

SOLUTIONS



AN ELECTRONIC REPORT FROM THE CUNA OPERATIONS OFFICER COUNCIL

VOLUNTEER VISION

Meet Dave Fearing

Editor's Note: In this column, COO Council volunteers share their experiences and vision for the future of credit union operations.



Dave Fearing, 2002 COO Conference Co-Chair, says, "The credit union industry is really a people business. It's about service, sales, and delivering what folks want from their financial institution. This year's conference does a great job of combining the important aspects of our

jobs — leadership, delivery of topnotch products, and service to members."

Dave began his credit union career at Corporate One FCU. Because he enjoyed working one-on-one with individual credit unions, he accepted a position with OCUL Services Corporation, an affiliate of the Ohio Credit Union System.

As Chief Operating Officer, Dave is actively involved with helping credit unions tackle the

strategic planning process and implement sound business plans. Dave says, "Helping credit unions balance business acumen and philosophical responsibilities of being part of a cooperative movement is truly challenging and fun."

It's the consulting aspect of his job that Dave enjoys most, because it brings him face-to-face with people at credit unions throughout the state. And, he finds the employees and volunteers dedicated to their credit unions and quality member service.

This year's COO Council Conference features excellent general sessions and workshop topics. "The conference," Dave says, "does a great job of weaving leadership through all aspects — including the innovative delivery of products to members — of our jobs as operations professionals."

To address any comments or ideas for future COO Conferences, call Dave at (614)336-2894, or email him at dfearing@ohiocul.org. ♦

Steer on Down to Texas



5th Annual COO Conference
September 8-11, 2002
Austin, Texas

Round up your operations co-workers and get on down to the 5th Annual COO Council Conference, September 8-11, 2002, at the Four Season's Hotel in Austin, Texas! You won't want to miss this exciting conference *designed for operations professionals by operations professionals*.

You'll enjoy opening and closing general sessions on leadership. Plus, there will be break-

out sessions and workshops on a whole herd of topics about delivering products and services to members. Come prepared to rope in the ones that fit your credit union's strategic focus. Dell Computer Corp. will host an hour-long session on innovations in banking!

Best of all, if you register now you'll save \$100 on conference fees. A working agenda and conference registration form can be found at www.cunacoocouncil.org. Full conference details will be available at this same web site by mid-June. For more information call Cheryl Sorenson at (800)356-9655, ext. 4393. See ya'll in Texas, pardner! ♦

Serve small businesses and grow

Serving small businesses give a credit union a number of opportunities to create new revenue streams, according to a new monograph *Small Business: The New Frontier*, published by the Filene Research Institute and the Center for Credit Union Innovation. Business loans can fund growth, and successful business generates deposits and requires fee generating cash services. The owners and managers are likely to do their banking with the same institution that handles their business account.

The credit union also has the opportunity to reach out to employees of the business with select employee group services. Finally, the credit union may be able to generate loans to retail customers of its business partners. All of these avenues present substantial opportunities for growth. Yet most credit unions have not taken advantage of the total business opportunity.

Serve your entrepreneurial members

Credit union members today live diversified lives. No longer do young people seek employment with a company in their hometown and work for the one or two firms for the rest of their professional lives. Today's members are increasingly mobile, and entrepreneurial in their financial lives. Firefighters, teachers, and other professionals take on self-employment in addition to their regular jobs. Individuals downsized from major corporations in the technology and other fields find niches for their services within the same or another industry. And early retirees increasingly embark upon second or third careers as business owners.

These members need and deserve financial services beyond the traditional range of credit union products. In addition to auto loans, home mortgages, vacation, or education loans, they need the financial backing that will help their business grow and prosper. On the deposit side, they need not only passbook savings and checking accounts, but cash receipt depository, lock box, estate planning and trust services as well. And their growing business may need

services like payroll processing, merchant credit cards, and insurance.

Take advantage of industry changes

Changes in the financial services industry have also created opportunity.

According to the FDIC, from 1990 to 1999 there were 5,047 bank mergers. These mergers often lead to poor relationships with small business customers, protracted decision-making, and loss of local control. The changes have created an opportunity for new entrants in the market.

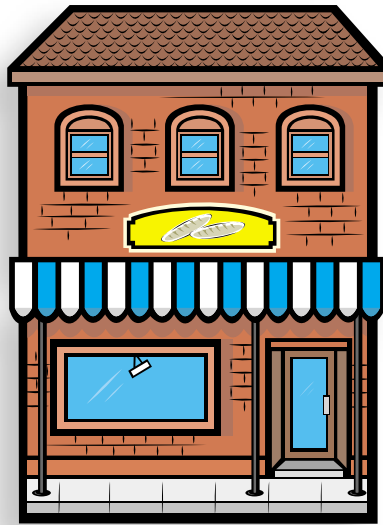
Over the same 10-year period, 1,315 new banks were chartered. These banks were formed primarily to capture the local relationship opportunity created by the mergers cited above. Ironically, the mergers also placed thousands of quali-

fied people on the streets and made experienced staff available to the new banks and to some credit unions.

Learn from innovative credit unions

Credit unions have approached the opportunities in small business services in a variety of ways. Business Lending Group, for example, is a CUSO formed by three central Wisconsin credit unions that felt they didn't have the critical mass necessary to enter the market on their own. Dupaco Community Credit Union has carved out a niche for itself in the Dubuque, Iowa business community along with the areas commercial banks, and is recognized as a formidable competitor in small business lending.

Progressive Credit Union, New York, has both a unique field of membership and a unique business lending opportunity, serving its members with loans that make it possible for them to enter into business on their own. Evangelical Christian Credit Union, Anaheim, California, matches its spiritual mission with financial advice and counsel to help build churches and schools throughout the country and around the world. And VanCity Credit Union, Vancouver, British Columbia — the largest credit union in Canada — offers a wide range of business services to members, from a unique peer review program to for-profit lend-



ing and socially responsive loans to nonprofit groups.

The lending programs of each of these organizations can benefit many other credit unions striving to serve their members beyond the traditional scope of consumer lending and

savings services.

For more information on *Small Business: The New Frontier*, call the Filene Research Institute at (608)231-8550 or visit online at www.filene.org. ♦

Put CRM to work for your credit union

“If you want to change the outcome, you have to change the procedure.” That deceptively simple statement is a challenge to implement, as anyone who has tried to create change will attest.

Customer Relationship Management (CRM) seeks to foster enterprise-wide change by altering both the long-term outlook and the everyday operations of participating credit unions. As part of a strategic plan, CRM can change the credit union’s outlook by enhancing its ability to plan for growth and change. As part of everyday operations, CRM allows front-line staff to collect and apply information that makes the member relationship more meaningful and more profitable.

According to an upcoming Operations Council white paper, *Putting CRM to Work for Credit Unions*, CRM uses technology to capitalize on teamwork so the credit union can achieve a well-defined CRM system. Successful teamwork is supported by guidance from the Chief Executive Officer and other leaders within the credit union. Credit unions involved in CRM emphasize the enterprise-wide nature of this effort.

“This is something you need to truly live and breathe,” says Sandy Schultz, Vice President of Marketing at Prospera Credit Union in Menasha, Wis. The \$102 million credit union initiated its CRM project without major purchases of software or systems by focusing on training and maximizing underutilized capabilities of core processing and MCIF systems. “Our goal was to be the relationship leader in our marketplace.

Everything needs to support that: how you reward staff, how it permeates all training, the orientation of new employees, even the back office, so they

understand that if front-line staff needs a new way to get something done they must assist by creating new ways to function.”

A 12-step CRM plan

The first step in a 12-step CRM planning process outlined in this paper is defining the strategic purpose for pursuing CRM — what will CRM deliver to the credit union? Next in the process is creating a strategy for transforming the credit union’s culture. As the culture shifts, so will practices in hiring, training, and day-to-day operations within every department. These cultural changes eventually lead to significant changes in the way services are delivered to members by front-line employees and electronic channels.

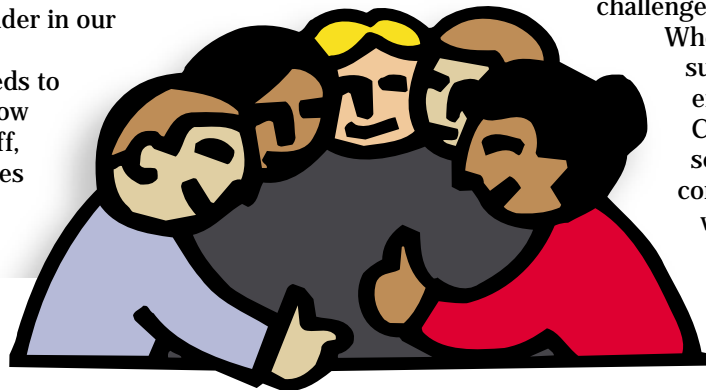
The next steps involve creating cross-functional teams that provide guidance for creating and implementing the CRM plan, and applying new CRM measurements to track results and reward performance, measurements that reflect the organization’s new goals and strategies.

“Changing your strategy without changing your measurements is just a hallucination,” says David Sweitzer, Associate Vice President of Customer Relationship Management at CUNA Mutual. “If the credit union is striving for significant cultural change, then measurements are imperative to reinforce the right behaviors.”

Purchasing tools for operational, analytical, or electronic CRM applications precedes integration, the single biggest challenge in the CRM project.

When integration is successful, it allows employees to use CRM tools as part of a seamless system that connects everyone within the credit union.

The final steps include introducing CRM in phases,



providing training, applying CRM ideals to hiring new employees, using the “business intelligence” provided by CRM data to guide decision-making, applying CRM measurements to track results and reward performance, and reinforcing the CRM culture on an on-going basis. The timeline for fully implementing CRM — beginning with the culture change and moving on through delivery to front-line staff — typically takes five years to complete.

When CRM is used to sustain long-term

change, the results can be significant. Four credit unions that contributed to the Operations Council white paper report that CRM projects are making significant contributions to improved profitability, member retention, marketing effectiveness, efficient staffing levels, and more. ♦

This article is excerpted from the Operations Council White Paper, Putting CRM to Work for Credit Unions, by Darla Dernovsek.

Integrate your credit union’s contacts

Credit union call centers are transforming into “contact centers” that use people-assisted and self-service remote delivery channels to interact with members. Achieving that transformation takes planning, staff training, and technology tools to analyze, process and record information about member interactions, according to the Operations Council white paper, *Creating an Integrated Credit Union Contact Center*.

Options now available for interacting with contact centers include

- voice;
- self-service telephone systems;
- FAX;
- e-mail;
- Internet self-service;
- live online chats.

Some credit unions are creating a special group of e-representatives to deal with the demands of written communications via e-mail or web chats.

Give all contacts a unified “look and feel”

As credit unions begin to interact with multiple channels through a contact center, they must give interactions a unified “look and feel,” according to Bob SurrIDGE, Senior Vice President/General Manager of Digital Insight, Calabasas, California. Digital Insight provides call center consulting and applications as part of its portfolio of outsourced eFinance services to credit unions.

“The first and foremost objective is to provide a consistent member experience across all entry points,” SurrIDGE says. “The challenge is to deliver this consistently while simultaneously migrating members to lower-cost, self-service channels. Because different members are ready to make this transition at different times — and some may never be ready — the

credit union can use the contact center to smooth out the difference and deliver wrinkle-free service.”

Generate volume, increase cross-selling

So far, contact center managers say the use of additional channels tends to generate more volume, rather than shifting existing interactions to new channels. Experts are still debating whether the use of self-service channels will eventually shift volume in the future.

In the meantime, contact centers are striving to integrate data access into member interactions to support a higher level of service as well as cross-selling efforts. These data integration efforts encompass automated call distributors, computer telephony, and customer relationship management (CRM) tools. The credit union’s data processing capabilities are essential to efforts to integrate data into everyday interactions with members. Some credit unions may choose to expand their capabilities by outsourcing some applications or functions.

New software applications make it possible for credit unions to integrate routing and reporting member interactions, and place more tools on contact center agent desktops. Credit union call center managers say this reduces the training time required for contact center agents, allowing them to concentrate on more productive functions such as cross-selling, including outbound calls. Other applications support business processes and workforce scheduling within the contact center.

Plan your integration process

Integrating new channels and tools within the contact center requires careful planning, according to representatives of five contact centers that contributed to the Operations Council white paper. These experts say that

meeting member needs should be the primary objective of both integration plans and employee training.

"I think our focus needs to be with the people we hire and mentoring them," says Anna Givens, vice president, Suncoast Schools Federal Credit Union, Tampa, Florida. The Members' Call Center of the \$3 billion credit

union handled 170,000 calls in the month of January 2002. "We need to teach them to listen to the members." ♦

This article is excerpted from the Operations Council white paper, Creating an Integrated Credit Union Contact Center, by Darla Dernovsek.

Drive performance with incentive compensation

Incentive compensation is an effective way to retain qualified employees, yet fewer than half of all U.S. credit unions use incentives as a performance-enhancement tool. As credit unions flatten their structure and reduce the number of employees per revenue dollar, they are capable of responding to new market conditions more rapidly. Well-crafted reward systems give employees a way to measure the relationship between their behavior and the rewards generated by their behavior.

By pricing employee skills, the organization pays for the skills employees use on a particular job. And by learning a range of skills and becoming more flexible, employees increase their value to the organization. Incentive programs must recognize who the appropriate appraiser should be for each position studied, design work standards properly, and set achievable goals.

Look to these credit union models

Model programs that may provide guidance to credit unions contemplating incentive compensation include:

- American Airlines Federal Credit Union, Dallas, Texas, ties its incentive measures to the performance of peer credit unions that are leaders in providing member service. The Team Award Pay program is based on independent benchmarks. It focuses on six components: average dividend; average loan yield; growth in loans outstanding per employee; delinquency and charge-off ratio; a member satisfaction survey; and NCUA CAMEL rating.
- Boeing Employees' Credit Union, Seattle, Washington, has developed an incentive

plan to encourage senior managers to focus on the long-term strategic direction of credit union services. The plan consists of two components: A five percent portion of each participant's salary set aside into a deferred pay plan that appreciates by the value returned to members over four years; and a mitigation factor designed to make sure incentives do not sacrifice the safety and soundness of the organization.

- Public Service Credit Union, Denver, Colorado, focuses on individual incentives rather than on team rewards. The credit union offers two different compensation programs to its employees, one based on incentive pay, the other on merit pay. Employees can choose to be in either of these two programs. Key to the Public Service Credit Union program is its ability to continuously track individual employee performance online, making the plan simple to administer and measure.



Use incentives to support strategic goals

The best organizations today focus on how they align incentives with their mission and how they empower front-line people and first-line supervisors with more autonomy and discretion. When participants in an incentive system can contribute ideas on how to design and change it, they feel empowered by the organization.

According to CUNA & Affiliates' 2001 salary survey, a minority of all U.S. credit unions offer incentive programs to encourage employees to perform to their full potential. Even among credit unions that offer an incentive program, relatively few provide programs

designed specifically to support strategic goals.

Theory and experience work together to provide a roadmap for creating and maintaining excellence in incentive programs. As the American workforce becomes more sophisticated, employers need to develop rewards that will attract and retain qualified staff. Even at times of less than full employment, the challenge is critical, because every credit union needs to attract the best people available to provide superior service to its members. In recent publications, the Filene Research Institute has published two papers on the theory and practice of incensing employees.

Consider creative incentives

Pay is not the exclusive consideration in

designing and implementing incentive programs. It is just one component of a more complicated system of encouraging superior performance. The starting point is a vision and strategy that ties rewards — both monetary and intangible — to performance.

Management and the board of directors need to communicate to employees why the credit union exists and how it can best serve its members. That vision and strategy is tied to the members the credit union serves, as well as a level of service that's qualitatively different from other financial institutions. ♦

This article is excerpted from the Operations Council white paper, Incentive Programs: The High Road to Peak Performance, by Dick Radtke.

Check out these useful web sites

Following are a number of web sites that COO Council members may find useful. If you discover a web site, phone number, training program, or publication that you think others would like to know more about, please pass the information along and we'll publish it in future editions. All web sites have been verified at the time of publication.

www.towergroup.com

The Tower Group specializes in researching the impact of technology in the financial services industry. Here you can browse through an extensive library of research and special reports, and read about recent developments in technology applications. Be sure to sign up to receive the newsletter.

www.techlibrary.banktech.com

If you need research on anything IT, then visit this comprehensive web site. You'll be

able to access a wide variety of vendor information, read reviews by IT analysts, and browse through white papers on many technology-related topics.

www.crmdaily.com

This web site offers customer relationship management news for industry professionals. In addition to vendor reviews, this web site's archives are a great place to start your research.

www.cuna.org

Click on the Credit Union Technology Advisory Center (CUTAC) link for technology information and research geared towards credit unions. You can view reports, research, benchmarks, and other articles on technology from a credit union perspective. ♦



© 2002 Credit Union National Association, Inc. All rights reserved.

Solutions is a web-based newsletter published quarterly by the CUNA Chief Operations Officer Council at www.cunacoocouncil.org. Send news and COO Council information to Cheryl Sorenson, manager of CUNA Councils, at 1-800-356-9655, extension 4393 or e-mail at csorenson@cuna.com.



CUNA & Affiliates