

Video Transcript Charlene Leland Board Pace for Strategy

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Boards tell us that they're challenged by the pace of change and trying to keep up with all the emerging trends and what those trends might mean for their credit unions. You know, they enjoy hearing about and thinking through what's going on in the world and the industry is part of the strategic planning process. But the time spent on this is short, and it's typically only once or twice a year. And most of the planning session is spent rightfully so on making decisions. Carving out dedicated time for strategic thinking around industry trends and issues is a way for board members to stop feeling like they're always trying to catch up. And it helps position them to contribute more fully because they're more familiar with the emerging trends and their potential possibilities and opportunities and risks on an ongoing basis.

What I call the strategic board of the future makes a conscious effort to think deeply and critically at this, at the strategic level. So, we work with boards that plan this type of thinking into their agendas. And they intentionally set aside this time to think strategically as a team. And they start off by choosing a relevant topic. And when you think about topics, don't just stick to the financial services industry, but also think about adjacent industries. You know, an example would be the recent chips shortage and how it's affecting the auto industry and auto sales. And of course, auto sales affect lending and affect the credit union.

Or as another example, think about smart technology and the Internet of Things and how consumers are adopting those technologies so rapidly. How might that quickly change consumer expectations and ultimately affect the credit union.

So what really works is to put some structure around this whole idea. For example, like every month or every quarter, take a topic and spend 45 minutes to an hour on it. And this can work different ways. Management or the board might supply the topic. Again, remember, don't just stick to financial services, or don't necessarily just stick to that.

So, what do you do to get ready for this so that it's so that you really get the benefits out of it? Well, pre-work on the topic is really helpful. It helps to make sure that board members have enough of a background for the strategic thinking exercise to be very productive. And you can think about this as, you know, you can read articles or listen to some podcasts or watch videos. Even a short presentation from management or one of the board members can serve to lay this foundation and set the groundwork for the conversation.

And then kickstart the discussion with strategic thinking prompts. They're often in the form of questions. They should be determined ahead of time and designed to help broaden and deepen the thinking and, and trigger more critical thinking. And I'll give you some examples of questions here in just in just a minute.

The questions also help keep the exercise on track. It can get pretty freeform. So, corralling the thought process into the parts of the conversation that you want to focus on is a good idea. Here's the magic. They don't have to make any decisions. In fact, the point is to *not* make decisions so they have the freedom to think without having to decide on any particular direction. And I think that's part of what makes it fun.

And it is fun. Most groups really enjoy this. And they're better prepared for strategic thinking and planning as a result. So, remember, there's no pressure to act or even agree on how it's all going to shake out in the end. It's simply about taking the time to broaden the thinking and understanding the issues and thinking about possibilities.

So let me give you a couple of examples. Here's a scenario where it's 2030. So, you're trying to put them into the into the mindset of this is their future, they're standing in the future. It's 2030. Traditional depository institutions are wildly successful. Even as consumer preferences and expectations have evolved to the point where people don't really think of what they're doing as banking. This happens today. A lot of this goes on today. Many younger consumers have a debit account with Chime. They didn't really think they went to a bank to open that. They use Fidelity, their online, their app for investments. They get their auto lending through the dealer's app. When they go to buy their car, they just click on a button and says, "Let's go ahead and finance your car." They get their mortgage through Zillow. While they're searching for their home, they also click on the button that says get a get a mortgage and they finance their large purchases through retailers with buy now, pay later options when they purchase or pay over time kind of options when they're actually doing the purchase. Some people do not even realize what a bank or credit union is for.

So, this would be an example Have a scenario that you set up to get people to think through this. And on this one, you know, they might be thinking about, gosh, "Should we be, should we eventually become the back end processor for something like Chime, for example, or there might be other types of strategic things that you want to approach with the group.

So here are some examples of some questions. And the scenario is just repeated on the on the left there. So, what new opportunities do we take advantage of in this future is 2030? What do we do? Are we, do we take, do we become the back end processor very Chime-like fintech? What changes to our business model where necessary? I'm going to go through these fairly quickly. Questions like: Why did your purpose have to change? What about your target markets? Do you have new ones? value propositions for those target markets and the core strengths that your organization needs in order to deliver on those value propositions?

And you don't have to have this many questions. These are examples. How do we change how we think about third parties in talent and organizational structure? And not only how do we change how we

think about it, but how quickly did we have to start changing that in order to arrive here in 2030 and we're successful? What are major revenue sources? Did they shift? And then one of my favorite questions, "What could we be doing to prepare for this scenario that would not harm us today?" So we may not feel confident that this is how the future is going to play out. But if we believe it's a possibility, this is a great question to ponder. An example of an answer might be, "Oh, gosh, if we're thinking of offering banking as a service to Chime-like fintechs, as an example, then, as we make our decisions on a new core system, maybe we should make sure that we have investigated whether that type of capability for the core system is on the road map of the vendor. That would be an example.

And then my other favorite question: "What are the questions should we be asking?" because as your participants are going through this, they're, while you want to corral their thinking, to some extent, we also want to hear what other things that they have, have thought of.

As you as you go through this type of exercise, if you can bring people into groups, groups of five to eight are great. Make sure that they have like flip chart paper or something like that, so that they can record everybody's thoughts and comments as they're going through the scenario. And remember, there are no right or wrong answers. That's the purpose of it.

If you want them to think a little more deeply, you can also always come by and ask them other questions. And you know, you can also give two groups different scenarios to work on. Or you could give them slightly different versions of the scenarios.

So, let's take another example. It's 2026. Traditional depository institutions are relevant and successful, even as 50% of consumers and businesses have incorporated cryptocurrency into their normal course of business. Now, here's one where you could split your groups and have one group go down the path that the credit union did not get into cryptocurrency, and they're not handling it, and then the other group, maybe they do handle it. That's that be an example of having a slightly different version.

So here are a couple example questions for this one. What benefits of cryptocurrency are we realizing? So, we took this on for a reason, what are the good things that were getting out of it? What risks were we most concerned about when we started because a lot of the conversation around cryptocurrency, of course, is around the risks. Do we choose to mitigate any of those risks? And, if so, how? There are different types of cryptocurrencies, so make sure that they are get specific. So, specificity is also really helpful in these types of exercises. How is our competition changed? How has this affected our deposit growth? And what target markets are we serving with cryptocurrency? And then products and services? Which ones do we choose to provide? Which ones did we not choose to provide? And why? What types of services did we engage third parties for? And then my two favorite questions at the end.

So again, you don't have to have this many questions. It's up to you how many questions to have, but you want to design them so that they get into the kind of thinking that you are that you're shooting for.

So as you think about keeping your board helping your board keep pace and staying at the strategic level, here are a couple of bullet points to remember.

One is carve out the time regularly. It's the repetitions and the regular essence of it that will really help.

Select a topic. Don't keep it don't necessarily feel like you have to keep it in the financial services industry. Think about adjacent industries. Do assign some pre-work and prepare the questions ahead. And then let the thinking go.

Let them think strategically about these potential scenarios. It's interesting because even after the exercise they will be, they will continue to think about these things which will help and remember no pressure to make decisions.

So, when strategic planning rolls around again, your strategic board of the future has made strategic thinking a year-round practice, and they have a more solid foundation for the discussions and the decisions that will need to be made. Thanks for listening.