

Identify Differences to Foster Diversity, Inclusion

Recognize the challenges individuals who are underrepresented present.

The key to addressing diversity and inclusion begins by identifying people's differences, says speaker and entrepreneur Samuel Jones.

Board members and other credit union leaders need to connect with diverse populations to determine their needs and wants. As a result, the credit union will be a welcoming, diverse, and inclusive organization that serves everyone.

"All of us work with diversity, but sometimes we don't know how well we're doing it," Jones says. "It doesn't matter what hat you're wearing or role you're playing. The common denominator is you."

Jones addressed diversity and inclusion during

a breakout session at the 2019 CUNA Supervisory Committee and Internal Audit Conference.

However, merely deciding to address diversity and inclusion and formalizing a plan isn't enough. Jones cites several reasons why diversity and inclusion efforts fail:

- **Human resources** (HR) is solely responsible for the effort. This can make it feel as though the credit union "has to do it." Involve other departments and voices from the credit union to drive the effort with support from HR.

- **Leadership** doesn't understand the issues that need to be resolved. A lack of knowledge about diversity and inclusion, why these are important topics, and how to address

these issues leads to lackluster results.

- **Leadership** and organizations seek recognition rather than shared respect.

- **A lack** of minority representation at the table. It's hard to understand someone's wants, needs, and feelings if you never hear their voices or get their input.

People connect with each other through a variety of social identifiers including race, class, gender, sexual orientation, ethnicity, language, age, religion, and physical abilities. But individuals who are often left out of the conversation may present the greatest opportunities for growth.

"Human nature requires use to look at all of those factors and find out how we're different," Jones says. "Find the differences. They'll challenge you."

Once you've identified those individuals and the challenges they face, it's time to bring them into the fold, listen to their input, and take steps to become more diverse and inclusive.

According to the Deloitte report, "The Inclusion Imperative for Boards," inclusive leaders recognize and value people and groups based on their unique characteristics. They learn to mitigate any bias that arises from stereotypes.

By leveraging the thinking of diverse individuals for smarter ideation and decision-making, leaders

'IF WE CAN CONNECT WITH EACH OTHER'S EXPERIENCE, THAT'S WHERE THE POWER IS.'

SAMUEL JONES

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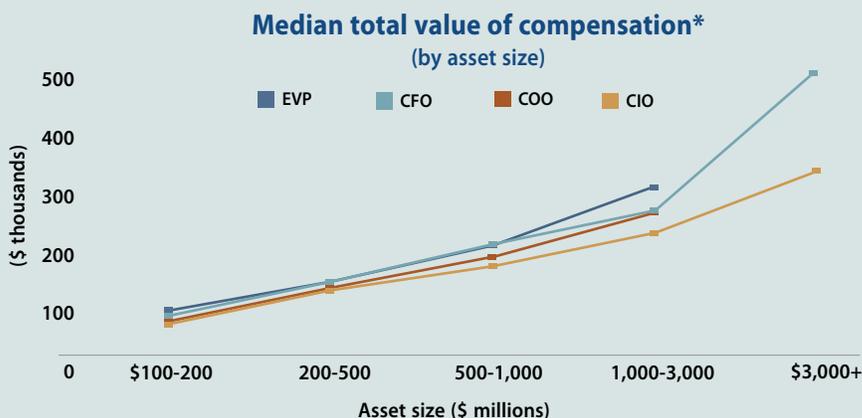
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SENIOR EXECUTIVE COMPENSATION

Median compensation levels among credit unions' top four senior executive positions—executive vice president, chief information officer, chief operating officer, and chief financial officer—increase noticeably with asset size.



*Among credit unions with at least \$100 million in assets

Source: CUNA's 2019-2020 Senior Executive Total Compensation Report (cuna.org/compensation)



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can see a 20% increase in innovation and foster a sense of trust, according to Deloitte.

Jones offers five strategies to execute renewed expectations surrounding diversity and inclusion efforts:

1. Recognize and appreciate people's experiences. Everyone comes with their own set of experiences.

"If we can connect with each other's experiences, that's where the power is," Jones says.

2. Evaluate your thoughts before you communicate. Know what you're saying and what nonverbal cues you give off when speaking.

The structure of the message and the tone you use to deliver it are important considerations, Jones says. Both have an impact on the message that listeners receive, which isn't always the message we intend to send.

Communication filters, such as judging behaviors, inattention, stereotyping, and generalizing also play a role in how your messaging is given and received.

"We all have checks and balances on our minds that we unconsciously use when listening," Jones says.

3. Realize you may need to modify your beliefs. People develop beliefs in a variety of ways—

from their friends and families, through experience, and from what they've read. But that doesn't mean those beliefs are correct.

Once people accept that their beliefs aren't necessarily correct, they can take steps to modify their beliefs or behaviors, Jones says. Often, they're unable to go back to their old beliefs or way of doing things.

Only by challenging themselves and their beliefs, and carrying out their new belief systems, can individuals grow.

"There are renewed expectations, and then there is the need to execute them," Jones says. "You have to do both."

4. Apply courage to make more inclusive decisions. You don't know what you don't know, Jones says. But by taking a risk, stepping outside your comfort zone, and learning something new, you become a better person.

"When you learn something new, this gives you a better perspective," Jones says.

5. Collect evidence that challenges you to keep growing. Change is difficult and progress often is slow. But Jones says the effort is worth it. In the long run, making small changes will result in more diversity and inclusion at the credit union.



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Want To Succeed? Be Curious

Apply four questions to every project.

If your credit union is wildly successful, be very worried. That's when complacency sets in, says Diana Kander, author of "The Curiosity Muscle."

"Every dollar you make is a reason not to change," says Kander, who addressed the 2019 CUNA Lending Council Conference. "Hubris born of success makes us complacent. Curiosity is the antidote to hubris."

She says applying four questions to every project will make your credit union more successful:

1. How will you find your blind spots? "You walk around every day with information that's either incomplete or not true," Kander says. "That's a blind spot that's slowing you down from what you want to accomplish."

Because people can't see their own blind spots, finding them requires getting sometimes painful feedback from someone who has already experienced the issue or from those you serve. Understanding your blind spots will help you solve problems faster.

2. What can you try? Amazon is successful because it experiments constantly, Kander says.

Many companies avoid experimentation because they fear failure, she says. "But if you don't try, you don't learn anything. The longer you wait to try, the longer you wait to learn."

3. How will you know if it's not working? Kander calls programs that take more effort than the value they create "zombie projects."

While Amazon is one of the world's most successful companies, it has had its share of failures, she says, citing the Fire Phone, Amazon Local, and other ventures that didn't pan out.

"Amazon CEO Jeff Bezos is the world's richest person. He's not a genius—he has institutionalized how to find zombie projects," she says. "Amazon is great at shutting down what's not working. All companies have committees to create new products but not to shut projects down."

She advises implementing "failure metrics" so companies know when to exit efforts that aren't working.

4. Who will hold you accountable? A lack of accountability is the top reason people fail, Kander says. "The more success you have in an organization, the less accountability you have. Making yourself accountable is the secret to hitting your goals."

National Giving Yields Local Results

Increase the impact of each charitable dollar through nationwide organizations and CDAs.

Increase the impact of your credit union's philanthropy by directing some of your annual budget for charities to national organizations that pool credit union donations.

Credit unions achieve two important advantages from a national giving strategy:

1. Fundraising guidance and resources. Raising money from your credit union's community, business partners, and employees is a great way to augment donations to a worthy local cause. Yet, this kind of fundraising takes time, energy, and expertise.

An organization like Credit Unions for Kids (CU4Kids), which the credit union industry created to raise money for Children's Miracle Network (CMN) Hospitals, allows employees to use their time efficiently while benefiting your local children's hospital.

The credit union industry is the fifth-largest sponsor of CMN Hospitals. But what you may not know is CU4Kids has turnkey fundraising campaign materials and other resources your credit union can use to increase donations.

Another reason to consider CU4Kids: The national organization channels your credit union's entire donation to the CMN Hospital facility that serves your community.

2. Boosting the credit union brand. The National Credit Union Foundation sponsors educational programs for credit unions to promote financial health for members, students, and the general community. These programs introduce consumers—especially young ones—to the credit union movement while improving their financial lives.

This type of community service, delivered with

the Foundation's consistent national branding materials, complements and amplifies your credit union's marketing to compete with other financial institutions.

The Foundation also channels disaster relief donations via its CUAid online portal, focusing on credit unions and their employees who need assistance after a disaster. Getting a credit union up and running quickly during a disaster allows it to participate in the community's overall recovery effort. That's great for the community and it's great public relations.

Supporting the Foundation also improves individual and overall credit union brands in other ways: It provides professional development classes and grants that allow credit unions to improve operations and serve members better.

CDAs can increase donations

In this low-interest-rate environment, regulators understand credit unions need options to grow their philanthropy dollars to benefit the community and advance credit union philosophy.

That's one reason charitable donation accounts (CDAs), permitted investment vehicles since 2013, are becoming more popular.

Consider these statistics:

- **CDA balances** increased 128% from 2016 through 2018, according to NCUA Call Report data.
- **Credit unions** that have CDAs through CUNA Mutual Group contributed more than \$350,000 to CU4Kids in 2018.
- **More than half** of the credit unions with CDA accounts through CUNA Mutual Group made contributions to CU4Kids in 2018.

By using instruments such as professionally managed investment portfolios and corporate-owned life insurance, the investments within a CDA have the potential to earn more than certificates of deposit and other traditional credit union investments. These investments have different risk characteristics, so it's important to fully understand an investment prior to purchase.

CDAs are more than just generating returns for credit union donations; they add structure to your giving program. They require board oversight regularly so they can help you focus your charitable priorities.

Each time your board or committee meets to review a CDA's performance, assess your mix of local, regional, and national donations to create the greatest overall benefit for each dollar you give to charity.

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CHRISTOPHER ROE





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Committee is a 'Flashlight' for Members

Supervisory committee is a watchdog to identify potentially negative situations.

Charged with safeguarding members' assets and ensuring the credit union operates in a safe and sound manner, the supervisory committee's role is to serve as a watchdog and ensure no lurking threats could negatively impact the credit union.

"The supervisory committee is the flashlight for the member," says attorney David Reed of Reed and Jolly PLLC. "The CEO is the brains and the board is the heart. But the supervisory committee is the eyes and ears."

Reed broke down expectations for supervisory committee members during a keynote address at the 2019 CUNA Supervisory Committee and Internal Audit Conference.

Dramatic changes in the regulatory environment, technology, service delivery, member expectations, and business models in recent years have had big implications on credit union operations.

While there have always been "bad guys" who seek ways to defraud the credit union, Reed cites increasing reports of "good guys" working at credit unions who are "slowly morphing into the bad guys."

Internal fraud remains the biggest threat, Reed

says, because individuals who carry out these activities are employed by the credit union, know how the institution operates, and can cover up their efforts to prevent fraud detection.

Reed advises supervisory committee members to pay attention when a financial institution is in the news for a negative event—such as a lawsuit, embezzlement, robbery, internal dispute, or data breach—and use these stories as sources of information for what could happen at their credit union.

"When you look at how some of these frauds are discovered, it will help sharpen your own view," Reed says.

In addition to staying aware of what's happening at other financial institutions, Reed says supervisory committees need to make sure training is in place that will allow the credit union to avoid similar situations.

And if a negative event occurs, the credit union must have a response plan in place.

Supervisory committees also need to remain vigilant for new threats and bad actors, especially in a constantly changing environment.

Reed likens the committee's role to a homeowner who discovers a leaky roof during a rainstorm. While the homeowner may discover and repair the leak, future rainstorms could cause the leak to return or a new leak to appear.

"Your credit union may have clean reports and audits, but you must remain vigilant," he says. "There will always be more fraud and bad guys in the future."

During the course of their exams, NCUA examiners make sure credit unions comply with applicable laws, regulations, and federal directives, and initiate corrective actions when necessary.

Reed says the supervisory committee can play a critical role in these exams.

A well-performing supervisory committee can provide an audit report that will allow NCUA examiners to lessen the scope of their exam because they can rely on information the committee provides.

"Make sure the machine itself is working well," Reed says.

