

Focus Your Strategic Thinking

Narrow your priorities during the credit union's planning process.

Each credit union has its own approach to strategic planning. Yet despite differences in methods and outcomes, focus proves to be one of the most important drivers of a credit union's strategic success.

And while the fundamentals of strategic planning—objectives, strategies, measures, and timelines—haven't changed, what is different is the viewpoint of strategy, particularly when balanced between the CEO and board.

"Planning and execution are what we do as managers; that's our job," says one credit union CEO from Colorado. "We noticed the greatest benefit when our strategic process became more about ideas and less about numbers. Our focus shifted away from the balance sheet and toward the whiteboard."

Find your focus

Successful organizations over time are those that:

- **Select** a handful of strategic focus areas.

- **Move** forward and measure those extents relentlessly.
- **Recognize** that year-to-year strategies may change so long as progress continues toward the areas of focus.

One Southeastern CEO shares that his credit union learned the strategic power of "no" in its quest to gain clarity and focus. "As we scrutinized what we could do, we asked ourselves what we should master initially. Our inventory of strategic priorities shortened from 10 to two. By saying 'no' to eight priorities, we said 'yes' to two primary areas of focus. As we finish our two, we can set our sights toward the others."

How are these credit unions establishing more focus in their strategic planning processes? Three significant practices surface.

1. Substantial discussions

Most credit unions dedicate part of each board meeting to strategic trends. Some survey board members ahead of time for their areas of interest. Others focus on different departments or functions. And some credit unions review information from conferences.

But they don't simply share information for general interest and updates. They systematically and substantially discuss ideas, issues, and trends.

While examining each trend, CEOs inform their boards how that development might affect current strategy and any action the credit union is taking or considering. This way, strategic updates focus on actions and decisions rather than a string of industry occurrences.

For formal planning sessions, many credit unions engage outside facilitators and experts for assistance. Some credit unions retain economists, technology experts, or marketing authorities to gauge the broad direction of financial services and courses they might follow.

Often, credit unions invite strategic facilitators for their impartiality, lack of bias, and skill in ensuring that a thoughtful, balanced, and action-oriented discussion ensues.

With or without an outsider present, strive to dedicate the most substantial discussions to trends that represent opportunities for expansion and refinement of your operations and chances for strategic success.

'FOCUS PROVES TO BE ONE OF THE MOST IMPORTANT DRIVERS OF A CREDIT UNION'S STRATEGIC SUCCESS.'

JEFF RENDEL

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\$10.8 Billion

\$7.8



Lower interest rates
on loans

\$1.7



Higher savings yields

\$1.3



Fewer & lower fees



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2. Next-level questions

Most strategic meetings center on next levels of success. Invest some time to discuss the main objectives and goals for the coming year, but devote more time to address opportunities and decisions necessary to lay the groundwork for the next several years.

One West Coast CEO explains, “Our discussions shifted from asking, ‘What are we doing to serve several hundred thousand members?’ to ‘What must we do next to serve one million members?’”

The board chair of one of the nation’s largest credit unions also describes the importance of being future-focused in deliberations as a board and with the CEO.

“As we grew, we rapidly recognized we could not inspect every operational aspect. It was too much to understand,” the board chair says. “While studying new housing permits and traffic patterns might be interesting, our board partnered best with our CEO in ensuring the strategic focus was making progress and the CEO’s attention to detail delivered the projected results.”

3. Strategic education

For credit union leaders to continue thinking strategically, they must educate themselves strategically.

At the practical level, executives and directors should subscribe to industry publications and take advantage of industry webinars and conferences. This provides leaders with information, networking, and a chance to learn about success in financial services.

Some credit unions require leaders to take part in schools and institutes that conclude with a designation or degree. More than an investment in the leader’s education, this presents an investment for members.

“If we continually strive to provide relevance and excellence to our members through products, services, access, and experiences, we should provide the same for our members’ elected and professional leadership,” says a Texas CEO.

JEFF RENDEL is a certified speaking professional and president of *Rising Above Enterprises*. Contact him at jeff@jeffrendel.com.



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Director Shifts from Physics to Finance

Associate director program assists with transition to full-time volunteer.

Credit unions have a long tradition of tapping the talents of educators to help serve their communities.

PSECU in Harrisburg, Pa., is no different.

The \$5.1 billion asset credit union selected Matt Wagoner as an associate director two years ago. He’s now a full-time board member.

Wagoner, who teaches physics at Red Land High School, was tutoring the son of Joseph Sassano—then PSECU board chair—who told Wagoner the credit union was looking for associate directors.

“I knew PSECU was a technology-driven, forward-thinking credit union,” Wagoner recalls. “As a physics teacher, I’m familiar with numbers and equations, and I thought it would be a chance to expand on that and apply those skills to financial services.”

As a PSECU associate director, Wagoner says he essentially had the same duties as a full-time director but he didn’t vote on board matters. He attended board meetings, strategic planning sessions, and committee meetings. “I could comment and ask questions, and even make suggestions on agenda topics,” he says.

After serving as an associate director for two years, Wagoner was asked to take on the role of a full-time board member when another director retired. He says he feels prepared to take the board position, but admits that the prospect of governing a financial institution

can be daunting.

“There are lots of benefits from being an associate,” he says. “I was able sit in on all those meetings and listen to the conversations. I know the back story of things that are going on. It was very beneficial. There’s just a step up in responsibility. But I’m prepared for it, and I have the support of the other board members.”

**‘THERE ARE LOTS
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MATT WAGONER

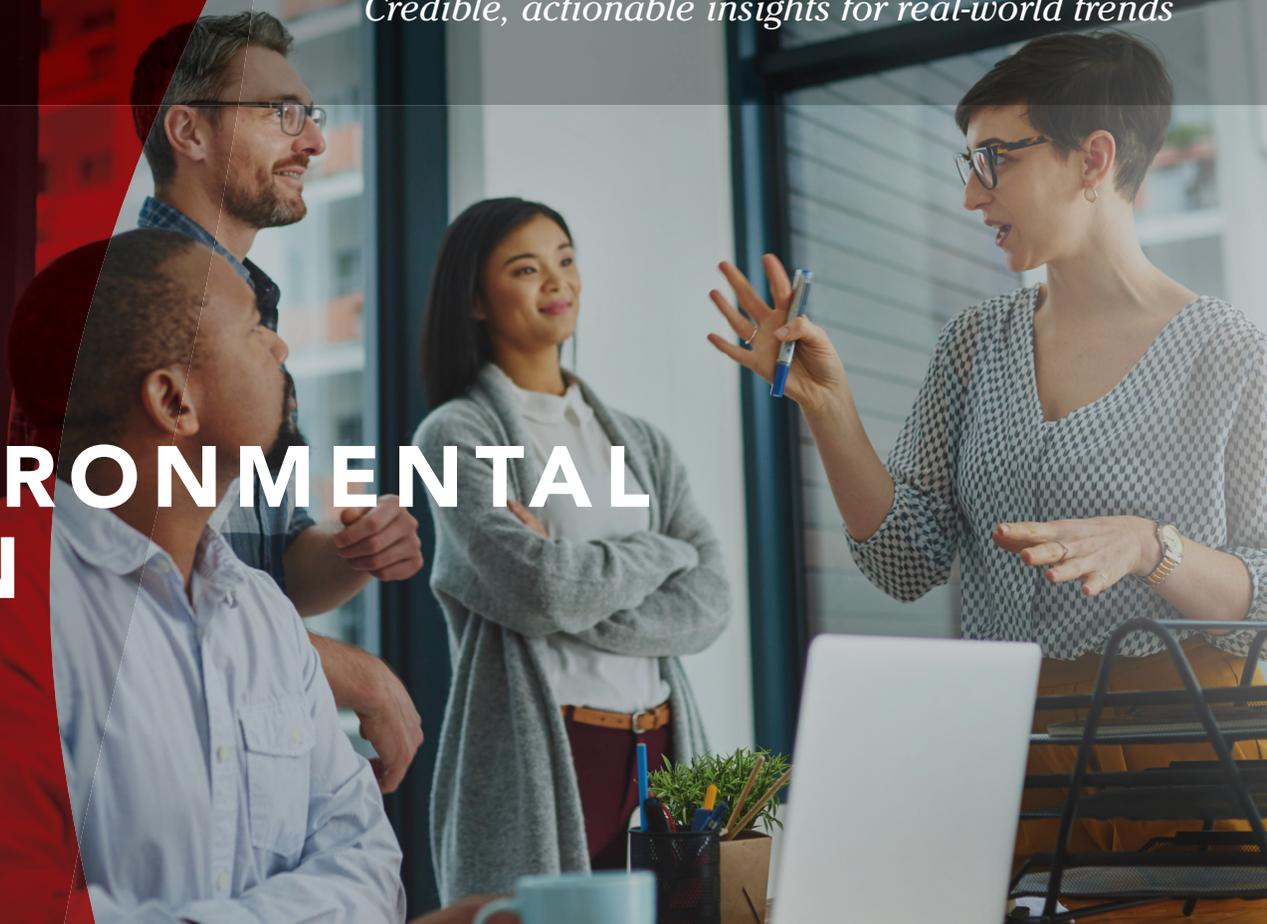


Wagoner says volunteering at PSECU has proven to be a great learning experience and a wonderful way to contribute to the community.

“It’s an exciting and challenging time with new technologies, security, and consumer expectations,” he says. “PSECU has a great process where they sort of ease you into the role. With the whole people-helping-people philosophy, the more I learned, the more engaged I became.”

His advice for other new volunteers? “Ask a lot of questions and share your ideas. Everyone has something to contribute.”

CUNA ENVIRONMENTAL SCAN



CUNA Environmental Scan (E-Scan) combines industry trends, expert insights and forecasting data to provide strategic planning guidance for credit union professionals. Based on future-focused insights and filled with financial industry application, this annual report supplies the information and resources credit unions need to compete.

The 2018-2019 CUNA E-Scan Report is available in print and digital formats, along with several companion resources to assist in presentations and planning.

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Four Ways to Boost Your Portfolio's Performance

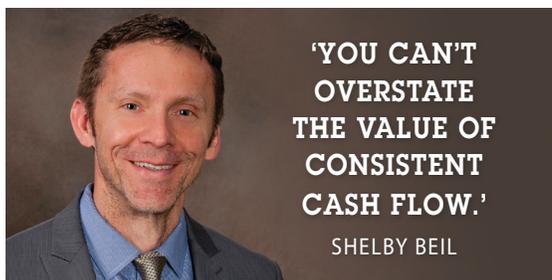
Update your investment policies or the credit union might miss out on opportunities.

As any chief financial officer (CFO) will tell you, it takes hard work to build and maintain an investment portfolio that maximizes returns and manages liquidity effectively year after year.

But it's the board's job to review the investment policy to ensure the credit union makes the correct investment decisions to limit risk and maximize returns.

A white paper from the investment advisory firm Performance Trust Capital Partners contains a blueprint credit unions can follow to optimize their investment portfolio performance. Following are four operating principles to keep you on the right investment path:

1. Examine new options. If a credit union hasn't updated its investment policies, it might miss out on many of the staple investment vehicles of top-performing portfolios, such as mortgage-backed and asset-backed securities, collateralized mortgage obligations, and structured agency securities.



Chad Bostick, CFO at \$496 million asset Matanuska Valley Federal Credit Union in Palmer, Alaska, notes that expanding your choices isn't always as simple as just calling up a broker. Some credit unions have policies that severely restrict their options, as Matanuska Valley Federal once did.

"We expanded the sectors that were permissible to us, which required us to completely overhaul our investment policy," he says. "The board approves that policy. Every new sector we added, I had to understand what it was, how it worked, how it would perform in different scenarios, and how it would complement the investment portfolio and the balance sheet. That required asking a

lot of questions of the folks offering those bonds, then presenting that information to our board of directors."

2. Bonds: Compare apples to apples. It's easy to look at the wrong numbers when deciding whether to buy a bond. That's because bond brokers tend to put the most emphasis on the number that should probably command the least attention.

"A bond adviser's motivations are different than yours," Tim Smith, CFO at \$1.6 billion asset Workers Credit Union in Fitchburg, Mass., cautions. "They have an inventory of bonds that they bought at a certain price. Their agenda is to sell them at a profit. It's easy to disguise a bad bond by focusing on a high yield."

Yield is the red herring of the bond market, he says. It's supposed to represent the return on investment you'll achieve by buying a certain bond. Instead, it's a calculation based on the projected earnings of the bond divided by its current price. To better understand a bond, Performance Trust suggests focusing on the cash flow.

3. Prepare for all scenarios. Too many financial institutions build portfolios based on guesses about the future. Building a portfolio based on one scenario of future rates is like playing baseball without a bat, says Shelby Beil, CFO at \$1.8 billion asset TTCU Federal Credit Union in Tulsa, Okla.

The key, according to Performance Trust, is to build a balanced portfolio that considers all possible solutions. When you're counting the dollars for an investment, you need to lay out the results in multiple interest-rate scenarios to see the hidden risks and opportunities in the investment. Build a portfolio that wins in most scenarios.

4. Learn from past successes and failures. Regularly review investment performance, comparing instruments' actual performance with their pre-purchase projections. This enables you to check your estimating methods and learn from your mistakes.

Beil brings a rigorous process to his bond performance reviews using Bloomberg Terminal to look back at one year, three years, and the date he either sells the bond or it pays off. He has learned the importance of taking a hard look at the human elements of the collateral backing an investment.

"You can't overstate the value of consistent cash flow," Beil says.



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Credit Union Magazine will publish an issue in October honoring such individuals as Credit Union Rock Stars. Visit news.cuna.org/nominatorockstar to nominate someone before the June 15 deadline.



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Reach Your Potential, Find Your Passion

ACUC keynoters' messages will inspire.

The keynote speakers at CUNA's America's Credit Union Conference later this month in Boston will show directors and other credit union leaders how to reach their potential, the importance of innovative disruption, the power of purpose, and the link between happiness and success.

'Play where others aren't'

The simple act of creativity, "finding a way to play where others aren't," is one key to innovative disruption, says Whitney Johnson, named one of the world's 50 most influential management thinkers by Thinkers50.

Johnson has learned that those who are willing to wade into their own mental territory "like a kid in grade school" are more likely to be creative and innovative. "People who are able to be innovative are willing to play where no one else is playing," she says.



Ironically, today's business environment is ripe for creativity because of the constraints companies face. Virtually every business process naturally imposes constraints, whether it's time, money, or resources, she says.

"One way we can find places where no one else is playing is to recognize the constraints that are built into any situation," Johnson says. "That forces us to find a work-around. In finding that work-around, we find a way to play where others aren't."

'Purpose is an absolute mandate'

Don't be afraid to take a stand with your brand, says Jonathan Mildenhall, an internationally renowned thought leader in the worlds of business strategy and creative excellence.

Mildenhall defined his career connecting brands to social purpose.

The standout campaign of his career, Mildenhall says, is Coca-Cola's 2014 Super Bowl campaign featur-

ing the song "America the Beautiful" sung in many languages, and the faces of Americans with varied religious beliefs, sexual orientation, skin color, and age.

"I'd like everybody to understand that purpose-driven companies outperform their competitors," Mildenhall says. "Especially for younger consumers, purpose isn't an option, it's an absolute mandate."

Opportunity, not punishment

Chef Jeff Henderson didn't find his passion for food in the kitchens of a prestigious culinary school.

"I didn't find food, food found me," Henderson says. "And food found me in one of the darkest places on earth: prison."

Growing up, Henderson made "poor choices," got involved in drugs, and spent nearly a decade in federal prison following a conviction for selling drugs.

For Henderson, prison was an opportunity to fix his wrongs. He was assigned to a job in the kitchen. That's where he found his connection to food.

In the kitchen he helped the head inmate cook serve 1,100 prisoners plus staff each day. In the process, he learned skills such as how to properly season and steam food, and how to tell if the food was done.

"When other inmates saw punishment, I saw opportunity," says Henderson, who went on to host four cooking shows on Food Network.

Happiness leads to higher achievement

If you want to have a successful surgery, give your doctor candy before the operation.

That's because doctors who are happy outperform those who aren't, says Daniel Lerner, citing a study where doctors who received a bag of candy before diagnosing 50 symptoms made 20% more correct diagnoses than those who instead read a medical journal or received nothing.

"Across the board, people who are primed with positive emotion achieve at a higher level, whether they're students, doctors, or other professionals," says Lerner, co-author of "U Thrive: How to Succeed in College (and life)," and professor at New York University, where he teaches a course called "Science of Happiness."

"Research shows that when we have higher levels of positive emotion, we perform in a way that's more efficient and more effective," Lerner says.



Send us your comments: directors@cuna.coop

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Publisher: Ann Hayes Peterson, vice president and editor-in-chief, apeterson@cuna.coop

Editorial staff: Bill Merrick, deputy editor, bmerrick@cuna.coop; Jennifer Wolcott, senior editor, jwoldt@cuna.coop

Design and production staff: Ben Tenorio, digital media design specialist, btensorio@cuna.coop

Editorial: 608-231-4211 **Subscriptions:** 800-348-3646, fax 301-206-9789, or cuna.org/directors

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