

Doug Fecher

Getting Back to Roots at WPCU

Recently, I had the privilege of facilitating a presentation at the Cornerstone Credit Union League's New Ideas Institute in San Antonio on the topic, "Have Credit Unions Lost Their Way?" The main presenters were Doug Fecher, CEO of Wright-Patt Credit Union (WPCU) in Beavercreek, OH; and Steve Hennigan, CEO of SACU in San Antonio. The premise of the presentation was that credit unions, generally speaking, are behaving more and more like banks, and have forgotten and deviated from their congressional mandate of helping people of modest means.

Cornerstone's CEO Dick Ensweiler and University Federal Credit Union CEO Tony Budet, both of whom were instrumental in making the presentation happen, felt strongly that what Doug and Steve had to say would challenge league CEOs into considering how well they were fulfilling their duty of serving people of modest means.

In addition to facilitating their presentation, I have spent substantial time with each CEO, and have gotten to know their stories well. This article will unpack Doug's story, and next month I'll do the same with Steve. What you'll read will provide some challenging questions for you and your board to consider as you determine how well your credit union is fulfilling your fundamental responsibility to Americans of modest means.

Real World Leadership

While leading WPCU to a position of better serving moderate income people has been a primary focus for Doug, from a broader perspective his story is also about credit union CEOs leading with vision, creating a culture around that vision, aligning goals and execution to achieve the desired vision and culture, and having their communities benefit from the credit union's



Doug Fecher, CEO, WPCU

efforts. I have written about and emphasized this point repeatedly in this column, and it is a fundamental skill that all CEOs most develop in order to successfully lead their credit unions.

Doug is in the midst of transforming WPCU to become more focused and adept at understanding

the needs of Americans of modest means, but it is a complex process of cultural transformation, business case analysis, and keeping regulators happy.

The metamorphosis of WPCU began in the last few years, as Doug became increasingly uncomfortable with where the credit union was going relative to the very real needs of WPCU members and the stated congressional mission of credit unions. All the financials were sound at the \$2 billion+ asset CU, but Doug felt strongly that WPCU needed to return to its roots.

Come with me as we discover why and how this transformation IS occurring.

Doug's Challenge to Credit Union CEOs

Doug Fecher likes to ask credit union CEOs what keeps them up at night. Is it data security, branding, the NCUA, your digital strategy? While these and other issues are clearly important to every credit union, Doug would challenge every CEO to also deeply consider the plight of middle-America and what their organization can do to address the difficulties faced by millions of people. He quite provocatively tells CEOs that if the needs of this vast population are not foremost on their minds, they are thinking about the wrong things.

Backing up his point, Doug cited a quote from a prominent banking executive who said that “no bank can do better than it’s customers”. This is one reason why a number of banks have begun reaching out to their communities with jobs forums, small business assistance units, and financial literacy initiatives. While not saying banks are altruistic, the point that their financial well-being depends on how well their

customers are doing has hit home for many of them.

Of course the same holds true for credit unions. If the bulk of your members are struggling financially, so will your credit union. Therefore, learning to meet the needs of modest income people is not only the federally mandated thing to do, but it is also good for business.

As an example of what many middle-income Americans face, Doug pointed me to the Spent Movie, which highlights the difficulties faced by real Americans for whom the mainstream financial system is not working. Some are struggling entrepreneurs needing a boost of capital, others have encountered severe health or family situations that have depleted their incomes and savings, while still others are plagued by bad decisions made years ago. All the folks in the movie are honest and hard-working, yet their circumstances, which are not uncommon, have few if any solutions within most credit unions and banks.

Doug showed the Spent Movie to his board of directors, and said it resulted in one of the best board table discussions they ever had. Few, if any directors really understood the challenges faced by Americans of modest means, and this increased awareness has created a strategic change within WPCU.

WPCU Strategic Changes

A strategic initiative for WPCU in 2016 is helping their members improve their financial health. Their relationship with the Center for Financial Services Innovation led them to understand members in three primary financial health segments: Thriving, Coping, and Vulnerable.

As they examined their product offerings, WPCU found they were mostly serving the Thriving segment, and in essence missing the needs of more than half its members. Creating a product mix that addresses the financial health of all three segments is a key goal in 2016.

Financial Health Product Mix

Doug emphasized they are just beginning the journey of creating a strategy and product line that helps all



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three types of members. Some ideas are still being worked out, while others have immediate application.

For example, becoming the “anti-debt lender” is one of the strategic changes being considered by Doug and his team. By this they mean teaching people to pay off debt and save more money. Within this objective would come short-terms loan to pay off higher interest debt, but the goal is to help high-debt members improve their financial health by teaching and helping them to get out of debt and build strong cash reserves.

An example of a WPCU product for members in the Coping segment is their no rewards credit card at prime plus three. It is their second most profitable product even after losses, and the repayment rate is excellent.

WPCU also has a product that is an alternative to payday lending, and is used by many in the Vulnerable segment. It is both popular and profitable. Its annual fee serves as a loan loss reserve, the interest rate pays for any operating losses, and members pay significantly less than they would at a payday lender.

Creativity, Testing, and Buy-In

Of course no CEO, executive team, or board can accomplish something as large as the transformation Doug has in mind without significant employee support. That’s why Doug gave his entire presentation to his employee base. Their response was enthusiastic; they want to be part of a company that values all member groups and provides them with the products and services they need to improve their financial well-being.

As WPCU further develops its new product line and approach toward financial health, Doug said they might use their employees in focus groups and in pilot testing. The notion is that if more than half of WPCU’s membership is “coping” or “vulnerable”, a good portion of the credit union’s 650 employees may be in these groups also. From a leadership standpoint this is brilliant. What could engender greater enthusiasm and testimonials than products employees helped develop and test themselves?

CEO Velocity Viewpoint

While the conversation in credit union circles this year has been absorbed with credit union relevance, mobile banking, millennials, and regulatory relief, I have heard very little about how to achieve their social mission. As I told the Cornerstone CEOs, the relevance of credit unions is baked into their not for profit social mission.

Credit unions are inherently relevant, and with the increasing propensity of millennials to do business with socially conscious organizations, that relevance is strengthening. Being true to that mandate while providing superior service is what will differentiate forward thinking credit unions.

I often tell credit union CEOs about the story, “Acres of Diamonds”, by Russell Conwell. In short, a farmer wants to get rich, so he sells his farm and goes in search of his fortune. Meanwhile, the buyers of the farm discovered the world’s largest diamond mine underneath the land they had purchased.

The morale of the story is that the key to success is much closer than you think, perhaps under your feet.

As Doug has done, credit union CEOs should consider whether or not they using their federally chartered social purpose to guide them into successfully fulfilling their mission. The search for relevance and a differentiated brand may be right under your feet.

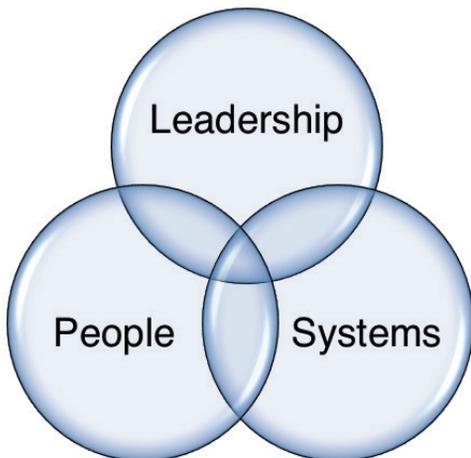
CEO Velocity Advice

Like any major endeavor, Doug and his team are going to have to make sure the vision to help each of the three segments maximize their financial health becomes the ongoing drumbeat within WPCU. In other words, they are going to have to get true, lasting buy-in from board members and employees at all levels in order to show authenticity and value to their field of membership.

This is not easy, since new initiatives abound in business. I’ll never forget the answer an employee gave me when I complimented her on a performance turnaround. She said, “Once I saw you really were serious about the new direction and didn’t plan to back off I decided to put my energy behind it”.

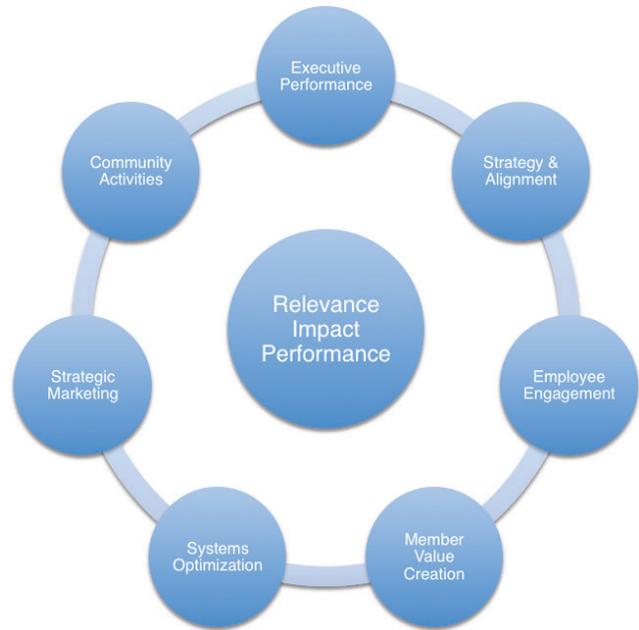
In addition to buy-in from his leadership team and employees, strong systems are going to need to be developed to support the initiative and make it successful. As the following diagram shows, Doug will need to integrate leadership, people, and systems support around his initiative in order to develop the velocity (speed and direction) that will take he and WPCU toward their goals.

Formula for Business Velocity



More specifically, Doug and his team will need to embrace a form of what I call the “7 Keys to Credit Union Relevance, Impact, and Performance”:

7 Keys to Credit Union Relevance, Impact, and Performance



Executive Performance: As I have said previously in this column, executive performance is the engine of a credit union. It controls the CU’s ethics, morale, and financial performance. Doug’s executives may feel threatened by the new directions, e.g. (“Will we still be as profitable? If we’re not, will I have a job?”), and he will need to mitigate those fears through coaching. Executive performance measures also need to be tied to the initiative.

Strategy and Alignment: A new initiative like this requires intense preparation. WPCU needs to build a solid, well-rounded strategy they can adapt as they learn more from member responses. There also need to be goals and metrics around the overall initiative and its pieces, and a communication plan must be put in place that reinforces the purpose of the initiative and allows employees to track tangible progress.

Employee Engagement: From Gallup's Study on the American Workforce we know employees want to do a great job, but need the tools, communication, training, and management support to perform at high levels. While the initiative at WPCU is laudable, it will come down to employee engagement, and whether or not the management team has the day-to-day leadership abilities to keep employees focused on the goal.

Member Value Creation: I can't tell you how many times I've heard leaders say, "we absolutely know what our members / customers want", but when I ask them how they know they can't tell me how they know or what mechanisms they're using to get that input. Neither are they tapping into other gold mines of information, such as the vast amounts of telling information in their database. Primary and secondary sources of information should be used at WPCU to fully understand how each segment defines value.

Systems Optimization: At every financial institution I visit they tell me their systems are "spaghetti", that is, disparate and non-integrated, making it impossible to get the information they need in a timely manner. This is why my partners and I created an integrated system for financial institutions. Optimized systems allow for the speedy and complete execution of strategy, as well as the feedback flows needed to make rapid adjustments. While painful, many credit unions should be looking at new core providers to help with this optimization.

Strategic Marketing: The great Peter Drucker called marketing one of the two primary functions of business, yet most credit unions do not take advantage of the wealth of capabilities available to them. The days of print advertising are dead. My firm integrates variable such as member preferences, market demand, and social media profiles to develop market strategies that are spot on, providing the appropriate high value information each segment needs, and engaging them in topics they care about. That is at the fingertips of each credit union, and WPCU will need to engage the three

segments similarly through social media and other channels. Locational intelligence can help them create marketing campaigns around payday lender locations, and WPCU can use that to show people in Coping and Vulnerable segments a better way.

Community Activities: This is where the rubber hits the road, where WPCU gets to meet face to face with members and the community. More than words in social media, texts, or emails, the best marketing WPCU can do is show it is truly serious about improving the financial health of people, and having a strong presence at the appropriate places in their community will demonstrate their authenticity. They will need to let their members know about these events as well through their marketing, not in a self-aggrandizing or congratulatory way, but rather to reinforce their commitment to people's financial health and allow their members to tell their friends and family how to gain the same benefits.



Scott McClymonds is a senior banking executive turned consultant, executive coach, and speaker. His real world experience in strategic marketing and leadership bring significant growth to profitability, salesforce efficiency, member loyalty, and employee performance. Scott's firm CEO Velocity specializes in helping executives create dramatic performance improvements, a sustainable competitive advantage, and a strong, relevant brand. Scott can be reached at scottm@ceovelocity.com, @scottmcclymonds, or 479.263.0774.