

The Six Guiding Forces of Credit Union Growth and Success:

Part 2

Continuing the leadership systems focus he began last month, “Credit Union BUSINESS’s” CEO expert completes the series of forces that guide your credit union to growth and success. In this issue, he concentrates on well-rounded leadership, leadership development and leveraging low operating expenses to your CU’s innovation and investment advantage.

The last few months we have been focused on leadership systems used by high-performing credit union CEOs. You can’t really feel or touch leadership systems, but everyone in your credit union knows whether or not they exist. They’re what make your credit union either thrive or languish in mediocrity. John Maxwell says that “everything rises and falls on leadership,” and the best leaders have great leadership systems.

Specifically, last month our attention was on a system called “The Six Guiding Forces of Credit Union Growth and Success.” We explored the first three, which are Strategic Alignment, Velocity and Communication. This month we’ll dissect Guiding Forces 4–6, which are Selecting Well-Rounded Leaders, Leadership Development and Using Low Operating Expenses to Fuel Innovation and Investment.

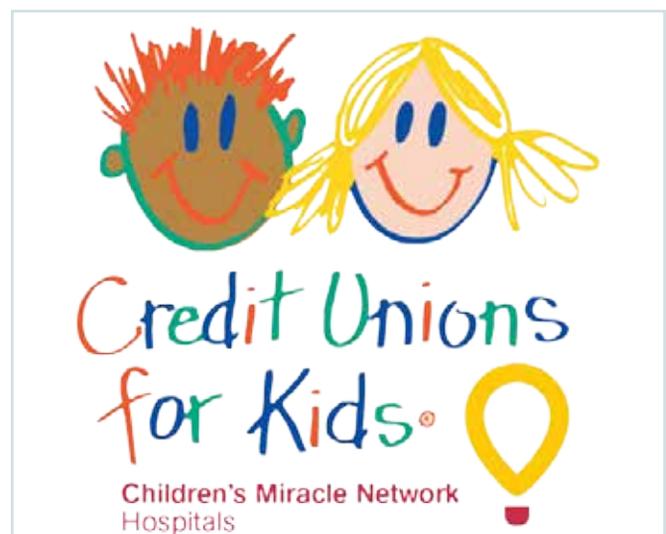
Guiding Force 4: Choosing Well-Rounded Leaders Builds the Present and the Future

A few weeks ago, I spoke with a community bank CEO whose organization has grown from nothing to over \$1 billion in assets in 18 years. When I asked him to name his greatest lessons along that journey,

without hesitation he identified learning to choose the right people as his most important lesson.

Similarly, great credit union CEOs very quickly mention the critical nature of surrounding themselves with the right people. They then discuss the filters they use to select leaders. Some key filters include people skills, conceptual thinking and functional expertise.

Regarding people skills, CEOs look for people who are both team players and drivers. Those two capabilities don’t always go hand in hand. Often when we hear the term “drivers,” we might think of people



who are talented, pushy, aggressive and perhaps just a little obnoxious and individualistic. However, these ideas are more stereotypical than fact-based.

You want leaders who are aggressive but also sensitive to the needs of their teams and individual teammates. Just because they are drivers doesn't mean they have all the answers or take all the credit. A driver can very easily move his or her team forward while letting the

spotlight shine on the performance of his or her team.

Conceptual thinking is another attribute to seek in leaders. Leaders should be able to envision three to five years down the road and create that vision.

Functional expertise is the most common attribute companies look for in their leaders, but exceptional CEOs consider it only one of three desirable characteristics. We want leaders in our mortgage lending operations and IT areas to have a good grasp of the functions they lead and to be growing in their expertise. The world is moving too fast to not be



Commentary

According to Gallup's Study on the American Workforce, the number one action you can take to improve the performance of your organization and the buy-in of your employees is to hire great managers. However, the Gallup study goes on to state that companies hire the wrong candidates 82 percent of the time.

Why is that? Perhaps it's because far too often companies overemphasize functional expertise in their leadership selections instead of also ensuring that those candidates have strong people and conceptual thinking skills.

Business schools and universities place tremendous emphasis on acquiring technical competency but almost none on people or conceptual thinking skills. The top ranked business school I attended had this same emphasis. In addition, as we advance in our ca-

reers, our functional accomplishments rather than our other skills tend to get us promotions.

High-performing credit union CEOs choose leaders differently than most companies do, and that's why they are able to distinguish themselves.

Leadership Selection Exercises

1. What criteria do you use to select leaders in your organization?
2. As you consider your leadership selection criteria, are you satisfied, or do you need to add criteria around aspects such as people skills or conceptual thinking?
3. How do you evaluate leadership performance? Is it solely around current year bottom-line op-

THE TEAM Builder

Children's
Miracle Network
Hospitals

Help strengthen credit unions and their communities



erational performance, or do you also evaluate based on non-financial achievements such as team development or innovation?

4. Who are the conceptual thinkers in your organization? Do your responses encourage or frustrate them? Are you leveraging their ideas to build a better company?
5. What do you do to elicit employee feedback on the people skills of their leaders?

Guiding Force 5: How Leadership Development Fuels Strategic Momentum

In Guiding Force 4, we saw the filters high-performing CEOs use to choose their leaders. Additionally, great CEOs also know the value of leadership development so their institutions can continue to innovate and grow, all the while holding fast to their core identity and strategy.

If communication is the glue that enables strategic alignment, leadership development is the fuel that keeps strong credit unions aligned and moving in the desired direction. In other words, this is what provides momentum, or as I like to say, velocity.

One of the traits of excellent leadership development is that it addresses different needs at different levels. Generals don't have the same development needs as lieutenants, so their training is different. Nevertheless, neither is ignored, and both are expected to continue elevating their performance.

As leaders develop not only their skills but also their understanding of a credit union's identity and strategy, the organization gains speed, as I stated in Guiding Force 1 last month.

When leaders gain skills and wisdom and they apply those newly acquired traits within a tightly aligned strategic framework like The 8 Pillars of Strategic Alignment, the organization cannot help but move increasingly faster in the strategic direction of those pillars.

It is important to point out that at the VP level and above, leaders should receive training as a team as well as individual coaching to meet their own unique needs. This training approach shows tremendous wisdom because it helps each leader apply the corporate philosophy while simultaneously identifying and maximizing his or her own strengths and applying them to his or her unique situations.

IF YOU'RE LENDING,
YOU'RE COLLECTING.



FREE EBOOK

High-Performance Leadership Development Model



Benefits of Structured Leadership Development

| | |
|--|--|
| 1. Continued communication of identity, strategy, desired member experience throughout company | 2. Employee retention, engagement, clarity around expectations |
| 3. Creation of job descriptions and performance metrics based on strategy | 4. Continuity of culture and value while driving the organization forward |
| 5. Inter-departmental communication and collaboration focused on same strategic initiatives | 6. Innovation, risk taking, investing, decision making within one strategic framework |
| 7. Maximization of individual leaders' unique strengths for career-pathing and retention | 8. Organizational focus on providing great member experiences within consistent strategic context and identity |

Commentary

A retired Marine colonel once told me that the average American businessperson becomes a manager at the age of 32 and receives his or her first leadership training 10 years later. In the Marines, however, officers are given their leadership training before they receive their commissions, and such training is ongoing throughout their careers.

To build a better company, you need better leaders, but it isn't good enough to just get them in the door. You've got to develop them. If you neglect their development, you run the risk of them leaving or, worse yet, of them staying and either stagnating or leading you where you don't want to go.

Great credit union CEOs realize they are in the people development business. Not only is such

development the ethical thing to do, it's also profitable. Is that your business too?

Leadership Development Exercises

1. Describe your leadership development strategy. What is its objective, how is it executed, who is included and what are its results?
2. Do you believe leadership development is a profit strategy or an unnecessary waste of time and money?
3. What are the key cultural attributes you want your leaders to develop?
4. What are the key skills you want your leaders to have?
5. Does your leadership development strategy consider the unique needs of leaders, even those at the same organizational level?
6. Does your leadership development strategy consider the developmental needs of leaders at various levels of the organization?

Guiding Force 6: Low Overhead Digital Strategy Creates Cash for Investment, Innovation and Scaling

Leading credit unions are racing to use technology to create great digital experiences for their members across the globe. Creating a digital credit union not only enables an outstanding member experience but also keeps overhead costs per employee relatively low. It minimizes customer and account acquisition costs as well. These reduced expenses allow for the achievement of higher profitability per member.

Low operating expenses create not only profits in the present but, just as importantly, velocity and momentum for the future by providing funds for innovation. The more low overhead innovation succeeds today, the more it will succeed in the future thanks to its compounding effect. The following diagram explains this concept.

How A Low Overhead Approach Drives the Innovation Cycle



As you drive down average costs per employee and increase average profits per member, you can reinvest those additional profits in talent, technology and understanding member needs. These investments fuel innovation that leads to enhanced member experiences. Of course such enhanced member experiences lead to more members as well as increased sales. Acquiring those new members and sales drives down costs per employee, increases profits per member and so on. It is easy to see how this ultimately leads to momentum and growth as credit unions reinvest capital toward very focused objectives, all of which are in alignment with their core identity and strategy.

The chart below depicts just a few of the benefits that accrue to organizations that invest in the talent and technology needed to more deeply understand member needs. This is a critical piece of the innovation cycle that leads to growth and scale while maintaining low operating expenses.

Benefits of More Deeply Understanding Member Needs

| | |
|--|--|
| 1. Create a more personal, customized member experience. | 2. Design new products and services aimed across the board and at specific segments. |
| 3. Understand buying behaviors, triggers and trends. | 4. Know how to cost-effectively acquire and retain members. |
| 5. Profile member profitability and corresponding attributes. | 6. Test effectiveness of marketing campaigns. |
| 7. Better manage asset/liability mix based on member behavior. | 8. Hire, train, invest and execute around deep knowledge of member needs. |

Commentary

Leading CEOs realize the new financial services model isn't just in the future; it's the present. Companies like Amazon and Zappos are already producing high-value digital experiences for customers without physical retail outlets, and forward-thinking financial institutions are taking this approach as well. Members are demanding it, and competition is making it a necessity.

If you have an extensive branch network, does this mean you should sell those branch assets and go completely digital? No, it's not saying that at all. However, it is incumbent upon you to optimize your branch network, and that might mean selling some of your branch assets and investing in your members' digital experience.

The key takeaway is finding ways to lower average costs per employee while maximizing member profitability. That allows for the disciplined reinvestment in profits around a tightly focused strategy, and those investments are vital to building scales and momentum.

Investment, Innovation and Scaling Exercises

1. What is your average operating expense per employee?
2. What is your average profitability per member?
3. What would be the most responsible way to

- reduce operating expenses with the least amount of adverse impact on members and employees?
4. How much money do you invest in people and technology? Is it enough? How do you know?
5. What results and innovations have you seen from your investments? Which ones have had the biggest impacts?
6. How can you migrate more of your members to a digital relationship? What value will they need from you to accomplish that aim?
7. What strategic partnerships do you need to form with FinTech companies?

Now It's Your Turn

In our exploration of leadership systems we have examined The 6 Guiding Forces of Credit Union Growth and Success. Those guiding forces are:

1. Strategic Alignment Framework Based on Corporate Identity
2. Velocity Based on Aligning Leadership, Employees and Systems
3. Communication, the Glue of Strategic Alignment
4. Selecting Well-Rounded Leaders Builds the Present and the Future

5. Leadership Development Fuels Strategic Momentum

6. Low Operating Expenses Enable Investment and Innovation

Within the context of your credit union's identity and brand promise, I encourage you and your team to thoughtfully evaluate your CU in light of The 6 Guiding Forces. I guarantee you will identify meaningful areas of improvement that will lead to increased growth, profitability, member attraction and retention, and employee performance. With a few tweaks here and there, who knows how much more you and your team might be capable of



Scott McClymonds of CEO Velocity coaching and consulting specializes in helping credit unions acquire and retain profitable members. His focus on creating value for members helps credit unions stay competitive and relevant while building profitability and brand strength. Subscribers to "Credit Union BUSINESS" can ask Scott questions about how getting to know their members better can generate greater returns. He can be reached at 479.263.0774 or scottm@ceovelocity.com.



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