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RESPONDING TO *More Complex Attacks*

Cybersecurity oversight and best practices are shifting

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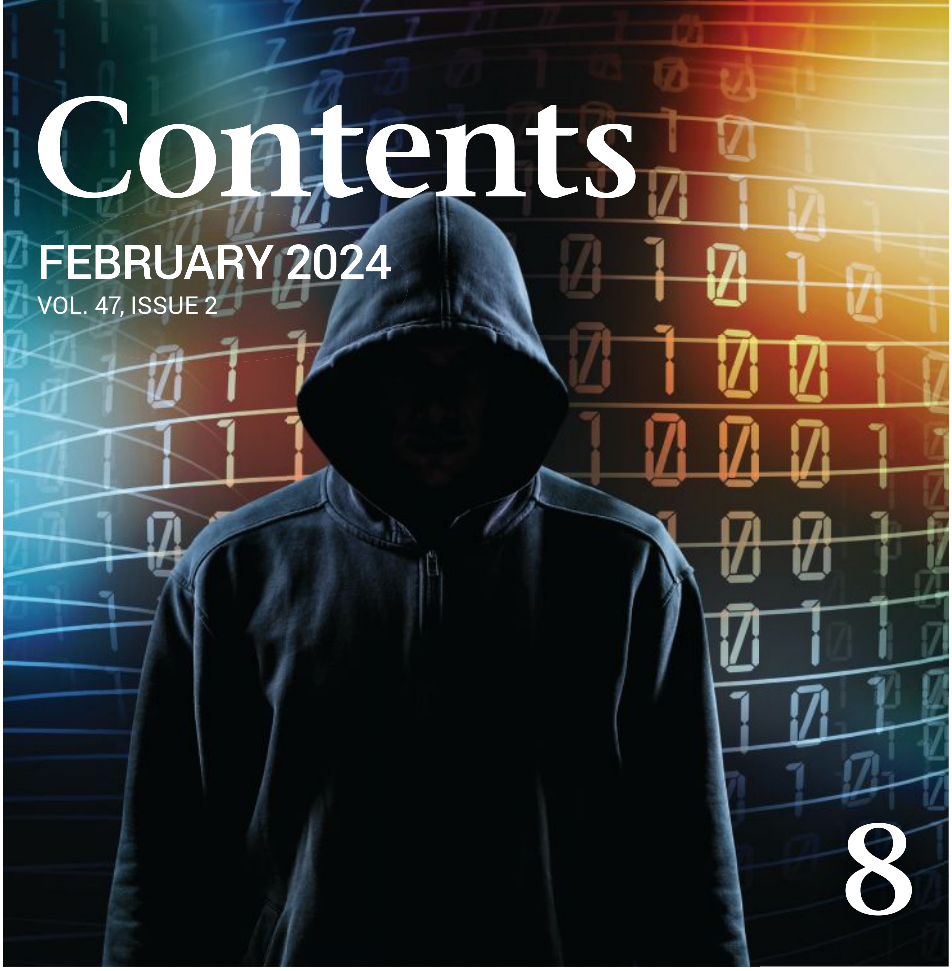

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LET'S CONNECT

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YOUR THOUGHTS

HOW IS YOUR CREDIT UNION COMMITTING TO DEI IN 2024?

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

Don't Give Up *on DEI*

In my perusal of "what to expect in 2024" New Year's content, one topic jumped out at me: that of the future of diversity, equity and inclusion efforts. These headlines caught my eye:

- HR Leaders Still Committed to DEI Despite Mounting Attacks (*Fortune, tinyurl.com/fortunehrdei*)
- DEI Is Under Attack. Here's How Companies Can Mitigate the Legal Risks (*Harvard Business Review, tinyurl.com/hbrdeiattack*)
- 2024 Might Be Do-or-Die for Corporate Diversity Efforts (*The Washington Post, tinyurl.com/wapodeidoordie*)
- Google, Meta, Other Tech Giants Cut DEI Programs in 2023 (*CNBC, https://cnb.cx/3GVynTy*)

Credit unions may remain more committed to DEI than other businesses. In December, NCUA released its 2022 Credit Union Diversity Self-Assessment Report (*tinyurl.com/ncuadei*), reporting that 481, or 10% of CUs, submitted a self-assessment, an all-time high for this voluntary survey. NCUA identified four areas of success among reporting credit unions:

1. Their leadership is committed to DEI principles and standards.
2. There is an increase in the number of women in CEO and other leadership roles.
3. There is an increase in the number of Hispanics or Latinos in management and CEO roles.
4. They have active engagement in DEI outreach efforts.

The 2023 assessment was open through Jan. 31. I will be eager to see what has changed in the past year when that report comes out, likely in late 2024.

One thing I think is true about credit unions: They recognize the business case for strong DEI programs. CUES Senior Editor Lisa Hochgraf reports on the ways credit unions benefit from DEI in "The Strong Business Case for Pursuing DEI—and Now B" (*cumanagement.com/0124dei*). She also includes suggestions for how to respond to pushback against DEI efforts.

One credit union that is very committed to DEI is the winner of the inaugural John Pembroke Catalyst for Change Award: $20 billion Golden 1 Credit Union (*golden1.com*), based in Sacramento, California.

Golden 1 CU's adherence to credit union ideals is a key reason the organization excels in its DEI efforts. "Credit unions were founded on the values of inclusivity, belonging and equity, and Golden 1 has lived those values since our founding in 1933," says Erica Taylor, VP/communications and community relations, in our feature story about the credit union's efforts, p. 12. "However, we're always looking for ways to do things better. We aim for continuous improvement, and DEI is an important part of that."

Desirée Thompson, Golden 1 CU's VP/DEI culture and talent, recommends that credit unions make a lasting DEI impact by actively engaging their workforce and investing in empowering resources. "This approach enables employees to take control of their careers and shape their future," she says. "Furthermore, emphasizing allyship fosters organic employee interconnectedness and promotes an inclusive workplace. Additionally, aligning DEI efforts with business objectives while regularly assessing and adjusting strategies based on diverse perspectives ensures sustainable and impactful initiatives that meet evolving needs. By combining these approaches, credit unions can build a workplace where diversity, equity and inclusion are integral."

If your CU is committed to DEI, now is a good time to send employees to our Diversity, Equity, and Inclusion Cornell Certificate Program (*cues.org/ecornell-dei*). This program was developed specifically for the CU industry in partnership with Cornell University. It runs March 27–July 16. We'll host an informational webinar about the program later this month. Watch *cues.org* for more details. And visit the CUES DEI Resource Center for many more resources: *cues.org/dei*.

Theresa Witham

Theresa Witham
VP/Publications & Publisher

P.S. Scan this QR code for more information on the Diversity, Equity, and Inclusion Cornell Certificate Program.

Responding to *More Complex Hacks*

CYBERSECURITY OVERSIGHT AND IMPLEMENTATION BEST PRACTICES ARE SHIFTING.

BY RICHARD H. GAMBLE

As the cybersecurity threat grows larger and more sophisticated, control of credit union strategies is passing out of the hands of local managers and moving to national and international regulatory and law enforcement agencies and giant accounting firms. Credit union staffs are under pressure to be tougher, better-informed fighters, but, increasingly, the orders are coming from higher-ups.

As defenses are strengthened, reports Richard Crone, internal decision-makers are forced to recognize increased involvement by national regulatory agencies such as the National Credit Union Administration (*ncua.gov*), Consumer Financial Protection Bureau (*consumerfinance.gov*) and the Federal Financial Institutions Examination Council (*ffiec.gov*). Crone is head of Crone Consulting LLC (*croneconsulting.com*), San Carlos, California.

These agencies set the audit standards for protecting all stakeholders, Crone explains. "Credit unions are being tasked to make sure they and all their dependent processors comply, even fintech startups," he notes.

There has definitely been a growth of regulation around cybersecurity, agrees CUES member Paul Wisniewski, VP/enterprise infrastructure at $2 billion GTE Financial CU (*gtefinancial.org*), Tampa, Florida. "I welcome it. It's helpful that high standards are required. We are conforming to policies set by higher authorities" like NCUA, he says.

Military-grade intel is coming. Threat intel that started in government security agencies is starting to spread to the private sector, reports Christopher Williams, assistant chief information security officer at Co-op Solutions (*coop.org*), Rancho Cucamonga, California, at the time of this interview. (Co-op is merging with CUESolutions provider PSCU, *pscu.com*, St. Petersburg, Florida). Currently, such intelligence is provided by specialized third parties, but it's expensive

> **“Credit unions and their core processors have become very good at bolting down legacy systems. That leaves the human element.”**
>
> — Richard Crone

and running into a financial squeeze at credit unions that could get worse in 2024, he suggests.

The cyber attackers aren’t constrained by tight budgets because many of them are huge criminal enterprises with connections to state sponsors, reports Williams, who has a background in government intelligence work, including the Secret Service.

As security gets more complicated, credit unions voluntarily are outsourcing more of it to specialist third parties, reports John Meyer, senior director at CUESolutions provider Cornerstone Advisors (*crnrstone.com*), Scottsdale, Arizona. “There are plenty of third-party security providers out there,” he notes. “We hear from clients that they are using them.”

There are national compliance tests that credit unions must pass, Crone points out. The tools for industry cybersecurity compliance include financial, operating and regulatory audits. Regulators now require credit unions to get an annual Statement on Standards for Attestation Engagements No. 18 (*tinyurl.com/ssae18pdf*), for themselves and their third-party processors.

SSAE 18, Crone explains, is designed to independently assess the security and controls of every outside processor the credit union depends on, even fintech startups that may not be experienced in complying with regulatory oversight. The standard extends the annual audit to every party in the credit union’s value chain.

Reports required by the standard are part of GTE Financial’s vendor management program, Wisniewski says, and they’re expected of all partners with which the credit union shares data.

Ultimately, there probably needs to be an outside body that specializes in risk monitoring that certifies the parties it monitors, says Chris Sachse, CEO/founder of Think|Stack, Baltimore (*thinkstack.co*). “It’s getting too complicated for a bank or credit union to do on its own.”

GUARDING THE HOME FRONT

However much cybersecurity policy is dictated by higher-ups, it remains the responsibility of individual credit union boards and audit committees, Crone points out, to actively inventory and assess the security of all integrated applications, especially those from newer fintechs. And he thinks that job now requires a dedicated chief information security officer.

“That’s normally a full-time job,” he observes, “as it has become an essential role with assigned responsibility at the C-level, reporting to the audit committee of the board of directors.”

Such cybersecurity experts are available but cost about $200,000 a year, Meyer estimates.

Most financial institutions do have experts on staff in charge of cybersecurity, notes Jay H. Bowden, CFO of TRC Interactive (*trcinteractive.com*), a training firm located in Harrisburg, Pennsylvania. “There are plenty of training programs. Many professionals have letters after their names signifying credentials they have earned, including university degrees.”

With threats growing and security budgets generally not growing, credit unions need to look closely at how to get the best return on invested dollars and how to keep the right people and the right tools up to speed during a flat budget year, Williams says.

Vendor products may help. The marketplace for cybersecurity technology solutions is active, Wisniewski reports, with new vendors, new products and improved products popping up. Demand is driving supply, and CUs have access to a growing array of tools.

“Look for vendor products that integrate all platforms,” advises Jason Lord, VP/global fraud solutions at TransUnion (*transunion.com*), the Chicago-based credit reporting agency. “And if you don’t have a big budget, you may decide to pass up the strongest product for one that provides 80% of the protection for 50% of the price.”

But don’t skimp on wire protection. The biggest losses per transaction happen with wires, Meyer reports—$45,000 per average loss and a total of over $2 billion in losses a year.

The second biggest drain comes from debit cards. Two years ago, the gross losses from debit fraud were $12.2 billion, Meyer says.

After clawbacks, the net loss from all card fraud was 6 basis points a few years ago, he says. “Now, we see losses nearing 14 to 15 basis points on card-not-present transactions and recoveries in the 5 to 6 bps range, extending fraud losses greater than 8 to 10 basis points.”

Credit unions can get expert help.

“All the Tier 1 accounting firms have dedicated assurance practices to help financial institutions with this challenge,” Crone says. “If you have to make decisions like whether to buy ransomware insurance, don’t guess. Get advice from your audit firm. They can even provide interim professional services, acting as a fractional CISO in some cases.”

Educating members remains important. A growing threat comes from the remarkable new ability to clone a voice, Meyer reports.

A person’s voice can now be cloned in six minutes. The “Grandma, I’m in trouble” scam works even better when it’s the grandson’s voice that is making the plea, he notes, and it’s not hard to get a sample of a person’s voice to clone.

Nevertheless, under relentless attack, credit unions will have losses. Sachse thinks credit unions are obsessed with prevention and don’t spend nearly enough time preparing to respond to a breach.

“They haven’t trained for the response,” he observes, “so they make mistakes that make the problem worse and add to the cost. They can never prevent all fraud, so they have to be ready to deal with it when it happens.”

TRAINING EMPLOYEES

Attackers are cleverly cracking the weak point of cybersecurity—people.

"Credit unions and their core processors have become very good at bolting down legacy systems," Crone notes. "That leaves the human element." So cyber thieves target CU employees and the employees of CU vendors.

The biggest financial losses from cybercrime, Sachse points out, come from social engineering that targets employees.

The biggest fraud transactions tend to stem from compromised email, Meyer says. Typically, a fraudster can hack into a bank or CU email system, do a good job of impersonating the CEO or CFO of that institution and order a large wire transaction. The employee follows orders.

"We worked with one CU last year [2023]," Sachse reports, "where a person in the AP department got an email from what appeared to be a major vendor, explaining that, due to a change in bank accounts, they had not received payment for several months and the CU now owed $280,000." The accounts payable staffer person wired the money, and it was gone.

Somehow the crook had learned that the CU had a relationship with that vendor. "There are lots of ways the fraudster could have learned of that relationship with a little research," Sachse observes. "The bad guy knew enough to convince the employee. That still happens fairly often."

The $280,000 was just the beginning of the financial loss, Sachse explains.

"They had to hire us to investigate," he says. "They had to buy new security software for two-factor authentication. They still had to pay the vendor, and they had to spend time working through the problem."

Ransomware attacks are constant threats. Last fall, Williams reports, hackers researched an employee of the MGM Grand hotel and casino in Las Vegas and gathered enough information to pretend to be that employee and request information from the help desk. It worked, and that led to a ransomware attack.

Reportedly, MGM recovered without paying the ransom, but Caesars Palace did pay a $15 million ransom after a similar attack, he recalls.

Ransom attacks have been extremely profitable in 2023 and are likely to grow in 2024, Williams predicts. Ransomware insurance should be considered. "We've renewed ours a couple times, and it's an enlightening experience. They're there to pay claims, of course, but they also have deep resources for dealing with attacks."

Cybersecurity insurance is valuable beyond having someone to pay claims, Wisniewski agrees. Insurers use questionnaires and assess the financial institution's risk controls to determine terms of the policy, he explains, and that can be informative. And insurers have teams that help you respond to an incident before claims would be filed, he adds.

Security training for employees has been a top priority, but the results have been disappointing.

"Enforcement is still lax," Sachse observes. "Investigations usually lead to someone high up, and they're not being punished personally. Most incidents turn out to be a bit excusable, so CUs focus on more training and more layers of approval."

Cybersecurity training is happening, Sachse concludes, "but it's not changing behavior."

Naïve or careless employees definitely need to face consequences when they allow fraud, Meyer says. "There must be clear policies and penalties for not following them, up to termination."

You can try to train employees to detect and prevent suspicious behavior, but you also can reinforce that training by hiring ethical attackers who try every trick to break into your systems, Meyer says. For example, a crook could take a photograph of an employee's badge while the employee is having lunch in a restaurant, duplicate it and get by a receptionist, he illustrates.

SECURING SUPPLY CHAINS

The other major weak link in cybersecurity is a credit union's connections to vendors, Sachse points out. "There's tremen-

Fraudsters are "hitting the providers of services that a lot of companies use. Then they use that breach to gain as much access as possible to the whole network."

— Christopher Williams

dous vendor risk, and credit unions are far too trusting of their vendors," he charges. "The vigilance needs to be continuous and in-depth. That's hard to do, and I don't think anybody is doing it well enough."

Often a cybersecurity attack is launched not on a credit union but on a credit union's vendor, Williams notes. "They're hitting the providers of services that a lot of companies use," he explains, like a basic file transfer service. "Then they use that breach to gain as much access as possible to the whole network."

Credit unions need to recognize that they are part of a cyber supply chain and that security also needs to be addressed at the supply-chain level, Williams says. "We need to get better at understanding how supply chains work and where the weak links are."

Protecting core operations, Meyer notes, is fundamental and required. The challenge is protecting the edges of operations. As credit unions stretch those edges to accommodate more vendors that can automate operations or satisfy members, the edges become more vulnerable. "It's a real challenge for a CISO to manage all those third-party exposures," he observes.

Every credit union relies on third parties, Crone points out, and that increases risk. "When CUs use fintechs experimentally, they create potential gaps. Credit unions and core processors must make sure these fintechs are covered by the same industrial-strength security requirements under the guidelines set by SSAE 18, NCUA and FFIEC," he notes.

SSAE reviews, Crone concedes, are "only as good as the moment the review is concluded." This is particularly true because inventive fintechs enter and leave the chain as they provide or fail to provide solutions that FIs hunger for. That includes digital wallets, P2P payment systems and buy now, pay later plans. It also includes pilots and beta tests of software that is not yet in production, he says.

At GTE Financial, security requirements apply equally to established processors and to fintech start-ups, Wisniewski says. That includes beta tests and proof-of-concept testing. If security is not feasible in early-stage experiments, fake data are used, he explains.

ENDING DISORGANIZATION

In spite of all the attention given to cybersecurity, credit unions still drop balls. Too often, Meyer notes, a credit union has a fraud team and a cybersecurity team, and they don't talk, even when they share a common enemy. "There's not great coordination in the responses they make."

A major point of vulnerability, Lord says, is the administrative gaps within a credit union's cybersecurity operation.

"Be sure you have an intentional, enterprise-wide identity resolution strategy," he urges. "You have to know for certain who you are dealing with. And you have to tie together all the authentication in one system. Too often it resides in disparate systems. Fraudsters capitalize on gaps."

"I've worked for large firms," Williams reveals, "and uniformly they lack communication among the cybersecurity stakeholders. They're not prepared to execute a plan with efficient, coordinated teamwork. The best are pretty good at recognizing risks, documenting them, mitigating them and having a recovery plan, he explains. But when an event occurs and they have to execute, "things start to go wrong."

The cybersecurity challenge is a job for a dedicated pro, but pros are scarce and expensive, Sachse reiterates.

"Only a few of the largest have real 'chief information security officers,' at the C-suite level," he says. "Cybersecurity tends to be packaged with risk or risk and compliance under a chief risk officer; it's no longer supervised by IT."

Cybersecurity is going to be a long, asymmetrical war. The bad guys are elusive and effective. The good guys are mobilizing, getting organized, marshalling resources, upgrading weapons and moving toward a chain of command. It may not be a war credit unions can win on their own.

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

MORE ON CYBERSECURITY

How to Undertake Cybersecurity Governance (*cumanagement.com/1123cybergovernance*)

Top Cybersecurity Challenges Facing Credit Unions in 2024 and How to Prevent Them (*cumanagement.com/1123cybersecurity*)

Signs of a Cybersecurity—or Other Fraud—Concern (*cumanagement.com/0823cybersecurity*)

CEO Institute: FinTech (*cues.org/fintech*)

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

Intentional in *Their DEI Journey*

GOLDEN 1 CREDIT UNION IS A WORTHY WINNER OF THE INAUGURAL JOHN PEMBROKE CATALYST FOR CHANGE AWARD.

BY DIANE FRANKLIN

A commitment to diversity, equity and inclusion is intrinsic to the culture of $20 billion Golden 1 Credit Union (*golden1.com*), based in Sacramento, California. The credit union views DEI as a journey and is intentional with every step, aligning its internal and external efforts to achieve greater impact. Internal efforts have resulted in a greater sense of belonging among the credit union's 2,100-plus employees, while external efforts are making a positive impact on the people and diverse communities that Golden 1 CU serves throughout the state of California.

"At Golden 1, DEI is so much more than three letters," says Erica Taylor, VP/communications and community relations. "Our commitment comes from the top down, starting with the strategic guidance of our board of directors and the hard work of our senior leadership, including our president/CEO, Donna Bland; our chief people officer, Heather Andrade-Neumann; our VP/DEI culture and talent, Desirée Thompson; and many other employees throughout the credit union." (Bland and Andrade-Neumann are CUES members.)

In recognition of its efforts, Golden 1 CU was chosen as the winner of the inaugural John Pembroke Catalyst for Change Award (*cues.org/awards*), named in honor of the late president/CEO of CUES who was passionate about advancing DEI in the credit union movement. The award goes to a credit union that has demonstrated sustained support for advancing DEI in the workplace, raised awareness of workplace diversity and inclusion, and supported positive change within the industry, their organization and their community. Golden 1 CU excels in all these areas.

"When we learned that we had received this award, we were absolutely thrilled," Taylor says. "This recognition is a milestone in our DEI journey. It confirms we are doing good things, and it motivates us to do even more."

With over 1 million members, Golden 1 CU is the sixth largest credit union in the United States and the second largest in California, with nearly 70 branch and home loan centers serving people throughout the state. The DEI commitment is evident in the workplace at Golden 1 CU, with women and BIPOC well-represented at all levels of the credit union.

"We have a diverse and multigenerational workforce," Taylor says. "Ensuring that all voices are heard and that multiple perspectives are listened to is a key part of our DEI journey. Our DEI program seeks to create a culture of belonging where employees can be their authentic selves, and by being authentic, they can do their best work."

Much of the responsibility for implementing internal DEI measures falls to Thompson. Like Taylor, Thompson is thrilled that the Catalyst for Change Award provided recognition for the credit union's efforts. "While we have accomplished much, we are aware that our work is not finished and are so very excited for what's next," Thompson says. "Our culture and workforce are the real winners of this award. They are the true drivers of what we do and how we create an environment where employees feel a sense of inclusion and belonging."

CONSISTENT WITH CU IDEALS

Golden 1 CU's adherence to credit union ideals is a key reason the organization excels in its DEI efforts. "Credit unions were founded on the values of inclusivity, belonging and equity, and Golden 1 has lived those values since our founding in 1933," Taylor says. "However, we're always looking for ways to do things better. We aim for continuous improvement, and DEI is an important part of that. Internally, we're looking for ways to be more inclusive and ensure that we have a culture of appreciating different backgrounds, experiences and perspectives that will continue to make us stronger."

To continue enhancing its workplace culture, Golden 1 CU moved forward in 2021 with an initiative to analyze its strengths and weaknesses in DEI. This multi-phase process consisted of focus groups, employee surveys, executive interviews, inclusive leadership assessments and a comprehensive talent management audit. The credit union also developed a DEI strategic plan and initiated specific measures to support the organization's goal to become a more inclusive and equitable workplace.

One of the important objectives of the process was to confirm that there are equal opportunities for advancement throughout the credit union. "That was a key takeaway in our process," Taylor says. "Unconscious bias training for leadership has been helpful

Donna Bland

Erica Taylor

Desirée Thompson

in that plan, ensuring there are pathways for everyone."

Another result of the process included the launch of employee resource groups through which individuals with shared interests and backgrounds, along with their allies, can connect to build a sense of belonging while supporting personal and professional development. Employees provided feedback to ensure the groups formed addressed their needs. As a result, six groups were established: LGBTQ+, Women, AAPI, Black Heritage, Latiné and Caregivers.

"The ERGs serve as a platform to help foster diverse and inclusive work environments and as a source of feedback for leadership," Taylor says. "They promote awareness and understanding of different perspectives, provide a greater sense of belonging, and enhance our company culture."

Taylor adds that there are opportunities within the ERGs for employees to serve as group leaders. "We've had an outpouring of interest, with many volunteers wanting to participate and wanting to lead."

A COMMITMENT TO COMMUNITY

Golden 1 CU's process of expanding its DEI commitment internally mirrors what the credit union is doing externally. The credit union has had a strong corporate-giving program in place for well over a decade, and in 2023, the organization took its community involvement efforts to a new level.

"As we evaluated our giving program and what we do to serve those who need help—specifically, marginalized communities—we took a look at how we could pivot our focus to include social equity and take a more active role in serving underserved populations," Taylor explains.

As a result of this evaluation, Golden 1 CU has made a $10 million commitment to strengthen equity and economic inclusion in Sacramento's Del Paso Heights neighborhood, a long-neglected, high-poverty area with a predominantly minority population just north of downtown Sacramento. The credit union's commitment consists of a five-year targeted investment to support key community organizations and projects.

In announcing the Del Paso Heights initiative in July 2023, Bland stated, "Golden 1 is committed to creating a more equitable and financially inclusive California and, through this targeted investment, we want to help break the cycles of multigenerational poverty and trauma, build trust, and create brighter futures for our neighbors in Del Paso Heights."

Golden 1 CU worked with a community advisory committee consisting of local leaders and residents to design an investment plan for the neighborhood encompassing community, economic and opportunity pathways to improvement. "Directly engaging with members of the Del Paso Heights community helped us identify the largest neighborhood needs and how our investment could make the biggest impact," says Bland.

Today, Golden 1 CU is actively involved with neighborhood organizations, engaging in volunteer activities and facilitating free

"These are our neighbors, our friends, and the children here are our future. Businesses and leaders have a responsibility to help the most vulnerable members of their community live a life where they can contribute and thrive in a meaningful way."

– Donna Bland

> **“This recognition is a milestone in our DEI journey. It confirms we are doing good things, and it motivates us to do even more.”**
>
> – Erica Taylor

financial education classes and workshops. The CU is also hosting job fairs, an intern and mentorship program, and provides scholarships to high school students in the community. Additional goals include enhancing the neighborhood’s aesthetics, expanding support services, ensuring financial stability and generational wealth building, economic revitalization, and creating greater educational and workforce opportunities for youth.

“We believe this type of targeted investment can be catalytic for the neighborhood,” Taylor says. “We’re hopeful that our efforts will help create a brighter future for our neighbors in this area. The path is significant, as we look to become the preeminent provider of financial services with an eye toward inclusivity.”

Golden 1 CU made its commitment to Del Paso Heights even more tangible by establishing a financial resource center in the heart of the neighborhood. Newly opened in December 2023, this facility is designed to help build residents’ personal financial empowerment, providing education, products and services unique to their needs.

“We’ve designed this new financial resource center to be so much more than a branch,” Taylor says. “It will be a place where people can come for one-on-one consultative conversations and receive expert help and guidance, wherever they are on their financial path. If you’re establishing credit, if you’re buying a car, if you’re moving into home ownership or getting ready to retire, we will be there to help you get to that next step.”

As a low-income designated credit union, Golden 1 CU is responsive to the needs of underserved communities like Del Paso Heights. “What we offer is dependent on what the community needs, what the community asks for,” Taylor says. “We are working on products and services that we can add to our already rich slate of offerings to ensure that there’s something for everyone, wherever they are on their journey.”

With Del Paso Heights as a guide, Golden 1 CU plans to broaden its investment to other communities in need throughout California. Bland describes this type of investment as consistent with Golden 1 CU’s obligation to be a present and accessible financial partner in areas that need it the most.

“Del Paso Heights is a part of our community,” Bland says. “These are our neighbors, our friends, and the children here are our future. Businesses and leaders have a responsibility to help the most vulnerable members of their community live a life where they can contribute and thrive in a meaningful way.”

STARTING THE DEI JOURNEY

For credit unions that have yet to begin their DEI journey, the leaders at Golden 1 CU have some helpful advice to get them started. Taylor recommends that credit unions begin the DEI process by listening—to their employees, to their members and to multiple voices in the communities they serve.

“From the very start of our DEI journey, we listened internally to ensure that our employees had a voice,” Taylor says. “With our Del Paso Heights investment, we also started by listening. If we want to be sure we’re providing our communities with the best possible support, [we] have to start by asking them what they need.”

From her vantage point of enhancing internal DEI culture and talent, Thompson recommends that credit unions make a lasting DEI impact by actively engaging their workforce and investing in empowering resources. “This approach enables employees to take control of their careers and shape their future,” she says. “Furthermore, emphasizing allyship fosters organic employee interconnectedness and promotes an inclusive workplace.

“Additionally, aligning DEI efforts with business objectives while regularly assessing and adjusting strategies based on diverse perspectives ensures sustainable and impactful initiatives that meet evolving needs,” Thompson advises. “By combining these approaches, credit unions can build a workplace where diversity, equity and inclusion are integral.”

Credit unions also would do well to follow Golden 1 CU’s approach of treating DEI as a journey—always being ready to take the next step. With every intentional step that the organization has taken, Golden 1 CU has become more closely aligned with DEI ideals.

“There’s a strong belief shared throughout the credit union that the best is yet to come,” Taylor says. “We’re committed to DEI, and we’re only going to get better and better.”

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

MORE CUES AWARD WINNERS

Reaching Impressive Heights, p. 16

Podcast: Golden 1 CU Takes Belief in DEI Into Awarding-Winning Action (*cumanagement.com/podcast156*)

Taking a Leadership Role in DEI (*cumanagement.com/0223deicatalyst*)

Helping Members Get to Their Next Destination (*cumanagement.com/0124destination*)

Authenticity Is Her Superpower (*cumanagement.com/1123success*)

Building a Culture of Success (*cumanagement.com/1123success*)

CUES Awards (*cues.org/awards*)

Reaching *Impressive Heights*

2023 CUES DISTINGUISHED DIRECTOR SCOTT BURT HAS PLAYED A CRUCIAL ROLE IN HELPING MOUNTAIN AMERICA CREDIT UNION ACHIEVE PHENOMENAL GROWTH.

BY DIANE FRANKLIN

Scott Burt, CPA, is an accomplished leader with a remarkable track record as a board member and a CEO at organizations that are renowned for helping others. Burt's dedication to the credit union movement spans 43 years of board service at Mountain America Credit Union (*macu.com*) in Salt Lake City, including six years as chair. In that time, he has played a crucial role in elevating the organization to become one of the nation's most successful credit unions, serving over 1 million members across six states through 100-plus branch locations.

"I love my service at Mountain America and am full of gratitude for it," says Burt, a CUES member. "The journey began over 40 years ago, inspired by the principle of people helping people. Our small \$135 million shop has grown to over \$18 billion in asset size, and I've been along for the whole journey. When we started, Mountain America was not even in the top 50 in asset size. Now we are number nine and continue to grow. The change at Mountain America has been transformative. We've worked hard to stay ahead of the curve."

For his role at Mountain America CU and his strong dedication to the credit union movement, Burt was honored with the title of 2023 CUES Distinguished Director. Those who work most closely with him at the credit union affirm that the award is well-deserved.

"It's been my honor to work with Scott Burt for 29 years," says President/CEO Sterling Nielsen, a CUES member who was honored with the CUES Outstanding Chief Executive award four years ago (*cumanagement.com/1119challenge*). "He has been an effective contributor and leader. His wisdom and dedication to the credit union is evident in the time and effort he contributes to the good of the movement."

Much of Burt's experience on the Mountain America CU board overlaps his impressive 27-year career with Children's Miracle Network, now Children's Miracle Network Hospitals (*childrens miraclenetworkhospitals.org*), a nonprofit organization headquartered in Salt Lake City that raises funds for children's hospitals in the United States and Canada. During his tenure there as CEO, Burt interacted closely with board members.

"I learned about serving on boards from the Children's Miracle Network when I was on the

“What I love most about the credit union movement is the transformative impact we have on people’s lives.”

– Scott Burt

management side,” he says, which gave him firsthand experience that helped him work more effectively with the CEO and management at Mountain America CU.

“He has been a fantastic board member,” Nielsen says. “He is smart and articulate. He understands the role of the board and can guide an effective group of dedicated board members to do amazing things.”

Mountain America CU board members are effusive in their praise for Burt. CUES member Joel Steadman describes Burt as being uniquely dedicated to his duties. “He goes above and beyond what’s expected of him in a typical board chair role, and that distinguishes him as an elite leader,” Steadman says. “He’s worked hard to build a great relationship with Sterling, and I think that’s the key reason that our board works so well with our executives. Our growth has been astronomical when compared to the industry, and I think that has a lot to do with our strong board and our strong leadership team.”

Another board member, CUES member Julie Wray, is impressed by Burt’s leadership and how well he interacts with all board members, management and other credit union employees. “Scott is one of the most approachable, charitable and kind individuals I know,” she says. “He takes time to listen and offers great insights and advice. He has an unflappable nature, calm demeanor and positive attitude. He is also intelligent and thoughtful and due to his experience as an executive and CEO, brings a wealth of knowledge and experience to the board. He sincerely cares not only about the credit union and its successes but about the members it serves.”

A UNIQUE PERSPECTIVE

Burt’s devotion to the credit union movement stems from how much he believes in its mission. “What I love most about the credit union movement is the transformative impact we have on people’s lives,” he says. “We help people secure their first home, put children through college and weather financial storms. We give power to entrepreneurs and support retirees in their golden years. Those are the things I’ve found profoundly fulfilling. It’s easy to boast about how big you are, but the real accomplishments are in the daily helping of people.”

Burt became a member of Utah State Employees’ Credit Union, a predecessor organization of Mountain America CU, while working as an accountant for Salt Lake County. He took on that job shortly after earning his degree in accounting and a minor in business management/economics from Brigham Young University (*byu.edu*).

After passing the CPA exam, Burt worked for a regional accounting firm and later as a controller for a property management organization. He also has experience as a business owner, co-founding a property management firm specializing in time share management.

Burt’s career took a life-changing turn when he answered a newspaper ad from a nonprofit looking for accounting help. “That’s how I started my career with Children’s Miracle Network,” he says. “At the time, they were a small, struggling organization, and it wasn’t even certain they would survive. I took the job, as they were in great need of accounting help, thinking I would help for six months to a year and then find something more stable and promising.”

Fortunately, through proper budgeting, the nonprofit began to prosper, and at that point, corporate sponsorships started to flow into the organization. “That’s what saved Children’s Miracle Network,” Burt reports “and the job became so fun and rewarding that I never left. Twenty-seven years later, I retired as the CEO. We grew to become one of the largest children’s charities in the world, raising almost half a billion dollars each year.”

Burt’s career at Children’s Miracle Network intersected with his credit union volunteerism when the Credit Unions for Kids (*cu4kids.org*) fundraising program was launched in 1996. “At the time, I was COO at Children’s Miracle Network and a director for Mountain America, so I had the unique perspective of seeing the development of the program from both sides,” he says. “Credit unions have raised over $200 million in the past 26 years, and 100% of that money goes directly to the credit union’s local hospital. To this day at Mountain America, our credit union raises $100,000 a year for Primary Children’s Hospital in Salt Lake with the Swing for the Kids golf tournament (*swingforthekids.com/#swingstart*). It’s impressive to see two wonderful organizations come together to do so much good.”

The Children’s Miracle Network board included administrators from many of the nation’s largest children’s hospitals as well as top C-suite executives from major corporations like Walmart, Hershey’s, Delta and Marriott. “It was like a Who’s Who of corporate America,” Burt says. “To be mentored by those people has been very helpful for me in my role at Mountain America. I was able to see how effective people can serve without being burrs under the saddle or causing problems for management. I am sure that helped me become a better board member.”

A MATTER OF LEADERSHIP

During his 43 years on the Mountain America CU board, Burt has worked with three CEOs, starting with Grant Clayborn and progressing to Gordon Dames and finally to Nielsen. All three CEOs contributed their unique talents to the credit union, steering the organization through good times and bad. Nielsen had a particularly tough challenge, taking the CEO role at the credit union just as the financial crisis of 2008 was devastating the world economy. At the same time, Mountain America CU was dealing with the aftermath of a merger with a troubled credit union, so Nielsen had to be diligent in getting everything sorted favorably.

“Sterling took over as CEO for Mountain America the same year as I became president/CEO of Children’s Miracle Network,” Burt recalls. “We both had to weather that same difficult period.”

> **"His wisdom and dedication to the credit union is evident in the time and effort he contributes to the good of the movement."**
>
> – Sterling Nielsen

MORE CUES AWARD WINNERS

Intentional in Their DEI Journey, p. 12

A Commitment to Credit Unions (*cumanagement.com/0223commitment*)

Helping Members Get to Their Next Destination (*cumanagement.com/0124destination*)

Authenticity Is Her Superpower (*cumanagement.com/1123success*)

Building a Culture of Success (*cumanagement.com/1123success*)

CUES Awards (*cues.org/awards*)

Fortunately, Nielsen was up for the job. It is under his leadership that the most significant growth at Mountain America CU has occurred. He became CEO when the asset size was $2.8 billion and guided the organization to over sixfold growth in less than 15 years.

"One of the things that I've learned during my time at Mountain America is that your success depends upon having the right people in right positions," Burt says. "As a board, the most important thing we can do is identify someone with vision and the courage to embrace change, then allow that person the freedom to help the credit union become what it can be and not get in the way.

"It's important to get a person who has the ability to lead," Burt adds. "We have been blessed to have Sterling as that person. He's unassuming, he doesn't have a big ego, and he has the courage and the strength to do hard things."

Nielsen and the board work closely to enhance the culture of Mountain America CU. "The culture has evolved to where we always rank as one of the top places to work every year," Burt says. "We have shifted away from a sales culture to a culture that is focused on what we can do to help the member. Our employees embody this new culture, and massive credit to Sterling and his team for steering us in this direction."

Burt also has been diligent about ensuring that board members have the knowledge and skill sets necessary for governance of an ever-expanding credit union. Board member Wray is especially appreciative of Burt's leadership on this issue, noting that under Burt's direction, the board has developed a process to conduct a self-evaluation of its effectiveness.

"This process helped the directors to determine areas to focus on, from attracting more diverse representation on the board ... to ways to improve time spent on discussing strategic direction," she says. "Scott also encourages development and continued growth and learning by the directors, encouraging them to attend trainings, conferences and other educational opportunities."

Burt also has been diligent about his own development, taking advantage of educational opportunities from CUES and other industry organizations. "Every year, Sterling and I attend the CUES Symposium that focuses on leadership development of the CEO/board chair team (*cues.org/symposium*)," Burt reports. "It's especially valuable because all the major credit unions are there sharing their experiences."

A FULFILLING LIFE

Outside of his service to Mountain America CU, Burt's life is enriched by volunteerism for other worthwhile organizations and his devotion to family. He has served on several nonprofit boards, including ServiceSource's (*servicesource.org*) local affiliate PARC (*parc-ut.org*), which creates employment opportunities for people with disabilities, and Utah Community Action (*utahca.org*), which serves over 60,000 people annually through core programs like Head Start, an early childhood development program serving low-income children and their families. He also is proud of his work for the Mountain America Foundation (*tinyurl.com/macu-foundation*), funded by Mountain America CU and its members to make a difference in the lives of the people in the communities the credit union serves.

Burt's ever-expanding family circle has added great joy to his life. He and his wife, Pam, have five adult children (three girls and two boys), all married with children of their own. "We've been blessed with 22 grandchildren and two great-grandchildren, and we expect many more to come," he says.

In his spare time, Burt enjoys following college sports and some professional sports like basketball and football. He himself has participated in various sports over the years. "Now, I'm focused mainly on having fun with golf and getting in workouts at the gym," he says.

As he reflects on his board service, Burt can't help but feel an overwhelming sense of pride and gratitude for the opportunity to be a part of the credit union movement. "My journey as a volunteer board member at Mountain America has been a privilege and a calling," he says. "I've served with amazing leaders, talented employees and dedicated volunteers who have had a lasting impact on me, on our credit union and the credit union movement as a whole."

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

Solving the Resilience Puzzle *Together*

CREDIT UNIONS CAN STRENGTHEN THE MOVEMENT'S INNER WORKINGS BY DRAWING ON THEIR COOPERATIVE NATURE.

BY STEPHANIE SCHWENN SEBRING

Credit unions face significant challenges—competition from fintechs and much larger banks, the regulatory compliance burden and increasing member expectations, to name a few. In all, there's plenty of work to do to keep CUs strong, member-focused and sustainable in 2024 and beyond.

Fortunately, credit unions have a key advantage they can leverage, one that distinguishes them from all the other financial services players: They're cooperatives. And that cooperative nature means they're not only built on the philosophy of being "people helping people" but also on the international cooperative principles (*tinyurl.com/intlcoopprinciples*), including the sixth one, "cooperation among cooperatives."

When people start talking about "people helping people" and "cooperation among cooperatives," sometimes they think the conversation will focus on "small" CUs. But the vast majority of CUs *are* small, points out George Hofheimer, founder of Hofheimer Strategy Advisors (*hofheimer.org*).

Since Jan. 10, 2023, the National Credit Union Administration has defined a small credit union as one with fewer than $50 million in assets (up from $10 million previously). Run that up against a Q1 2023 report (*tinyurl.com/cunastats*) from the Credit Union National Association (*cuna.org*), which found that of the nation's approximately 4,800 credit unions, 3,690 are below $250 million, while only 432 have assets over $1 billion.

Of concern to many in the movement these days is that "the vast majority of non-surviving credit unions in mergers have occurred within the small category over the past several decades," Hofheimer says. At this writing, the CU De Novo Collective (*cudenovocollective.org*) is reporting on its home page that 2,539 credit unions have closed since 2011; 108 credit unions no longer exist because of mergers in 2023; and just four charters for new or "de novo" credit unions have been approved in the last 12 months.

And why does all that matter so much?

"Many small credit unions still serve a single sponsor in a remote location, and without their presence, it would be a banking desert," says Denise Wymore, marketing manager/small credit union initiatives at Zest AI (*zest.ai*). "The coexistence of small and large credit unions is vital for maintaining a balanced and inclusive financial ecosystem and for safeguarding financial access for all members."

Hofheimer adds: "It is important for small credit unions to stay vibrant because these credit unions serve the financial needs of millions of members across the United States. While many small credit unions are doing quite well (*tinyurl.com/savingssmallCUs*), the ones that are struggling to keep up with member, technological or regulatory demands can benefit from assistance across the industry."

Helping small CUs is likely to cause positive ripples for their larger counterparts as well. For example, it could help to protect the federal tax exemption, an exemption the banking industry has continued to push to eliminate, arguing that small credit unions are disappearing and being replaced by larger ones.

Credit Union Times (*tinyurl.com/savingsmallcus*) provides estimates of CU size from Glenn Christensen of CEO Advisory Group (*ceoadvisory.com*), Bonney Lake, Washington: In 2022, the average CU had $450 million in assets, and the group median was just over $50 million; by 2030, the average CU is projected to be $1.2 billion, and by 2040, $4 billion.

Notably, even if the projected growth actually occurred, CUs would still be very small compared to the largest banks. According to Federal Reserve statistics cited by Forbes (*tinyurl.com/forbeslargestbanks2023*), the three largest banks in the United States—JP Morgan Chase, Bank of America and Citibank—have $3.3, $2.5 and $1.7 trillion in assets respectively.

Fortunately, there's a lot that can be done to strengthen the movement's many small credit unions that ultimately will build the resilience of the movement overall.

"Vendors can enable friendlier pricing, especially for their technology services; larger credit union cousins can share resources (human or otherwise) and support organizations such as associations and foundations that focus their efforts on providing specialized services," Hofheimer offers.

Those are good starting ideas. Read on for more.

MANAGING SCALE

Forming credit union service organizations to build economies of scale can be a way to build strength and resilience in owner and participating credit unions large and small.

"Credit unions often feel pressure to grow exponentially, but the obsession with size and numerical superiority might be a fallacy," Wymore says. "The notion that reaching $500 million in assets to attain economies of scale is flawed—it's not just about accumulating assets but collaboration and innovation."

Logically, the scale argument makes sense, Hofheimer writes in his book, *Banking on a Human Scale* (*tinyurl.com/ghbankinghumanscale*). "If you only have a $100 million balance sheet and you have to make the same investments as an organization with a $1 billion balance sheet, the latter is likely going to have a lower per dollar asset cost than the former," he explains. But he cites a 2020 report by the Federal Deposit Insurance Corp. (*tinyurl.com/fdicstudy*) that provides a nuanced view "of the community banking sector's scale circumstances."

"We find evidence," the report authors write, "that almost all gains from increased size accrue early in the size distribution: By approximately $300 million in loan portfolio size, banks have achieved about 90% of the potential efficiencies estimated to occur by increasing in size from $10 million to $3.3 billion; by $600 million, they have achieved about 95% of potential efficiencies."

Enter CUSOs, which allow credit unions to jointly form a for-profit organization that then serves the needs of its credit union owners and, potentially, other credit unions.

Wymore tells the story of Member Support Services LLC (*msscuso.com*), originally formed in 2013 by three mid-sized New Jersey CUs ranging in assets from $170 million to $420 million. A CUSO, MSS brought multiple back-office services under one umbrella, including IT, loan servicing and underwriting, and deposit operations, achieving economy of scale without sacrificing the CUs' unique identities.

"We don't hear enough of these collaborative stories," says Wymore. "What if we reinvent our perspective? Collaboration doesn't have to be about losing control but gaining economies of scale while retaining identity."

As another way to shift from a merger mindset, some credit unions are employing a "fractional CEO," an executive who leads more than one institution.

"This concept addresses the needs of small credit unions … facing challenges such as retiring CEOs or a failure to recruit in local markets," Wymore explains.

She shares the story of Jon Hernandez, a true pioneer of the fractional CEO concept: "Today, Jon is CEO of four California credit unions: ($93 million) CalCom (Federal Credit Union, *calcom.org*, Long Beach, California), ($29 million) Mattel (Federal Credit Union, *mattelfcu.org*, El Segundo, California), ($86 million) Nikkei Credit Union (*nikkeicu.org*, Gardena, California) and (Nikkei CU's division) Mabuhay (Credit Union, *nikkeicu.org/about-mabuhay*)," Wymore says. "Through his experiences, he demonstrated exceptional leadership skills, paving the way for a new executive management model in the credit union industry."

In addition, CalCom FCU's VP/retail services, Johnny Lee, is also the CEO of $6 million Episcopal Credit Union (*episcopalcredit.org*) in Los Angeles.

"Collaboration doesn't have to be about losing control but gaining economies of scale while retaining identity."

— Denise Wymore

MAINTAIN BRAND EVEN WHEN MERGING

While mergers may sometimes be inevitable, losing a credit union's brand to a merger event doesn't seem to be.

Consider the success of maintaining TLC Federal Credit Union's brand identity following its merger with $1.6 billion Fibre Federal Credit Union, Longview, Washington, in 2015. At the time of the merger, TLC FCU had $109 million in assets and served 13,375 members, according to the National Credit Union Administration (*tinyurl.com/ncuatlcfibremerge*). Instead of replacing the TLC brand, Fibre FCU embraced the unique identity of TLC FCU, creating a sense of extended family for its members. Watch this video for more on how this works: *tinyurl.com/fibretlcmergermovie*.

Wymore notes that TLC FCU is now branded as a division of Fibre FCU, complemented by a unified website: (*fibrecu.com*). "While on one core platform, their marketing strategy is unique, featuring two names and two logos," she says. "To maintain the brand identity, the TLC name was kept for its Oregon coast branches … which has proved hugely successful."

PARTICIPATE IN SHARED MARKETING

For more than 20 years, the Michigan Credit Union League (*mcul.org*), Lansing, has created a shared marketing awareness campaign for its 192 credit unions.

"Many still don't understand they can join a credit union, and in Michigan, we're fighting this misconception with our 'Try a Credit Union' campaign (*tryacreditunion.com*). We want everyone to know they can join—and it seems to be working. Overall, 56% of Michigan residents belong to a credit union, 20% higher than the national average," says MCUL CEO Patty Corkery.

"Our role as a league is to get people excited about joining a credit union," she continues. "We don't specify which one, and we debunk some credit union myths, like credit unions not having a lot of technology, business loans or mortgages."

MORE ON RESILIENCE

Canada's Corbett on Collaboration for Resilience (*cumanagement.com/0124collabresilience*)

Resilient Leaders Essential to Moving Credit Unions—and Their Communities—Forward (*cumanagement.com/0124resilientleaders*)

Video: Resilient Leaders Require Dynamic Integration (*cumanagement.com/video120123*)

Purposeful Talent Development: A Culture of Learning Builds Resilience Three Things That Resilient Organizations Do (*cumanagement.com/1220resilient*)

"Credit unions were the original answer for financial inclusion."

— Kyle Hauptman

As part of the annual campaign, billboards are displayed throughout Michigan (20 in 2023), and digital messages are available for credit unions to access for Instagram, Facebook and Snapchat—all geared toward attracting younger members. "We're looking to have young Michiganders (aged 18 to 30) understand what a credit union is—and join. The campaign features youthful messaging that's a bit sarcastic and funny to catch the eye of future younger members. The campaign is built into the league's dues at a minimum level, so every credit union in Michigan can access this marketing collateral when needed."

For the statewide media buy, which includes digital and billboards, MCUL raises $1 million annually from credit unions. That would be a big marketing budget for any credit union to take on alone—and a deal breaker for some. Instead, Michigan credit unions share in the efforts and the results.

"They can download various components, share the messages on their sites, and if they prefer, customize them," she explains. "So, a smaller credit union without a big marketing budget can access an entirely produced campaign, insert its logo, and include a unique call to action."

Most digital components are short and designed for media like TikTok or Snapchat. Some are seven seconds, others 15. There are also 30-second spots, but Corkery says getting people to watch for that long can be challenging.

"As part of the program, we hire a third-party firm to do a marketing analysis across the state, budgeting around $60,000 yearly as a league for this service," Corkery adds. "All credit unions get a summary of the analysis to aid their independent marketing efforts or piggyback with our statewide plans."

In 2024, the campaign will produce a video on the benefits of the overdraft protection product offered by credit unions, as recent critical rhetoric has left out the fact that this is a product that members sign up for at all economic levels. The campaign will also create a message to educate members on cyber fraud to discourage clicking on harmful links to help reduce fraud losses.

SUPPORT DE NOVO CREDIT UNIONS

Another way to leverage the credit union philosophy is to start new credit unions.

"This revitalization can be sparked by de novo credit unions, which bring innovative ideas and cater to specific niche communities," Wymore says, noting that starting a de novo credit union these days is not without its challenges, including stringent start-up capital requirements (often exceeding $1 million) and developing policies and procedures.

"These entrants are vital to the industry's resilience, and larger credit unions can play a pivotal role in their growth," she continues.

Success also requires collaboration at a national level, and NCUA Board Member Kyle Hauptman is working to ease barriers for these new entities.

"Credit unions were the original answer for financial inclusion," Hauptman reflects. "There are credit unions formed by farmers, Native American tribes, church groups and immigrant groups—and an African-American sorority was granted a charter in 2023. I believe if we are making the chartering process any harder than it has to be, if it takes one minute longer or there's one more unnecessary form, then the NCUA must reevaluate its commitment to financial inclusion."

An issue when securing a charter for a new credit union is raising the necessary capital. Sometimes, a potential credit union can get money from community development groups, "but unfortunately, most capital cannot be secured until a charter is approved. It's a classic 'chicken and egg' situation," says Hauptman. NCUA is beta testing a provisional charter, which would provide the potential credit union with a charter for the purpose of raising capital.

As cooperative entities, Hauptman adds, CUs collaborate, share ideas, implement fintech solutions and leverage shared banking technologies.

"This collaborative spirit is crucial for easing the entry of de novo credit unions," he says. "Documents used for new charters, guidance on board structure, policies and numerous other items have all been done before. Providing easy access to these resources can speed up the process, making it less burdensome.

"What if we were to allow credit unions to focus on their members and staying financially solvent—not on reports, paperwork and IT exams?" Hauptman continues. "When we save one credit union, we've avoided one going away."

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

Focus on Your *Middle*

CREDIT UNIONS MUST DEVELOP LEADERS AND MANAGERS THROUGHOUT THE ORGANIZATION.

BY ART CHAMBERLAIN

These days, every athlete knows the key to building a strong body is developing their core. Even if their success depends on quick feet or superior hand-eye coordination, they can't be the best if their middle is weak.

Look at your credit union through that same lens. Your midlevel managers are vital to your success. In popular culture, middle managers have been the butt of jokes for many years—think of Steve Carell as Michael Scott in *The Office*. At many organizations, they were the forgotten and ignored element since they didn't do the work and they didn't plan the strategy. In many cases, they were the layer to be flattened when cuts were needed.

But 20 years ago, professors Jay Conger and Robert Fulmer wrote an article in the *Harvard Business Review* entitled, "Developing Your Leadership Pipeline" (*tinyurl.com/hbrpipeline*) and a follow-up book, *Growing Your Company's Leaders: How Great Organizations Use Succession Management to Sustain Competitive Advantage* (*tinyurl.com/growingcosleaders*), that argued companies needed to extend their leadership training to middle managers and make that go hand in hand with their succession planning to create what they call "succession management."

"At the foundation of a shift toward succession management is a belief that leadership talent directly affects organizational performance," their Harvard article says. "This belief sets up a mandate for the organization: attracting and retaining talented leaders."

A lot has changed in the business world over the last 20 years as new technology and new industries have flourished, but the need to train and retain talented leaders has only become increasingly apparent—and with it the awareness that midlevel managers play a key role in organizational success.

However, current surveys (*tinyurl.com/strainnewnormal*) show that midlevel managers are the group most likely to feel burned out and dissatisfied.

"Managers face pressures from above and below, they tend to be both underdeveloped and unempowered, and they face growing pressure to deliver in flatter, faster and leaner organizational structures, all of which leads to being underutilized and unappreciated," says a recent article (*tinyurl.com/preciousmiddlemanagers*) by consulting giant McKinsey & Company.

SHIFT CULTURE

So what can be done to improve this situation? Credit union leaders say the first step to including middle managers in your overall plan is a cultural shift to ensure your entire organization understands where it is headed and why. That fits with the research done by Conger and Fulmer.

"Perhaps the underlying lesson is that good succession management is possible only in an organizational culture that encourages candor and risk-taking at the executive level," they wrote. "It depends on a willingness to differentiate individual performance and a corporate culture in which the truth is valued more than politeness."

CUES member Jennifer Binkley-Heiting, CCE, president/CEO of $2.6 billion Altura Credit Union (*alturacu.com*) based in Riverside, California, and a member of the CUES board of directors, says she has emphasized a cultural change since taking over as leader six years ago.

"We're now a learning organization," she says.

Providing middle managers with the leadership and strategic training they need has been an important part of the change.

"We expect high-performing managers to listen and communicate, to model and train their staff to ensure consistency and quality, to make balanced decisions on our critical success factors, and to be able to manage their team's performance through process metrics," she says. "Interestingly enough, the middle management group had never been trained on those things."

The middle management training that the credit union had offered in the past provided basic information on human resource law and simple advice—"definitely not what was needed to truly create high-performing managers and potentially future leaders of the organization," Binkley-Heiting says.

Altura CU currently has two training streams for everyone from middle management on up. One is based on developing emerging leaders and provided by Peter Myers of CUESolutions provider DDJ Myers (*ddjmyers.com*), Phoenix. The other is a more technical program based on improving business processes that is conducted with Endurium (*enduriumllc.com*).

Binkley-Heiting says the leadership development program also includes assigning mentors to guide younger staff. She currently has 10 mentees she meets with at least every quarter.

"I'll go to lunch with them, and it has created a different dynamic with leaders in the organization that I might not have had, had we not done that program."

INDIVIDUAL PLANS

All Altura CU staff must have a personal leadership commitment statement that outlines their goals and how they will prepare to achieve them.

"There definitely has been a cultural shift," Binkley-Heiting says. "I think like most credit unions, we have a very kind culture. People are respectful. They're kind to each other, they like each other."

Getting people to understand they can be kind and be respectful while also being clear and direct is important, she says. "Too many people think those are opposing ideas, but the training talks about how you bring those two things together because we owe it to each other to provide really clear feedback and really frank and honest discussion in a respectful way."

Myers says when developing a strategic plan or considering why they failed to meet a goal, most organizations don't do an assessment of their staff.

"They say, 'We want to go this direction.' But they don't look at their talent and ask: 'Do we have the capacity? Do we have the competency? Do we have the experience?' They don't look at that, and that's a big gap," he says.

Too often, organizations focus on training for midlevel managers that deals with current operational issues, not building strategic capability, Myers adds.

"They don't necessarily train them to deal with ambiguity, and that's a big deal because tomorrow's challenges are unknown. They're ambiguous by their very nature."

Effective leadership training and succession planning must start at the top, Myers says. "We get calls all the time. Can you help our middle talent be better, be a bit more strategic? I get very curious when I get that question because midlevel talent will key off of executive teams; executive teams key off of CEOs. So, when an executive team or when a midlevel talent team is reactive or not collaborative, often it's because those skills are not embodied at the executive level."

Myers says credit unions need to realize that such training takes several years to transform an organization and requires a lot of time and effort from all levels.

Getting people to understand they can be kind and respectful while also being clear and direct is important. "Too many people think those are opposing ideas, but … we owe it to each other to provide really clear feedback and really frank and honest discussion in a respectful way."

— Jennifer Binkley-Heiting, CCE

> **“When an executive team or when a midlevel talent team is reactive or not collaborative, often it’s because those skills are not embodied at the executive level.”**
> — Peter Myers

“We tell the executive team: ‘You have to go through the learning experience first so you can know what it feels like to go to the next level. As strategic leaders, you have to go through the pains and joys, you have to demonstrate the progress and sometimes, most importantly, you have to hit a learning wall.”

BEING STRATEGIC

It’s important to understand that managers at any level can be strategic in their work, Myers says.

“Lots of times people will think, ‘Oh, I’ll be a strategic leader when I get to VP title or when I’m a CEO.’ What we say is being a strategic leader is a perspective. It’s possible to be a manager and be a more strategic leader than the C-level person you report to.”

The challenge for senior executives is that they need to become teachers who encourage everyone in their organization to learn, and that’s not a typical skill for them to have, Myers says.

“What I love to have happen is that I’m in year two of working with an organization and someone at midlevel says, ‘Our executive team is different over the last year. Why? What are you doing? They’re coordinating better. They’re more strategic. They’re better leaders.’”

Improved leadership training helps with succession planning because it makes it more likely that employees will stay with you, Myers says.

“When managers can learn and grow and have a meaningful impact on the organization’s strategy, that’s hard to replicate; that is a competitive advantage. People will be endeared to the organization for a long period.”

CUES member Kent Streuling, SVP/human resources at $19 billion America First Federal Credit Union (*americafirst.com*) in Ogden, Utah, says his credit union has a robust training program for managers because it adheres to “the hire-and-promote-from-within philosophy that all credit unions used to follow.”

Streuling says having training for middle managers has been useful in recent years as America First CU has undergone several mergers. It has used the training to ensure that everyone joining the organization understands the credit union’s culture “so they become part of us. They know how we operate and what is important to us.”

Strategic succession planning is not like the normal approach because it’s not about identifying people who can fit into an organization chart or who have specific skills. “Strategic succession planning involves where the organization needs to go in the future and training those skill sets,” Myers says.

“Rigorous and comprehensive training or leadership development programs have a quickening effect,” he adds. “It’s an accelerated process to see who’s going to rise to the top and demonstrate that strategic perspective. Who’s going to be execution-oriented? It can also have a quickening effect for those individuals that might not be the best fit for the organization.”

Streuling says his experience at America First CU is that those who don’t adapt to the new culture often move on. “Some don’t buy into the new culture, but what I’ve learned over the years is that usually within 12 to 18 months, those people who can’t buy into the culture self-eliminate.”

COMPREHENSIVE CAN BE COSTLY

Myers acknowledges that “comprehensive programs are expensive because they’re, by definition, comprehensive, but it’s cheaper than putting the wrong person in the wrong position. That has a hard cost; that has a culture cost and a strategic opportunity loss cost.”

Streuling says America First CU has a rigorous vetting and interview process that stresses its culture, so it rarely hires new employees who don’t fit in. “Culture is a big thing for us, and we talk about that from the very beginning. In their very first interview, we speak about our set of core values.”

“Our credit union is growing, so we need to make sure we have people prepared for those opportunities because we prefer to promote from within,” says CUES member Laura Campbell. Campbell, president/CEO of $1.5 billion Farmers Insurance Federal Credit Union (*figfcu.org*) Burbank, California, turned to DDJ Myers for help because the executive team found “communication always seems to break down between us and the staff. We could never figure out what the problem was. We felt like we were com-

"Having training and being developed to the future career that I strive for shows me how much you appreciate me."

— Lesley Sears

municating with the middle management group, but it didn't seem to be very effective."

Farmers Insurance FCU started with training for its executive team and this year expanded it to add an emerging leaders group of eight employees. Campbell says the process started by "getting them to understand who they are, what they want, what's realistic and how much work it's going to be to get to where they want to be. It's definitely been an eye-opening experience for them."

Over the next year, the group will move to the next phase, Campbell reports. "We'll do more training with them next year on learning to give and receive feedback because what we find a lot of times is people don't like confrontation. They just want to go along to get along, and that does not move your organization forward at all.

"You definitely get some people who are not good with getting feedback, and so they get very defensive. Part of that is, 'I'm already good at what I do. I don't need any feedback from you.'"

TOUGH CONVERSATIONS

Some of the discussions have already involved tough conversations about "where we thought they were and what they needed to work on," Campbell notes. "They're getting a better feel for, 'What do I really want for my career,' and 'Do I want to do the hard work or not? Does the executive team see me in this position?'"

Campbell says succession planning is an important topic because many senior executives in her organization are getting close to retirement. So, the CU is focused on identifying likely candidates to step up rather than going outside.

For example, the credit union's chief technology officer retired earlier than expected, but he had prepared a direct report who was able to step in and take over immediately.

Providing middle manager training is time-consuming and requires a commitment, Campbell says. "You have to set aside time for deep work and put it on your schedule. You have to take it seriously; if you're not going to spend the time then, it's not worth the money."

Lesley Sears, VP/consulting services at CUES, says that in the past, middle managers were overlooked when training was considered and in succession planning, "but now more organizations are recognizing the need for training and the value middle managers can provide."

"Credit unions are definitely moving toward understanding how much more powerful managers can be with development and as they begin to understand and get trained in leadership skills. Whether they move into more of an executive position or ... continue to manage the team that they manage now," Sears says, "those leadership skills will increase their value.

"The workforce of today is so different than the workforce of five years ago, pre-COVID," she adds. "Now, the expectation is, 'If I can't get what I need here, I'll move somewhere that will provide it for me, because my career is important to me.' Having training and being developed to the future career that I strive for shows me how much you appreciate me."

Credit unions now realize that they must earn employee loyalty and make people feel valued in the roles they play, she says.

VALUE OF LEARNING

"More credit unions are moving toward a learning culture," Sears says. "They want to be known as an employer brand that really focuses on learning and really identifies the value of it."

Employees also realize that they can aspire to positions that they couldn't have reached in the past because they can see the opportunity to receive training that allows them to move, Sears says.

"Now they can look at a different position within the credit union and say, 'Yeah, I'm interested in that. That's something that I would love to be developed toward.' If you're outside of the learning culture, those thoughts are never really allowed to materialize."

The biggest challenge in succession planning and leadership training is inertia. Credit unions need to understand the problem and start moving in the right direction, Sears says.

When managers complete their training, Myers hands out co-branded water bottles with a unique-to-their-program slogan so they will have a constant reminder on their desks. A recent one says, "The Work Works If You Work It."

Art Chamberlain *is a writer based in Canada who focuses on the credit union system.*

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4 Talent Development Best Practices *for the New Year*

BY LESLEY SEARS

Workforce issues existed before the pandemic, but COVID-19 revolutionized the world of work, creating trends and concerns that HR and talent leaders are still grappling with today. Think back to before the pandemic forced us into remote or hybrid work, the Great Resignation, quiet quitting and resistance to return-to-office policies. What a new world we live in.

As we move into the new year, make sure you aren't using outdated, pre-pandemic talent tactics. Instead, embrace these four best practices:

1. Shift to a skills mindset. It wasn't so long ago that I wrote a blog (*cumanagement.com/062623blog*) about the value of having a skills taxonomy at your credit union. A skills taxonomy is an inventory of skills that individual employees bring to the organization. Having one can help talent leaders understand which needed skills they already have and in which parts of the organization. A skills taxonomy can be a guide to determine which people to pull onto a team as well as which skills to hire next.

According to an article from *Harvard Business Review* (*tinyurl.com/mukuc9cu*), a skills mindset can help with deploying employees with particular skills to the areas where the organization most needs them. To compensate people for their evolving roles, organizations can offer a one-time bonus, raise, additional paid time off, a promotion and greater flexibility. It can also provide specific development opportunities to help employees meet evolving organizational needs.

2. Understand and provide the development your managers need. Today's middle managers are feeling the pinch between talent that wants to be developed and have purpose, a career path and flexible work, and leaders who are laser-focused on performance. Good organizations must help managers navigate.

Teaching managers about the desired balance between responding to their team members' needs and hitting organizational performance measures can help them serve both groups better. For example, what is the expectation about how they'll underscore an employee's purpose. How flexible can they be? What tools are available to achieve buy-in to the work from employees?

As much as possible, I encourage you to empower managers to be flexible and have conversations with their reports about learning and career opportunities. When you do this for managers, it's a double-win, because both your managers and their reports will grow in the process.

3. Broaden your hiring pool and rethink your hiring process. The guidance in best practice No. 1 applies here. Shifting to a skills mindset can help you think more broadly about your hiring pool. Do you really need a person with a particular degree for that position or do you need someone with the skills to succeed in the role?

Of course, a challenge in this is being sure that the candidate really has the skills you need. This concern points again to the true baseline criteria for the new hire on their start day and your ability to help them grow. What skills do they have to have up front and what can you teach them?

4. Double down on post-pandemic healing. The effects of the pandemic are far-reaching. Three years were "lost" in some potential hires' development. And communication skills may have suffered the most.

What can credit unions do to heal people? Here are two key ways: 1) Proactively provide a rest before work periods that are expected to be challenging; and 2) Provide discussion opportunities to help work teams build relationships.

People are complex, which makes workplaces complex. But people are also credit unions' best asset. If you want to talk about your talent plan for 2024 and beyond, please reach out.

Lesley Sears *is VP/consulting services at CUES and leads CUES Consulting* (cues.org/cuesconsulting)*, which provides talent strategy support to credit unions of all sizes.*

Leave a comment at cumanagement.com/122923blog.

> **"Continuous development for leaders is not a luxury but a strategic necessity, especially when the business climate worsens and uncertainty looms large. The skills, industry knowledge and relationships cultivated during challenging times are the building blocks of organizational resilience and agility."**
>
> **Heather McKissick, I-CUDE, CEO of CUES,** *in "Leadership Development is Not a Luxury":* cumanagement.com/122623blog