

## Adjust Strategic Plans Amid COVID-19 Crisis

*Adopt a strategic mindset and pivot tactics to address service opportunities.*

When the coronavirus (COVID-19) pandemic hit, unemployment skyrocketed, the economy declined, and the strategic plans credit unions put in place are now balled up in a corner.

"Your strategic plan is probably in a trash can somewhere," says Mark Arnold, president/CEO of On the Mark Strategies.

However, credit unions can still pivot, salvage their strategic plans, and concentrate on growth during this period of uncertainty, Arnold said during "How to Salvage Your Strategic Plan During Coronavirus," a webinar offered as part of CUNA's Managing Economic and Operational Challenges During COVID-19 eSchool.

Leaders must adopt a mindset to capitalize on the member service opportunities the pandemic presents, adjust strategy, and then pivot tactics to focus on growth.

"You had a great plan in 2020," Arnold says, "and then you got hit by the virus."

**Focus your mindset**

People's attention has been scattered in many directions during this, Arnold says, due to constant changes. He says there are three types of leaders: those who focus on fear, those who are unfocused, and those who concentrate on strategy.

Be a board and leadership team that focuses on strategy, Arnold says. These leaders talk about plans for growth and stability, and concentrate on how to shift their offerings to meet members' needs, both now and once the COVID-19 pandemic ends.

**Adjust your strategy**

Typically, strategy is a well-thought-out process that involves considering multiple scenarios. But in the COVID-19 environment, the board and leadership team must make decisions quickly.

"You're playing a different game right now," Arnold says. "You're no longer playing chess. You're playing tennis."

He suggests considering these steps:

- **Adjust your strategic plan.** In an environment that's constantly changing, focus on small chunks of time rather than an entire year. For each 90-day plan, create four plans that address finances, business operations, messaging, and the recession.
- **Cut your deposit rates.** Members will continue to deposit funds despite low interest rates, Arnold says. Drop your rates as low as possible in case excess liquidity becomes a challenge.
- **Stress test your financials.** Examine potential scenarios—such as what will happen if loan volume decreases, delinquencies increase, or interchange income falls—to determine the potential impact on the credit union. "Stress tests provide peace of mind," Arnold says.
- **Balance decision making.** While short-term decisions are essential, don't focus solely on the immediate future. Balance these short-term decisions with long-term decisions.
- **Continue to work on strategy.** Strategic planning is more important now than ever. How your credit union conducts strategic planning may change, such as the board holding planning sessions remotely, but

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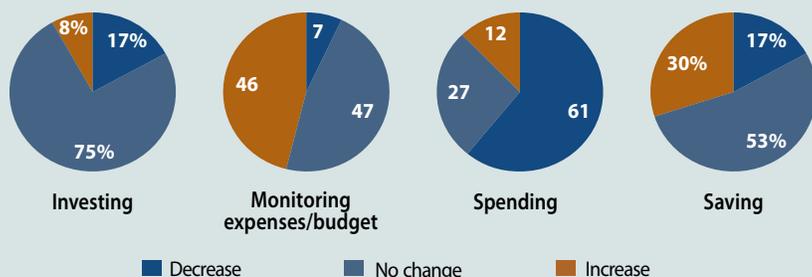
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MARK ARNOLD

### QUICK TAKE FOR YOUR NEXT BOARD MEETING

#### CHANGING FINANCIAL HABITS

Consumers are changing their financial habits as a result of the coronavirus. Nearly two-thirds of consumers say they are spending less while almost half are monitoring their expenses more closely, according to "Understanding U.S. Consumer Sentiment During the Coronavirus Pandemic," a study by Resonate.



Source: "Understanding U.S. Consumer Sentiment During the Coronavirus Pandemic" by Resonate



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it's still a top priority. "Strategic planning is a process, not a date on the calendar," Arnold says.

### Pivot your tactics

Arnold offers several suggestions on how to pivot your tactics going forward:

- **Lead with refinancing loans.** Offering refinancing options will not only allow the credit union to maintain—or grow—loan volume, it will save members money through consolidation.
- **Use messaging with "We have a plan."** People are anxious and scared during uncertain times.

"If you can say, 'We have a plan,' that gives them peace of mind," Arnold says. "That phrase connects with consumers today. People hate uncertainty and

this alleviates that fear."

■ **Tap into members' stress.** Alleviate members' stress by showing empathy and authority. Show members you care about them and that your credit union is the best place for them to go to address their financial problems during this uncertain time. "Be the hero and the guide of your members' financial journey," Arnold says.

■ **Contact your members.** Reach out to members through phone calls, email, or video to see how they're doing. Contact as many members as possible. Consider starting with specific segments, such as elderly or long-term members.

"It's a simple thing you can do," Arnold says, "but it has the highest impact."

## Videos Provide Answers in Uncertain Times

As a result of the coronavirus (COVID-19) pandemic, boards find themselves operating in uncharted territory, and they may not know where to find answers to their questions.

CUNA is offering a series of five- to seven-minute videos for board members, including how to hold virtual board meetings and interpreting NCUA guidance.

The videos address high-level questions and provide resources for more information.

Sponsored by *Credit Union Directors Newsletter*, the videos reside in the

CUNA Credit Union Board of Directors Community as a CUNA member benefit.

"Circumstances are changing rapidly due to COVID-19 and CUNA is committed to providing board members the resources they need to elevate and support their credit unions and members during this uncertain time," says Kienan Shaw, instructional design manager at CUNA.

Join the CUNA Credit Union Board of Directors Community and watch the videos at [community.cuna.org](http://community.cuna.org).



- Find the white paper at the COVID-19 Response Center: [cuna.org/COVID19/Resources](http://cuna.org/COVID19/Resources)
- CUNA News Coverage of credit unions' response to COVID-19: [news.cuna.org/coronavirus](http://news.cuna.org/coronavirus)

## Analysis Details Pandemic's Impact

### *CUNA white paper offers strategies on responding to COVID-19.*

The U.S. economy has rapidly entered into a recession due to the coronavirus (COVID-19) pandemic, and a new white paper from CUNA examines the overall impact on credit unions.

The economic effects of the COVID-19 crisis will be substantial. But CUNA Senior Economist Jordan van Rijn, author of the paper, believes the fallout will be concentrated in the second quarter of 2020 and short-lived.

He bases this outlook on four assumptions: social distancing and other measures slow the spread of the virus, the virus doesn't make a significant return later in the year, a rapid response with aggressive fiscal and monetary policy, and no other major events

affect the economy.

The white paper offers several strategies on how to respond to the challenges COVID-19 presents. For board members, these strategies include:

■ **Reconsider your strategic plan.** Many of the plans for 2020 may need to be set aside or delayed.

■ **Forecast different scenarios for the credit union's financials.** Although it is difficult to predict exactly what will happen in the coming months, it is helpful to have some idea as to the direction various operational indicators might move.

■ **Review your credit union's mission and vision statements.** Remind credit union leadership and employees why they do what they do. What is the credit union's "big picture" goal? Reminding your leadership team of this vision will help credit unions when adjusting plans and facing difficult decisions.

## Support Employees in Times of Crisis

*A well-cared-for workforce can continue to meet members' needs.*

The coronavirus pandemic has fundamentally changed how businesses and employees function.

This crisis requires us to be nimble, both personally and professionally, as the situation changes day-to-day. We are reminded how critical it is to be resilient and flexible as we adapt to a new way of doing business.

Chief among these changes is the shift to remote work and nontraditional work settings. For strategy and human resources professionals at your credit union, the primary focus in this pandemic is on supporting our workforce and their families.

A well-cared-for workforce, one that is informed through honest and transparent communications, enables the business to deliver on its strategy and continue to meet members' needs.

Many employees adjusting to a work-from-home model may find themselves confronted with significant challenges: finding new routines, staying connected to colleagues and friends, managing care for others, contributing to the organizations' value, and, especially, caring for themselves first so they can be of assistance to others.

And while the management team considers the long-term implications remote work will have on all areas of business, they should think about how they care for the workforce holistically as they adapt to these changes.

Some steps your credit union's management team can take right now:

- **Be the glue that ties the credit union together.** Involve stakeholders from the C-Suite to information technology and beyond—especially diversity, equity, and inclusion functions and employee resource groups—in how your organization responds to the crisis.
- **Develop a framework for ongoing communications across the organization.** This includes regular manager/employee check-ins, communications from

multiple levels of the organization, informal gatherings such as team lunches, survey tools, and skip level meetings (in which leaders meet with staff more than one step down the chain of command) to gather feedback.

- **Distribute a list of essential mental and physical health resources** to employees, both those provided as part of their benefits package and helpful free tools.
- **Encourage employees to share uplifting content** with each other throughout the day, such as interesting articles, pet photos, or cheerful anecdotes.
- **Dive into digital technologies** that enable employees to connect and learn new capabilities.
- **Leverage a variety of resources and tools**—in a centralized, accessible location—to support the diverse needs of your workforce.
- **Encourage employees to support their communities** while social distancing.

Now more than ever, there is a strong case for significant investments in digital capabilities, benefits, and resources that develop a resilient workforce and support dynamic business processes.

Financial support, access to robust healthcare services, comprehensive virtual collaboration solutions, and flexibility in when and where work gets done will be essential to the workforce of the future.

As your credit union shifts its perspective to the long view, explore how to take some of these initiatives to the next level. Ultimately, a clear strategy and clear communications will allow your workforce to deliver in the best—and worst—of times.

Showing genuine care, compassion, and consideration for your workforce will not only support your employees when they need you most, it will allow them to take care of your business and your members as we all plan for the days ahead.

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## Address These Trends During Planning Sessions

### Scenario planning, speed, and creating a human member experience top the list.

As leaders committed to success at the strategic level, awareness and understanding of industry trends are vital for excellence in governance.

The board's knowledge of trends allows it to have substantial conversations with the CEO. It also determines conditions where your credit union might act, continuing its focus on growth, income, and service experiences.

During the next five years, industry leaders believe retail financial institutions will face several strategic priorities. As a board, be prepared to engage in conversations to address these priorities and how they could impact your credit union.

Top priorities for 2020 include:

- **Scenario planning.** COVID-19 reinforced the importance of "what if?" projections to determine if your credit union can weather limited operations, growth, and earnings. Discuss multiple simulations with significant changes in growth, interest margins, delinquencies, and losses.

Observe the effect on earnings and capital. Preparation and awareness are crucial for potentially significant decisions.

- **Faster market delivery.** In a world where credit unions seek to lead at "the speed of members," it's vital to deliver relevant solutions to members in record time. How quickly can your credit union design, test, and deliver new products and services?

- **A more human member experience.** When digital channels won't suffice, members expect to access well-trained, well-versed, and highly professional experts. What ongoing training and development programs does your credit union provide to enable this?

- **Enhanced digital marketing and engagement.** How does your credit union prioritize its mobile and digital strategies?

Other priorities the board should consider:

- **Whether to cut costs or increase profit margins.** This is about making the best use of resources and maximizing opportunities for revenue. How can your credit union increase operating efficiencies and

income production?

- **Regulatory requirements.** How do any new compliance costs related to COVID-19, for example, impact return on assets, and how will your credit union offset these costs with revenue?

- **Members' use of digital channels.** Members who "go digital" are more satisfied, loyal, and profitable. What growth rates does your credit union experience regarding member digital engagement?

- **Talent acquisition, engagement, and retention.** The employee experience is crucial, as it is a major component of the member experience. What are your credit union's employee satisfaction, engagement, and retention rates?

Emerging trends that will grow in importance through 2025:

- **Maximum personalization in member engagement.** One size will never fit all in marketing, sales, and service. How well does your credit union understand and act on granular details about member transactions, patterns, and propensities?

- **Open banking.** Partnerships and collaboration will be essential in providing necessary technology. What existing and new collaborations will be essential for operating and member-facing technology?

Keeping up with industry trends becomes increasingly important as your credit union grows and your board increases its focus on strategy.

While constant scanning of industry trends is fundamental, your CEO adds extra value. Ask your CEO to update the board on trends that may affect your credit union.

Will significant changes be required? Will the board need to consider substantial investments? How might members be affected?

This way, the board will be better able to understand, discuss, and act on strategic opportunities. This will provide increased value to the CEO as the board maintains focus on the highest levels of strategy and long-term success.

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