

## Four trends to watch

### Harnessing data and understanding cryptocurrency will be key for future success.

When it's time for your next strategic planning session, what topics will be top of mind when preparing for your credit union's future?

The 2022-2023 CUNA Environmental Scan (E-Scan) explores trends shaping the future of the credit union industry and provides insights that will allow credit unions to make intelligent decisions.

Here are four of the trends the E-Scan explores:

#### Data as the new oil

There are many metaphors for data, but one that resonates is "data as the new oil." Emily Engstrom, director of customer success for CUNA Mutual Group, Fintech Solutions, gravitates toward this metaphor because it's the best at calling out a common failure among legacy organizations: the activation of data.

If we think of data as oil, we must also think of it as useless on its own. Imagine someone drops off a bucket of petroleum in your driveway. Before that petroleum can deliver any value, it must first be refined into fuel. It must then be safely integrated into whatever machine you need to get your job done.

You'd be hard pressed to find an organization that is not sitting on a ton of data (oil). Less ubiquitous,

however, are organizations that are proficient at analyzing (refining) that information. Rarer still are the teams that have mastered activating (igniting) their data.

"The strategic questions facing credit unions involve both **WHEN AND HOW—OR IF—to participate in the cryptocurrency space.**"

Glen SARVADY

#### Cryptocurrency: an enigmatic frontier

The question of financial institutions' strategic role in cryptocurrency has been percolating for years.

The strategic questions facing credit unions involve both when and how—or if—to participate in the cryptocurrency space.

Even credit unions electing not to engage in some limited fashion should be prepared to provide members with some degree of education on this increasingly common financial product and to ready contingency plans for rapid response should crypto and related decentralized finance endeavors siphon off deposit balances and loan originations, writes Glen

## QUICK TAKE for your next board meeting

### Interest in cryptocurrency offers opportunities

The digital convenience and perceived value of cryptocurrency has captured the attention of millennials and Generation Z. In fact, 56% of millennials and 46% of Gen Z claim to be very or extremely aware of cryptocurrency, according to Raddon.

Because these generations appear to be comfortable with crypto and demand for its availability is growing, financial institution leaders must have a strategy in place to guide their decision on what they'll do in the digital currency space.

### Interest in cryptocurrency in banking



27%

Pay dividends via cryptocurrency



29%

Pay debit/credit rewards via cryptocurrency



28%

Purchase, hold, and spend cryptocurrency as part of a banking relationship

Source: Raddon, 2021

Sarvady, managing principal at 154 Advisors. Roughly 20% of Americans have owned or currently own cryptocurrency in some fashion—a clear indication the market has progressed beyond the “bleeding edge” stage dominated by tech zealots.

In fact, it’s highly likely that members at virtually every credit union are active in crypto. Scans of transaction activity for transfers to crypto trading platforms have confirmed this reality.

### Legal hurdles impact post-pandemic work

The coronavirus crisis has fundamentally changed how we work. After more than two years of living in a pandemic, employers and employees are navigating a new normal in which it appears the COVID-19 virus may be with us for some time.

Variants threaten to compromise the progress we have made against the deadly virus. This means credit union leaders must continue to navigate a fraught and uncertain employment law landscape.

The compliance picture changes daily as new orders, regulations, and legislation emerge to address the coronavirus and associated employment issues.

Authors Michael Gotzler and Nina Neff, both from Littler Mendelson, explore six issues to watch: remote work, vaccination requirements, COVID-19 testing, return to office, paid and unpaid leave, and the labor market.

### A new world for advocacy

Advocacy wins in 2021, starting with efforts to remove an IRS reporting provision from a major spending bill, set the credit union movement up for continued success in the months ahead.

The CUNA-League advocacy team will focus on preserving credit unions’ role as financial intermediaries, ensuring financial well-being for all, expanding underserved consumers’ access to affordable financial services, fighting unnecessary regulation that impedes credit unions’ ability to serve members, and maintaining the National Credit Union Share Insurance Fund operating level at 1.3% of insured shares.

Credit unions are in a good place because they’re fulfilling their mission and advancing the communities they serve, more than justifying their tax status.

## The new ‘people helping people’

### Financial well-being for all is the new definition of credit union philosophy.

Credit union philosophy remains the same: people helping people. It’s just been expanded.

“I believe financial well-being for all is the definition of people helping people as we go forward,” says CUNA President/CEO Jim Nussle, who likened the philosophy to a beloved campfire song during the 2022 Co-op THINK Conference in Chicago. “We all know the words, but we need new verses.”

Today’s complex world of personal finance provides context for those new verses.

According to recent research:

➤ **More than 77%** of respondents reported feeling anxious about their finances.

➤ **About 60%** of consumers earn less now than they did before the pandemic.

➤ **Roughly half (48%)** of workers who quit their jobs in 2021 did so to deal with child care issues.

Most of these consumers are defined as asset limited, income constrained, and employed (ALICE), those who can’t afford the basics of housing, child care, food, transportation, health care, and technology.

“These are your members and your employees,” Nussle says. “We all know what financial challenges do to people physically and mentally.”

National Credit Union Foundation Executive Director Gigi Hyland notes that credit unions were initially founded to help French Canadian workers who were struggling financially.

“In many ways nothing has changed,” she says. “Those same struggles exist today. But the financial world is more complex and racial inequities are more profound. The wealth gap is growing ever wider. Credit unions’ ‘why’ is based on humanity.”

Nussle adds that financial well-being provides a positive advocacy message for credit unions.

“The most compelling stories with lawmakers are those that connect to the people in the districts they serve,” he says. “Having a strong story about how you help people and backing it up with data is the No. 1 priority. No. 2 is showing how to do even more to help the people you serve.”





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**Kem Siddons**  
Treasurer  
VyStar Credit Union

SEP 10-11, 2022  
SCOTTSDALE, AZ



## Connect with board leaders on today's hottest topics

CUNA

### Credit Union Board

ROUNDTABLE

In a constantly evolving credit union industry, it's vital to stay informed of consumer, economic and financial trends and challenges. At CUNA Credit Union Board Roundtable, collaborate with fellow board members, CEOs and industry leaders on the external environment affecting your credit union and how to establish action plans.

## Guidance to govern the ship

Effective boards have clarity about their roles and responsibilities.

A simple way to grasp the foundation of the board's role is with a nautical comparison.

The credit union board's role has three parts: set the destination, establish the arrival time, and hire the captain. The ship's captain—the CEO—charts the course, navigates the ship, and manages the crew.

Maintaining this clarity defines many of the characteristics of great board governance.

### Characteristics of successful boards

Boards that have the greatest clarity on their governing roles and responsibilities share several characteristics, including:

- ▶ **Are purpose focused.** A clear vision of the future and a relevant mission are vital in setting the future direction and timeline for the credit union. Purpose-focused boards consistently base decisions on a relevant vision and mission. They're also flexible, as they'll need to adjust the mission from time to time. These boards know where they want to go and what they want the credit union to accomplish.

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Scott Butterfield

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- ▶ **Make decisions.** Successful boards are comfortable making tough decisions. They review the relevant and timely data management provides, consider alternate scenarios, and then make decisions based on the data. They know indecision can damage the ship, captain, and crew.

- ▶ **Have high accountability.** They understand their roles and hold themselves and management accountable for their actions and outcomes. They don't turn a

blind eye to issues that will set the ship off course, or worse, sink it.

- ▶ **Understand the business model.** These leaders are trained and understand the credit union's financial business model. They have an appropriate understanding of risk and how the credit union generates revenue and competes in the marketplace. They also understand the regulatory and economic environment in which they sail.

- ▶ **Are adaptable to change.** These boards embrace change. Their behavior sets the tone for management and supports a culture of innovation and growth.

- ▶ **Build constructive partnerships.** Through proper adherence to governance, the board establishes a strong working relationship with the CEO. This role clarity creates trust, which supports a healthy work culture and successful strategic plans. In this environment the CEO can be comfortable sharing information with the board, even when it isn't great news.

- ▶ **Learn continually.** Effective boards consistently pursue education to ensure they meet the requirements of their positions and to gain insights that support the course they want to set for the credit union. They're also willing to learn from strategies that didn't turn out the way they anticipated.

In these situations, they learn, move forward, and don't let the experience hold them back from trying new things.

### Why it matters

I don't recall a successful credit union that isn't anchored with a successful and well-run board.

These credit union volunteers come from a variety of backgrounds, and have one thing in common: They understand and do their best to live up to their board roles and responsibilities and have a clear view of where they want the ship to go.

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# Resources



▶ **CUNA Credit Union Board Roundtable, Scottsdale, Ariz., Sept. 10-11:** [cuna.org/events](http://cuna.org/events)



▶ **CUNA 2022-2023 Environmental Scan:** [cuna.org/escan](http://cuna.org/escan)



▶ **CUNA board and committee solutions:** [cuna.org/board](http://cuna.org/board)



▶ **CUNA Board of Directors Community:** [community.cuna.org](http://community.cuna.org)

# Learning from Amazon's invention machine

## How the e-commerce giant's principles can transfer to credit unions.

Amazon has changed significantly since starting in Jeff Bezos' garage in the 1990s.

Amazon attributes its ability to scale to its organizational connectivity and leadership principles. According to former Amazon Chief of Staff Colin Bryar, many of Amazon's principles can apply to businesses of all sizes and industries.

Bryar believes much of Amazon's success can be attributed to answering questions most businesses face such as, how do you hire the right people and maintain high quality? How do you organize a team? How do you communicate and make decisions? How do you use metrics to measure what matters?

"There's a phrase Jeff coined in the mid-2010s, Amazon's 'invention machine,'" says Bryar, who spoke at the 2022 Co-op THINK Conference in Chicago. "He wanted Amazon to be an invention machine that continuously spurns out new innovations across a wide portfolio of businesses."

The backbone of Amazon's scalable processes are its 16 leadership principles: customer obsession; ownership; invent and simplify; are right, a lot; learn and be curious; hire and develop the best; insist on the highest standards; think big; bias for action; frugality; earn trust; dive deep; have backbone, disagree, and commit; deliver results; strive to be Earth's best employer; and success and scale bring broad responsibility.

"We wanted to create an actionable framework to make consistent decisions," Bryar says, adding that

the principles are useful when employees need to make decisions fast, when senior executives aren't in the room, and they have less data than they'd like. "You don't have to memorize every word, you just live by the principles in your everyday actions."

The leadership model includes:

› **Identifying the right leader.** Give them the time and resources to figure out how to make an idea a reality.

› **Creating a plan and aligning with the executive team.** Define what the plan is and where you want to end up.

› **Deciding on control and audit processes.** Determine how you'll measure success and set up regular quantitative check-ins.

› **Establishing functional countermeasures.** Build processes to make sure knowledge is shared across groups.

› **Staffing the team** and attracting employees by demonstrating how you can add value and solve problems for consumers. "You want people to be excited about it," Bryar says.

› **Removing dependencies and instrument systems.** Look at dependencies and determine how to remove them and measure progress.

With the organizational model in place, bringing an idea to fruition relies on communication and decision-making.

"You have limited resources for innovation, so you have to know where to place your efforts," Bryar says. "It's about knowing consumer needs and being laser focused on what you need to do to serve those needs."

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**Colin Bryar**

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