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The Amazing Power of Exceptional Leadership Systems

Creating value for members and generating growth – these are the two cornerstones to every credit union’s success. Generating an environment that brings about both goals should, therefore, be a CU priority. A strategic alignment framework is just the tool your credit union needs. These eight pillars will help you achieve success.

The Case for Great Leadership Systems

In my work with credit union CEOs, I am always energized when I find a thriving organization that is focused on profitability, creating a great place to work with a strong culture, and adding exceptional value to its members and communities.

Invariably, when I dig into what makes these credit unions become so successful, I find their success is not accidental. Quite the opposite, the intentional development of strategic leadership and management systems, practiced and modified over time, has brought about their success.

The importance of great leadership systems in creating championship performances cannot be overstated. For example, the University of Arkansas has a track and field dynasty, winning over 40 national championships since the 1980s. Recently I asked one of their track athletes why the team is such a perennial success. He told me they train to the times they need to win, and they optimize their workouts, practices, diets and rest to consistently achieve those winning times.

In his classic book “The E-Myth Revisited,” Michael Gerber punctuated the importance of effective systems for small businesses through the story of Sarah, owner of a pie shop. Sarah baked awesome pies but her business was suffering due to her lack of effective systems. Gerber, as her metaphorical coach,

was able to help Sarah develop a thriving business by creating systems that let her produce and sell her pies profitably.

While the storyline was directed to small businesses, it is no less pertinent to your credit union. In fact, my last three articles have been about leadership systems. We discussed the effect of member portfolio management on strategy and operations twice, and in last month’s bombastic critique of the term “relevance,” I touched upon the type of system needed to create strong value for members. Not surprisingly, both systems required significant backing and engagement from the CEO.

Your credit union has systems all over the organization. Not just technology systems but also



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systems or processes to generate indirect loans, mortgage loans and credit cards. You have systems to hire and train employees and systems to evaluate risk. Systems can be strategic and operational, but for our purposes over the next few articles, I want to focus on leadership and management systems because they are what will create value for members as well as growth for the credit union.

The systems I'll bring to you will outline a system for creating credit union growth, much of which will be derived from CEOs I have worked with who are leading thriving institutions. The systems themselves are not visible but they do exist. They're how these credit unions operate, and they were created intentionally by CEOs and their teams.

The leadership and management systems we'll cover are not the only ones you'll need, and you may have some additional ones to include. However, they will provide a solid foundation for growth and member value creation.

Framework for Aligning Systems

The first system is actually a framework around which other systems are developed, and it is designed to produce strategic alignment throughout your credit union. Why am I starting with a framework for strategic alignment? As PenFed's James Schenck once told me, "I've found that constant communication with coworkers has been absolutely critical in my ability to create a vision, align resources and focus on the execution of a strategy."

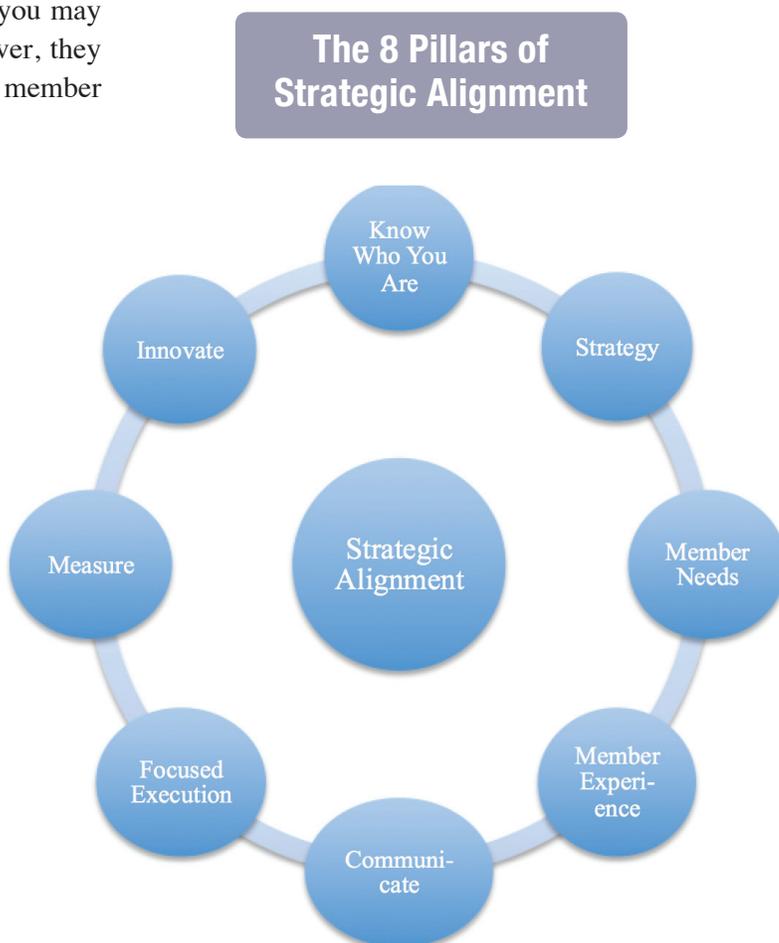
Have you ever worked for a company that appears to lack focus because it has innumerable goals and is trying to be everything to everyone? Mortgage has goals. Retail has goals. Finance has goals. Everyone has goals. Yet with all those goals, there is no unity or commonality among them. Hence, nothing remarkable happens.

Much activity occurs but there is no championship. Work seems like a grind because of the chaotic, disconnected nature of everyone's disparate goals.

How does this disconnection happen? It comes from a lack of alignment, and without a framework to purposefully build alignment, chaos will always exist. Of course chaos yields average performance and value creation, and for the credit union of today and tomorrow, that means out of business.

The 8 Pillars of Strategic Alignment

I like to call this systems alignment framework "The 8 Pillars of Strategic Alignment." Most of the best CEOs I know use some variation of it because it creates a tight strategic alignment around a very focused strategy.



As we journey through these 8 Pillars, you may notice that the systems I described in previous articles, like Member Portfolio Management, touch upon many of them.

If you consider The 8 Pillars of Strategic Alignment as a process that cycles continually, it is not difficult to imagine significant velocity and momentum building and increasing as your team grows in its knowledge of members and how to serve them while holding fast to your identity and focused strategy.

Here is a brief description of each of the 8 Pillars. As I said, you may add or subtract from them, but in the short examples I've provided, you will clearly see how they align your team around a tight focus.

The 8 Pillars Defined

1. Know Who You Are – Knowing who you are is akin to your brand promise.

- “We help members of all income and age groups improve their financial health.”

2. Strategy – Your strategy is how you achieve your brand promise or what you do about who you are.

- “We have products addressing members who are thriving, coping and vulnerable. We seek out people in all categories, and we train our employees to understand how we can improve their financial health.”

3. Member Needs – Understanding the distinct preferences and needs of your key member groups can help you innovate and differentiate.

- “Many of our vulnerable members are aspiring, cash-strapped entrepreneurs with poor credit histories. Their cash situation precludes them from creating the volume of product they need for a breakthrough. If there were some way to help them bridge the gap, little by little, perhaps we could get them over the hump.”

4. Member Experience – How members rate their interaction with you, as well as how they perceive your knowledge of their situation, your concern for it, and your ability and willingness to help, are critical.

- “For vulnerable entrepreneurs, we are going to create focus groups to better understand their situation and what they want from us. We will create social media peer groups for them and also train certain employees who can relate to them and provide modest coaching in an omni-channel format.”

5. Communicate – These are the systems you use to communicate internally among your employees as well as externally to members and the marketplace.

- “We will establish an intranet showing stories of how we are helping these vulnerable entrepreneurs. We want to share success stories so we’ll get smarter and more effective in our work with these members. We will also broadcast our increased capabilities to the marketplace via word of mouth, workshops and social media.”

6. Focused Execution – Strategy without execution is useless, so here we create our goals as well as the specific processes, actions, tactics and timing needed to get our desired results.

- “By the end of the year, we want to have personally touched every vulnerable entrepreneur. These touches will help us create two new bridge loan products, experiment with at least 100 entrepreneurs and help at least 20 of them make it to the next level of their business.”

7. Measure – Our question shouldn't be just did we or didn't we achieve our results, but why or why not? We want not merely the end results but also the vital information that will provide us with helpful diagnostics. A careful upfront definition

of key metrics is essential.

- “We touched half of our vulnerable entrepreneurs because our contact information on the rest of them was obsolete and some of them just didn’t respond to us. Instead of two new loan products, we created one because our other goals and responsibilities made creating two impossible. We also found creating one was much trickier than we anticipated. We experimented with 10 entrepreneurs and discovered we were able to help four of them make significant gains.”

8. Innovate – Use your experiences, member and market knowledge, technology and creativity to build greater value for your members that creates loyalty and growth.

- “We still want to create two new loan products for vulnerable entrepreneurs, so we are forming an innovation group consisting of the product development team, the specialists who work with vulnerable entrepreneurs and the vulnerable entrepreneurs themselves. The input gained from everyone should help us create and get the products to market quicker. Moreover, the distinct nature of these products will not only help our existing vulnerable entrepreneur members but also attract more to us.”

Commentary

There are great perils to not having a high level of strategic alignment. For one, it is impossible to build a cycle of increased velocity and momentum if an organization is out of alignment. That is because out of alignment means out of control.

As you can imagine, misalignment can occur in any of the 8 Pillars. Not having clarity on your corporate identity can leave everything else in disarray. A clear identity with an unfocused strategy is no better, and so on.

Earlier I said leadership systems are “invisible.”

They’re not on anybody’s computer screen. They need to be intentionally created, and the CEO must actively participate and buy in to their creation, management and enforcement.

Like the University of Arkansas track team has discovered (as well as many of your credit union peers), exceptional leadership and management systems, when well executed, deliver championship results. Any CEO in any credit union of any size (that means YOU) can create these systems if he or she has the willingness, discipline and support.

Putting in the hard work to ensure the strategic alignment of your credit union is the most worthwhile endeavor you can pursue as CEO because of its comprehensive nature. It impacts every aspect of your CU, especially your ability to meet member needs. While it is difficult, I’m reminded of my 16-year-old son who, despite complaining about how hard basketball practice is, has transformed himself into a solid ballplayer because he decided the price was worth it. I assure you the price for you is worth it for you too.

Strategic Alignment Exercises

Answer each of the five questions below yourself, then ask your board, management team and a sampling of front-line people to do the same exercise. Now compare the front-line answers with your board and management team. If the answers are similar, your alignment is probably strong. If the answers vary widely, you have some work to do.



1. Who are we? What are our strengths? What is our brand?
2. What is our strategy?
3. Who are our members, what are their needs and how do they rate their experience with us?
4. What positions need to be in place to execute our strategy, and how is the performance of each role measured against strategy?
5. What new ideas, investments or acquisitions are we considering? How strongly do they correspond to our identity and strategy?



consulting specializes in helping credit union CEOs create differentiated value for members, build stronger brands and increase profitability. As a thought leader, he is a frequent speaker to credit unions across the nation. He can be reached at 479.263.0774 or

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Scott McClymonds of CEO Velocity coaching and



Scott McClymonds and CEO Velocity help credit unions acquire and retain profitable members.

Using member portfolio management and other advanced strategies, CEO Velocity helps you improve profits while better serving the needs of your members and communities.

- **Do you need to stand out more from your local financial services providers?**
- **Would you like to have deeper, more impactful relationships with your members?**
- **Do you need more profitable members?**
- **Does your profitability need to increase?**
- **Do you have business units or branches that need to improve performance?**
- **Do you need to more effectively reach your market?**

Email scottm@ceovelocity.com to request a free paper on how to find and close earnings gaps in your credit union.

“I have worked with hundreds of clients on strategic marketing programs over the last 20 years and Scott McClymonds is at the top of the list. I would highly recommend Scott as a resource to anyone looking to improve their performance.”

- Tim Keith, Partner and Chief Strategist, Infusion Marketing Group