Transcript Jeff Shewfelt and Bill Kiss Mergers

April 2022

By Jeff Shewfelt and Bill Kiss

Lisa Hochgraf 00:04
You're listening to the CUES podcast episode 130. Thank you, listeners, for tuning in. It's amazing to me that it's 30 episodes beyond our 100th episode. And thank you so much. We appreciate that you tune in to hear our show.

Lisa Hochgraf 00:20
As you know on the CUES podcast, you can hear from a wide range of cross-industry experts discussing trends and topics relevant to you. My name is Lisa Hochgraf, and I'm Senior Editor for CUES and its Credit Union Management magazine. I will be your host today.

Lisa Hochgraf 00:35
On today's show, we'll be talking about mergers. There's a lot of debate in the credit union world today about whether mergers are a good thing. Some feel mergers are an opportunity for the kind of growth and economies of scale that allow credit unions to deliver better in-person and digital service to their members. Others think they are something to turn to only as a last resort, because such a combination results in one fewer credit union and less personal service.

Lisa Hochgraf 01:03
Our guests today are CUES members Jeff Shewfelt and Bill Kiss, the co-chief executive officers of G&F Financial Group, a credit union in Burnaby, British Columbia, that has 5 billion in total assets under administration. Jeff and Bill have undertaken a lot of mergers, and they've decided against some too. They believe that serving people not financials must be at the root of everything credit unions do, including mergers.

Lisa Hochgraf 01:30
They also believe that credit unions must do their good work faster all the time. And sometimes mergers enable doing just that.

Lisa Hochgraf 01:39
I think you're going to get a lot of insight from listening to Jeff and Bill's ideas about mergers.

Lisa Hochgraf 01:45
So let's get started.

Lisa Hochgraf 01:49
Welcome to the show, Jeff. And Bill.

Bill Kiss 01:52
Great to be here

Jeff Shewfelt 01:53
Glad to be here.

Lisa Hochgraf 01:54
Thanks so much for being here today. I like to start our shows by asking our guests to introduce themselves a little bit to our audience. And the way we usually do that is by having each guest share a mantra or quote they live by. Jef,, I wondered if you kick us off with your mantra or quote.

Jeff Shewfelt 02:12
Sure. I mean, our industry is going through a lot of change. Our organization has gone through an awful lot of change. And within our credit union, we we really try to do things with each other, with people and not to people, I think would be something that we really focus on. It is important that our whole team is involved in our evolution at G&F.

Lisa Hochgraf 02:31
Yeah, I could see how this idea would apply internally to your staff and also externally as you're serving members. I think it's gonna play into our merger conversation today, too. How about you, Bill? What quote or mantra would you cite as something that you live by?

Bill Kiss 02:46
The one that comes to mind for me is: At the end of the day, you'll never wish you'd done anything slower. You will always look back and say, "I could have done so much more, more quickly if only I knew what I knew afterwards."

Lisa Hochgraf 02:58
I love that I sometimes have a conversation with one of my I'm a dancer. So one of my teachers about why didn't I think of that sooner? He says well, because he didn't. But I'm not very satisfied with that. I kind of wish I had thought about it sooner.

Lisa Hochgraf 03:11
Thank you both for getting us started. So Jeff, and Bill, let's get started by talking about why the two credit unions in this merger felt it was the right time back in June of 2020 to talk about merging,

Jeff Shewfelt 03:25
think it's a really good question that we annually get together with our board and talk about strategy in the future. And it starts with an environmental analysis and looking at what's happening. You know, credit unions and our credit union is definitely facing increased demands by our membership. And you have to consider both the physical distribution of services with the online distribution. And for our credit union, we're based in the Lower Mainland, we're somewhat on the west side of the Lower Mainland. And housing is very expensive in in Vancouver itself. And there's been a migration for a long time of

members moving east into the lower main mainland Fraser Valley, it's called. And even when I joined, we had only two branches and members started to move east and we had to move to help them. So we were covering the west side of the Lower Mainland of Vancouver, but our members were continuing to go east.

Jeff Shewfelt 04:16
And for us, it posed the question, "Do we continue to open branches and head east and we knew and had been partners with Aldergrove Credit Union for decades collaborating with them. Our teams have been very close. Well, they ended up really being the right solution because they had a nice distribution of branches that started where ours ended. So instead of maybe investing all that capital in new branches, by partnering with them, we were creating a great distribution of branches around the Lower Mainland. You didn't have redundancy. You weren't doing it for the sake of consolidating branches and cutting costs of labor. You were creating an enhanced network for your branches. And then you could take that capital that you're going to invest in the branches and redirect that to the digital capabilities we have. And they need to really change the online experience for members. So that started it. And our board asked Bill and I to reach out to the CEO, and see if there was an interest in that. We had that initial dialogue, and then their board met. And that kind of started our journey.

Lisa Hochgraf 05:23
Jeff, helped me put this in context, would you tell me just a little bit about the size of the two credit unions, how many branches each had, at the time of the early merger discussion.

Jeff Shewfelt 05:32
G&F had 18 branches and Aldergrove had about seven branches to east of us. We are now combined about $4 billion. It was like three and a half and 1.2 billion There were 220 employees at G&F, roughly 110 at Aldergrove. So we're just kind of two to one in terms of our size. But it really did create a a nice new credit union as we move forward.

Bill Kiss 05:58
So to put that in perspective, I think in the Canadian landscape, we're on the large size of a mid sized credit union here or a small, large sized credit union. And the more traditional reasons also came into play here as Jeff sort of alluded to is you have the need for improving digital channels, the technology investment that's required as we move forward. And it's just becoming more and more overwhelming for smaller organizations to be able to keep pace, to be interfaced into the payment network channels and all of the other areas there. And then the regulatory environment keeps getting more onerous, the implications on there. So there's a need to grow as an organization at the end of the day, if you want to be able to make sure that you're handling all of those areas and the expectations of consumers correctly.

Lisa Hochgraf 06:39
These are great perspectives. I like this vision of combining efforts so you can direct the extra towards becoming more digital. At the same time, can you address the concern that we hear, at least here in the U.S., that mergers create a situation in which a large credit union might not be able to serve the personalized needs as well as multiple smaller credit unions?

Bill Kiss 07:02
Certainly, we have a core belief that the value of credit unions is in their local mess so you want to preserve that at any cost, regardless of size. So do they have to be mutually exclusive? We don't think so. At G&F, we've been on a journey where we have been progressively getting larger over time. But yet the check that we've tried to put on ourselves is we don't lose that localness. We're still appealing to smaller credit unions should they wish we want to be the first choice, if they choose to consider another credit union for partnership, or we want to be at least out there in terms of that's what we've been able to portray to the public. We don't lose those sorts of things. So that localness, there's many ways to try and preserve that and, identifying it's the needs of each of those local communities, and trying to make sure that we don't lose where we came from,

Jeff Shewfelt 07:48
It may come as a surprise to many, but there were 300 credit unions in British Columbia at one time. I think there's about 37 or 38 left right now. But in our DNA is over 40 credit unions. And that's like 60, 70 years of boards and management teams of credit unions deciding at some point that they couldn't meet the needs of their members, and they needed to do something else. So our DNA and we cover the province of British Columbia, we have people from the electrical industry, hydro, rail, beer make beer makers, communities are going to be different cities of the Lower Mainland. So it's very diverse in our background. And probably the most interesting thing is when you visit branches and you talk to a member that's proud that they were at Credit Union C, they joined 30 years ago, but it's not like they say I'm sure wish we were still at credit union C. You know that they're proud of the credit union they joined, but we don't really hear a lot of negative in that journey. When it happens, there's definitely an emotional issue as people maybe change the name of their credit union and see it expand. That's probably one of the biggest things you face with the members. But ultimately, when you reflect on it, there are very few that didn't say that brought extra value to them.

Lisa Hochgraf 09:01
That's a good outcome to have the member saying that they're pleased. And I like this idea that you're talking about sort of the long-term vision that collaborations and combinations are have been a longtime part of your history. And so this latest merger with Aldergrove is an extension of what you've already been doing, bringing together credit unions to better serve local markets. It's a great perspective.

Lisa Hochgraf 09:24
So let's talk a little bit more about mergers as a big-picture strategy for both credit union health and for member service.

Bill Kiss 09:32
Absolutely. At the end of the day, it's all about the members and making sure that you're not only remaining relevant but hopefully thriving, and you're providing better opportunities to meet the evolving needs of the members as consumers' needs evolve. And that's what's been really difficult to keep up with because with the Apple Store innovations and with all of the online services that are coming in here, the expectations of table stakes just keep rising every year. So that that piece and any other critical piece is the employees. That's what you're there for. They're the ones who are serving. So it's

still down to people even know you're investing more in the digital channels, which seems to be not so much from that member-related service. But it's the combination of the two.

Bill Kiss 10:12
If we think back to the what we were talking about earlier, is we're both a branching strategy and a digital investment. We are often asked is it either or, and no, it's both right now. Every time we're opening a physical presence, people still want to know where their money is, they still want that relationship, if they have it. It's been rumored for many years, almost my entire career, that branches are the past, but there's still an opportunity for him. It's a different kind of branch. It's a smaller branch. It's a less investment in your workforce. So as we redesign our branches, it allows us to invest more on the digital side. So making sure that the people are along for the ride. And that's what was most important is making sure they understand why we're looking at this, they understand is communication, communication, communication is what's the role for them in this new organization? And how do they feel involved going forward?

Jeff Shewfelt 10:59
For me to add is. So we talked about our strategy, and we're talking about it all the time. And Bill was kind of looking at our growth, you know, the last 10 years and, you know, half of our growth, when it comes to assets and members is because of merger. But half is organic. It's building a good branch network that serves our members well. We know that the branch itself is often the first point of contact for a member We have invested there, although our branches are smaller, as you can imagine, and we're very cautious in the investment we make on the branch. But a lot of our new members come through that channel. So it's been pretty much a balance between organic growth and expansion and merger.

Lisa Hochgraf 11:37
So interesting. Well, let's talk a little bit about what the board's role has been in these mergers. And what happens to the boards after the merger, because there will be sort of two boards there for an overlap period, I think.

Bill Kiss 11:51
So you have to make sure that they're on site ahead. You can't just wait for these conversations to start, you have to have had part of your strategy earlier establishing this why? What's going on in the environment around you, as you do your environmental scan? What's the best way to deal with these, and where's the world actually going? So that you realize that a merger is a key component, as Jeff was saying, the organic growth has to be there, if you don't have the organic growth that reason to be, then you aren't relevant. So you got to make sure that there's a value proposition that members see why they should come deal with you. But in order to keep up with this pace, which is just getting faster and faster all the time, you have to make sure. So having the important works in the strategy sessions and other opportunities for the board so they can understand the why of what you're trying to accomplish. And then when you become to the conversation of an actual merger, that just becomes the what and the how that you're trying to engage going forward.

Lisa Hochgraf 12:41

And what about what happens to the board afterwards? Tell me, can you give me an example from one of the mergers you've experienced of how the merger of the boards can go really well.

Jeff Shewfelt 12:51
it really depends on the specific merger, that's for sure. You know, there are so many dedicated people that have volunteered time. In Canada, there is compensation for directors, maybe a little more than theirs in the U.S. But know that there are people that have supported and sat on these boards for an awful long time. And it's getting harder and harder just in society to get people to volunteer or to give us their time. And so in some ways, people that have been on the board are looking for a good path for their credit union, for their members, for their staff. And when they have found what they think is the right solution, they tend to step back. But it also depends on the size and was with all their growth, they were about about half of our size. We are in the same geographic area, give or take. There a little bit of differences between the city of Vancouver and out in the farming community in the valley. So what we did was the boards agreed that there'd be representation from the two credit unions, that over about three years, that thing goes back to just open call for directors. Because, you know, over that time, we should become maybe a little bit more homogeneous. But in the initial part, it's important to hear those voices that may have a say, or may have a connection to the community or members that we may not have known being more focused on the western part of the Lower Mainland, in our case, then when you get out. I mean tip to tip, it's about 100 kilometers, or maybe a little bit more. And it can be quite different in those geographic areas.

Bill Kiss 14:20
And as we talk about boards, the other thing that's important to recognize is it's tough to be a director of a credit union and it's getting harder and harder. There's so much more that you need to know. There's so much more complexity to the environment that we have to face. So there are specific skillness, skill sets. It's tough to be a generalist, you almost need individual board members that have skill sets in particular areas, from a governance standpoint, from a technology standpoint, as well as from people standpoint. So it's very important that you create the new board for the organization that has the right x of all those skill sets.

Lisa Hochgraf 14:52
I love the idea of director education because of course that's a large chunk of what CUES does, bringing along talent at all levels of the organization. I also think, Bill, that I'm really starting to get a fuller perspective about your mantra, your idea that you have to do things faster, because what you're describing is an environment that's changing all the time. And to keep up, you're growing and digitalizing and educating people. And now we're going to talk about how you talk to people. So Bill, can you describe how you involved employees in the merger process?

Bill Kiss 15:24
That's absolutely critical. The communication that goes out there, of course, everybody wants to know how things impact them. So culture of an organization, our organizations were known for working together. We were very strong believers in collaboration, seeing at the time, if you don't need to merge how much benefit you can get within the credit union system. And Aldergrove and G&F were working together for about 10 years previously in various collaborative capacities. So that gave the opportunity

for certainly the CEOs and the executive teams to work together, but also other employees throughout the organization and specific departments. And the boards even got together from occasions. So you're not starting from scratch, you're entering, you're hitting the ground running, where there's at least a basic familiarity and a basic liking between the two organizations.

Bill Kiss 16:09
And then when you actually get into the process, we did cultural assessments, and we did some reads to see exactly where individual employees were at what were their values, what was important to them, and try to align what they liked about their previous organizations and what they hoped for the new organization. So that was a fascinating exercise to go through as you work with that. And in after the merger, we went into "roots and wings" sessions. So those were, from the root side, you're honoring your past, you're recognizing the great things where you've come from, and all of the accomplishments of the organization. And then the wing side is the future about where you can go, what you can benefit from doing together.

Bill Kiss 16:46
So we held five different sessions where all employees attended one of the sessions, we had a good mix between the organizations and throughout those days, you went through evolving from the days where you provided some basic facts to everybody. So they started from the same page, and they had the same level of understanding. And then you got into fascinating discussion about what the hopes were for the organization, where it might be able to go, truly listening to everyone, because we can now in hindsight, go back and refer when we're taking some new steps back to those roots and wings sessions and establishing the ties how it agrees with what some of the comments and discussions were during those sessions.

Jeff Shewfelt 17:22
Part of our process when we're we're in dialogue with another credit union, greatest steering joint steering committee that has directors from from both credit unions. And interestingly, it was a director of Aldergrove Credit Union that one of the first things he said is how do we really know we're like? We should be doing a cultural assessment. And that sent us on that journey that Bill talked about.

Jeff Shewfelt 17:43
Our credit union did go through a pretty important merger in 2004. And it was two $300 million credit unions with I don't know, 60, 70 employees. And technically, we were very good at it. But actually, there was no dialogue about culture at the time. And on reflection, that was probably one of the biggest learnings we had from from that journey. And it's been a long time, really, since we've had another merger. Aldergrove was the first. So, now 17 years later, but that was still in our mind that you had to think about culture

Jeff Shewfelt 18:14
And in over the years, it even starts at the board level. And our board has been in dialogue with some other credit unions just to talk about opportunity. And one case, specifically, it didn't take an hour for our board to realize that we're way too different than one of the other credit unions were talking to. And they said, Look, this does not make sense, because we're just too different. It was very insightful to go

through the process that Bill spoke about. We did have two subsequent, smaller mergers for two small credit unions in BC and their team one was eight and one was 13. You know, relative to our new 330, it was small. They're small, but you still have to make sure you're engaging those employees that they're feeling again, that they're part of something and that we're not doing something to them. So.

Lisa Hochgraf 18:58
Back to your mantra, all about people. We don't do to people we do with people and for people. Yeah, love it. So we talked a little bit about this at the beginning when we were talking about how you reach out through branches in local places and try to serve local needs. Talk to me a little bit about this particular merger, what the member said both of G&F and of Aldergrove during the process of setting up the merger and what they're saying now that the merger is complete.

Jeff Shewfelt 19:26
They were different. G&F had grown through a couple of mergers I spoke of and, and a lot of people had come into the G&F family through different credit unions. So it was almost an expectation from the membership of G&F saying, you know, my kids are moving east or they can afford a home. When they going to open a branch there? So there was an expectation and not a lot of reaction from the G&F membership or staff to be honest. We've had these dialogues for a long time, but it was very different for Aldergrove. They were very rooted in their communities. You know the name. The biggest thing to overcome is the passion, which is great that people have and the emotional attachment to their credit union. And so it was different for the Aldergrove membership, you know, to some of your questions, people are worried about being too big, that you're disconnected from the community. And you need to find a way that you still remain part of that community. And part of it's probably changing your role of your branch management team and regional managers that, you know, they have more responsibility for connecting into the community, because it's harder, maybe for the CEO to cover that large an area. But you definitely have to be there and be part of it and equip your entire team to be part of the community.

Bill Kiss 20:39
Both before and after the actual merger, it's an interesting process that we observe is that members of the other credit union go into the other one's branches, and they kind of mystery shop them, just to check it out just to role play in there. And then the experience that they've received is pretty good. So that's where we're very fortunate that both from both credit union's perspectives, the member experience that you get from the moment that you enter the door is very strong. So I think that gave them some comfort, or at least the friendliness and a willingness to help from that perspective.

Bill Kiss 21:07
And another thing that happened, of course, in the Lower Mainland here is we had merged an effective date of August the first and then, in the fall, we had an atmospheric river come into our area, and it started some flooding within the farming communities around Abbotsford, especially. And it was very devastating in very severe areas. And it gave G&F the opportunity to really get down to the grassroots and help out those organizations that were not only the actual floods themselves, but can access was cut off through roads and it took some time to repair those. So food delivery channels and other things were in there. And this is where we really had the opportunity to give back to the community. And when

you started looking at the capacity that we were able to give back, it was more than double what we were able to do individually before. So you could really see the benefits right there when it came down to something truly meaningful, where you could make a difference in the communities where we were. So that was very rewarding. And the members certainly really appreciated that.

Lisa Hochgraf 22:01
I am sure.

Jeff Shewfelt 22:01
We actually called this Better Together, this was project better together because it wasn't about saving money. It was building this expanded network and connection to community. And you know, it wasn't about reducing costs. It truly was being able to invest more, expand. We have a new branch going into a market in the Fraser Valley that Aldergrove had wanted to go into and couldn't afford to do it. Now we'll be doing that together. And as Bill said, we we made very significant community investments to help with the floods that took place last fall.

Lisa Hochgraf 22:30
I love this. This is a great story.

Lisa Hochgraf 22:33
So I want to be respectful of your time. And it's just about time to close the conversation. But I always like to close by asking you what did we not talk about? What did I not ask that you would like to tell our listeners?

Jeff Shewfelt 22:44
Maybe, how do you look at the merger? How do you, how do you assess a merger and in our case, we use four lenses. We looked at the benefits to the employee, the benefits to a member the benefits to the community and then ultimately the financial strength of the credit union and its ability to invest in the future. And with all the growth particularly those four lenses, every decision we made had to go through one of those lenses to make sure that we're making the right decision for for those four constituents.

Lisa Hochgraf 23:16
That's wonderful. Thank you so much, both of you, for being here today.

Bill Kiss 23:19
You're welcome.

Jeff Shewfelt 23:19
Thanks for having us.

Bill Kiss 23:20
We enjoyed it.

Lisa Hochgraf 23:23

Thank you for taking time out of your busy schedule to listen to today's episode of the CUES Podcast. And many thanks to Jeff Shewfelt and Bill Kiss for sharing such great perspective on credit union mergers.

Lisa Hochgraf 23:35
To read the show notes for this podcast and get a full transcript, please visit CUmanagement.com/podcast 130. You can also find additional credit union specific content on CUmanagement.com.

Lisa Hochgraf 23:50
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Lisa Hochgraf 24:12
Thanks again for listening today.

Lisa Hochgraf 24:15
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