments created too many service request categories for front-office staff to easily manage, resulting in misrouted service requests. The failure of front-line staff to provide detailed information in the notes section of service requests similarly resulted in a lot of back-and-forth email traffic.

By the end of workshop, the desk managers identified resolutions for each of the friction points. They also agreed on a set of standard response times for each type of service request.

By organizing a twice-annual virtual town hall, in which research participants shared their findings, MMCU also drew other employees into the energy of the incipient digital changes taking place in its workplace, promoting dialogue and reflexivity. CUs can foster such reflexivity by nurturing applied research within organizations and fostering dialogue about it. Not only do such venues for dialogue improve employee engagement, they also promote new lines of research and help organizations foster organizational change.

INCREMENTAL APPROACH

While digital transformation might seem daunting, taking an incremental approach focused on leveraging pilot teams, organizational learning and digital visioning provides a promising pathway.

To be sure, credit unions with limited resources can begin a digital transformation by becoming learning organizations and looking at the operational workarounds that might benefit from digital technologies. Once they've rolled up their sleeves with pilot projects, a robust digital visioning process can shed light on strategic opportunities related to cloud solutions and fintech partnerships. Using digital tools to gain operational efficiencies and better serve member needs can not only help CUs survive but thrive in the era of the new digital economy.

Matthew J. Hill, Ph.D., *is an organizational anthropologist and principal owner of Matthew J. Hill Consulting* (https://mjhill.consulting/). **Mario Moussa, Ph.D.,** *is president of Moussa Consulting* (moussaconsulting.com) *and the author of three books including* The Art of Woo (moussaconsulting.com/books/the-art-of-woo).

Alexandria Staron

Title: Chief Operations Officer/ Chief Executive Officer

Company: Triscend[NP]/BenefisCU

Phone: 972.318.1110

Email: AStaron@triscendnp.com

Website: benefiscu.com

How did BenefisCU get started?
We at Triscend[NP] have been serving nonprofits for over 20 years in the executive benefits and insurance space. We worked with Dennis Dollar with Dollar Associates, Goldenwest Credit Union and several other leading credit unions across the country to officially launch BenefisCU in 2021. The goal with our credit union service organization is to not only provide top-notch service to credit unions when it comes to executive benefits and compensation, but also to give credit unions the opportunity to profit-share and enhance their product offerings to their business members in the advanced insurance market.

How have you helped other CUs?
The goal of BenefisCU is to use the power of collaboration to help credit unions reduce employee benefit expenses, expand employee benefit offerings, and enhance products and services available to business members in need of advanced insurance consultation. To date, we have completed several successful projects with our members that helped reduce benefit expenses, more efficiently structure a local acquisition through an insurance transaction and enhance the credit union's earnings opportunities.

What sets your CUSO apart?
There are several different factors. One is the profit-sharing opportunity. We estimate over $1 billion in commission revenue has left the credit union industry over the last decade for publicly traded companies. Second is our two-pronged focus on meeting the benefit and insurance needs of both the credit union and its business members. Lastly, we pride ourselves on the high level of service we provide for each and every policy or program. Once a policy is finalized, that is just the beginning of the relationship. We conduct yearly evaluations to continuously ensure and monitor that plans are on track, a level of service you might not find elsewhere.

Smart Strategies to Make the Most of *Your Professional Development in 2023*

Credit union professionals looking to get a head start on their 2023 professional development goals can turn to the latest resource from CUES: "Plan Ahead to Get Ahead: Six Smart Strategies to Make Your 2023 Professional Development Efforts Go Further," where they'll find ideas and tips on making their budget and time investments pay off.

Visitors to the site will find:

- simple professional development steps to take now;
- budget-friendly online resources;
- suggested reading selected by the CUES content team;
- professional designations available through CUES and our business school partners;
- conferences and college-level courses; and
- the 2023 CUES Learning & Events Calendar.

"What is planned and tracked tends to get done, and this is especially true for professional development," says John Pembroke, president/CEO for CUES. "Creating an individual development plan that intersperses large and small efforts along the way will help assure the trajectory you're on is the one that will lead you to your career aspirations. As credit unions begin building their 2023 budgets, we encourage all industry professionals to plan for their professional development as well."

Learn the six smart strategies now and download the 2023 CUES Learning & Events Calendar when you visit *content.cues.org/plan23*.

Directors Conference *a Must-Attend Event*

CUES Directors Conference, the must-attend event for credit union board members, is heading to Las Vegas, Dec. 4-7. Attendees will network with their peers and colleagues while receiving an in-depth look at relevant governance and strategy issues and walk away with a deeper and broader understanding of current industry trends and enhanced skills to help improve their credit unions' performance.

Both inspirational and educational, general session topics and speakers include:

- *Bridging Grit, Resilience & Happiness: A Revolutionary Approach to Game-Changing Results*, Caroline Adams Miller, MAPP, author, educator and coach
- *Becoming a Higher Performing Board*, Susan Lucia Annunzio, president/CEO, Center for High Performance
- *Get Big Things Done: The Power of Connectional Intelligence,* Erica Dhawan, CEO, Cotential
- *NCUA Update: Ensuring Relevance for Credit Unions,* Kyle Hauptman, vice chair, NCUA
- *ADAPT: Overcoming Adversity,* Jim Abbott, former Major League Baseball pitcher

Breakout sessions include:

- *Data Governance,* Rich Jones, president/principal, Leading2Leadership LLC
- *Amazing Boards Ask Great Questions: 7 Questions Board Members Should Ask in 2023,* Ancin Cooley, principal, Synergy Credit Union Consulting
- *The Impact of Cybersecurity on Credit Unions—What Every Board Needs to Know About GRC,* Robyn Marsi, risk services & technology practice lead, Lynx Technology Partners LLC
- *Cultivating Next Gen Board Members,* Julia Patrick, CEO/founder, American Non-Profit Academy
- *Succession Planning,* Michael Daigneault, CEO/co-founder, Quantum Governance L3C
- *Asset Liability Management: Risk Assessment & Balance Sheet Strategy Fundamentals,* Cullen Coxe, senior director, and Nick Trentmann, director, ALM First

Directors Conference rates will increase after Oct. 20. Participants are encouraged to register early as this event will sell out. Visit *content.cues.org/dc* for more details and to register.

Online Learning

CUES Virtual Classroom sessions, CUES webinars and all program playbacks are free to CUES members. Learn more at *cues.org/events*.

SEPT. 13-15
Director Development Intensive

SEPT. 14
Virtual Classroom: Becoming a ShiftThinker™: Strategies for Continual Growth and Success! (Part 2)

SEPT. 15-22
Board Liaison Workshop

SEPT. 21
CUES RealTalk!

SEPT. 29
Webinar: What's In It For Me: The Ultimate Guide to CUES Membership

OCT. 5
Virtual Classroom: How to Successfully Manage a Hybrid Workforce

OCT. 11
CUES Virtual Roundtable: Board Liaison Community

OCT. 20
Member Appreciation & Awards Event

AD INDEX


E hui pū me mākou i Hawai‘i!
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2022 LEARNING & EVENTS **CALENDAR**

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FEATURED EVENT

Director Development Intensive

Online Event • Sept. 13–15, 2022 • cues.org/DDI

Explore ways to help your board function at its highest level in a post-pandemic world, even in the rapidly changing financial services industry. For three afternoons under the guidance of three renowned governance professionals, participants of the Director Development Intensive online seminar will take a deep dive into topics that will help create a stronger, more strategic board.

SEPTEMBER 2022			
Supervisory Committee Development Seminar	Santa Barbara, CA	**Sept 19—20**	cues.org/SCDS
Director Development Seminar	Santa Barbara, CA	**Sept 21—23**	cues.org/DDS
DECEMBER 2022			
Directors Conference	Las Vegas, NV	**Dec 4–7**	cues.org/DC
FEBRUARY 2023			
Symposium	Grand Wailea, A Waldorf Astoria Resort Wailea, Maui, HI	**Feb 5—9**	cues.org/SYMP
MARCH 2023			
Execu/Summit®	Sun Valley Inn Sun Valley, ID	**March 5—10**	cues.org/ES
APRIL 2023			
CEO Institute I: *Strategic Planning*	*The Wharton School* University of Pennsylvania	**April 16–21**	cues.org/INST1
MAY 2023			
CEO Institute II: *Organizational Effectiveness*	*Johnson School of Management* Cornell University	**May 7–12**	cues.org/INST2
CEO Institute III: *Strategic Leadership Development*	*Darden School of Business* University of Virginia	**May 7–12**	cues.org/INST3
CEO Institute: *FinTech*	*Cornell Tech* Roosevelt Island, New York, NY	**Spring 2023**	watch cues.org
UPCOMING ONLINE PROGRAMS			
Director Development Intensive		**Sept 13—15**	cues.org/DDI
Board Liaison Workshop		**Sept 15—22**	cues.org/BLW
School of Business Lending ™		**April—Oct 2023**	cues.org/SOBL

FEATURED EVENT

Directors Conference

Las Vegas • Dec. 4–7, 2022 • cues.org/DC

Join your colleagues at this must-attend event for an in-depth look at relevant governance and strategy issues affecting your board, organization and the whole credit union movement. You'll gain a deeper and broader understanding of industry trends and walk away with enhanced skills and new approaches to governance—all critical competencies for today's strong leaders.

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

How to Win a *Top Industry Award*

BY JIMESE HARKLEY, JD, CCE, CUDE

I admit I earned a top credit union industry award before I'd had time to think long and deeply about what it typically takes to do so.

But back in 2015, when I seized the chance to participate in—and ultimately won—the Next Top Credit Union Exec challenge (now CUES Emerge, *cuesemerge.com*), I was already walking the talk about furthering one's own development.

For example, as philanthropy and community relations manager of $2.2 billion America's First Federal Credit Union (*amfirst.org*), Birmingham, Alabama, I regularly talked with my leaders about my interest in professional growth. I asked them for challenges. I'm grateful to them for the beneficial dialog we had.

I also took action to grow my career. I not only participated in the Next Top Credit Union Exec challenge, but I also went back to school for my law degree. And I did a lot of internal and external networking, including serving on non-profit boards and being active with the local chamber of commerce.

Now as VP of membership for CUES, I spend a lot of my day thinking about how credit union leaders can best learn in ways that benefit their careers—and potentially even set them up to earn the distinction of winning a top industry award.

To this end, I've developed a four-step process you can follow. Try these, and let me know how they work for you:

1. Plan. I did not have a written development plan when I was named the 2015 Next Top Credit Union Exec. But I do now. And so does every member of my team. Having a written plan helps us stay focused and committed to our goals.

Here's a free individual development plan template from CUES: *tinyurl.com/cues-idptemplate*. Use it to create an IDP for yourself and every member of your team. IDP best practices include setting goals, identifying worthwhile actions to take, establishing timelines, setting expectations and, of course, discussing and updating your plans at regular intervals.

2. Discuss. Talk regularly about your own and your team members' development. At CUES, we have weekly one-on-one meetings at which we discuss development as well as the projects we have underway. I encourage the members of my team to take the time to understand what they are learning from reading, taking courses or attending learning events—and to ask questions about it.

Talking about development includes sharing successes, reviewing challenges and identifying new learning opportunities.

3. Act. My choice to accept the nomination for Next Top Credit Union Exec and then participate fully in the program is a great example of taking action on learning and development.

This step can also mean taking advantage of internal learning programs, diving into special projects that will develop skills and knowledge, or networking with peers at a virtual or in-person industry event. Planned actions should be documented in the IDP.

4. Lead. I host several short meetings each week for my membership team. These gatherings help build cohesion and interest in what each person brings to the table. Relationship-building in the remote world requires intention. That is the kind of leadership that I want to be remembered for, being honest and intentional.

Are you leading by example? Do you carve out time for your team members' and your own learning? To share what you have learned? This is what it means to lead in ways that develop people to the level at which they might earn the recognition of a top industry award.

I can't promise that following these four steps will get you selected for an award. However, they will set you up for lots of learning and development that will pay off in your team's engagement and productivity.

Jimese Harkley, JD, CCE, CUDE, *is VP/membership for CUES.*

Read the full post and leave a comment at cumanagement.com/082222skybox.

> **"The first discipline of strategic thinking is being able to anticipate what's coming next. How can we scan wider so we can see things sooner [and be more proactive]? Leaders such as Jeff Bezos and Elon Musk today, just like Steve Jobs before them, have had the insights to anticipate where the future was headed and jumped ahead of the curve by setting up a business model to capitalize on that future."**
>
> **Roch Parayre, Ph.D.,** founder/CEO of Strategique (*strategique.us*) and teaching fellow in executive education at the Wharton School, University of Pennsylvania, in "Strategic Leadership Is Like a Golf Swing" on CUES Skybox: *cumanagement.com/081522skybox*

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2022-23 LEARNING & EVENTS **CALENDAR**

Plan Now and Get the Best Rates! Mark your calendar and budget for CUES! Some events are open for registration now – Don't delay, seats fill up fast!

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DECEMBER 2022			
Directors Conference	Las Vegas, NV	**December 4–7**	cues.org/DC
FEBRUARY 2023			
CUES Symposium	Wailea, Maui, HI	**February 5–9**	cues.org/SYMP
MARCH 2023			
Execu/Summit®	Sun Valley, ID	**March 5–10**	cues.org/ES
APRIL 2023			
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CEO Institute: *FinTech*	*Cornell Tech* Roosevelt Island, New York, NY	**Spring 2023**	watch cues.org
JUNE 2023			
Governance Leadership Institute™ I **Governance Leadership Institute™ II**	*Rotman School of Management* University of Toronto	**June 4–7** **June 7–9**	cues.org/GLI cues.org/GLI2
AUGUST 2023			
Execu/Net™	Vail, CO	**Aug 20–23**	cues.org/EN
SEPTEMBER 2023			
Supervisory Committee Development Seminar	Savannah, GA	**Sept 6–7**	cues.org/SCDS
Director Development Seminar	Savannah, GA	**Sept 6–8**	cues.org/DDS
TalentNEXT	Savannah, GA	**Sept 10–12**	cues.org/TalentNEXT

NEW! CEO Dialogue coming Fall 2023. Watch cues.org for details.

DECEMBER 2023			
Directors Conference	Maui, HI	**Dec 10–13**	cues.org/DC
2023 ONLINE PROGRAMS			
CUES Emerge		**Applications open Jan 2023**	cues.org
Diversity, Equity, and Inclusion Cornell Certificate Program		**Spring 2023**	cues.org/eCornell-DEI
School of Business Lending		**New class starts April 2023**	cues.org/SOBL
CUES Advanced Management Program from Cornell University		**New class starts July 2023**	cues.org/eCornell-CUManager
CEO Institute II: *Organizational Effectiveness*		**Summer 2023**	cues.org
Board Liaison Workshop		**September 2023**	cues.org/BLW

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

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