

CEO Strategies  
2017

# CEO Roundtable

Focusing on CEO-to-CEO  
Brainstorming



THURSDAY

During the CEO Roundtable  
CEOs break it down **with  
their peers**, and we see  
where the room goes on  
credit union industry  
challenges and  
opportunities



# Welcome to the 2017 CEO Roundtable

## Today's Agenda



- Greetings from the Board
  - Introducing the 2018 Board of Directors
  - Hint at the 2017 dividend checks
  - Kicking off the 2018 business year
    - What should we take away from the 2017 stockholders report?
- CEO Roundtable
  - Introducing today's topics
  - Roundtable format
- Wrapping up 2017  
CEO Strategies Week

# Your 2018 Board of Directors



# A Hint on This Year's Numbers

All are projections to be finalized  
by our CPA in December



## ☐ Declared 2017 Patronage Dividends:

\$ 1,750,000 Standard Patronage Dividend

\$ 2,750,000 Bonus Patronage Dividend

**\$ 4,500,000**

\$ 642,118 Ownership Dividend

**\$ 5,142,118**

☐ Projected Stock Dividend: **4.00%**

☐ Projected Increase in Stock Equity: **10.55%**



# What should we take away from the CEO's 2017 report to stockholders?



## ❑ As clients and investors

- Can we afford not to redefine ourselves as we approach the next 50 years?
- Can we envision new designs for our teams, our infrastructures, and our priorities for the next 50 years?
- When will we start? Can we start right now?

## ❑ As owners driving for success

- Can we articulate what our CUSO needs to be for our winning futures?
- Will a lighter, less expensive and fast-to-change CUSO fit better into our futures?
- If we stopped spending in three areas so that we could spend in three new areas, what would you prioritize?



**To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way**

# What should we take away from the CEO's 2017 report to stockholders?



## □ As clients and investors

- Define 'radical' for your organization
- Can you think of 3 things you fully expect to change radically between now and 2020?
- What do you expect the impact to be on your future, and what is the design spec for getting it done?

## □ As owners driving for success

- How would you define 'radical' for our CUSO?
- Can you list 3 radical changes you hope for from CU\*Answers in the next two years?
- Are you willing to brainstorm on how to design a new future?

**Thinking about the future**  
Think radically, challenge momentum, and design to succeed, no matter what the weather

<b>Think radically</b>	<b>rad·i·cal</b> (răd'ī-kəl) <i>adj.</i> Relating to or advocating fundamental or revolutionary changes in current practices, conditions, or institutions
<b>Challenge momentum</b>	Whose momentum should we challenge? Credit unions'? Or CU*Answers'? Do we have the right to separate the two?
<b>Design to succeed</b>	No matter the outcome, no matter how you feel about where things are going, no matter what it might mean to the sacred cows of our traditions

**To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way**

# What should we take away from the CEO's 2017 report to stockholders?



## □ As clients and investors

- What percentage of your annual budget have you declared available for innovation?
- Could you double that by letting go of traditional expenses that seem to be pointless when it comes to your future?
- Will you start in 2018?

## □ As owners driving for success

- What would have you have CU\*Answers do if the CUSO invested your entire dividend on your behalf?
- What would you do if CU\*Answers doubled its dividend by 2020?
- What would you do if CU\*Answers cut your invoice in half by 2025?



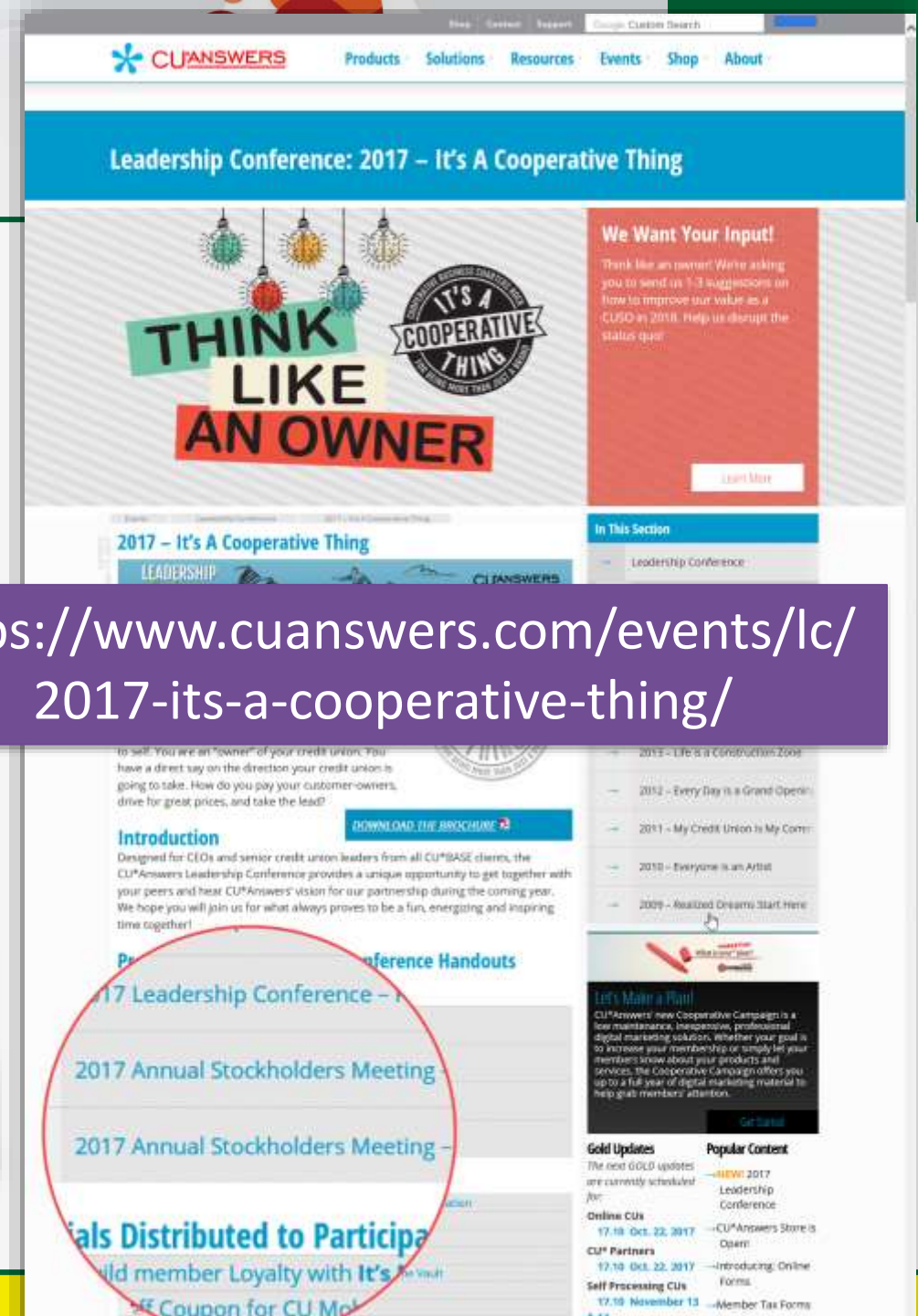
**To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way**



And this is only three slides from this year's presentation...

As you think about the 2018 business year and your plan, it might be worth your time to look at this report, whether you're an owner or not

Help your CU\*Answers Board of Directors by contributing to the conversation



# It's been a great year...now on to 2018!

We truly appreciate your participation, and respect your dedication in leading this cooperative



- ❑ In August, the BOD approved the 2018 Business Plan and Budget
- ❑ Today's event is the first in our planning season for 2019
- ❑ The next major event is our Leadership Conference: **June 26-28, 2018**

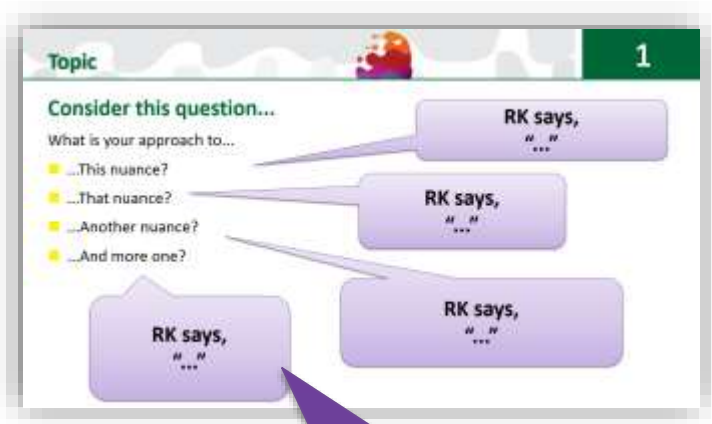


One week later  
than usual!



**Time for some roundtable brainstorming...**

## Here's how it will work:



These are intended to spur conversation . . . Randy's not always right!



### 4 questions: 1 hour each

Introduction by Randy	10 minutes
Brainstorming with group	30 minutes
Recap / summary report from 1-3 groups	20 minutes

- Topics 1 & 2 will be before lunch (12:00p)
- Topics 3 & 4 will be after lunch (1:00p)
- Scribes will take notes for your group
  - Notes from all groups will be posted by Nov. 17<sup>th</sup> on the CEO Strategies website
- Choose a spokesperson from your group to give a summary report



# What should we take away from the CEO's 2017 report to stockholders?

1

- ❑ Your table has been assigned one of these three slides from this year's CEO report to stockholders
- ❑ Discuss the slide and answer the questions
- ❑ Prepare your spokesperson to report your conversations to the group

## 2017 Report to Stockholders

**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- Can we afford not to redefine ourselves as we approach the next 50 years?
- Can we envision new designs for our teams, our infrastructures, and our priorities for the next 50 years?
- When will we start? Can we start right now?

**As owners driving for success:**

- Can we articulate what our CUSO needs to be for our winning futures?
- Will a lighter, less expensive and fast-to-change CUSO fit better into our futures?
- If we stopped spending in three areas so that we could spend in three new areas, what would you prioritize?

6



**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- Define 'radical' for your organization
- Can you think of 3 things you fully expect to change radically between now and 2020?
- What do you expect the impact to be on your future, and what is the design spec for getting it done?

**As owners driving for success:**

- How would you define 'radical' for our CUSO?
- Can you list 3 radical changes you hope for from CU\*Answers in the next two years?
- Are you willing to transform on how to design a new future?

7

**Thinking about the future**

How radically, challenge, experiment, and stretch to succeed, do we want when the weather?

**Think radically**

red road (CU\*Answers) asking to re-allocating fundamental or revolutionary changes in current practices, conditions, or limitations

**Challenge ourselves**

What momentum should we challenge? Could we do it? Or CU\*Answers? Do we have the right to separate this task?

**Design**

**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- What percentage of your annual budget have you declared available for innovation?
- Could you double that by letting go of traditional expenses that seem to be pointless when it comes to your future?
- Will you start in 2018?

**As owners driving for success:**

- What would have you have CU\*Answers do if the CUSO invested your entire dividend on your behalf?
- What would you do if CU\*Answers doubled its dividend by 2020?
- What would you do if CU\*Answers cut your invoice in half by 2025?

8



To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way

# What should we take away from the CEO's 2017 report to stockholders?

1

**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- Can we afford not to redefine ourselves as we approach the next 50 years?
- Can we envision new designs for our teams, our infrastructures, and our priorities for the next 50 years?
- When will we start? Can we start right now?

**As owners driving for success:**

- Can we articulate what our CUSO needs to be for our winning futures?
- Will a lighter, less expensive and fast-to-change CUSO fit better into our futures?
- If we stopped spending in three areas so that we could spend in three new areas, what would you prioritize?

**2020 is our firm's 50<sup>th</sup> anniversary**  
*Executive comment: and celebrating a new era to invent*

What do we stand for?  
What vehicles will take us to the future?  
How will we prioritize future spending?

To build a premier cooperative for the future, we must count on ourselves, as customers and owners, to lead the way

**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- Define 'radical' for your organization
- Can you think of 3 things you fully expect to change radically between now and 2027?
- What do you expect the impact to be on your future, and what is the design spec for getting it done?

**As owners driving for success:**

- How would you define 'radical' for our CUSO?
- Can you list 3 radical changes you hope for from CU\*Answers in the next two years?
- Are you willing to brainstorm on how to design a new future?

**Thinking about the future**  
*Think radically, challenge momentum, and declare to success, no matter what the odds*

<b>Think radically</b>	radical isn't selfish. Asking to or achieving fundamental or revolutionary changes to current practices, conditions, or institutions
<b>Challenge momentum</b>	What momentum should we challenge? Could we lose? Do CU*Answers? Do we have the right to question the way?
<b>Design to succeed</b>	No matter the outcome, no matter how you feel about where things are going, no matter what it might mean to the sacred cows of our traditions

To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way

**What should we take away from the CEO's 2017 report to stockholders?**

**As clients and investors:**

- What percentage of your annual budget have you declared available for innovation?
- Could you double that by letting go of traditional expenses that seem to be pointless when it comes to your future?
- Will you start in 2018?

**As owners driving for success:**

- What would have you have CU\*Answers do if the CUSO invested your entire dividend on your behalf?
- What would you do if CU\*Answers doubled its dividend by 2020?
- What would you do if CU\*Answers cut your invoice in half by 2025?

**Letting go, to grab new ideas and invest in innovation**

To build a premier cooperative for the future, we must count on ourselves, as both customers and owners, to lead the way

RK says, "Another 50 years is a big, hairy goal. Many will blow it off when they calculate the probabilities. But it's not about the end, it is about the intensity focused along the way."

RK says, "We are CEOs; we create the ripples in the pond. Unless we think radically, challenge momentum, and declare our ability to design success, our organizations can either feel our impact like a planet crashing on the surface of the earth, or a pebble lightly dropped into the ocean."

RK says, "Collectively, what we carry to the future defines how we will invest in the future. We're at a breaking point, and we must clear the way to invest not in maintenance, but in tomorrow. Clear the deck, clear your budget, risk going cold turkey to new ideas."

# Where are you on designing a data-centric culture?



2

- ❑ Everywhere you look today, there is advice about data analytics and the potential yield from turning data into knowledge, and knowledge into actionable grasp

## What is predictive analytics?

**Predictive analytics** is an area of statistics that deals with extracting information from data and using it to predict trends and behavior patterns. Often the unknown event of interest is in the future, but **predictive analytics** can be applied to any type of unknown whether it be in the past, present or future.

## Diagnostic analytics

Diagnostic analytics is a form of advance analytics which examines data or content to answer the question "Why did it happen?", and is characterized by techniques such as drill-down, data **discovery**, data mining and correlations.

## Building a Data-Centric Culture

### Descriptive analytics

**Descriptive analytics** is a preliminary stage of data processing that creates a summary of historical data to yield useful information and possibly prepare the data for further analysis.



## What is prescriptive analytics?

Prescriptive analytics is the area of **business analytics** (BA) dedicated to finding the best course of action for a given situation.

### Discuss where you are in developing data analytics skill sets in your credit union today

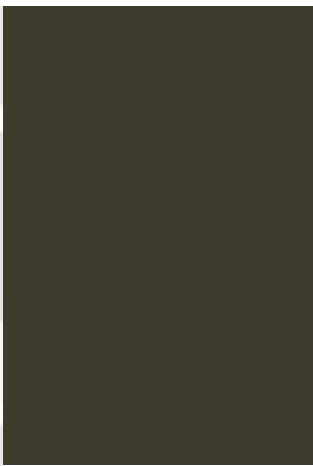
- ☐ What do you see as the expected benefits from your approach?
- ☐ Imagine a 3-year budget as you accelerate into your plan based on success
- ☐ Predict your resolve should you not find what you're looking for over time – will you stick it out?
- ☐ Is this a keep-up-with-the-Joneses, best-practice response, or do you think it's critical to your success?

RK says, "Be candid. This is an eye-of-the-beholder investment, and it's not for everyone. Is it truly for you?"

RK says, "Your program cannot afford to be a fad. You must fit it to your expectations, and having a realistic budget is the key to sticking it out."

RK says, "Asterisk Intelligence will only be a success based on winning with you. Know the difference between finding a path forward and buying a bunch of data processing infrastructure and data."

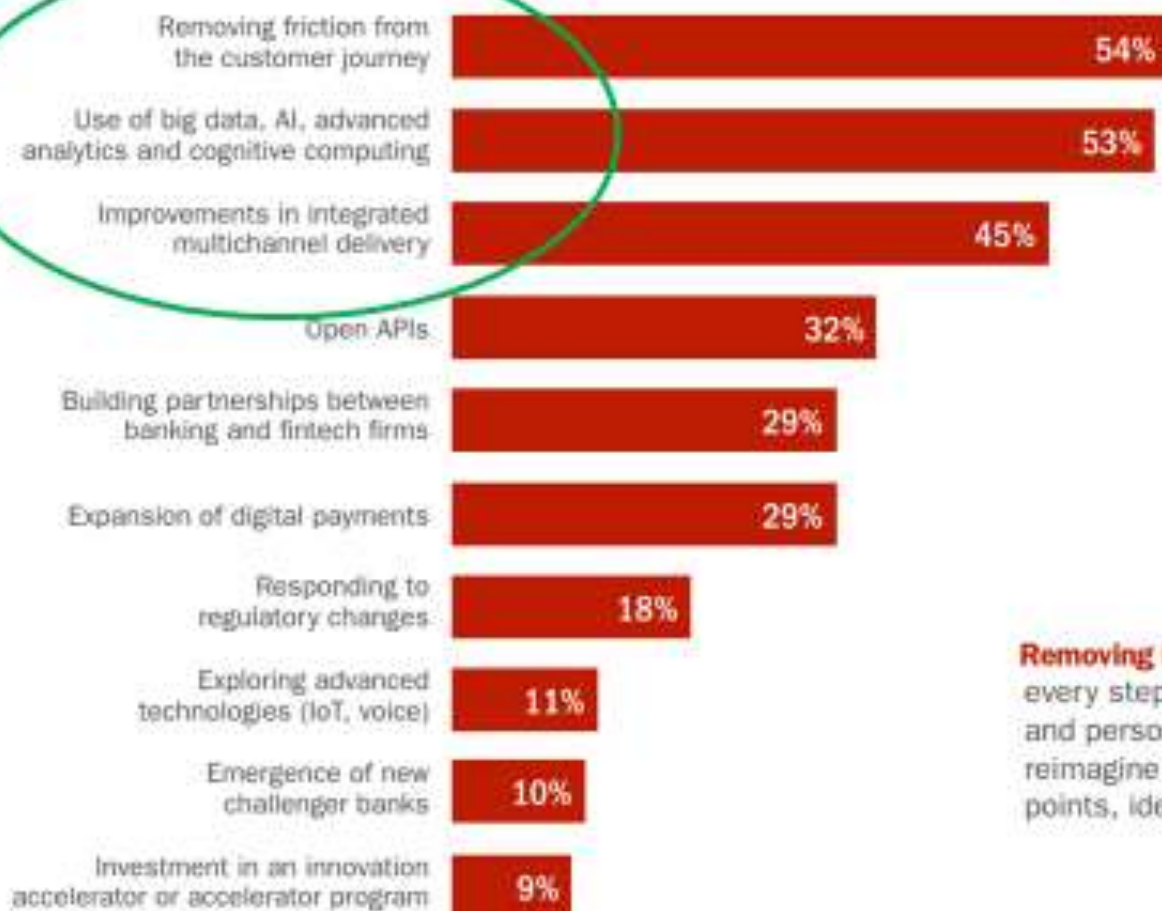




**Time for lunch!**

## TOP 10 TRENDS AND PREDICTIONS FOR 2017-FINANCIAL INSTITUTIONS

Q: What do you think will be the (3) three most important trends for the retail banking industry in the upcoming year (2017)? (n=455)



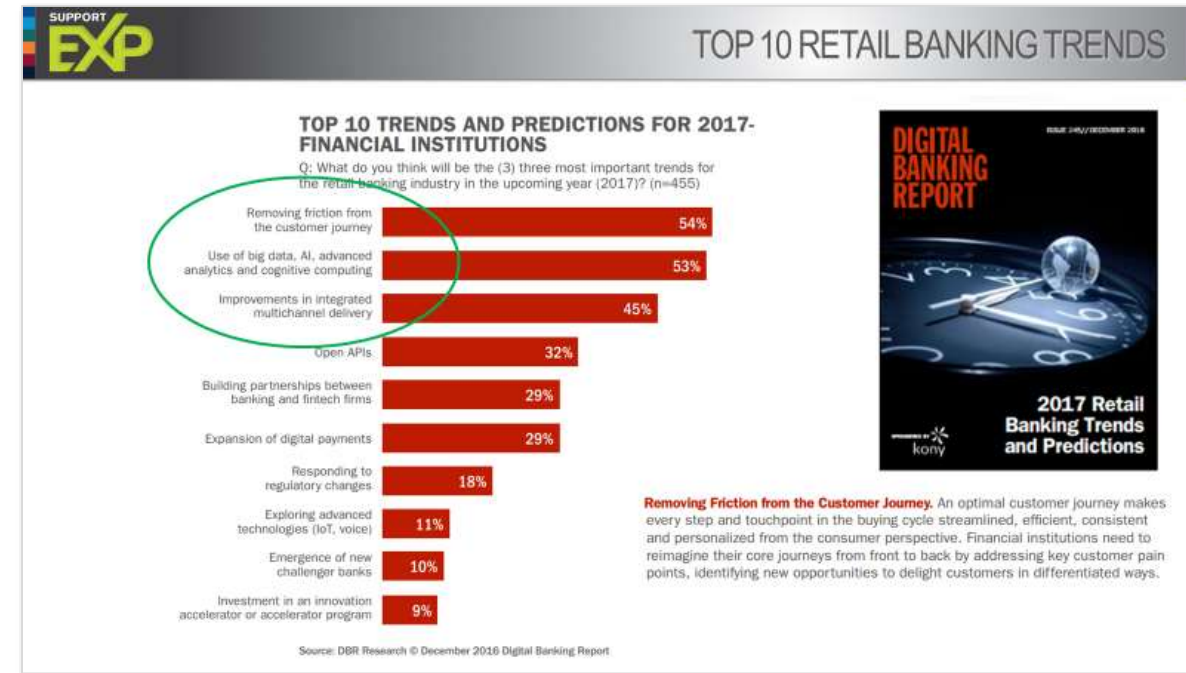
**Removing Friction from the Customer Journey.** An optimal customer journey makes every step and touchpoint in the buying cycle streamlined, efficient, consistent and personalized from the consumer perspective. Financial institutions need to reimagine their core journeys from front to back by addressing key customer pain points, identifying new opportunities to delight customers in differentiated ways.

# Retail Banking Trends: What do *you* prioritize?

3

- ❑ This is some heady stuff, using consultant-speak more than day-to-day topics that we can identify with
- ❑ All week we have been talking about removing the friction from the member journey
- ❑ It's easy to say we need an Internet retailing culture... harder to do, and it starts with the CEO:
  - Inventory the retail cultures that you rely on today
  - Prioritize your retailing channels according to their impact today
  - Predict how their impact will change between now and 2020, and 2025
  - How will you abandon, maintain, or start new channels between now and 2025?

## Retail Banking Trends



RK says, "Sorry about using the 'B' word so much – insert CU and get busy."

## Discuss the Top 10 Trends list and determine your own priorities

- ☐ For your top 3 priorities, what projects will you do in 2018 to put your money where your mouth is?
- ☐ Of the 10 trends, what do you think will have the broadest appeal to all CU\*Answers credit unions and might become a required core competency throughout our industry?
- ☐ Some of these are pretty trendy – are there any topics in this list that you would simply eliminate as a goal for the future?

RK says, "In most of our organizations, having a list of 100 priorities is the same as having no priorities. Get down to 3 and let's create an approachable set of goals."

RK says, "Look around the room and across your table and see the faces that will direct how CU\*Answers uses over \$220 million of cash flow to solve problems."

RK says, "If you asked your members to fill out this survey, how would you re-state these trends in a way that means something to them."



# Is the dam about to break?

4

- ☐ I hesitate even to introduce the topic of a changing rate marketplace – it seems like a debate we have every year, especially after a decade of near-zero rates
- ☐ It always comes down to change before you have to or react to whatever already happened – but the variance between national and local is real
- ☐ At this year's CFO Roundtable in March we expect to hear more about pricing, variable-rate products, and liquidity concerns
  - They'll be looking for tools to activate and verify
- ☐ As a CEO, how will you prep your CFO for those roundtable discussions?

## Interest Rate Mindsets

### Key topics discussed at Callahan's CFO Roundtable, Sept 12, 2017:

- ☐ Data Analytics/Warehousing/Governance/Value
- ☐ Balance Sheet Management
- ☐ Lending
- ☐ Economic Outlook & Strategic Planning
- ☐ Non-Interest Income
- ☐ Branching
- ☐ Technology & Innovation

## Interest Rate Mindsets

### Discuss how your stakeholders will react to new market norms

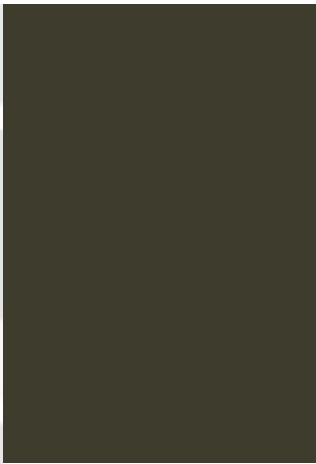
*Car loans above 9%...home loans at 6%...  
expecting CDs to pay 3%*

- ☐ What percentage of your employees can even remember a different interest rate marketplace – how will they reconcile the new norm?
- ☐ What percentage of your members are waiting for the good ol' days to return? Will you be able to afford it if young people (25-40) don't show up to borrow?
- ☐ What does it mean to you to survive the gap between higher savings rates and a re-pricing loan portfolio?

RK says, "Is it technical (fixed vs. variable)? Is it financial (affordable or not)? Or is it simply emotional and a matter of accepting new norms? How will your marketing department and you win until everyone adjusts?"

RK says, "If you're 19, you're just learning about all this stuff. If you're 40, you're ready for a new cycle. If you're 70, you're saying 'It's about \_\_\_ time!' Which groups are the most important to you?"

RK says, "I know you've rate-shocked your balance sheet. You're ready for rational players. But how will you afford to react to the irrational, rate-shopping crowd?"



**Wrap-up**

# Thanks for the day!

...and for the week!

