

## Communication key to board/CEO partnership

The exchange of information, updates, and questions are critical to effective board/CEO relationships.

Having an open and consistent line of communication between the board and CEO is key to forming a strong partnership.

When the coronavirus (COVID-19) pandemic struck last year, credit union leadership teams and boards had to abandon strategic plans and develop new plans to address the pandemic's impact on the credit union.

That meant having conversations about the current economic climate, how the pandemic affected the credit union and members, how to meet members' needs, and what risks these options carried. These conversations continued throughout the pandemic and will continue for the foreseeable future.

Recovery will be a long-term path, says Robert Falk, president/CEO at \$1.5 billion asset Purdue Federal Credit Union in West Lafayette, Ind. "I see us having a lot more discussions about the future from balance sheet, income statement, and loan loss perspectives. We need to talk about the trajectory going forward and have those discussions much more frequently."

Falk participated in a panel discussion that examined successful board/CEO partnerships during the 2020 CUNA Credit Union Board Leadership Virtual Roundtable.

While these conversations continue today for Falk

and the Purdue Federal board, the initial conversation took place during the first days of the pandemic when the credit union was getting ready to close branches and the situation was changing rapidly.

Falk realized he needed to react quickly and make decisions "on the fly" without having to convene the board to get their approval. Instead, with the approval of his board chair, he gained the ability to make decisions and provide a weekly update to the board about what the credit union was going through.

"We **HAVE TO TALK** to each other. If there are questions to be asked, **WE MUST ASK** them."

Karen CHURCH

"That gave me some room to make decisions on a daily basis and not have to stop and get board buy-in or approval," Falk says. "We set the standards around the goals of keeping employees healthy and safe, and providing as much access for members as possible."

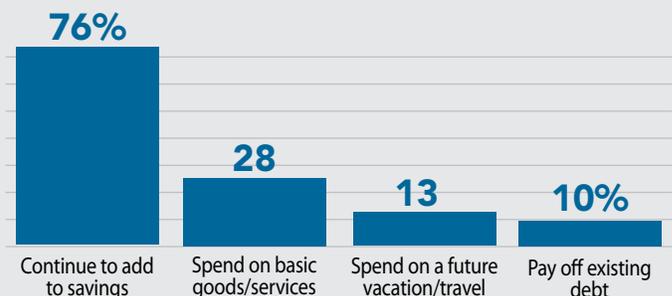
"With those two simple goals, I was set free and able to run the organization," he continues.

At ELGA Credit Union in Burton, Mich., many current board members were also on the board during the Great Recession of 2008. That was a difficult situation to get through, says Diana Currier, board member at the \$983 million asset credit union, and the pandemic is similar. She says receiving regu-

## QUICK TAKE for your next board meeting

### Consumers' plans for their savings

More than half (54%) of Americans have increased their savings during the coronavirus (COVID-19) pandemic, according to a study by Gallup and Franklin Templeton. As economic uncertainty continues, most favor saving over spending in the near term.



Source: Franklin Templeton-Gallup Economics of Recovery Study (multiple responses allowed)

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lar updates from the CEO and management team is key.

“We’ve gone through this before,” Currier says. “And we know that if we stay the course, while it might get rough, we’ll get through this.”

To maintain a successful and strong partnership, the CEO and board must continue to have these conversations even when the pandemic ends. These

discussions will allow them to make the best decisions.

“We have to talk to each other. If there are questions to be asked, we must ask them,” says Karen Church, CEO at ELGA. “Everything we ask is for the good of the credit union, its members, and associates. If it’s good for all involved parties, it’s hard for our directors to not support it.”

## Five steps to navigate uncertainty

### Have contingency plans in place before disruption occurs.

Times of uncertainty make planning difficult. But following five strategies will allow leaders to guide their credit unions through uncertainty and find success on the other side.

“We’re in a pandemic. It’s like sand shifting beneath our feet,” says Carl Windom, owner of Windom Wisdom LLC, a consulting firm that provides operational support for credit unions. “As you move forward, think of many potential futures because we’re not sure where we’re going. The tide is shifting.”

Windom, who spoke at the 2020 CUNA Credit Union Board Leadership Virtual Roundtable, offers five strategies to navigate uncertainty:

**1. Plan ahead.** Have contingency plans in place to guide the credit union before disruption occurs. These include business continuity, disaster recovery, succession, financial, and strategic plans. Test your plans with tabletop exercises annually and communicate disaster preparedness and response efforts before, during, and after an emergency.

“These plans prepare an organization to survive when they have adverse conditions,” Windom says.

**2. Be dynamic.** The board and management should be both flexible and prudent. Be both in control and fearless, Windom advises. Gain consensus on the board to make tough decisions and understand the risks you face.

“We all are learning as we go,” Windom says. “It’s baptism by fire.”

**3. Craft the right expectations.** Communication must be open, honest, and based on information, facts, circumstances, and sound judgment. “It must

be based on expectations and where we think we’re going to go,” Windom says.

Have a clear understanding of the direction you want to take. Craft scenarios around possible events and outcomes to see what the future could look like.

“Think expansively and with imagination,” Windom says. “Then test the strength and flexibility of a strategy under adverse or changing conditions. We need the outcomes to tell us how to move forward in our strategy.”

**4. Expect the unexpected.** There is no playbook for handling uncertainty, Windom says, so be ready to pivot daily. Expect events to unfold as they never have before.

“You must have your head on a swivel. During the pandemic, there hasn’t been a day that’s gone by when we haven’t had to deal with a different issue,” Windom says. “Our future is uncertain, and we don’t know what’s going to happen.”

**5. Build capital before the fact.** Strong capital is key for institutional survival, Windom says. Continually assess your net worth goals and strategy, and then review, reassess, and restate your goals.

Create a crisis budget. Understand your financial statements and craft financial projections that will allow your credit union to succeed even during difficult times.

“Build up your war chest,” Windom says. “The lifeblood of the credit union is its capital.”

These strategies will allow leaders to plan for and withstand difficult times, Windom says.

Create a financial plan that presents a realistic picture of how you will survive, he adds. “We must understand what we’re learning, how we’re using those lessons, and how those lessons will allow us to succeed down the road.”

“Think of many potential futures because we’re not sure where we’re going.”

Carl Windom



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## 'Financial first responders' look to lead

Find ways to add value and respond to members' needs.

Credit unions are "financial first responders," running toward members' needs in any economic or societal circumstance. Never was that truer than in 2020.

During the 2020 CUNA Credit Union Board Leadership Virtual Roundtable, participants shared how their credit unions adjusted, reshuffled, and progressed to serve members in new, possibly permanent ways when the coronavirus (COVID-19) pandemic struck.

Credit unions must continue to lead. Consider discussing these ideas and questions with the CEO and fellow directors to continue moving forward:

► **In 2020, credit unions outpaced banks in job creation.** How is your credit union demonstrating its complete community dedication through marketing to build mind-share and goodwill?

Credit unions responded in 2020 by adjusting and reshuffling their strategic priorities to continue to serve members.

► **Membership continues to grow.** Now is the perfect time for comprehensive onboarding, continuous marketing, and member outreach. When loan demand returns, will your members think of your credit union first?

► **Become an increasingly digital credit union.** Make a digital-first perspective part of every strategic objective. How will your credit union use more digital technology in member engagement, marketing, lending, business intelligence, and daily operations?

► **Enhance and expand sources of revenue.** Over the long term, expanded fields of membership, new lines of business, and acquisitions will create growth. In the near term, how is your credit union

boosting marketing, deepening relationships, and maximizing revenue?

► **Use the ROE model for overseeing growth.** ROE (return on equity) is your ROA (return on assets) divided into your net worth ratio, and it serves as your speedometer for limits to growth. Does your current ROE, ROA, and growth rate sustain your approved net worth range, or are additional support and modifications necessary?

► **Expect the unexpected.** The best, worst, and realistic case scenarios for asset/liability management (ALM), operations, and business continuity provide for a competitive advantage in planning. They allow you to respond if certain events occur. Could your credit union weather another 2020?

► **New loan products created in 2020.** Credit unions proved nimble and innovative in 2020, with 80% creating new loan products to meet members' needs, CUNA reports. What more can you do to design and deliver new products, services, and experiences for members in record time?

► **Stories + statistics = success.** Legislative and regulatory advocacy are vital. Stories are helpful, but data strengthens the story. What can you share with officials about the difference-making financial results you help create for members?

► **DEI (diversity, equity, and inclusion) initiatives carry extensive business value.** DEI boosts brand awareness, public image, advancement of the cooperative model, and improved financial results. DEI is a function of leadership. How are you building DEI into staffing, training, and succession? How might DEI add value to your board and its long-term composition?

As your credit union continues to lead in 2021, consider these questions and where they might add more value for your members and address what members need, expect, and deserve.

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# Resources



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► **CUNA Credit Union Board Accelerator Virtual Conference, April 6-8:**  
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# Nussle: Share your story

Credit unions have helped millions through the pandemic.

As credit unions continue to fill the role of “financial first responders” during the coronavirus (COVID-19) pandemic, credit unions boards have an opportunity to share the credit union difference through their advocacy efforts, CUNA President/CEO Jim Nussle told attendees at the 2020 CUNA Credit Union Board Leadership Virtual Roundtable.

“I see an opportunity to demonstrate, more than we ever have before, why credit unions and the credit union difference are so important for America at this time,” Nussle says.

He cited CUNA statistics that show nearly 95% of credit unions offered loan modifications during the pandemic.

“Each of you have worked with members, and those stories are very powerful,” Nussle says. “Credit unions helped millions of members despite all the challenges they were going through.”

To help credit unions navigate the pandemic, CUNA formed the Credit Union System COVID-19 Restart and Recovery Task Force, which in November released an industry outlook regarding business continuity, digital services and automation, staffing and operations, and industry financial impact.

Nussle says CUNA and the leagues have helped move more than two dozen policies through Congress and various agencies to increase credit unions’ service capacity during the pandemic.

In December, Congress passed the latest coronavirus relief legislation. It included several CUNA/league-supported measures such as the delay of the

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Jim Nussle

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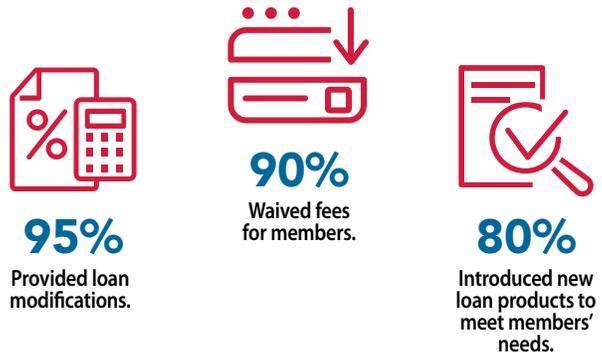
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## Credit unions step up to meet members' needs



Source: CUNA

current expected credit loss standard, extension of troubled debt restructuring, and clarity on Paycheck Protection Program (PPP) loan forgiveness.

Credit unions have facilitated more than 200,000 PPP loans during the pandemic, averaging \$49,000 each, according to CUNA statistics, helping Main Street businesses retain employees throughout the pandemic.

The legislation also included provisions expanding NCUA's Central Liquidity Facility and funding for community development financial institutions and minority depository institutions, among other credit union priority policies.

CUNA/league advocacy is essential as Congress welcomes new members who must learn the credit union story, Nussle says.

Nearly 70 new members were elected to the 117th Congress, plus new congressional staffers who may not be familiar with what sets credit unions apart from banks and other for-profit institutions.

Nussle describes the 2021 CUNA Governmental Affairs Conference, March 2-4, as “an opportunity for credit unions to check in and be part of the strongest credit union voice in advocacy that there’s ever been.”

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