



Five Critical Areas for Credit Unions to Grow and Prosper

by Mark Arnold

Credit union leaders and boards must set a course for their credit unions in the year ahead that will provide sufficient flexibility to adapt to the inevitable changes ahead, while leveraging available resources to protect the safety and soundness of the organization. The most important first step is defining the areas to tackle.

Based on my work with credit unions across the country and my evaluation of what makes some credit unions outperform others, there are five critical areas on which to focus your efforts. Each of these needs a strategic goal that is measurable and attainable, and an action plan to produce those results. We'll take a closer look at each one in this and the next two articles, but for now, here are the five areas and the reasons they merit your immediate attention.

Efficiency

Finding ways to do everything you do better, faster, and cheaper has never been more important. That means that everything is open for discussion, evaluation and possible elimination or enhancement. The goal here is developing a mindset within your team that is focused on finding better ways to do everything that you do...ways that are more cost-effective in terms of people, dollars and time.

Business Development

It is imperative that you implement a solid plan that will create long-term growth in members for your credit union. Few credit unions have mastered this and even fewer have made the investment in skilled staff who know how to go about building the business. You need to ask for the order and make the sale so that those who are touched take action and become active, profitable members.

Technology

Many of today's and tomorrow's members interact with their financial institutions much differently than yesterday's members did. More of your members want to be served by technology that lets them control their interactions with you. One of the key differentiators between the high performers and the also-rans will be making the investments in the tools and people to help you refine and enhance those interactions.

Culture

When you mix together an uncertain economy and an entirely new generation of workers with a different set of expectations, it becomes important to actively engage in defining and developing your culture. If you call your people a team, you need to treat them as a team. They need team-based rewards, team assignments and team recognition. Whatever the approach, devote time, energy and resources to making sure that the culture is being lived throughout the credit union. That's the best way to build the loyalty and commitment you need to grow your people as you grow your credit union.

Branding

The simple reality is that 'credit union' is not a brand. If you want to create long term success, you need to define a clear brand that is recognizable and defines your difference...the thing that people have to come to your credit union to get. It goes deeper than the logo, the building design and the brochures. It defines your position in the marketplace and the minds of your current and prospective members and lets them know you are the credit union for them.

These five areas beg your attention as you work to define a strategy that will lead your credit union to long term success, and each needs your attention now more than ever. Talk about them, think about them, look for examples and define your strategy. Then take action to make it happen in the year ahead!



Article Two: Improving Your Efficiency

In an earlier post we took a cursory look at five key areas where credit unions need to focus attention and energy to improve their performance. This post kicks off a five-part series where we will take a deeper look at each of these areas and provide some simple action steps to get the conversation and the action underway.

Efficiency is job one for credit unions in the current economic climate. Finding ways to do more with less, reducing expenses without compromising service and implementing systems that ensure consistency are at the heart of discussions happening in credit unions across the spectrum.

If you're serious about making an effort to improve efficiency, here are three things you must consider:

1. **Improving Processes** Small changes in the way you do things can yield huge pay-offs. Over time, some gaps have probably crept into your processes, and some of the processes defined in the past are not defined the same way now. Review all of your processes with an eye on making them more efficient and more consistent throughout your credit union. The simple act of putting your processes in writing and reviewing them will quickly reveal opportunities to reduce costs and improve efficiency. Remember: your process improvement effort will take time and energy, but taking time to document and improve today will pay off tomorrow!
2. **Measuring Outcomes** There is a saying: if you can't measure it, you can't manage it. The question to ask throughout your business is how well are you measuring outcomes. If you want to reveal and correct the inefficiencies, you need to define the outcomes you are seeking and find ways to measure them on a

day-to-day, week-to-week, and month-to-month basis. The issue here is defining what the desired outcome looks like and finding ways to measure its achievement. There are things that can be measured. Finding things that can be tracked so that people know how well they are doing will go a long way toward improving efficiency as your team becomes more focused on doing the things that matter.

3. **Outsourcing Support** Credit unions outsource all the time with the software support and tools they use to deliver their services. But every function that you now do in-house should be evaluated and the potential for outsourcing it considered. Things like marketing, human resources, tech support, call center services, project management and so forth are all possible candidates. For some credit unions outsourcing or sharing top leadership positions with other credit unions is even a possibility. The point here is there are new opportunities available for getting things done that do not require you to make the investment in people and departments. The key to your becoming as efficient as possible may well lie in finding ways to hire the things you need from companies and individuals. And while there are other things to be considered in your decision besides costs, the very act of evaluating the alternatives will improve your perspective and lead you to do things better, even if you opt to keep doing them in-house.

ACTION ADVICE

Convene your leadership/management team and discuss the potential for improving efficiency within your credit union. Use the three items above as a starting point and define an action plan that allows you to get started on this important task. Don't let the enormity of the effort overwhelm. Look for small steps that can be taken quickly and easily. The fast results will drive the effort forward and help you keep the effort on track!



Article Three: Business Development

In an earlier post we took a cursory look at five key areas where credit unions need to focus attention and energy to improve their performance. This post is the second in a five-part series where we take a deeper look at each of these areas and provide some simple action steps to get the conversation and the action underway.

Business development is emerging as a critical function for credit unions today as they seek to attract new members, expand the number of SEGs they serve and reach out to new audiences they have not previously served, including the small business community.

Candidly speaking, the business development function historically has not been handled well by credit unions. In many cases it has been viewed solely as 'member development' with a focus on signing up more members. Limited attention has been paid to creating profitable relationships with those members. The same generally can be said of SEG development efforts that have often focused on passing out logo-wear and information packets to those who already believe in and belong to the credit union.

In today's marketplace for financial services, business development has taken on a new importance. Here are three things your credit union can do to improve your effectiveness:

1. **Educate Members** The current economic climate has created a rare 'teachable moment' as consumers have become much more aware of the importance of financial management. It is a moment not unlike the time during and after the Great Depression, and it provides a tremendous opportunity for credit unions to reach out and strengthen their relationships with their current members, AND to attract new members by helping them find the solutions they are seeking during this challenging time.

For this reason, the foundation of every credit union's business development program ought to be educating current and potential members. Whether you design, develop and deliver your own custom programs branded for your credit union, or whether you opt to use pre-packaged materials, you can use the delivery of informative education that helps members deal with their personal financial issues to open the door and strengthen the relationship.

One important thing to remember: there are many ways to deliver effective education, and the old model of 'get them in a room and teach it to them' may not be the best. People have been trained to have short attention spans and they seek to learn what they need to know at their convenience, not yours. So look to online tools and non-traditional approaches that help you be the convenient solution when they need and want to learn!

2. **Target Prospects** Any effective business development effort needs to focus on a target group of people who fit some common profile in order to be successful. In sales we talk about turning suspects into prospects using a set of criteria to pre-qualify them before we invest a lot of time and energy in trying to sell them anything. Credit unions need to become more skilled at this process...using their MCIF systems to identify their most profitable member profiles by relevant demographics and product usage and then targeting people who look like those people with their business development efforts. Taking it down to the product and service level so that marketing campaigns are focused on those most likely to take action will not only reduce costs, it will also strengthen your relationships with your members because it will become clear that you truly understand their needs.
3. **Close the Sale** The Achilles heel of most business development efforts in most businesses is too much focus on attracting warm bodies and capturing their contact information and too little focus on asking for the sale. This is especially true of credit unions that feel sales is not something they should be doing because they are about serving their members. The fact is that you sell me a product that fulfills one of my financial services needs, you are

serving me.

The real point here is that the focus of business development within the credit union industry needs to shift away from just informing people about the existence of credit unions, away from relying on the credit union brand as a differentiator and away from tracking the number of events, mailings and contacts. The focus instead needs to be on implementing a follow-up process that reaches out to the qualified prospects attending the events and receiving the messages-asking them to take action and become a member or to move their loan or IRA or checking and savings accounts to the credit union.

Learning to ask for the order and close the sale is not easy, and it won't always happen on the first try, (it takes repeated exposure to the offer before people will act) but shifting your business development effort toward achieving measurable results in the form of sales is the pathway to success!

ACTION ADVICE

Get your team together and review your current business development efforts. Are you focused on connecting with the right prospects and are you asking for the sale? Have you implemented an effective member education program to improve the financial management skills of your current and prospective members, and in the process positioned your credit union as the real solution to their problems? If not, take action today to revamp your efforts and get them on track!



Article Four: Technology

In an earlier post we took a cursory look at five key areas where credit unions need to focus attention and energy to improve their performance. This post is the third in a five- part series where we take a deeper look at each of these areas and provide some simple action steps to get the conversation and the action underway.

Technology lies at the heart of the current and future success of the entire financial services industry, and credit unions are no exception. The game changing technologies that have made mobile phones so ubiquitous are not the last innovations that we will see in this arena, and it is quite likely that technology will ultimately bring new players into the market who will reshape it with a completely new business model.

With such potentially radical changes on the horizon, there are three things credit unions must put on their technology agendas today:

1. **Develop a True E-Branch** Offering online banking services is no longer optional. It hasn't been for some time. Despite this, credit unions are often reluctant to make the major investments required to create 'true' e-branches—online branches that mirror the product and service offerings, complete with access to consultations and information— that are provided in physical branches. And while the relatively high costs and complexities involved may lie beyond the internal capacities of many small and medium sized credit unions, there are ways to improve performance in this area using strategic alliances, partnering, and outsourcing. The point here is to ask some difficult questions about your current e-branch and use the responses to improve your online presence and increase its impact: How much different would your e-branch be if you made the same investment in developing it that you do in a physical branch?

What products and services are not currently being offered online that members want? How well can your members get their questions answered via your online tools? Can they get support when it is convenient to them or only during normal business hours? What stands in the way of taking your e-branch to the next level? How can you eliminate these obstacles?

2. **Offer Options** Being a huge fan of mobile banking, I am always surprised at the level of pushback in credit union audiences when I speak about it. It seems that some are concerned that as the credit union moves more toward the use of technology tools that work for newer members, they will abandon the approaches that are more comfortable with long term members. And therein lies a key challenge— offering options that meet the needs of a diverse and ever-changing member base. The reality is that the generations of members you serve all have different perspectives, experiences, and comfort levels when it comes to technology. In order to serve them all your credit union will need to create options that fit the general needs of each generational group, and incorporate one-to-one marketing approaches that make the experience feel customized for each individual within the different generations.

A useful and easy to observe example is Amazon.com. Once you make a purchase from the site, it begins to develop a profile based on the choices you have made and uses that profile to extend offers to you that are likely to be of interest to you. It's all based on comparing your purchasing behavior with the behavior of others, and tweaking your profile as you make additional purchases to try and anticipate your needs.

The challenge for credit unions... if an online store that doesn't even know me can do this, then why can't you, and if I want to opt out so you can't do this for me, how can I do that. Simply put... it's all about creating options that meet and anticipate the needs of all of your members and letting the technology deliver the options for you!

3. **Utilize Web 2.0 (and beyond)** The internet continues to evolve—with

Web 2.0 rapidly becoming Web 3.0—while many of us are still struggling to understand how to use the tools that have emerged in recent years. But whatever the next innovation is the fact is that the Web 2.0 tools are here to stay. Blogs, Facebook, Twitter, Linked-In, and all of the other social media tools will continue to expand in the future, and if you are not using them you will be left out.

What does this mean to your credit union? First, it means you need to have a presence in these new arenas that people are increasingly reliant upon for information. Second, it means you need to learn to respect this new world where the opinions and ratings of others are key drivers of consumer behavior. Third, it means you have to find ways to respond more quickly than in the past to deal with the incredible momentum, both positive and negative, that can be generated by these online communities.

The bottom line is that these new online forums can have tremendous value if used correctly. They afford quick, easy, and low-cost access to groups of people, i.e., your current and prospective members, who can essentially raise their cyber hand and let you know they want you to talk to them. But if you speak only in sales terms and spend all of your time making offers that will require them to buy something, they will tune you out quickly. These folks want you to be real and join the conversation, sharing information they can use, building a trusting relationship and developing a personal connection... which will ultimately lead them to do business with you.

ACTION ADVICE

Review your technology efforts and take stock of where you are and where you need to be in the future. Consider asking members how satisfied they are with your e-branch and your overall online presence. Spend some time identifying the demographic profile of your members and reach out to each group to find out what they want so that you can tailor your technology tools to meet their needs. If you are not already active in the social media world, set up a blog for your credit union, create a fan page for your credit union on Facebook, and set up a Twitter account ... watch for a while, then jump in and start using the tools of today that will establish your footprint for tomorrow!



Article Five: Culture

In an earlier post we took a cursory look at five key areas where credit unions need to focus attention and energy to improve their performance. This post is the fourth in a five- part series where we take a deeper look at each of these areas and provide some simple action steps to get the conversation and the action underway.

Being a service driven non-profit, where employees who believed in the founding principles of the credit union and sought to do good work for the members, created strong cultures within many credit unions. But as credit unions grew and their original fields of membership expanded beyond individual companies to multiple SEGs and entire communities, new employees were hired who lacked the strong connections to the founding organization and the culture changed.

Simply stated, something that was once a natural advantage for credit unions has been lost as the market has become more competitive and the members and employees have become more diverse. But the key to future success lies in redefining and rebuilding the culture of your credit union...the quickest and most effective pathway to creating a sustainable difference in the marketplace.

Here are three important steps to take:

1. **Define Your Culture** When Jim Collins and his team did their research for the best-selling business book *Good to Great*, they learned that culture was an implicit driver of long term success. Companies that defined what they stood for and defined a clear set of expectations that everyone understood saw higher levels of employee engagement and performance. It all started with defining the reason for their existence.

That makes step one for your credit union the definition of your culture. It means taking time to outline the foundational beliefs that will

guide your credit union in serving its members, the manner in which employees will be treated and the expectations for everyone associated with the credit union.

It doesn't have to be elaborate and it shouldn't be hard to understand, remember or live on a day-to-day, week-to-week, and month-to-month basis. Nor does it need to be a change in direction from where you are today...if that is the place you want to be in the future. The key is to delineate what you believe in, what you want and how everyone on the team will make it happen. That way everyone knows what they are a part of and they can live up to those expectations.

2. **Hire the Right People** When you talk to people who have grown successful companies, you quickly learn that having the right people on the team is the key to all of their success. Collins and his colleagues noted this as well, referring to 'getting the right people on the bus' as step one in building a strong company. The point here is that once the culture is defined and the commitment is made to live up to that culture every day, the next step is to make sure the people who are part of the team fit with the culture. Hiring (and firing) decisions end up being based as much on the cultural fit as they do on the knowledge, skills and experiences of the person. Those who fit with the culture will find ways to apply their talents and succeed, while those who don't fit will struggle and detract from the team's performance.
3. **Build Your Culture** Defining your culture and hiring the right people are two necessary conditions for creating long term success, but they are not sufficient to ensure that you will achieve the desired outcome. That requires conscious effort every hour of every day to reinforce and build the culture... to hold people accountable to the standards that have been defined, to make the difficult decisions that protect the culture—even when they mean moving people out of the organization who don't fit and rewarding behaviors that reinforce and contribute to the success of the culture. The bottom line is that when people know what their credit union stands for they can decide whether or not they fit, and if they aren't currently doing what they do best, they will find ways to realign their efforts so

they can contribute. People always live up to (or down to) the expectations that are set and your definition of your culture and your demonstrated commitment to build it lead your team to engage at a different level and help you succeed.

ACTION ADVICE

Get out of your office and talk with your people about the culture that you have. Is it the one you need to get to where you want to go? What works about it, what doesn't work and what needs to be changed? How well is your current culture defined, understood and reinforced on a day-to-day basis? Do your people's perceptions of your culture fit with yours, or is there a gap between what you think the culture is and the way it is being lived and how will you resolve this?



Article Six: Branding

In an earlier post we took a cursory look at five key areas where credit unions need to focus attention and energy to improve their performance. This post is the last in a five- part series where we take a deeper look at each of these areas and provide some simple action steps to get the conversation and the action underway.

Branding may be one of the most misunderstood concepts in the business world (and this brief blog post is not likely to correct that problem). Some people think of a brand as a logo or the colors used by a business. Others see it as a set of values and beliefs that guide the business. Others see brand in terms of specific products and services and the relationship they create with your customers. Most agree that brands differentiate products, services and companies - that they are the collection of a number of factors that lead to customer loyalty, and that they have some set of identifying features that are used to drive and build relationships with the people the business serves.

When it comes to credit unions, one thing about branding is certain—your brand is not ‘credit union.’ Credit union is your form of business organization, but it is not your brand. It differentiates your business only to those who understand that a credit union is a non- profit that provides financial services, but as a brand it does little, if anything, to differentiate you in the marketplace and it is too general to support an effective position in the minds of the limited universe of people eligible for membership in your credit union.

That said, it is important for you to build your brand with your current and prospective members, and here are three steps to get you started:

1. **Define YOUR Brand** The essence of your credit union’s brand should be a set of features that lead to specific benefits for your

members - reasons for them to do business with your credit union that can be identified, communicated, and understood. YOUR brand needs to reflect something that consumers can get from your credit union that they cannot get elsewhere - something that gives you a preferred position in their minds, so that when they need financial services they think of your credit union as the place they need to go. Once you have defined your brand, you can then update and enhance or perhaps completely retool all of the collateral materials—logo, color scheme, letterhead, building design and so forth to focus them on reinforcing and communicating your brand image in an appropriately memorable manner.

2. **Establish YOUR Shark-Fin** One of the most difficult things for any business is finding something that truly differentiates them in the marketplace. It's that thing you do better than others, that when seen by people immediately makes them think of you - the way a shark fin above the water leaves no doubt in anyone's mind what is swimming toward them. The real challenge here is finding a way to make your credit union stand out amid a marketplace crowded with players who all seem to deliver the same commodity package of products and services, i.e., savings, checking, debit cards, credit cards, mortgages, CDs, IRAs, home equity loans, auto loans, signature loans and so forth. And great service is not enough anymore, because every player in the financial services marketplace is selling service these days.

Defining and establishing your shark fin is no easy task. That is why so few have done it effectively, if at all. But when you do, you open up a whole new world for your credit union - a world where you have something that no one else has, that everyone understands and knows about and that drives the right kind of members to come to you because you can solve their specific problems. It is a necessity that merits the hard work necessary if you want your credit union to thrive in the long term. One caveat: the real obstacle most businesses, including credit unions, face when it comes to defining their shark fin is the lack of willingness to focus their efforts, to give up some products and services, some locations, some members and so forth to position

themselves as delivering only a certain mix of products and services that meets the needs of the specific population they want to serve better than anyone else does.

3. **Increase YOUR Visibility** With your brand defined and your shark-fin established, the next step is to increase your visibility in the marketplace you serve so that not only current and prospective members know who you are and what you do, but the folks they turn to for advice also know. The sphere of influence that was once relatively localized for credit unions to the people within a specific business or group of businesses has increased and your efforts to inform need to be similarly expanded.

Simply stated, your community presence, awareness and support are important keys to future success for all credit unions. It is no longer enough for those who already belong to know what you stand for and what you do, you need a broader reach and an expanded impact. The time, money and energy invested will pay off as your expanded visibility brings more business to your brand differentiated credit union.

ACTION ADVICE

Conduct a brand assessment for your credit union. Do your marketing materials, locations and employees represent a clear brand that people are familiar with, comfortable with and aware of? Do you have a clear shark-fin that differentiates you in the market you serve? Do your current and prospective members know about it? Is it regularly communicated and reinforced in the community? How can you improve and enhance your brand to support the long term growth of your credit union?

© MMX Mark Arnold. All rights reserved, including translation. No reproduction or duplication, whole or in part, in any form or by any means without written permission from Mark Arnold. Material provided under license, for internal use only pursuant to the terms and conditions of the license agreement.

Six-part series article