



A RALLYING CRY FOR COLLABORATION

Small Iowa credit union leaders envision a new future

Produced by the Iowa Credit Union League in conjunction with the Small Credit Union Work Group



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IOWA CREDIT UNION LEAGUE

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Inspiration is supposed to just strike. Isn't that how the saying goes?

In reality, though, inspiration often comes from concentrated creativity and purposeful planning. That is precisely what a diverse group of Iowa credit union leaders has been using to develop new ideas for the success and sustainability of their cooperatives.

Over a period of 10 months, this group of passionate credit union advocates met to talk through the challenges, needs and potential of the state's small credit unions. The innovative concepts and strategies this group discovered have the potential to spur more leaders to action.

This paper, which takes a closer look at the learnings of the ICUL Small Credit Union Work Group, is a summary of what we believe could be a rallying cry for collaboration among small credit unions that helps improve the financial lives of Iowans.



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IT ALL STARTED WITH ONE

MICCOPE, the collaborative model that has given new life to 25 Guatemalan credit unions, began as the vision of one leader, Oswaldo Oliva. After rallying just seven leaders behind the idea, his vision spread to others who could see a different future for their cooperatives. Ultimately, one passionate credit union advocate's inkling grew into a collaborative, alternative financial ecosystem that now serves more than 1.3 million Guatemalans.

The same model is working in other areas of the world, as well. In Brazil, SICREDI unites 100 credit unions to serve 2.5 million members from 1,200 branches. SICREDI experienced double-digit percentage growth in membership during a time when other credit union systems were reporting significant losses in membership numbers. In Poland, SKOS counts 55 credit unions as members of its cooperative model. It, too, serves just more than 2.5 million members. Korea is also home to a collaborative credit union system that now counts 5.8 million members. For many of these systems, it was the revelation of a small group of people that ultimately resulted in thousands of cooperatively minded leaders coming together for the financial betterment of their communities.

In all of these models, there is a mix of what's cooperatively shared and what's independently operated. Credit unions may share a system-wide brand yet execute on unique marketing strategies; share one back-office accounting system but approach investments differently; follow common policies but operate individual regulatory compliance programs.

As Brian Branch, CEO of the World Council of Credit Unions told the work group, at least four distinct realities materialize when credit unions collaborate more fully:

1. Larger scale, leading to efficiency, larger net worth, and of course, greater sustainability
2. More capital for investments in technology
3. Real leverage resulting in the power to negotiate vendor contracts
4. Greater breadth for deeper consumer outreach

Could such a model achieve similar success in Iowa? The Small Credit Union Work Group wanted to investigate further.

Beyond simply saving money, embracing the same solutions and ancillary support systems could give more Iowans access to emerging and increasingly desirable banking solutions – while maintaining some level of autonomy for individual credit unions.

To test its hypothesis, the work group completed an exercise looking at ways a collaborative model between Iowa credit unions would directly impact expenses. Work group participants identified 16 Iowa credit unions with a common core processor and a wide-enough geographical proximity to ensure statewide impact. The group then reviewed those credit unions' operating expenses to average assets to identify where these small cooperatives spend the majority of their resources.

The idea was to identify possible areas where collaboration may help to better serve members. In the end, the exercise demonstrated real potential for collaboration in the following eight areas:

- Data Processing (although each of the 16 already shared a common processor, joining together as one voice could have a positive impact on contract negotiations and/or positioning)
- Purchasing Power
- Shared Branching
- Training
- Human Resources, specifically with a Professional Employer Organization model (PEO)
- Shared Compliance
- Branding, Awareness and Marketing
- Succession Planning

Beyond simply saving money, embracing the same solutions and ancillary support systems could give more Iowans access to emerging and increasingly desirable banking solutions – while maintaining some level of autonomy for individual credit unions.

I believe strongly that smaller credit unions need to work and collaborate together to foster new ideas and become “bigger” believers that size is not a deterrent to continued growth. We all have the opportunity to grow and thrive if we develop a strategic plan, establish realistic goals, engage board and staff, take calculated risks, try something new, stay committed, and most of all believe that we can do it!

- Gary Key, CEO, Cornerstone Community Credit Union

NEXT-GENERATION BANKING

Much of the innovation in banking is happening in the area of delivery channels. Today's banking channels are bending to the desires of a changing consumer marketplace.

The work group discussed a credit union's five main channels – branch, online, mobile, phone and the ATM. Whereas we have seen a decrease of consumers from some of these channels, others are experiencing rapid growth. For small credit unions, mastering delivery within these growth channels, while creating a consistently top-shelf member experience across all channels – will be critical to building relationships with high-influence members.

How can that mastery be accomplished? One way is through shared branching. Although new channels such as online and mobile are important, the thousands of branches maintained by big national banks offer serious competition for the allegiance of the countless consumers who value having many convenient locations to interact in person with their financial institutions. Through shared branching, credit unions can retain their most active and profitable members while offering the convenience of an expanded service area. This provides service continuity that builds member relationships.

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Another way to master delivery is through better use of member data, as highlighted by Brian Day, Director of Digital Payments Strategy of The Members Group. Data from even a single credit union can help leaders spot trends happening in real time within the cooperative's membership base. Combine that data with information from external sources (such as other credit unions and/or the three credit bureaus) and those trends become even more revealing. If there's one thing we have learned about data, it's this: the more you have, the better your ability to predict member behavior.

Data analytics also allows marketers and others to more efficiently deliver on the promise of personalization. The consumer desire to be known, to be treated as an individual, is what likely brought so many members through the door of Iowa's small credit unions in the first place. Today, however, huge financial institutions that have identified personalization as an important differentiator are throwing big resources at attaining the feel of a small credit union. The movement can't afford to be beaten at its own game.

The mastery of both channel delivery and data analytics is critical, yet each will require a strong commitment to innovative strategies. Yet, as we all know, innovation requires an investment of precious human and financial resources. Imagine the potential if small Iowa credit unions fused their individual resources to innovate together.

IN THE MEANTIME

Even as small credit unions set out on a road to the future, they can continue to tap the resources available to them now at low – or even no – cost. The Small Credit Union Work Group conducted a review of those resources currently available:

Dues-Supported Resources from the Iowa Credit Union League (ICUL)

- Training discounts, including educational events, development opportunities and Iowa Credit Union Convention
- Networking and roundtable events covering subjects like marketing, HR and training
- Expert consultative services priced competitively for small credit unions
- State and federal government affairs
- Communication and marketing support shining a light on Iowa credit unions

We applied for and were granted the Low Income Designation through NCUA and the Iowa Division of Credit Unions, which allowed us to apply for and get a \$3,000 training grant.

~ John Parks, CEO,
Sioux Valley Community
Credit Union

- Iowa Credit Union Foundation grants exclusive to small credit unions
- Low-income designation (NCUA/Iowa Division of Credit Unions)
- No-cost access to:
 - CUNA Small Credit Union Salary Survey
 - CUAnalyzer (online financial analysis tool)

Resources from ICUL's Affiliated Companies

- PolicyWorks Compliance Services, PolicyAid and InfoSight
- TMG Financial Services Iowa Card (a low-interest, fee-friendly credit card product for credit unions with no or small credit card programs)
- Coopera's Iowa Hispanic Opportunity Report

Resources from the NCUA's Office of Small Credit Union Initiatives (OSCU)

- Consulting for small credit unions (under \$50 million), credit unions with a low-income designation
- Grants and loans to low-income designated credit unions
- A collection of vendor resources ranging from marketing guides and e-newsletters to videos and webinars
- Free operational and strategic management education

Resources from CUNA

- Creative approaches for small credit unions (through the CUNA Small Credit Union Committee)
- Research and strategy
- File sharing library
- Training and events

Resources from CUNA Mutual Group

- Subscriber-level access to online resource center, including risk alerts, webinar library and Protection eLearning
- Best Practices Sharing Platform through Select Credit Union Council

Resources from Filene Research Institute

- Invitation to participate in the Iowa Innovation Group, which fosters development of new ideas and innovations for credit unions

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IGNITE THE SPARK HERE IN IOWA

Supporting the unique challenges and needs of Iowa's small credit unions is a complex issue without a simple solution. The conclusion of the Small Iowa Credit Union Work Group, however, is that collaboration is a natural avenue to a brighter future. It may not be easy and will not happen overnight; such an undertaking will take a significant amount of work and commitment. In the end, however, the growing pains of cooperation will be worth the resulting strength and vibrancy of Iowa's small credit unions.

Below are the key takeaways for small Iowa credit unions to consider as they explore change and collaboration:

- **Share Your Vision** – Remember every idea starts with a vision. Don't be afraid to take chances and be willing to accept that there may be failures along the way.
- **Find Partners** – Remember the credit union model was built around "People helping People." You can't always do it alone, so find like-minded partners and establish a common goal. Also, be willing to accept that not everyone will join you in your efforts.
- **Be Creative** – Be willing to accept that there may be more than one way to find success and serve your members. What works today may not work tomorrow. Keep an open mind.
- **Marketing is Key** – Credit unions are the best kept secret in the marketplace. How can you as leaders promote credit unions while meeting the financial needs of your members?
- **Focus On Efficiency** – To maintain success you need to keep your eye on efficiency. You need to recognize you can't be everything to everyone and identify opportunities to collaborate and increase efficiencies and service to your members.
- **Think Outside the Box** – To distinguish yourself from the competition you have to think outside the box. Innovation isn't always easy but unless you try you will never know.
- **Define Roles and Responsibilities** – To effectively collaborate you must set clear expectations for everyone involved. With any successful partnership there must be clear and concise rules and processes in place.

- **Embrace Change** – The financial landscape continues to change and evolve. As small credit unions you have to be constantly looking ahead and willing to embrace change on behalf of the members you serve.
- **Continue to Learn** - If you stand still the world is going to pass you by. Be willing to learn from others and share your experiences.
- **Celebrate Success** – Don't forget to celebrate. Accept that there may be failures along the way but take the time to learn from it and carry forward.

As we've seen in other credit union systems around the world, great ideas for a new future have been ignited with a single spark, such as the vision of one passionate, persuasive leader. ■



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