



Developing Credit Union Leaders at the Speed of Change

- Advocacy
- ALM
- Innovation
- Leadership
- Strategic Planning/Thinking

The Project

SCMS Class of 2013

Core Manual

It's Your Story. Tell It!

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Welcome to SCMS

The faculty and staff wish you much success during the three years you are with us at the school and in the many years beyond!

Successful Completion of SCMS Requires:

- 1) Attending three summer sessions (8 days each July) and two mid-year sessions (2 days each February or March) for a minimum of 162 classroom hours.
- 2) Living “on-campus” during the summer sessions (unless student lives within a reasonable commuting distance).
- 3) Attending school sponsored courses and activities.
- 4) Completing each phase of the project by the deadline.
- 5) Giving an oral presentation related to the project.

Curriculum

Curriculum is designed to:

- Grow credit union knowledge.
- Develop strategic thinking and leadership skills.
- Help students with the development of the project.

When There are Two or More First Year Students from the Same Credit Union

Students work independently on the entire project to get the maximum benefit from the school.

Work from Previous Students at Your Credit Union

Just because a previous student’s work from your credit union has been approved, do not expect to resubmit the same work and the submission will automatically be approved.

- Students are expected to build on previous student’s work, follow the current core manual instructions, and use their own words.
- Cite previous student’s work, noting name and SCMS Class of ____.

Confidentiality and Delicate Issues

If there are confidential issues a student wishes to include in the project, please discuss directly with the school director or project evaluators. There are ways to handle this.

If there are concerns about dorm or mentor/counselor assignments, please discuss with the school director.

“The Project” A Two Year Strategic Business Plan (Year of Graduation plus the Following Year)

General Information & Tips

There are many approaches and terms used for planning. For school purposes, it is important to follow the instructions, sequence, and terms provided in this guide. Refer to this document when developing each section of the project.

When in Doubt ... Refer to this document!

Approach the project from the perspective of a CEO. Consider the school experience an opportunity to take advantage of exploring new opportunities and addressing challenges.

The planning process involves a future focus as opposed to reactive decision making. It requires a wide variety of opportunities and challenges be examined. At times, it requires making a best *guesstimate*.

The strategic plan is dynamic. When a section of the plan has been reviewed by the project evaluator, do not let it sit on a shelf. As the plan develops — keep in mind each section, in one way or another, should support other portions of the plan.

Take disaster recovery planning to heart. Back up your work frequently, storing on two disks/USB drives (in case one goes bad).

Communicate at your credit union. Share expectations and project requirements. Solicit ideas. Help solve challenges. Involve people strategically along the way to create a viable, working plan.

When working with others to generate fresh approaches and perspectives, consider the positive side of suggestions, being careful of negative or critical thoughts. Instead of saying or thinking *it could never be done*, try asking *what if it were possible, how might it be done?*

Practice Applying “What If” Thinking:

- What if I were the CEO? What changes would I make?
- What if the future holds revolutionary, unforeseen, opportunities or challenges for the financial industry? Will my credit union be ready? Remain viable?
- What if our credit union did not exist in five years? Would anyone notice?
- What if money or technology was not an issue?
- What if we could do something that no one else is doing? Or do something better than anyone else to serve our members?
- What if one of our select employee groups (SEGs) went out of business?
- What if our members became our best advertisers?
- What if everyone became skilled at managing their finances?
- What if our top five members were to take their finances elsewhere?
- What if we grew our loan volume by 25%?
- What if what got us here won't get us there?
- What if

Network!

Faculty, staff, and mentors are an email phone call, Tweet, LinkedIn connection, or Facebook message away. Let someone know if you need assistance or would like to discuss any aspect of your project. If you are not sure who to contact, contact the school director.

Reality check. Don't expect to be able to work on your project at work, during the day. The greatest percentage of students work on their project after hours.

The strategic plan is a professional report:

- Have someone else read and proof your work!
- Always run spell check and grammar check.
- Check usage of capitalization and bolding. Is it consistent? To make it easier on the reader, keep capitalization and bolding to a minimum.

- Graphics (charts/tables/figures) should be incorporated throughout the business plan to add to the reader's understanding of the area being discussed. Students should be able to explain any graphics that are used.
- Make sure pages are numbered.

Project Samples

For a listing of strategic resources and samples to help you with the project, visit www.scms.coop.

Strategic Resources

Watch the SCMS groups in Facebook and on LinkedIn for periodic references to articles which may help you with your project.

Submitting Project Sections

Do not hurriedly send off an incomplete or unproofed submission. If you do, it may be returned marked “redo” or “refer to core manual” if you did not follow school format.

Test: Would you send your submission to your CEO or board chairman?

Mail printed section submissions with page numbers (not fax or email) to the project evaluator.

Allow enough time to mail submissions by regular, first class, or priority mail to project evaluators.

Do not use FedEx, DHL or UPS for sending projects to John Vardallas.

If timing is cut close and the project is sent special delivery, **DO NOT REQUEST A SIGNATURE FOR RECEIPT**. Doing so may result in the submission being returned because the evaluator is out of town.

Always include with each submission:

- A copy of your student feedback grid (available at www.scms.coop). Be sure to keep a copy for yourself.
- A self-addressed, postage-paid, return envelope. Do not use dated meter postage.

Back up, back up, back up. Computers crash. Documents get lost in transit.

Save copies of all submitted work and feedback updates until successful completion of SCMS.

For submission of the Financial Management – 5th section, include:

- A copy of an updated outline, comparing the outline to the financial management SI strategies and projection results. Projections should support all SI statements.
- Projections.

E-mail the projections to Sandy Arnesen - sarnesen@scms.coop - when you mail the hard copy to Debbie. This allows Sandy to have the spreadsheet and work simultaneously with you if changes need to be made.

Please help Sandy by putting your credit union name and projections in the subject line of your email. Then note in the text of the email when you mailed the hard copy of the SI to Debbie.

Student Feedback Form

Always include the feedback form with project submissions.

Review the form first to see if requirements have been met. Unless a submission is marked “re-do”, it is up to you whether or not to address comments.

The form is referred to if there are any questions regarding progress or pass/fail status. Keep a copy for your records.

If it appears that the school’s requirements are not being met, SCMS administration may contact the CEO or Chairman, checking to see if anything can be done to help.

Feedback scores are not public information.

Expect “Redo” If:

The majority of Tactical Actions Plans

- Start the year of graduation or earlier.
- End the year of graduation.
- Are assigned to the same person.

The majority of cost-benefit analyses:

- Don’t require any additional resources.
- Have no risks.
- Have no implementation costs.
- Result in zero additional expense/income to credit union.

Submission is obviously not proofed.

Late Submission Guidelines

A written letter must be sent to the school director from the student, explaining the extenuating circumstances, including a supporting letter from the CEO (or Chairman) of the credit union, detailing the exceptional nature of the circumstances that prevented the submission from meeting school deadlines and why the student should be allowed to continue with his or her class.

Acceptance of late submissions is at the discretion of the evaluator.

Any student missing the final project submission deadline may be given the opportunity to complete SCMS the following school year.

Final Project Submission

The final submission is a copy of the complete project in hard copy form:

- Include a cover page noting changes (if significant) to previous work submitted.
- Bring the history highlights, SCOT list, and External Analysis forward to cover areas with significant impact since these sections were approved. Update charts and graphs to reflect the most recent year-end numbers.
- Include a copy of Debbie’s approval of the Financial Management SI.

The closer you cut the deadline for the Financial Management SI, the less time you have for the final polish and submission of your complete project.

For the purposes of the school, you do not need to update SIs once they have been approved. You may want to do so for the credit union’s purposes.

No more submissions or changes are accepted after the final project submission deadline.

Evaluators will notify you of final approvals.

How Many Copies of the Final Project Do I Need?

At a minimum:

- The final project sent to John. This copy is returned during the summer session of school.
- You are required to send a complete project to the group leader for the “Strategic Issue” presentation by the specified date. This copy is also returned at school.

- A copy for reference during the oral presentation.

Optional:

- Students are expected to provide at least one complete copy to the credit union,
- One copy to be put on display for 1st and 2nd year students to look at. The third year class determines where and when to display.
- If you are considering seeking college credit, we recommend you share your project with the appropriate campus representative.
- Third year students are invited to display their projects during the graduation reception. There will be a table in the reception area for projects. It will be your responsibility to deliver and to retrieve your project. Please be mindful if the project includes sensitive information.
- If comfortable, and with credit union permission, provide the school director with a CD copy of your project for school reference as we look for samples. Nothing will be used as a sample without approval.

Honors Recognition

One Award of Excellence is awarded each year. On occasion, two may be awarded.

Additionally, each year a number of Honor Graduates are designated.

There is no correlation between the number of pages in the project or the amount of money spent to *pretty it up* and the quality of the project.

Content and reasonableness are the most important factors, as well as the growth of the individual student during the school experience.

What Constitutes an Honor Project?

Students completing SCMS in three consecutive years are eligible for consideration for the Award of Excellence.

All other students are eligible for consideration for Honor Graduate status.

Project submission deadlines are met.

The project goes beyond the minimum requirements.

The following additional factors are considered for each student when reviewing a project for honors:

- Individual progress from day one to completion of the project.
- The level of strategic planning currently in place at the credit union.
- Position/job function in the credit union.
- Educational background/experience.
- Class mentoring/leadership.

Automatic Elimination from Honors Consideration

Miss the final project final deadline.

Failure to provide project presentation facilitator with a copy of finished project in a timely manner.

Need to Skip a Year?

Eligible students who miss a year of school, must resubmit any previously approved portions of the project and meet the minimum requirements of the class they are joining.

Potential students missing more than one year of school need to petition the SCMS Oversight Committee to determine their status.

Strategic Contacts

Administrative Team

- Janine McBee, CCUE, CUDE - Director
800.442.5762 x6634
469.385.6634
469.385.6734 FAX
jmcbee@scms.coop
Twitter @SCMSJanine
www.linkedin.com/in/janinemcbee
- Cristina Lau, CEM - Event Planner
800.442.5762 x6639
469.385.6639
469.385.6742 FAX
clau@scms.coop

Senior Faculty/Project Evaluators

- John Vardallas – Overall Project
608.221.4621
jvardallas@aol.com
- Deborah Rightmire – Financial SI
(Financial Management SI)
800.442.57692 x6496
469.385.6496
469.385.6595 FAX
drightmire@tcu.coop

Additional Resources for Project Assistance

- Lily Newfarmer – Overall Project
lnewfarmer@tccu-tx.com
817.884.1470 x125
- Shawn Temple – Overall Project
shawn.temple@bossierfcu.org
318.212.6111
- Sandy Arnesen – Financial SI
800.442.5762 x6497
469.385.6497
469.385.6595 FAX
sarnesen@tcu.coop

Additional resources, including project samples and forms are available at www.scms.coop.

The school has a couple of social media sites under the name of Southwest CUNA Management School:

- Facebook – school page
- LinkedIn – private group
- www.scms.coop listserv (new fall of 2011)

Individual classes may also have group sites.

Mailing Addresses

• General School Mail

SCMS c/o TCUL
Attn: Janine McBee
4455 LBJ Frwy. Ste 1100
Farmers Branch, TX 75244-5998

• All Project Submissions

John Vardallas
c/o The American Boomer Group
PO Box 8486
Madison, Wisconsin 53708

• Financial Management SI Submission

Deborah Rightmire
SCMS c/o ALM Resources
4455 LBJ Frwy. Ste 1100
Farmers Branch, TX 75244-5998

The majority of communication is handled through the school's website and email.

Wondering what John Vardallas meant when he wrote or said "more cow bells"? That's Wisconsin speak for embellish, expand, or provide more details.

Tentative Dates to Help with Scheduling

- 2012 SCMS Mid-Year Classes
Late February to Mid March
- 2012 SCMS Summer Classes
July 8-18 - dates finalized by early 2012
- 2013 SCMS Mid-Year Classes
Late February to Mid March
- 2013 SCMS Summer Classes
July 7-17 – dates finalized by early 2013

SCMS Challenge

What is within your power, right now, today, to help position your credit union forward?

Take this opportunity to stretch and dream!

This manual is a constantly evolving process. We welcome any input on how we might clarify instructions or recommendations on samples and resources we might provide to help students successfully create real-life working plans.

Send recommendations to the school director.

Planning

Strategic Planning is done by the Board of Directors, CEO/President/Manager, Committee Chairperson(s) and key staff.

Operational Planning is done by the CEO/President/Manager and staff (i.e. Tactical Action Planning, cost-benefit analysis, etc.).

Strategic Planning is ...

- a systematic plan for implementing professional management throughout the credit union and for developing the strategy to improve and mobilize the human and financial resources to carry out the credit union's mission (purpose).
- the continuous, formal written process employed
 - to identify future opportunities and member needs or wants,
 - to determine objectives, and
 - to make decisions relative to the investment of credit union resources in order to achieve objectives.
- the process by which an organization can become what it wants to be.
- the rational determination of
 - what business the credit union is in,
 - where it is,
 - where it wants to go, and
 - how and when it is going to get there.

Operational Planning is ...

- how you are going to run the credit union's present business most effectively in the period immediately ahead as you make progress toward the objectives of the strategic plan.

Strategic planning can have multiple objectives. Some of these are noted below and have been drawn from corporate and public sector descriptions and ISNAR experiences:

- *Change organizational directions and respond to external changes*
- *Rationalize component unit and structure*
- *Identify strategic issues and decision points*
- *Set priority objectives and allocate resources*
- *Develop information for manager and policy maker decisions*
- *Build a coherent and defensible basis for decision-making*
- *Provide a frame of reference for investments, budgets and action plans*
- *Identify external opportunities and threats*
- *Analyze the organizations's strengths and weaknesses*
- *Define and plan necessary organization changes*
- *Develop better internal coordination of activities*
- *Set realistic and attainable objectives*
- *Evaluate current situation and make adjustments in strategy and plans*
- *Highlight and analyze environmental changes*
- *Improve management capacity*
- *Involve partners in decision-making*
- *Address organizational constraints*

Strategic Planning for Agricultural Research:
Guidelines for an Issues-Oriented Approach
Govert Gijssbers, Warren Peterson, and Michele Wilks, isnar – International Service for National Agricultural Research

Tips for Developing the Strategic Business Plan

Consider the following excerpts from AMA's "How to Develop the Strategic Plan" as you work on the credit union's strategic plan.

The evaluation [of a strategic plan] should incorporate the following questions:

- 1) Was the information used reasonably the best that could have been obtained?
- 2) Did the analysis focus on issues of truly significant matters for the company [the credit union]—the success or failure of the business over an extended time period?
- 3) Were the conclusions clear? Sound?
- 4) What decisions were made as a result of the planning?
- 5) What action was taken?
- 6) Did management at all relevant levels understand and support the planning results?
- 7) And finally, if a retrospective view is available, was the company in a better position as a result of the decisions and action taken, or would the company have been better off if they had not been taken?

Good plans are seldom produced in isolation; that is, rarely do they arise out of a process that turns them out in a single, complete operation. An effective planning system does not operate like a doughnut machine; efficient systems require draft proposals, and each proposal must be analyzed, referenced, and modified to align with the others.

"Thriving on Chaos" - Tom Peters

Sound strategic direction has never been more important—which is why the strategic planning process must be truly decentralized. Yet strategic planning, as we conventionally conceive of it, has become irrelevant, or worse, damaging.

What is a good strategic plan? There is none. But there is a good strategic planning process.

A good strategic planning process:

- 1) *gets everyone involved*
- 2) *is not constrained by overall corporate "assumptions" (e.g., about the general economic picture)*
- 3) *is perpetually fresh, forcing the asking of new questions*
- 4) *is not to be left to planners, and*
- 5) *requires lots of noodle time and vigorous debate.*

As for the document per se, it

- 1) *is succinct,*
- 2) *emphasizes the development of strategic skills, and*
- 3) *is a living document, not an icon.*

Flexibility is the necessary watchword.

Writing Tips

Always keep your reader in mind. Will your document stand on it's own without further explanation?

"Improve Your Writing Overnight With The Rule of 24"

"No matter what you're writing — a novel, a screenplay, a blog post, a landing page, a letter — if you do the best you can on it and then wait until the next day to go over it again ...It may be a typo you didn't see the day before. It may be a better choice of words, a less-is-more edit, or a wholesale shift in creative or structural strategy."

(www.copyblogger.com)



Developing the Credit Union's Two-year Strategic Business Plan (Year of Graduation Plus the Following Year) Project Minimum Requirements Check List

Prepare a written two-year strategic business plan (project) covering the following areas:

- Optional** - A "dedication" or "thank you page" - before or after the Table of Contents on the final submission. Think in terms of how books are printed.
 - Table of Contents**
 - Executive Summary**
 - History Highlights**
 - Mission Statement**
 - Vision Statement**
 - Optional Elements if Created**
(Core Values, Ethics, Governance, etc.)
 - SCOT List** detailing:
 - **Five Strengths**
 - **Five Challenges**
 - **Five Opportunities**
 - **Five Threats**
 - Five External Factors**
- An **Outline** of all Strategic Initiatives through the Tactical Action Plan headings.
 - Five Strategic Initiatives (SIs)**
For **each** SI develop:
 - A brief **Internal Analysis** with appropriate charts and graphs.
 - **One, two-year, (MEASURABLE) Objective** – the what.
 - **Two Strategies** for each Objective – the how.
 - **One Tactical Action Plan** for each Strategy – the who.
 - A **Cost-Benefit** Analysis (including implementation costs, assumptions, and risks) for each Tactical Action Plan.
 - Individual Student Presentation of Strategic Issues (also known as the "Oral Presentation")

For **each** factor, include:

Factor

Assumption

Impact

Response

This is a strategic two-year plan. The majority of action steps should begin late the year of graduation and into the following year.

Follow the school definitions and format.

The table of contents and executive summary are the last sections to submit and the first sections of the final product.

Optional elements may be submitted at any time. They are graded on a pass/fail basis.

SCMS Minimum Project Requirements

Table of Contents

This portion of the project is due out of sequence. It is one of the last parts of the project to be completed.

Develop a comprehensive table of contents.

The table of contents continues to change as the two-year strategic business plan is changed, updated, and fine-tuned.

Be detailed. Use the table of contents as a tool to enhance the value of the strategic plan to the reader.

History Highlights

History lays the foundation for where the credit union is today.

Briefly tell your credit union's story. Explain how the credit union has grown and evolved, highlighting events influencing the current and future direction of the credit union.

Consider creating the credit union's story in the form of a timeline or benchmarks making it easy to identify the highlights.

Looking at what lies ahead, how has history positioned the credit union to face current challenges and take advantage of opportunities?

Include:

- 1) The date of origination (year chartered).
- 2) Milestone moments from the last three to five years.

If there was a problem with a sponsor company, management, or other areas of the credit union, cover it here. Do not mention specific names of individuals. The problem should also be addressed in the SCOT listing.

- 3) Charts covering the annual change over the last five years (using year-end numbers):

- Assets
- Membership
- Loans to Assets
- Net Worth Ratio

Example

The Beginning

The ground work for chartering _____ Federal Credit Union began on January 25, 1937 at 8:00 pm in the _____ with an organizational meeting that included 40 employees of _____ Company. At the initial meeting a fee of 25 cents was set for each person present to become a member. All forty joined at the first official meeting of _____ Federal Credit Union, (Charter [number]) on [date].

From those charter members, the history of this Credit Union began as seats on the Board of Directors, Loan and Supervisory Committees were filled. This original group accepted their responsibilities and assignments on these committees with "determination and dedication" that this Credit Union would become an organization of "People Helping People". Their desire to provide strong leadership during the early years of the organization has helped the Credit Union reflect assets of over \$260 million today.

Interesting policies established during the first year of operations included:

- 1) Interest rate of 1% per month on unpaid balance
- 2) Maximum of \$25 for unsecured loans
- 3) Established a field of membership
- 4) Joined the Texas Credit Union League with dues set at \$2.00 per year
- 5) No regular December meeting for [year] due to a labor dispute at the refinery
- 6) The _____ Federal Credit Union was organized by [name] who was the same distinguished gentleman who organized and managed the [number] Credit Union in the State of [name] in [year].

Fact: At the Annual Meeting in [month year], the decision was made to waive interest on all loans of members in the military during the wartime period.

In [year], financials were so strong the Credit Union even loaned other credit unions \$160,000. Total assets were \$2.5 million with a membership of 4,746. Armored cars were enlisted to transfer money bags to the bank for tighter security.

In [year], the Board of Directors was forced to consider another relocation since the Credit Union was denied additional space at the [SEG company location]. At the [month year] Annual Meeting, the main topic was the plans for a new building on [street name] in [city]. On [date] with deposits approaching \$3 million and a membership of 5,000 the Credit Union moved to [street name] at a cost of \$125,000 for the new facility. As growth was steady, the Credit Union size was increased an additional 50% in [year]. During the years at this location (year -year), the Credit Union grew from 5,528 to 12,186 members and assets increased from \$3,176,000 to \$26,900,000. Staff increased from nine to sixteen full-time employees.

MasterCard's and certificates of deposits were introduced to members in [year], \$10 million being invested in certificates that first year. By [year], the Credit Union had again outgrown the facility on [street name] so a new building was constructed and furnished at its current [city] location at [street address] at a cost of \$1,250,000 for 13,000 square feet. The Credit Union moved in July [year].

Direct deposit, payroll deduction and the share draft program were introduced in [month year] and IRAs were initiated in [year]. Members responded overwhelmingly to the tune of over \$7 million in IRA accounts by [month year].

[Year] saw the first ATM installed and a new in-house computer system followed in [month year]. In [year], the Credit Union introduced [product name], the automated phone access for account information. This allowed members to check their account balances, transfer money from one account to another, and the system included other quick and easy features that empowered members to become more independent regarding their finances.

As the '80s turned into the '90s, the Credit Union flourished, adding more and more employee groups to its field of membership. _____ Federal Credit Union once again had to add more space as member numbers increased. In the spring of 1992 construction began and was finished in time for an October Open House.

Today

Recent years have brought about significant change to _____ Federal Credit Union such as a community charter, electronic services, indirect lending, a new branch and enhanced technology just to name a few.

2001

In 2001 _____ Federal Credit Union petitioned for a community charter to serve the communities of [city 1], [city 2] and [city 3]. The charter was approved and tremendous growth followed. Assets grew by \$22.5M, capital increased by 12% and member deposits rose 18%. Also, loans grew past \$8M in a single month, which marked a record for the Credit Union.

2002

The new [city] Branch opened in [year] to a good reception from the community. The Credit Union also added an online banking service to meet the demands of "high tech" members. And finally, a debit card program was added and continues to be a great success and benefit to members offering convenient options for everyday purchases.

The [name] Center was created to provide an additional point of service to members. This team services members via personalized phone assistance without the hassle of coming into the lobbies. Today, the center receives over 17K calls per month and staffs nine full time employees.

Despite the overall weakening of the US Economy during this era, _____ Federal Credit Union remained financially secure and well capitalized with a net worth ratio of 12.20%. Throughout the year, 5,911 loans were disbursed totaling more than \$65M, which exceeded that year's projections. In addition to loans, deposits exceeded deposit goals by \$500,000. Undivided earnings and total capital also exceeded projections by \$1.2M and \$700,000 thousand, respectively. Total loan to share ratio was 79.3% for the year and ROA finished at 1.44%.

2003

[Name] replaced [Name] as CEO of the Credit Union in 2003. Continued financial success was also experienced this year as well. Loan growth was excellent, climbing by 16.65% and a record month was made with total loans at more than \$13M. Total loan to share ratio was 81.08% and the year ended with an ROA of .76%.

2004

In September of 2004 the [Name] High School branch opened its doors to the student body. Along with providing basic financial services, this program also offered financial literacy programs for young adults.

The overdraft privilege program was introduced in 2004. Income rose from \$12.6M to \$14.8M during this time demonstrating the huge success of this service.

In late 2004 the Credit Union began the indirect lending program, which provided auto loans through local dealerships to the community. This program also introduced risk based lending, which opened a whole new door of opportunities and challenges for the Credit Union.

As a result, loans spiked through the roof surpassing all time percentage growth rates! Consequently, delinquencies also rose as a result and new procedures for collecting these outstanding items were implemented to include hiring a third party to conduct outgoing calls to delinquent members.

Financial performance resulted in total loan to share ratio at 83.96% and ROA of .95%.

2005

In early 2005, the Credit Union aggressively sought new home equity loans in the area. In recent years, the [state name] legislature passed lending rules allowing state institutions to offer home equity loans. The marketing campaign was a huge success! Total loans increased by 14.4% and assets grew by \$20M.

A contract was signed to implement a new system able to handle current processing and sustain future capacity requirements. This new addition would not only upgrade the core system components but add new features such as robust adhoc reporting, cross selling tools, CRM tracking, loan origination, mortgage lending and business services.

In conjunction with the new core system, a new phone system utilizing state of the art VoIP technology was added as well. This new technology allowed for more stability and capacity at a reduced cost of ownership for the Credit Union.

Loan to share ratio for the year was 83.96% with ROA at an excellent 1.29%. Thanks to another excellent financial performance, _____ Federal Credit Union paid out an additional yearend dividend bonus to members exceeding \$300K in 2005.

2006

This year represented major change for the Credit Union. The new computer system added complexities to normal operations and taxed the staff over several months. On April 8, the wait was over and the new system was up and running.

Along with the new system, _____ Federal Credit Union became the first financial institution in the US to be online for both receipt and submission to the Federal Reserve. This change brought about faster processing and funds were available quicker to our members.

Financial Stability

Over the last five years, _____ Federal Credit Union has been strongly capitalized. A planned investment strategy, excellent product/service execution and tight controls on spending resulted in strong capital to asset ratios. Drops in these stats result from large investments in fixed assets such as the [city] branch and new core processing system.

In Summary

Over the years membership of _____ Federal Credit Union has expanded to include employees from over 150 local companies as well as the communities of Deer Park, Pasadena and xxxxxx, Texas. _____ Federal Credit Union currently serves 38,000 at three locations. Groundbreaking is scheduled this year for the next branch in xxxxx and the executive team is currently scouting the best location for a second branch in yyyyyy. This branch will be located in the inner city area to focus on increasing its service to the underserved and Hispanic population. Thanks to the continuing trust and ongoing support of its members, the vision of the Board of Directors and the sound financial decisions made by its Management and Executive teams, _____ Federal Credit Union currently manages assets of over \$260 million.

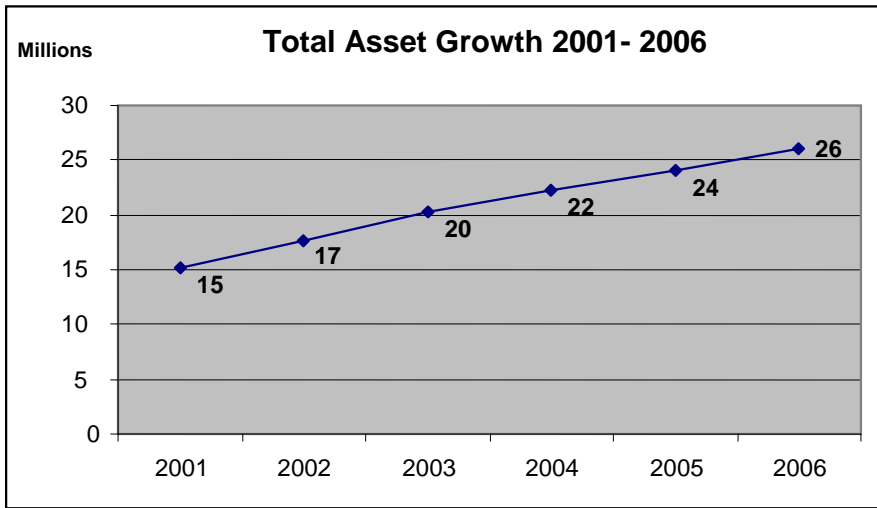
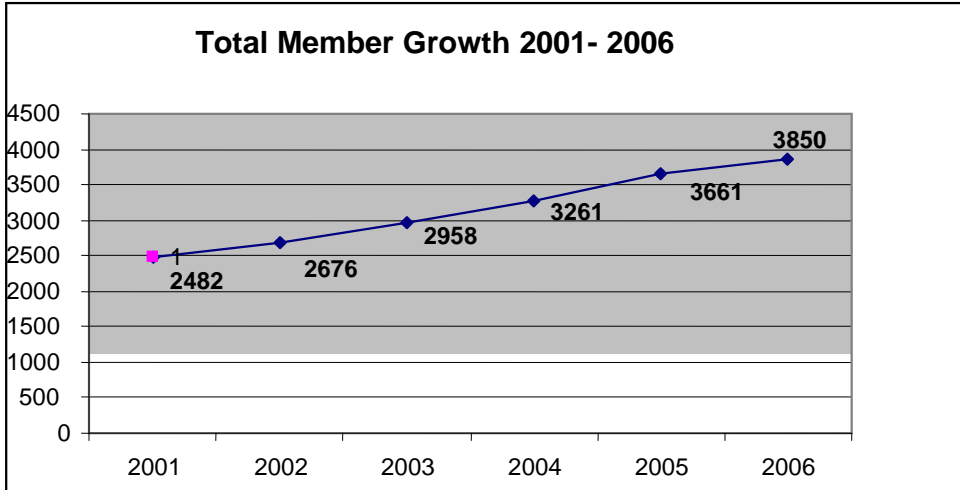
References

_____ Federal Credit Union Board
Minute Meetings

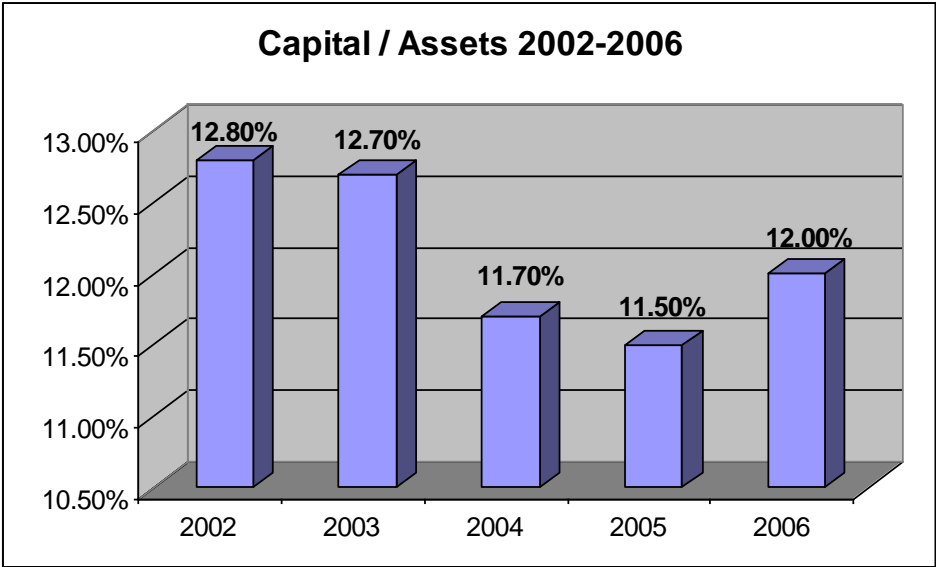
[year – year]

_____ Federal Credit Union Annual
Reports

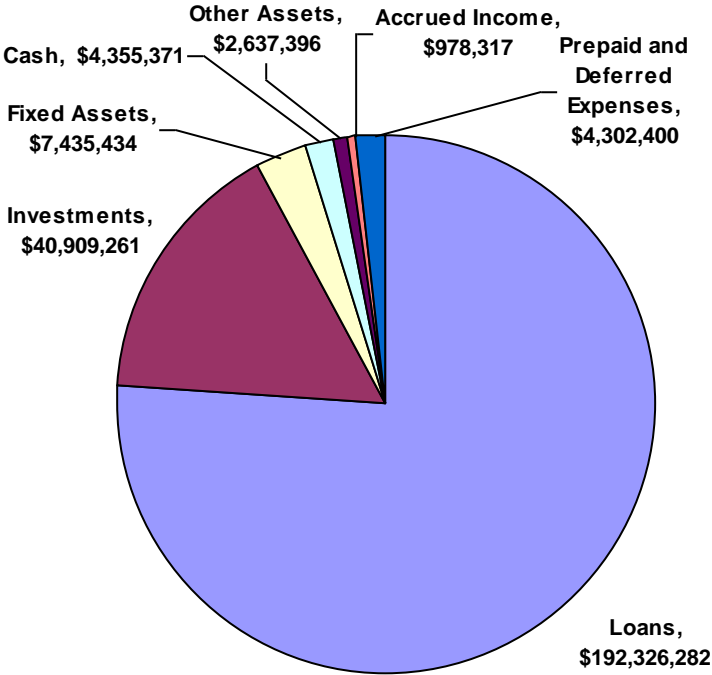
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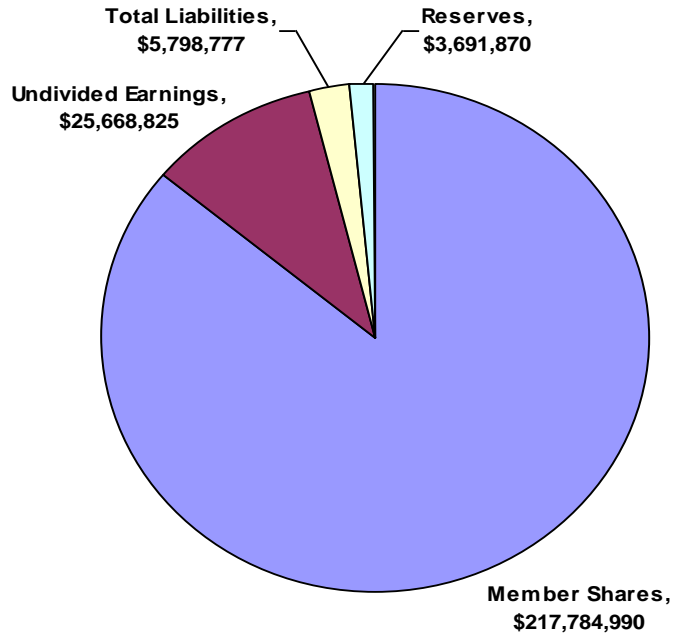
A Net Income Growth 2001 to 2005 chart was here.



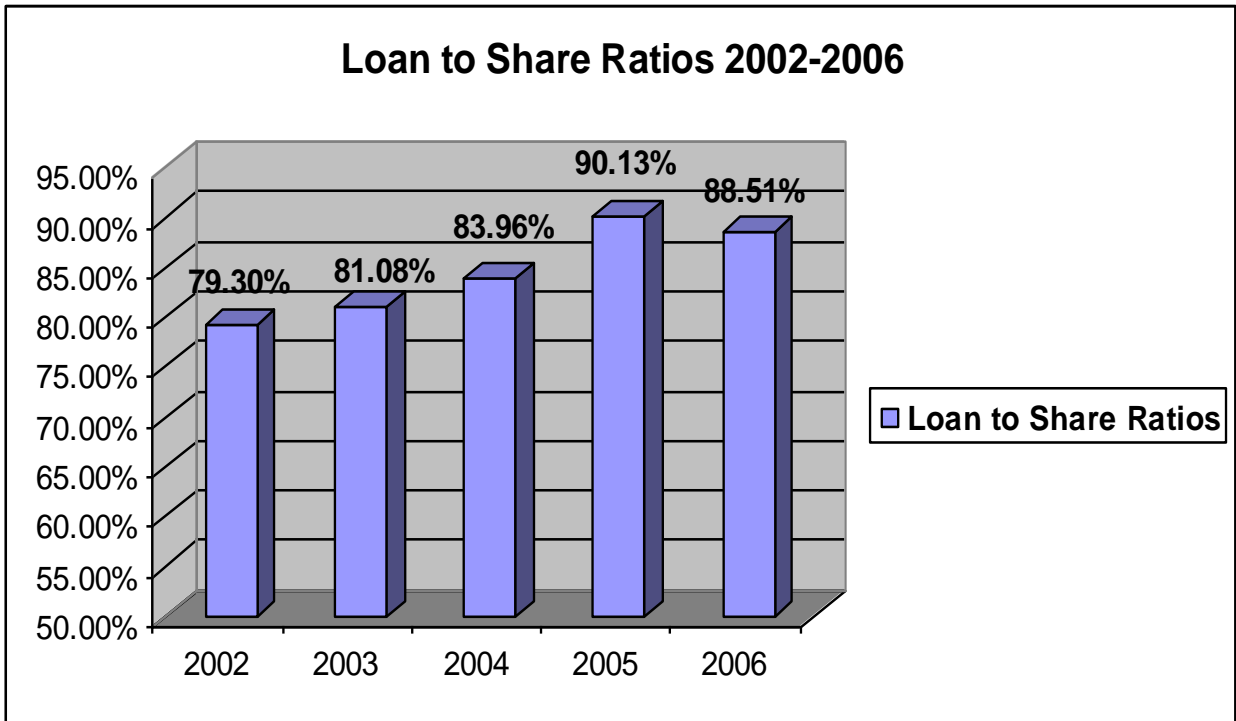
Composition of Assets in 2006



Composition of Liabilities in 2006



Loan to Share Ratios 2002-2006



Example 2 - Partial History

ABC Credit Union -The Last 5 Years

In 2002, there were not any real changes or occurrences, with the exception of pending retirement of the President of ABC Credit Union. Firstname Lastname was retiring the next year, after 28 years of service. In 2003, in ABC Credit Union's 50th year, Firstname Lastname, who had 11 years experience in senior management at corporate credit unions, was hired by the Board as the next President/CEO of ABC Credit Union. Since then, the credit union has undergone some major organizational changes. Included in these changes are strategic changes, technology changes, new-product changes (or product revamping), cultural/people changes and increased community involvement to promote the spirit of the credit union with the emphasis on "people helping people".

Strategic Changes:

Our capital position has improved each year from 2002 where ABC Credit Union was at \$121 million to \$163 million at year end 2005. Non-earning assets were freed up with the sale and leaseback of the Headquarters building in City Name. Delinquencies and charge-offs have been reduced due to the deployment of centralized underwriting, the reduced reliance on the indirect car market, and the sale of the credit card portfolio to MBNA. The Lending Focus has shifted away from personal and auto loans and moved more towards commercial and mortgage loans.

Technological Changes:

As shown above in the chronological history, there have been significant technological enhancements in all areas of the credit union. Some examples are converting core data processor Name of Service Provider, converting all voice and data lines to voice over IP and converting Name Machines to image capable machines and renamed them.

New-product Changes (or Product Revamping):

In 2003, ABC Name was created to provide much needed commercial lending services to ABC members. A more competitive set of products both business and personal accounts have been developed such as free checking, bump-up CDs, and the Performance Money Market with a tier based rate structure.

Cultural/People Changes:

One of the biggest changes that the staff has seen is the focus on sales and service. The STAR sales and service initiative was introduced in 2004, and the intent was to begin to cultivate an organization that focuses on sales and services. For the year 2005, ABC migrated away from equal incentive to all and moved towards a pay for performance philosophy. Service scores have become increasingly important as well, and the STAR promises are constantly practiced and reinforced.

Increased Community Involvement:

In addition to all of these changes, ABC Credit Union has increased community involvement with continued sponsorship of the Team Name, new sponsorships with Team Name and Team Name. In addition, ABC Credit Union has been actively involved in giving back to the community with the United Way, JDRF (Juvenile Diabetes Research Foundation), USO City Name (City Name Chapter of support services offered to the personnel from all military branches and their families). ABC has become actively involved in Financial Literacy Programs, and will soon begin implementation of an affordable housing program.

Mission & Vision Statements

A mission statement states what an organization is or does. It is a description of a desired state of affairs that inspires action, determines behavior, and fuels motivation. It answers the question, *Why does the credit union exist?*

The vision statement is the heart, the constancy of purpose, the why the credit union exists. A clear vision positions the credit union to move forward.

Qualities of a Vision

- *It motivates, inspires.*
- *It is a stretch, moves toward greatness.*
- *It is clear, concrete.*
- *It is achievable, not a fantasy.*
- *It fits with the highest values.*
- *It is easy to communicate, clear and simple.*

"Organizational Vision, Values and Mission"
Cynthia D. Scott, MPH, PhD; & Dennis T. Jaffe, PhD; and Glenn R. Tobe MA

Provide a mission and vision statement for the credit union.

Include for each:

- Source (board, self, prior SCMS student/graduate)
- Status (adopted, submitted, never reviewed)
- Date

If using existing statements, for each:

Write a couple of sentences explaining your position on why you feel this is or isn't a good mission or vision statement.

If you feel existing statements are not good mission or vision statements, rewrite the statements, including a couple of sentences on why you feel the proposed statements would be better for the credit union.

Example One

Mission Statement

Current Mission Statement

ABC Credit Union will provide the highest quality financial service to our members for generations to come.

Adopted by the Board on June 14, 2011

Critique

I understand the mission statement in principle but find it lacking. In today's competitive financial services environment "highest quality financial service" is an expectation not a differentiator. You can go to any consumer bank or credit union and find pretty much the same products and services and comparable service levels, what sets credit unions apart is the personal service we provide on a regular basis. What is going to set ABC Credit Union apart from the credit union down the street? In the past 18 months ABC Credit Union has made a true commitment to education both financial education for members and continuing education for employees, and to "Making the difference, one Member at a time". I think our mission statement needs to reflect these two ideals.

Proposed Mission Statement

ABC Credit Union will make a difference, one member at a time. Providing exceptional service, education, and a full line of products and services to fit our members need at each stage of life.

Thoughts

This statement incorporates ABC Credit Union's tag line and also provides actionable items on how to achieve that mission. This mission statement is less vague and does not leave much room for interpretation on what should be done. This statement has not been reviewed by anyone in the organization. I will present my idea at the appropriate time to others in Senior Management. Strategic planning sessions time, or just before is often a good time to bring such ideas to the others for consideration.

Vision Statement

Current Vision Statement

To be the highest quality financial institution in all of our communities.

Adopted by the Board on June 14, 2011

Critique

I find this statement to be too similar to the Mission Statement and could easily cause confusion between the two. This Vision Statement is also too vague in its use of the term "highest quality financial institution". Quality can be defined in many ways and doesn't mean the same from one person the next. This statement also does not differentiate ABC Credit Union in any way from any other financial institution out there. A Vision Statement should provide a clearer vision of where your organization wants to go which in turn provides direction on how to get there.

Proposed Vision Statement

ABC Credit Union will be our Member/Owners trusted source for financial knowledge and products to meet their needs throughout their life.

Thoughts

This statement provides a clear direction of where we want ABC Credit Union to get to and how we plan on getting there. This statement provides a lofty goal meant to inspire and guide decision making as to how to achieve this goal. This statement has never been reviewed by anyone in the organization but once I am more confident in its clarity and purpose through an internal review process it will be proposed to management.

Example Two

OB1ECU's Mission Statement

"Credit Unions fought hard for the right to provide all Americans access to cooperative financial services.e

Our mission is to provide that hard-won access to selected Texas communities where deep relationships, highly responsive retail service, and financial value are needed and appreciated".

(Developed by Student Name, Date.
To be presented to the Board of Directors for approval.)

Evaluation

I appreciate the fact that our new mission statement incorporates the ongoing battle the Credit Union industry faces as a whole. However the current mission statement needs an introduction, and the majority of our member base may not understand the battle, therefore they may get lost in the meaning.

I would re-word the statement to say:

- Our mission is to provide cooperative financial services to select Texas communities where deep relationships, highly responsive retail service, and financial value are needed.

Conclusion

I feel by consolidating the mission statement we can still address the Credit Union industry's battle without the need for an introduction. Additionally, by simply removing the word appreciated at the end, it allows the Credit Union to grow into communities that have a need for our services and it removes the subjectivity of a community's perceived appreciation. I feel removing the appreciation factor is very important as it is virtually impossible to measure the potential for a community's appreciation of a financial institution prior to its arrival.

SCOT List

Provides a framework for reviewing and establishing strategy, position and direction of the credit union. It helps organizations focus on key challenges and opportunities.

According to SWOT Expert, a joint development of the Strategy Planning Institute and Kinetic Wisdom, "*Smart organizations know how to find opportunities - but successful organizations know how to go after the right opportunities. They know how to leverage their strengths and allocate their resources in a way that produces results.... SWOT [SCOT] analysis helps you find new opportunities and fend off competitive threats.*"

Strengths and Challenges are internal factors that have an impact, either positively or negatively, on the credit union. These factors are usually within the control of the credit union.

Opportunities and Threats are factors in the environment that affect the credit union. Opportunities have yet to be explored and have a potentially positive impact on the credit union.

Threats are not within the control of the credit union and could have a negative impact on the credit union.

Develop a SCOT list for the credit union:

Strengths – build on

Challenges – identify and address

Opportunities – capitalize on

Threats – minimize

Identify at least five areas in each category, including a minimum of one sentence explaining how the factor relates to the credit union.

Yes, something may appear in more than one SCOT factor. It's all in how you explain your SCOT list. Consider this, a strength can be a challenge:

- Strength – Free Office Space
- Challenge – Only Open During Sponsor Business Hours



Graphic compliments of Dean Borland, OnBalance.

Variation of [SWOT Analysis – Strength, Weakness, Opportunity and Threat](http://harshvardhanrai.com/?p=50) <http://harshvardhanrai.com/?p=50>



Sample SCOT Factors to Consider

Strength – Build On

According to Webster:

- *Power to withstand strain, force, or stress: toughness.*
- *Power to sustain or resist attack: impregnability.*
- *Legal, intellectual, or moral force.*
- *The power or capability of generating a reaction or effect: operative potency.*
- *Degree of concentration, distillation, or saturation: potency.*
- *Numerical force or supportive personnel measured as to concentration.*

Internal items that have a positive impact on the credit union. These items are specifically within the control of the credit union. Leverage strengths to capitalize on opportunities and minimize challenges.

What factors directly contribute to the success of your credit union? What core competencies does your team excel in? What are your credit union's major competitive strengths?

- Brand/Identity
- Community Charter
- Competent Board & Staff
- Competitive Products & Services
- Delivery Channels
- Educated Board & Staff
- Financial
- Innovative
- Location
- Member Satisfaction
- Member Service
- Membership
- Strong Net Worth
- Member Demographics
- Strong Sponsor Relations
- Excellent Member
- Partnerships, Alliances or Collaborations
- Technology

A strength can also be a weakness. For example:

- Strength – Free office space.

- Weakness – Only open during sponsor business hours.

Challenge – Identify & Address

According to Webster:

- *To take a stand against.*
- *To confront boldly and courageously.*
- *To call on another to do something requiring boldness.*
- *To call or engage in a contest or fight.*
- *A demand for an explanation.*
- *Requirement for full use of one's abilities or resources.*
- *To call to engage in a contest or fight.*

Internal items that have a negative impact on the credit union. These items could reasonably be within the control of the credit union.

- A Major Financial Institution Has Lured Away Two Employees in the Last Six Months With Offers of Better Pay and Benefits.
- Aging Membership
- Bankruptcies
- Board Composition – Expertise, Education or Involvement
- Changing Labor Market
- Charter - conversion, type
- Competition
- Data Security Threats
- Delivery or Marketing Channels
- Delinquency & Charge-Off Trends
- Environment
- Facilities
- Information Security (in-house)
- Lack ofMarketing, Political Involvement, Training, etc.
- Location
- Mergers
- New Regulations
- Package of Products/Services
- Rate Responsiveness
- Single Sponsor SEG
- Staffing Succession Plan
- Technology

Opportunity – Capitalize On

According to Webster:

- *Favorable or promising combination of circumstances.*
- *A chance for advancement or improvement.*

What factors outside of the credit union control offer potential opportunities?

- Business Development
- Changing Board Member Demographics to Better Reflect Membership
- Community Outreach
- CUSOs
- Delete, Stop, or Consolidate Services
- Delivery Channels
- Employee Incentive Programs
- Expand FOM
- Financial Planning/Investment Services
- Home Banking
- Increasing Community Awareness
- Lending
- Marketing Channels
- Mergers
- Non-Member Education
- Outsourcing
- Partnerships/Alliances/Collaborations
- Shared Branching
- Small Business Services
- Streamline Procedures, Products, or Services Technology
- Untapped/underserved Markets

Threat – Minimize

According to Webster:

- *An expression of an intention to do something harmful.*
- *An indication of impending danger or harm.*
- *One regarded as a possible danger: menace.*

What factors outside of the credit union control could have a negative impact on the credit union?

- Banker Attacks
- Bankruptcies
- Changing Labor Market

- Company Layoffs affecting significant percentage of membership
- Competition
- Credit Union Charter Conversions
- Customer Loyalty
- Declining Mortgage Values
- Disaster
- Disruption of Business
- Economy
- Fraud
- Identity Theft
- Increased Competition
- Increasing Legislation/Regulation
- Information Security (external – i.e. Department Store records)
- Natural Disaster
- Online Financial Service Providers
- Over the last 18 months, 3 major financial institutions have started operations within a five mile radius. They have actively advertised no or low fee products and services to attract customers.
- Politics
- Potential for CU Taxation
- Regulations
- Technology
- Terrorism
- Unemployment

Examples of Strengths

Field of Membership

The Credit Union has had a strong field of membership base since <DATE>. The core groups or areas that make up the field of membership are <NAME(S)>. All of these groups are permanent staples of the community and building on the relationship the Credit Union has with each one will prove to be prosperous.

Member Service Focus

The Credit Union's board, management, and staff understand how imperative delivering genuine member service has been in the past and will be in the future. They know that members have dozens of choices when it comes to where to do their banking, and that the level of service delivered to them is the only real distinction the Credit Union can offer. The Credit Union's staff strives every day to deliver this

exceptional level of service with each member they encounter.

Proactive, Educated, & Innovative Board

The board of directors at the Credit Union are seasoned veterans of the credit union industry. They understand the importance the history of credit unions and people helping people. More importantly, they understand the critical importance of looking toward the future. The board is heavily involved in planning strategy for new ideas, products, policies, and direction. They are a well-educated group and attend a minimum of one major credit union conference per year to ensure they are up-to-date on current happenings and trends in the industry. They have developed an internet-based *Virtual Board Room* allowing them to conduct Credit Union business online anywhere they have an internet connection. In doing so, board meetings are much more efficient, board members are more informed as they may ask questions about agenda items throughout the month rather than on one day per month, and a permanent record of all conversations and votes are held in a secure database.

Young, Energetic Management & Staff

The average age of the Credit Union's management is 40, with three members of management under the age of 30. The staff is also relatively young. The staff is very energetic and interested in new ideas and getting away from the "that's the way we've always done it" mentality. As a result, this Credit Union does not have the aging member problem that the majority of credit unions have. The average age of the Credit Union members is less than 40. By continuing to stay young and innovative, the Credit Union hopes to continue to attract younger members to ensure its future.

Locations

The Credit Union has three branch locations in <LOCATION>. The main office is located at the major corridor <LOCATION> where the busiest street in the city intersects with the Interstate. The branch south of town is in the heart of older neighborhoods and very near new developing neighborhoods. The new north branch is in the middle of many, many new housing and commercial building developments. Each of the Credit Union's branches is located in highly desired positions in the area.

Capital Adequacy

The Credit Union officials and management have taken their fiduciary responsibility very seriously over the years and have built up a sizable amount of capital. Capital is currently at \$9.5 million, and net worth to total assets has not been below 14.89% in the last several years. Because of this capital adequacy, the Credit Union is in a favorable position to absorb more risk. There is enough of a cushion to withstand a downturn in the economy, to build a new facility, to be able to offer competitive rates, and to provide services and loans to members who are more of a credit risk. Even with a high level of capital, the officials and management continue to monitor risk to ensure the members that their Credit Union continues to be a sound financial institution.

Strong Loan Portfolio

The Credit Union has a very strong loan portfolio with minimal charge-offs and delinquency issues. Many of our members have their payments automatically paid through payroll deduction or direct deposit. This reduces delinquency. The Credit Union has also been very fortunate over the years to have many members reaffirming their loans after filing bankruptcy. This has helped to stem charge-off loans.

Financial Education/Member Trust

The Credit Union has adopted policies and procedures that enable the staff to assist members in understanding and increasing their credit scores. Employees counsel members and give them the tools they need to manage their finances. With credit score enhancement and counseling, members are provided with the information they need to help them save money. Members typically express gratitude for this financial education and the Credit Union benefits from members who feel an emotional connection to the Credit Union and who have lessened their risk to the Credit Union by increasing their credit scores.

In addition to the impact that financial counseling has had on our members, it has also fostered a sense of trust. In this climate of economic turmoil, people are seeking a safe haven for their financial needs; they want a financial institution that will be honest with them, protect their interests, and give them sound advice. Many members are turning to the Credit Union because they trust the leadership of the Credit Union and know that they will be treated fairly.

Examples of Challenges

Operating Expenses

The Credit Union continues to struggle with high operating expenses. These expenses grew once the new branch was opened in <DATE> and the new core processing system became active in <DATE>.

Staff Turnover and Training

Staff turn-over has become a huge challenge in recent years. In an office of twenty-six, fourteen have been hired in the past year, and five within the last two months. This does not include several employees who have been hired and left within the last year. We are in a constant state of flux. There are many reasons why our staff has experienced heavy turnover in the past few years, but hiring, training, and maintaining qualified staff continues to be a time-consuming and frustrating challenge. Another problem we have is the shrinking talent pool; it is harder and harder to find qualified individuals with the attitude and skill sets we need.

Under the new incentive program, staff is expected to cross sell products and services, and have established goals to reach. Not every individual is a salesperson, and required selling can become very stressful to some individuals. Training staff to sell, keeping abreast of regulatory requirements, and learning new technology requires hours of training and education.

Location

Although the branch locations in the area are good, the Credit Union has underserved status in two other adjoining areas, with no locations in either. The Credit Union needs to perform further research on gaining a presence in these parishes to target the potential membership that should be served.

Mirroring Products

Some of the Credit Union's products and services heavily mirror one another. That is, the checking accounts are extremely similar even though there are checking products for students, seniors, and the membership at large. Pricing or packaging products is more difficult since there are no real distinctions between one account and another. The Credit Union should research rewriting many of its products to have different characteristics so as to create real, clear differences which will allow each product to be packaged and priced uniquely.

Technology

Perhaps one of the biggest challenges facing the Credit Union is the antiquated data processing system. Our system does not image, does not have report-generating capabilities, nor does it have incentive tracking. Opening accounts and funding loans is a manual, time-consuming process. We also do not have MCIF capabilities, so target marketing is difficult. Steps are being taken to replace our current system, but this will not happen for another year or two.

Data processing is not the only challenge, however. Individuals expect their financial institution to provide the technology they use. They want on-line access, bill pay, and mobile banking. They expect their Credit Union to provide these services, and if we cannot keep up with these demands, our members will find another financial institution that offers these services.

Brand Identity/Marketing/Member Research

Although the Credit Union has been chartered for nearly seventy years, we have only been open to the community for two years. Most of the community is not aware of the Credit Union, so we have a huge challenge ahead of us to build community awareness. As a single SEG Credit Union, our marketing has been confined to newsletters and direct mail. We have not done target marketing, nor do we have a good understanding of our current market penetration. We have hired a marketing person to help build our brand through advertising, promotions, and education.

Membership Retention

With the new field of membership, the Credit Union has experienced membership growth; however, we close almost as many accounts each month as we open. It is very difficult to attract new members, so finding ways to retain current members is vital to our continued growth. Closed account surveys indicate that, for the most part, members are pleased with the level of service the Credit Union provides, but with our limited access, many members close their account because of convenience factors.

Economy

Under the current economic conditions, it would be remiss not to mention the economy as a challenge to the future success of the Credit Union. Deposits are growing as members take their funds from the market and deposit them into the Credit Union. Loans could decline as members worry about the future of their retirement plans and livelihoods. Monitoring this risk and asset liability management will continue to be challenging in today's economy.

External Analysis

Helps provide focus by examining factors which have potential to strategically impact your credit union.

Identify and analyze **at least five** external factors that affect (or could affect) the credit union.

- Consider national, regional, and local factors over which the credit union has little or no control.

Think in terms of:

- Operating environment
- Business strategy
- Trends
- Be specific, listing single events or trends, not broad topics.
- Draw conclusions about how the factor may impact the credit union.
- Cite your sources.

Follow the FAIR Format

1) Factor

Write a couple of sentences about the factor.

2) Assumptions

Make assumptions as to the future course of the trends related to the factor.

3) Impact on the credit union

Relate the trend's probable impact on the demand or supply for the product or services and the expected effect on the credit union.

4) Response

Determine what are the probable responses the credit union can make based on potential impact.

Potential driving or key factors to consider:

- 1) Political/legislative/regulatory/legal
- 2) Population Dynamics - Social/cultural/demographic/psychographic
 - How and why people live and behave as they do?
 - What are the demographic trends of
 - your existing membership?
 - potential membership?
 - labor pool?

3) Economic

- Significant interest rate swings
- Value of the dollar
- Price of gas
- Sponsor perspective
- Regional, state, national perspective

4) Technology & Delivery Channels

- Skills/equipment
- New products/new processes/innovations (ways of doing things)

5) Competitive

- Has anything changed in this area?
- Emerging Markets

6) Physical Environment

- The physical surroundings of the credit union facilities and operations
- Location/proximity to suppliers, transportation, members
- Risk for natural disasters/pandemics

Johnny V's - Tips from the Evaluator's Corner

- Tie the factor back as it specifically relates to the credit union.
- Number of pages does not equal excellence. Concise writing, pictures, images, and charts can be powerful.
- Be thoughtful and creative here and your plan will go from "Good to Great".

Not sure where to start? See if your credit union or a classmate has a copy of CUNA's *Environmental Scan* to share with you.

External Analysis - Factors from Previous Projects

Competitive

- Brand Position
- Business Accounts & Services
- Check Cashing/Payday Lending
- Checking Accounts/Debit Cards
- Credit Unions, Community Banks, and Non-traditional Financial Service Providers
- Deposit & Payment Innovations
- Field of Membership Expansion
- Fraud/Identity Theft
- Lending Trends
- Mergers & Acquisitions
- Online Convenience/Security
- Service Quality
- Stagnation - Any key CU stats below peer?
- Wallet Share

Economic

- Bankruptcy Rules, Regs & Trends
- Consumer Trends
- Credit Union Field of Membership Expansions
- Growth, Stagnation, or Decline
- Housing
- Inflation
- Interchange
- Interest Rates
- Interest Rates
- Overdraft Services
- Small Credit Union Survival

Financial Products and Services

- Branch Traffic
- Business Accounts
- Financial Literacy
- Financial Management
- Lending
- Life Style Accounts

- Payment Options
- Person to Person Transactions
- Personal Account Management

Human Resources/ Talent Management

A category or part of Social/Cultural/ Demographic? It's all in how you approach factor.

- Employment Law
- Hiring and Training to Serve Hispanic/Latino Market
- Managing Remote Teams
- Salary & Fringe
- Staffing for Changing Trends in Financial Services Industry and Member Expectations
- Staffing Levels
- Succession Planning
- Training & Development – Staff/Board – Keeping abreast of regulatory changes

Political/Legislative/ Regulatory/Legal

- Bank Attack
- Bankruptcy Trends
- Employment Law
- Fraud
- Governance, Accountability & Responsibility
- Interchange
- Interest Rates
- Member Business Lending
- Political Stability
- Specific Regulations
- Tax Exemption/Tax Policy
- Voters/Voting

Social/Cultural/Demographic

- Aging Field of Membership
- Aging U.S. Population
- Baby Boomers
- Career Attitudes
- Financial Literacy

- Gender Trends
- Generation Trends
- Growing Hispanic/Latino Population (Other demographics key to your community?)
- Health and Environmental Consciousness
- Home Ownership Trends
- Identity Theft
- Market Share in the Tech Based Society
- Population Growth/Decline
- Rural versus Urban Population Trends
- Savings/Borrowing Trends
- Transparency, Trust , and Ethics
- Unbanked Consumers

Technological/Technology

- Branch Design Innovations
- Consumer Demand/Expectations – Member Experience
- Consumers' Rising Comfort Level
- Contactless Payments
- Data Security
- Electronic Fraud
- Evolution of Online Banking
- Evolving Technology
- Expansion of Electronic Deposits/Payment/Debit Cards
- Fraud/Identity Theft
- Multi-Channel Delivery
- Payment Methods
- Personal Identification Trends
- RFID
- Security Policies and Procedures
- Types of Delivery Channels

Example One

Electro Savings External Analysis

POPULATION DYNAMICS

Factor:

Payday Lending will continue to grow.

Assumption:

According to a report compiled by Marketdata Enterprises, an independent market research firm, payday lending practices volume has increased over 15% per year.

Going forward, payday lenders are not going away. According to a report titled "Payday Lending", Michael Stegman in the Journal of Economic Perspectives, the number of payday lenders exceeds the number of McDonald's, Burger King, Sears, J.C Penny and Target stores combined.

According to a study by the Credit Research Center at the McDonough School of Business, Georgetown University here are some demographics of those using Check Cashing Services:

- 50% report income to be between 25,000 and 50,000
- 66% are under the age of 45
- 66% have children under the age of 18
- 66% considered using traditional lenders, but felt they would be denied.
- 78% of users use the service more than 14 times a year.

The center also report that 59% who chose Check Cashing services did so due to the quick and easy process, fast approval and limited paperwork.

Impact:

This trends impacts the credit union by nuturing repeat business and keeping individuals from considering normal sources of financial stability, which are offered by the credit union.

Response:

While we may disagree with the excessive fees being charged to the individuals using these services, the consumer is at least being served. Electro Savings should offer an alternative to consumers who are stuck in the payday lending cycle. By providing some form of savings product incentive and education, the credit union

should be able to, not only assist the short term needs of the borrower, but also reestablish basic financial stability to the individual.

DEMOGRAPHIC

Factor: Generation Y will have a major impact on the economy.

Assumption:

Generation Y, as of 2003 earned \$211 billion and spent \$172 billion annually, according to a Harris Interactive YouthPulse study

Generation Y is composed of young adults from the ages of 14 to 21. Since they are just starting out in the labor force, one could only assume these trends would increase as their earning potential increases through the years.

Impact:

By providing services and products which would be received favorably by this age group the credit union could capture a share of this market.

Response:

The credit union currently has only 6% of its members under the age of 24, or approx 875 individuals. The credit union should pursue catering to this age group. With an overall aging field of membership this group represents the future. To reach these individuals the credit union will need to provide free and value added services.

Generation Y will need to be reached by different channels and techniques than current members. According to an article entitled "Tough customers: how to reach Gen Y", published by Joanna Krotz, Generation Y are highly enthusiastic about contests and promotions in which they can win free tickets, ski weekends, etc. Another item the article mentioned is that Gen Y expects the company to come to them. This means having staff who can market and talk to the Gen Y types at skateboard parks, concerts and shopping malls.

Gen Y are also more involved with social issues than generations preceding them. The credit union, by adopting a more aggressive community involvement movement, could reach more of the youths. One consideration is providing a "Community VISA card" in which a portion of the interchange income can be donated to a social issue group within the community.

Gen Y are more likely to use web services over the traditional physical branch. Gen Y do not like the traditional methods of advertising. They

prefer advertisements which are more direct and cool. The credit union could position themselves well with Gen Y by adopting a website aimed exclusively towards them. They would be wise to also offer a contest, open to this generation, to design online content and advertisements for the credit union.

The credit union will also want to develop the ability to access their accounts by use of cell phones. While mobile banking has been available, the cost to implement could not be justified due to lack of usage by the current users of home banking. To attract the Gen Y demographic groups the credit union will need to provide this service, as well as be able to submit and receive chat messages from the Gen Y account holders.

DEMOGRAPHIC

Factor: The baby boomer population is getting older.

Assumption:

According to the Credit Union Environmental Scan 2005-2006, the baby boomer generation is fast approaching their retirement age of 65. This will result in fewer members in the borrowing age and less usage of lending products.

Impact:

Approx. 30% of the current membership is between the ages of 45-54, 18% are between 55-64 and 13% are in the 65 plus age group. This represents over 60% in the baby boomer age group. Without creating products which these seniors can use, the credit union could experience a decline in loan interest.

Response:

Continued efforts to promote Reverse Mortgages to our membership will help the baby boomers economically and generate rate income for the credit union.

The credit union should begin offering saving/investment products which these individuals would use based upon years of trust developed. Some products to consider would be: Senior CD which would pay interest monthly and would be linked to a safe, stable index and government bonds sold through an internal partnership with a brokerage service. The credit union could also provide educational services for these seniors as they reach retirement to protect their estates from taxes.

ECONOMIC

Factor: Credit Card debt continues to climb

Assumption:

Credit card debt will continue to increase as some banks are turning to credit cards as an alternative to the recent real estate problems. According to a recent article in the Baltimore Sun, with regulators and investors discouraging mortgage lending, banks are turning to credit cards as the next area for loan growth. During 2006, credit card solicitations increased over 2005 levels. With the increase of solicitations, the percent increase in acceptance of these solicitations has more than tripled compared to 2005 levels.

Impact:

The renewed interest from banks into the card market will place pressure upon the credit union to compete in the market and potentially lose some of the market if they cannot compete.

Response:

The credit union has successfully grown its card portfolio over 10% per year for the past three years. With the increase in competition the credit union will need to be willing to offer reduced rates, rewards and other promotions to maintain this pace.

The credit union will also need to look at ways of reducing the costs associated with the program. The credit union currently offers the card types; VISA Classic, VISA Gold and VISA Platinum. The credit union should consider reducing the three card programs into two programs to reduce cost.

The credit union should also do a review of current supplemental income being earned on the program. By maximizing this income the credit union can better absorb a potential drop in VISA cards and balances.

The credit union will also want to develop and aggressively pursue the Student VISA market. This market will allow for new card penetration for the current portfolio.

Also with a renewed interest from banks in the card market, the potential sale value of the portfolio might be worth considering. An analysis should be done and determine the feasibility of selling the portfolio.

COMPETITIVE

Factor: The number of credit unions continues to decline as mergers continue.

Assumption:

According to the August 2007 issue of the Credit Union Trends Report, published by CUNA Mutual, the number of credit unions declined by 158 through the first six months of 2007. The report sights mutual beneficial mergers leading the way in mergers. Recent compliance complexities and necessary economies of scale and scope are also leading to more mergers.

Impact:

The credit union could be considered a merger partner by other credit unions within the St. Louis geographical area.

Response:

The credit union has a strong volunteer base which currently is not seeking to be merged by other credit unions.

The credit union has strong capital and continues to desire to grow within the Saint Louis geographical region.

The credit union has a strong management team and has also developed a succession plan for business continuity in the event that management experiences turnover.

While there is no desire to be merged into another credit union, the credit union will need to consider the possibility of looking for potential merger partners to achieve economies of scale during the recent tightening of the interest rate margin and potential decline in consumer loans.

Also, with the strong management team in place, the credit union could serve those smaller credit unions with management assistance. For example, the management team could assist the smaller credit union in creating a strategic business plan, develop stronger lending policies, and teach advanced ALM theory to maximize return on investments. The credit union could also consider providing processing services to the smaller credit union to help the credit union control their costs.

[To meet minimum requirements, a source list is also needed.]

Example Two

Social / Cultural / Demographic

Factor

The Asian population is the 2nd fastest growing group in the US.

Assumption

The 2006-2007 Escan indicates business ownership rates for this population will be above that of the general population, making this group particularly attractive for many financial institutions offering business services.

The Asian population also possesses the following impressive personal financial statistics:

- 55% are homeowners
- 45% have incomes above \$75K annually
- 75% rely on online services as a primary source of contact with financial institutions

Impact

As this population experiences rapid growth, financial institutions offering competitive mortgages, wealth management, business services and innovative online products will have incredible opportunities.

Response

XYZ Federal Credit Union will soon implement a full suite of business and mortgage services. The Credit Union should also evaluate current wealth management programs, which will be very important to the retention of this population.

Furthermore, the constant evaluation of online technology is vital for success with the Asian community based on their propensity towards online services. The challenge remains differentiating ourselves from local banks and making personal member attention a more important element of relationships with financial institutions.

Social / Cultural / Demographic

Factor

According to the Filene Research Institute, the average age of the adult credit union member is 47. In a recent article published in the March/April 2006 of *The Federal Credit Union*, Douglas Robinson said "NCUA data show that by the end of 2005, the membership growth rate at federally insured credit unions was almost half of what it was five years earlier."

Assumption

Generation Y will represent the majority of consumers within the next 10-15 years. Studies show this group's population is much larger than Generation X.

Impact

The Filene Research Institute estimates that the average credit union will lose 14 million in loans alone if they do not improve penetration into this population. This research also shows 60% of Generation Y will be loyal to their financial institution and are twice as likely as “baby boomers” to purchase additional products or services.

Key Stats to consider:

- spending \$200 billion annually
- 4 million new auto drivers every year between 1995-2010

Response

Surveys of Generation Y, as described by the 2006-2007 EScan, indicate 50% are either “not very” or “not at all” familiar with the credit union industry. Community outreach programs focused on education is key. The Credit Union must use innovative marketing techniques geared to the short attention span of this powerful group. Online services are a must. Having these services is only half the battle – keeping up with changing trends and technology will be as important to satisfy the demands of Generation Y.

Economics

Factor

Real Estate lending remains strong in today’s economy, although a slight slow down is likely.

Assumption

Although the housing market has cooled off in 2006, there are still growth opportunities for the credit union industry. Many who took advantages of ARM’s 2 to 3 years ago will soon be seeking fixed rate options.

Impact

XYZ Federal Credit Union will experience significant growth by implementing a full service mortgage program. Currently, only a handful of mortgages exist on the Credit Union’s loan portfolio representing less than 2%. The surrounding community still experiences home growth above the national rate due to lower housing costs and a strong labor market.

Response

Target marketing focused on those consumers facing ARM repricing should be a top priority.

As a result of CUNA’s HLPR program, the 2006-2007 EScan states the goal is to increase first time home ownership by accumulating \$10 billion in credit union HLPR commitments over the next five years. Already, over 100 credit unions have signed up to participate in the program.

Along with competitive mortgage lending, offering this program allows XYZ Federal Credit Union to capitalize on its momentum.

Technology

Factor

Online fraud and electronic theft continues to threaten all US consumers.

Assumption

Complex fraudulent schemes remain a major threat to our society. As these crimes continue, the government and NCUA will require more investment in regards to protecting data. New technology aimed at security and social engineering education programs remain a focus for credit unions.

Impact

Any future successful attack at XYZ Federal Credit Union will result in a loss of member trust. In return, loyalty suffers and the member reacts by telling their “horror” stories to the community. As a result, the solid brand of XYZ Federal Credit Union loses its effectiveness to draw in new members. Growth is stifled and any solution requires a struggle to recapture the Credit Union’s longstanding reputation.

Response

In October of 2005, the FFIEC issued a letter requiring financial institutions to adopt two factor authentications for their web sites. However, the *Jupiter Research Study’s* information as posted in May 2006 at www.jupiterresearch.com concludes only 38% of consumers said more complex logins would ease their concerns. Consequently, along with technology, education to the member and staff provides a key supplement necessary to mitigate risk.

According to TCUL’s summer 2006 *Lonestar Perspectives*, Kirk Ergang, Senior VP at First Data Debit Services, stresses that credit unions must improve data detection capabilities by investing in these technologies:

- Computer fingerprinting to create unique PC identifiers
- Enhancements to neural networks
- Profiling online banking patterns
- Digital signatures and biometrics; and
- Enhanced internet security

Competitive

Factor

The financial industry is a highly competitive market. Banks with unlimited financial resources continue to add more services promoted by huge advertising campaigns. Consumers seek out institutions willing to evolve and offer services aimed at lower rates and the most efficient delivery.

Assumption

Jim Hanson, VP of CUNA Center for Personal Finance reiterates “Innovation and service are both reasons why the credit union system has topped

every American Banker consumer satisfaction survey since 1989, and will to do so well into the future.”

Staying on top of this survey takes hard work and innovation from credit unions. Banks are on a continuous mission to take members out the door of local credit unions.

Impact

At the same time credit unions are pressured to introduce innovative products, requirements to minimize operational costs are stressed. The 2006-2007 Escan explains that for the first time, average net interest margins are now lower than operating expenses. This places added stress on the effort to stay competitive and to implement solutions with an aggressive focus on cost control.

Response

Keynote Systems, Inc. published a white paper entitled “Growing Market Share in a Highly Competitive Financial Services Industry” which explains the key to consumer acquisition and retention is setting sights on the customer experience of premium value added services. Focusing on feedback is critical to ensuring services fulfill the expectations of the membership. Further, soliciting comments on possible new ideas provides an effective means to gain insight into product direction. In order to capture this vital information, XYZ Federal Credit Union should implement a service level management concept which benchmarks and measures overall satisfaction of services against member feedback.

Collecting this data is only half the battle. Implementing those desired initiatives must be executed to complete a total service level management program, as well as a thorough ROI analysis.

Physical Environment

Factor

XYZ Federal Credit Union sits in a threatening location surrounded by _____ and the _____.

Assumption

In 2005 Continuity Central Coop surveyed 183 US and European cities concerning their preparedness and perceptions about business continuity planning:

- 80% stated they were not fully prepared for a disaster
- 56% had not updated their plan within the last year
- 72% said the government did not have an established plan to stabilize the community in the event of a disaster

Impact

A _____ or _____ disaster would pose a serious threat to XYZ Federal Credit Union. All

branches are located in close proximity allowing a single disaster to potentially close all locations. Since XYZ Federal Credit Union is a major financial institution in the area, closings of all branches would have severe affects on the community and the Credit Union brand.

Response

Although the Credit Union cannot avoid catastrophic events in the area, proper planning and management can minimize the affects. Rich Shaffer writes in the April 2006 *Credit Union Magazine* “Your credit union’s reputation is at risk if you don’t plan for and take control of disaster situations”.

The 2006-2007 Escan points out these important elements of a solid BCP:

- Business impact analysis
- Risk assessment
- Risk management
- Risk monitoring

XYZ Federal Credit Union has developed a comprehensive business continuity plan but must remain vigilant to assessing new threats and improving processes as applicable.

Works Cited / References

- Credit Union Environmental Scan (Escan) for Strategic Planning – 2006/2007
- Keynote Systems, Inc. (www.keynote.com) Whitepaper “Growing Market Share in a Highly Competitive Financial Services Industry” by Eric Stokesberry
- Credit Union Business - July 2006 “Technology Targets Business Services” by Michael P. Voelker
- The Federal Credit Union – March/April 2006 “The Right Mix” by Douglas Robinson
- Credit Union Magazine – April 2006 “Disaster Recovery Lessons Learned from the Sago Mine Disaster” by Rick Schaffer
- The Filene Research Institute’s COOL Solutions Presentation As presented at the COOL Solutions Conference March 16-17, 2006 sponsored by the Ohio Credit Union League
- TCUL Lonestar Perspectives – Summer 2006 “Winning the Battle with Fraudsters” by Kirk Ergang, Senior VP at First Data Debit Services
- Jupiter Research (www.jupiterresearch.com) “Online User’s Concerns about the Security of Their Financial Information” Consumer Survey Data, May 19, 2006

Outline

- **For the student**
Provides focus as the plan is developed.
- **For the credit union**
Provides a quick summary of the credit union's strategic direction.

Create an **Outline of SIs 1-5**, including:

- Measurable Objective Statements
- Strategy Headings
- Tactical Action Plan Headings

The outline serves as a guide. It is normal for the outline to evolve as Strategic Initiatives are developed. If you are questioning a change you are thinking about, contact the school director or project evaluators.

Once the outline has been approved:

- It does not have to be resubmitted until the final project submission. At that time, update the outline to reflect actual SIs.
- Send a copy of the approved outline to the school director.

When preparing the initial project outline, write the best guestimate for objectives and strategy and tactical action plan headings.

Financial Management is both a required 5th SI and the last SI students develop. Realizing many students may have no clue as to the direction to take for the Financial Management SI, students are encouraged to visit with the chief financial officer, CEO, board chair, or other appropriate person at the credit union. Ask what is seen as the most important area(s) of focus in terms of financial management for the strategic direction of the credit union.

It is acceptable on the 5th SI (Financial Management) to just list the SI heading, waiting on the objective statement, strategies, and tactical action plan headings until the second SCMS Mid-Year class session. At that time, the ALM team works with students to refine and polish the 5th SI objectives and strategies.

The outline does not include history, SCOT, external analysis, internal analysis, tactical action plan detail, or cost-benefit analysis.

There is no need for Debbie to approve the financial management SI section of the outline during the initial submission process.

Example One

At Your Service Credit Union Strategic Plan Outline 2011-2012

Strategic Initiative 1 – Membership Growth

Objective: To continue a steady increase in our membership base from 43,065 to 47,000 by year end 2012 for an overall increase of 9%.

Strategy 1: Improve product / service offerings and quality of service to increase member retention.

Tactical Action Plan 1: Establish member service / loan call center

Tactical Action Plan 2: Modify / simplify draft accounts down to two account types

Tactical Action Plan 3: Redevelop term share certificate program geared towards short term certificates with additional member options

Strategy 2: Introduce new member service oriented products to increase Hispanic membership growth.

Tactical Action Plan 1: Establish a bilingual website / bilingual internet banking

Tactical Action Plan 2: Introduce a quarterly or semi-annual training workshop for the Hispanic population new to the United States

Strategy 3: Develop new strategies and products to increase youth membership.

Tactical Action Plan 1: Expand ATM locations to high school and college campuses

Tactical Action Plan 2: Establish at least one on-site high school branch

Strategic Initiative 2 – Human Resources

Objective: To increase employee product knowledge, improve training and new hire procedures, and lower employee turnover [consider adding “from x%”] to 30% or less by year end 2012.

Strategy 1: Improve training procedures and improve employee product knowledge.

Tactical Action Plan 1: Hire a product trainer / employee instructor and implement a regular training program for new and existing employees

Tactical Action Plan 2: Train teller department to perform additional job functions, i.e. notary public

Strategy 2: Develop and implement new hire procedures and practices.

Tactical Action Plan 1: Develop new hire practices / interview questionnaire

Tactical Action Plan 2: Develop an internal application for current employees interested in transferring to available positions within the credit union

Tactical Action Plan 3: Create and implement an interactive on-line job application to post on our website

Strategy 3: Examine and redevelop existing evaluation and incentive procedures to improve employee retention.

Tactical Action Plan 1: Create a new performance appraisal form

Tactical Action Plan 2: Redevelop and establish guidelines for Employee of the Month program and get HR supervisor involved with the program

Strategic Initiative 3 – Technology

Objective: To remain both competitive and convenient to our members by staying current on technology and offering new and exciting ways to service their financial needs.

(COULD THIS BE RESTATED TO CREATE A MEASURABLE STATEMENT?)

Strategy 1: Become more aggressive and offer more advanced products in regards to debit and credit cards as well as ATM locations.

Tactical Action Plan 1: Remove existing [name] internet credit card product and roll all credit card information into internet banking, i.e. view history availability, payment options, credit limit increases, etc.

Tactical Action Plan 2: Look to drive our ATM network internally

Tactical Action Plan 3: Expand our ATM network by joining a nationwide surcharge-free network, i.e. [name]

Strategy 2: Upgrade existing software applications to improve employee job performance and services offered.

Tactical Action Plan 1: Look for one piece of software to replace existing products such as [name] and [name], i.e. [name]

Tactical Action Plan 2: Replace existing indirect lending software with an on-line, dealer friendly software application such as [name]

Strategic Initiative 4 – Loan Growth and Enhancement

Objective: Increase loan mix to [consider adding “from ___%” to] 75% while maintaining a delinquency ratio below peer average by January 2013.

Strategy 1: Redevelop and modify existing loan policies and procedures.

Tactical Action Plan 1: Review and modify current lending approval levels to help speed up / simplify the loan approval process

Tactical Action Plan 2: Implement a policy to improve credit card decisioning to a turnaround time of 48 hours or less

Tactical Action Plan 3: Review and modify terms on automobile and boat loans

Strategy 2: Aggressive marketing campaigns to bring in new loans.

Tactical Action Plan 1: Implement aggressive marketing and promote new loan specials such as 2% below current rate, etc.

- Tactical Action Plan 2:** Implement a semi-annual credit training workshop in high schools
- Tactical Action Plan 3:** Promote LOC, credit cards, and other unsecured loans with a variable interest rate
- Strategy 3:** Improve business lending portfolio.
 - Tactical Action Plan 1:** Hire business lender, write business lending procedures and policies, market and establish business lending department

Strategic Initiative 5 – Financial Management

Objective: To maintain a net ROA of 1.50% or higher through 2012.

- Strategy 1:** Manage net operating expenses to maintain a 1.75% ratio or below through 2009 year end.
 - Tactical Action Plan 1:** Research and implement fixed asset accounting system
 - Tactical Action Plan 2:** Develop and apply a tracking system for inventory control / supplies
 - Tactical Action Plan 3:** Review 3rd party contracts for possible cost cuts
- Strategy 2:** Increase fee income by 6% from mid-year 2006 to year-end 2009.
 - Tactical Action Plan 1:** Implement instant issue debit card software and hardware
 - Tactical Action Plan 2:** Examine introducing new fees such as a document fee when doing a buy / sell loan or title paperwork, notary public fee, etc.

Example Tw0

**HereToStay Credit Union
Strategic Plan Outline**

Strategic Initiative 1: Membership Growth

Objective: Increase membership growth to 47,531 members by December 2012 resulting in 3.1% growth each year and a net increase of new 2815 members.

Strategy 1: Develop and Implement Member Retention plan

- Tactical Action Plan:** Develop and Give a member survey.
- Tactical Action Plan:** Implement New Help You Save Program to attract new members.

Strategy 2: Develop and Implement plan to attract new members.

- Tactical Action Plan:** Implement new members' rewards program.
- Tactical Action Plan:** Implement an additional student branch at Mustang High School or Moore High School.



Strategic Initiative 2: Loan Growth

Objective: Increase consumer loan growth by 5% by year end 2011 and 5% by year end 2012 while maintaining a charge-off ratio below peer group.



Strategy 1: Maintain and promote loan recapture to decrease loan run-off

- Tactical Action Plan:** Every quarter utilize a recapture loan mailer program.
- Tactical Action Plan:** Send members who have a recently paid off loans a mailer to try and recapture their next loan.

Strategy 2: Increase loan penetration % for each member.

- Tactical Action Plan:** Utilize MCIF program to identify members who don't have a loan with us and send a discounted loan offer to them.
- Tactical Action Plan:** Utilize credit report for each member loan request to cross sale member additional loan products by refinancing other financial institution loans.

Strategic Initiative 3: Human Resource Management

Objective: To reduce turnover from 28% to 15% by December 31, 2012 a net decrease of 13%.

Strategy 1: Revise and/or implement New Employee programs to increase retention of employees.

Tactical Action Plan: Revise New Employee Orientation program to improve.

Tactical Action Plan: Implement a training buddy program and follow-up system for all new hires.

Strategy 2: Implement a career development program for Employees

Tactical Action Plan: Develop a career path plan for each employee

Tactical Action Plan: Give an employee survey to existing employees to determine reasons for staying with the credit union and utilize it to improve retention of all employees.

Strategic Initiative 4: Electronic Services

Objective: To increase member usage of online services and self service options by 10% by December 31, 2012.

Strategy 1: Increase current members' usage of online banking system.

Tactical Action Plan: Promote online banking with an ongoing marketing campaign to encourage usage.

Tactical Action Plan: Utilize a quarterly contest with current employees to assist and encourage members to sign up for e-statements.

Strategy 2: Increase new members' adoption of self service options.

Tactical Action Plan: Adopt an automatic opt-in plan for all new members for online services and e-statements.

Tactical Action Plan: Implement a fee or develop a new account for paper statement users and non-self service options to reduce costs.

Strategic Initiative 5: Financial Management

Objective: Maintain ROA at current rate of .55% through December 31, 2012.

Strategy 1: Increase Fee Income to peer group average.

Tactical Action Plan: Compare our fees and services with our Peer Group and utilize their numbers to increase our fees to be competitive.

Tactical Action Plan: Increase late payment fees on all loan categories.

Strategy 2: Lower net operating expenses.

Tactical Action Plan: Bid health insurance and employee benefits to reduce overall benefit costs.

Tactical Action Plan: Review loan charge offs. Work with members to recover amounts prior to sending to collection agency.



Example Three – Partial Sample

**SAM MCDARGH, CHANGE AGENT
PILLAR LAKES FEDERAL CREDIT UNION
SCMS CLASS OF 2011**

**STRATEGIC INITIATIVE OUTLINE
(Approved by John Vardallas, January 2010)**

Strategic Initiative 1 – Technology	
Objective:	To increase home banking users from 1,143 (1/1/2010) to 1,521 by 12/31/2012 (10% annual growth).
Strategy 1: Simplify e-service offering by combining home banking, bill pay, credit card account management and e-statements into one platform.	
Tactical Action Plan 1	Convert to CAVION single sign-on platform.
Tactical Action Plan 2	Redesign Web site to quickly and easily lead members to home banking / e-service platform.
Tactical Action Plan 3	Train employees on simplified platform and new administrative site.
Strategy 2: Improve employee communication on multi-factor authentication (MFA) and home banking / e-services.	
Tactical Action Plan 1	Develop procedure and how-to sheet on MFA and sign-on processes for front line employees to use with new and existing members.
Tactical Action Plan 2	Expand SEG on-site enrollment closing process to include e-service and MFA demonstration.
Strategy 3: Improve home banking / e-service communication to membership.	
Tactical Action Plan 1	Develop a home banking / e-service lunch-n-learn presentation to use in SEGs.
Tactical Action Plan 2	Introduce quarterly branch “lobby days” to raise awareness of home banking / e-services.
Tactical Action Plan 3	Design marketing campaign to promote home banking / e-services to new and existing members
Strategic Initiative 2 – Membership	
Objective:	To increase membership from 8,099 to 9,376 (5% per year) by December 31, 2012.
Strategy 1: Refocus business development on new select employer group (SEG) recruitment.	
Tactical Action Plan 1	Set monthly, quarterly and annual goals for cold calls and SEG recruitment.
Tactical Action Plan 2	Establish reward program for staff members who refer potential SEGs that are successfully recruited as SEGs.
Strategy 2: Expand community charter.	
Tactical Action Plan 1	Submit community charter package to NCUA for expansion into Perry, Yell, Scott, Sevier, Howard and Polk Counties.
Strategy 3: Reduce memberships closed due to inactivity by 10% annually.	
Tactical Action Plan 1	Track new and existing SEGs for payroll consistency.
Tactical Action Plan 2	Utilize Harland computer system generated letters to remind members of potential inactive fee.
Tactical Action Plan 3	Develop a marketing plan to target low-balance, inactive members.
Strategic Initiative 3 – Human Resources	
Objective:	Maintain a ratio of .60 to .68 in the number of full-time employees to million dollars in loans and share drafts ratio through 12/31/2012.
Strategy 1: Reduce full-time staff without sacrificing member service levels.	
Tactical Action Plan 1	Replace full-time positions with part-time when appropriate.
Tactical Action Plan 2	Research feasibility of utilizing temporary personnel from a staffing company for receptionist position.
Strategy 2: Streamline lengthy member processes.	
Tactical Action Plan 1	Establish designated telephone tellers to reduce member phone calls to front line positions.
Tactical Action Plan 2	Streamline account research requests with a procedure and guidelines for resolution.

Developing the Strategic Initiatives (SIs)

SIs move your credit union from where it is today to where it wants to be tomorrow. A well developed SI should:

- Answer who, what, where, why, when, and how.
- Be executable even if you are not available for an extended period of time.

For each Strategic Initiative, develop:

One Two-Year, Measurable, OBJECTIVE

- Achieve or maintain a minimum of
- Bring in-house, out source, or partner
- Develop
- Eliminate or phase out
- Establish
- Explore
- Identify
- Improve, enhance, change, or revise
- Increase
- Keep pace with or outdistance
- Produce and market
- Attract or retain

Two STRATEGIES for each objective

One TACTICAL ACTION Plan for each strategy (with majority of implementation dates starting 2013 and 2014)

One cost-benefit analysis for each Tactical Action Plan, including:

- Benefits
- Implementation Costs
- Income
- Costs
- Critical Assumptions
- Risks (If there are no risks, don't leave the reader guessing. Indicate there are no risks.)

Students are encouraged to use Membership for the first SI and for Innovation to be another one of the SIs.

Additional information pertaining to the Financial Management SI ... the 5th (last) SI to work on.

Due to the importance of financial management, timing of year-end financials, and the scope of your project, the 5th SI is Financial Management.

- SCMS courses year one and year two are designed to help build financial management knowledge.
- During the 2nd Mid-Year Classes (between 2nd and 3rd year of SCMS), students receive one-on-one financial management and projections counseling to assist with the development of the Financial Management Strategic Initiative.

Financial Management Internal Analysis

This section provides an overview of the current financial position of the credit union, addressing:

- The strengths and weaknesses of the credit union.
- Any strengths, challenges, and significant events that may affect the next two years and are likely to impact the projection results. These would include the transactions like:
 - Addition or Sale of Fixed Assets.
 - Change in Staffing Levels.
 - Mergers
 - Adding or Eliminating Products or Services.

The internal analysis should be no more than three pages. In the internal analysis, the evaluator is looking for statements like:

- Earnings declined in 2012 because ...
- We had an increase in net charge-offs in 2012 because ...
- Loan quality declined as a result of ...
- We have an extremely high net worth ratio because ...
- Our loan mix is above peer because ...
- Expenses are higher/lower than most credit unions because ...

Additional Requirement for the Financial Management SI - Projections

Projections include the expected results from all of the TAPs of all SIs, plus activities occurring beyond the scope of the project. Activities not covered by the project should be addressed in the internal analysis and might include:

- Have staffing levels increased or decreased?
- Any change in product/service offerings?
- Changes to fixed assets?
- Was compensation adjusted for cost of living? Incentives?
- Do ratio results support the goals set in all SIs?
- If fixed assets were added or sold, does the balance sheet amount reflect that?
- Is allowance sufficient to cover future potential losses?
- Are rates and yields reasonable given the current economic environment?

The projection spreadsheets include four pages:

- Two year projected balance sheet
- Two year projected income statement
- Capital reconciliation page, and
- Calculation of financial management key ratios.



Students projections are for year of graduation and the following year.

For example:

If one of the SIs focused on Membership Growth, it is expected that projections account for areas like:

- New deposits, therefore dividend costs.
- New loans and loan income or investment income if new deposits are not loaned.
- Possibly fee income if some of new deposits are checking accounts.
- Expenses might include marketing and provision for loan loss if money is loaned.

Students receive approval on the FM part of the project from the ALM team, either by phone or e-mail. All project papers plus the Evaluation Form are returned to you.

For the Financial Management SI only:

It is permissible to have more than one objective with a minimum of one strategy per objective, as long as the complete Financial Management SI has a minimum of two strategies, each with a minimum of one tactical action plan. Each action plan must have a cost-benefit analysis.

For the project to meet SCMS minimum standards:

- **Implementation** steps should begin no earlier than late the year of graduation, with majority of the action plans steps occurring late year of graduation and into the following year.
- Revise, assess, or analyze steps **do not count** as action steps beyond year of graduation.

The Financial Management SI must be approved before sending the final project submission to John. .

A Sampling of Potential Strategic Initiative Areas, Ideas & Approaches

Strategic Initiatives – always include:

- **METHOD OF MEASUREMENT**
- **A Completion by Date!**

Testing a Strategic Initiative

- Can the SI be supported with enough detail to develop the tactical action steps and cost-benefit analysis process?
- Does the strategy merit detailed actions steps?
- If only a few action steps, no additional resources, little or no costs, no risks, is the strategy strategic? Should the strategy be implemented now?
- Would the strategy stand on its own if given to someone else to implement?

Financial Management

Asset Yield:

- loan income
- investment income

Cost of Funds

Gross Spread

Net Operating Expense Ratio

- increase fee income
- decrease expenses

Operating Return on Assets

Net Charge Offs/Average Total Assets

Net Return on Assets

Loan/Asset Ratio

Net Charge Offs/Average Loans

Net Worth/Assets Ratio

% of change for:

- assets
- loans
- net worth

Innovation/Technology

of new services (the kind of new services with year of services implementation)

of employees enrolled in PC related/software courses

Establish technology task force to define technology based needs and deliver written technology plan by _____ (date)

To design and implement technology plan by _____ (date)

Increase application usage within the credit union by # of employees or # of programs employees are proficient at

Increase % of member usage of technology based services

Growth

Increase in [type of account] usage by \$ and %

Increase in loan volume by \$ and %

Increase in average ___ balance by \$ and %

Users of Services

Asset or deposit redistribution

of users per service

Borrowing members/members ratio

Average # of services per member or household

% of members viewing CU as their primary financial institution (PFI)

Membership

and % of increase

and % of increase in secondary or family members

and % of increase in age bracket (member/primary potential member ratio)

Image

Conduct a member survey by _____ (date)

of programs to educate and increase member awareness about the uniqueness of credit unions as financial service providers

Develop a plan to educate SEGs on the importance of credit unions to company employees by _____ (date)

of lobbying efforts at the state and national level to educate and increase political awareness about the uniqueness of credit unions as financial service providers

and % of favorable responses to (price, professionalism, quality of service, convenience, etc.)

Develop a plan to become involved in the political process with local and national politicians by _____ (year)

Conduct an employee morale survey by _____ (date)

and % of return on survey

and % of increase in positive member perception of service or product quality from one survey to the next

and % of members viewing CU as primary financial institution (PFI)

Time on hold or number of calls on hold

Time member enters credit union until teller/loan/member service transaction is complete

of statement or transaction errors

Human Resource or Talent Management

and % of turnover (due to termination and employee dissatisfaction)

Degree of improvement — pre-test/post-test # of training programs held/attended each year

Salary and benefit as a percentage of operating expense

of staff/officials to be trained each year

Target dates when type of training will be held

of full time equivalent employees/million dollars in loans and share drafts ratio

Develop training program for employees/members with written plan due by _____ (date)

Additional Ideas for measurement related to HR/Talent Management from *Talent Management* (Training & Development Magazine – July 2006)

Learning

Talent Acquisition/Recruiting

Reward and Retain

Succession Planning

Compensation

Performance Management

Leadership Development

Aligning People, Business Goals

Talent Management Metrics

Workforce Planning

Training and Development

Assessing Skills, Competencies

Career Development

Pay for Performance

Redeploy/Retire

Create and Manage HR planning, Policy & Strategies

Develop and Counsel

Manage Employee Information

Additional areas for SI that have been successfully developed in the past:

Advocacy/Political Action

Branch Expansion/Consolidation/Closing

Branding

Business Accounts

Business Continuity

Business Development

Community Involvement (could be part of Advocacy or Growth)

Contingency Planning

Delivery Systems

Eliminate, Consolidate, or Streamline

Facilities

Going Green

Innovations

- Leap Frog Ideas
- New Products/Services
- Process Improvement

Reducing Carbon Footprint

Retail Delivery

Risk Management/Mitigation

Security

Service Quality

Internal Analysis

The internal analysis covers:

- Information about "business as usual".
- Trends.
- Magnitude of the change(s) proposed by the strategies.
- Policies and/or suggested policies as applicable to each SI.

Develop one internal analysis for each SI.

- Summarize the credit union's past performance relative to the SI, focusing on the most recent five years.
- Use narrative with charts/graphs as appropriate. Even if charts/graphs were previously used in your history section, repeat as appropriate with each SI.
- Don't leave the reader wondering what direction the plan is taking. Draw conclusions.

See page 36 for additional information specific to the Internal Analysis section of the Financial Management SI.

Johnny Vs Tips from the Evaluators Corner

The internal analysis makes or breaks more SIs than any other part of the SI write-up, with the exception of possibly the cost-benefit analysis.

Objective Statement

Objectives:

- Define the basis for action, providing metrics (measurements) to benchmark and assess the success or failure of the desired outcome.
- Support the credit union mission and vision.
- Help the reader understand the magnitude of change over a specific period of time, clarifying expectations and performance standards.

Think in terms of what you want to accomplish for your credit union:

Achieve	Build
Complete	Design
Develop	Identify
Implement	Increase
Provide	Purchase
Recommend	Reduce

Develop at least one two-year objective for each Strategic Initiative.

Objective statement test:

Ask if it is understandable and realistic.

Sample Objective Statements:

- Increase total membership 5% per year from ___ to ___ by 12/31/14.
- Complete a membership survey by June 30 every other year, beginning in April 2013.
- Maintain a minimum member satisfaction rating of 90%. (reader assumes credit union already at this level. If not, should be stated as a change from ___ to ___, maintaining....)
- Implement remote banking option by 9/30/2013.
- Enroll 20 new youth account members, increasing membership by X%, from ___ to ___, by December 31, 2014.
- Form a task force to review types of loans offered, preparing recommendations for streamlining the lending process by reducing or combining various types of loan products by 8/31/13.

Strategy Statement

A brief statement describing how the objective will be accomplished.

Strategies impact the credit union's future and financial condition.

Develop at least two strategy statements for each objective statement.

Sample Strategy Statements

- Close one branch location.
- Conduct member use of products/services observational study.
- Expand the Credit Union's presence in both San Dimas and the greater Texas area.
- Implement mobile deposits.
- Increase loan income to \$21 million by 2011.
- Increase membership in the Hispanic community.
- Open a high school branch.
- Research, build, and implement a centralized call center to handle all incoming member calls.
- Seek Collaborative Opportunities.
- Simplify the number of checking accounts offered.

Honors Tip - consider adding:

- If the strategies are successful, how will the change impact the credit union. For example, for a membership SI, what will membership grow to over the next two years based on your strategies?
- Check points along the way to determine if strategy should continue, modify or be aborted.

This is a Test!
Objective or Strategy, that is the question!

Place an **O** for objective or **S** for Strategy for each of the statements in the right hand column.

Statement	Objective or Strategy
Provide full service branches to members and potential members within close proximity of local college campuses by January 1, 2014.	
Increase our cash available and reduce operating expenses by processing member's checks electronically through ABC Company.	
Increase ROA from .47% to .66% by 12/31/2014.	
Establish an incentive program to reward those participating in community service.	
Increase loans to XYZ \$130 million by May 2014 (80% increase from May 2012).	
Increase total loans outstanding by 10% annually from \$1.15 billion to \$1.534 billion by year-end 2015.	
Expand family participation.	
Seek opportunities to grow through merger.	
Increase the Hispanic membership	
Increase the penetration of checking accounts from 21% of eligible members to 25% by the end of 2013 and to 30% by the end of 2014.	

Headed in the right direction with room for improvement. Clarify or fix the following objective statements?

Increase ABC Credit Union's membership to 46,000 by 2014
Maintain optimum benefits within best cost structure.
Improve training and communication for all staff by 2014.
Increase ROA from .47% to .66% by 12/31/2014.

Tactical Action Plans (TAPs)

Provide direction for the execution of the strategy to achieve the objective.

Develop a minimum of one tactical action plan for each strategy, including a clear statement of the SI, objective, and strategy it supports. Add narrative, definitions, assumptions, etc., as needed to communicate desired outcome.

Tactical action plans for the 1st SI may begin the student's second year of school. Each of the remaining SIs should have the majority of tactical action plans starting late the year of graduation or the following year.

For each Tactical Action Plan include:

- **Detailed steps** to implement the Strategy. If it's important enough to include in the project, it's important enough to have sufficient detail to be implemented without your voice to make it happen.

In most cases, if there are only two to five, even 10, action steps, important details or steps are probably missing. Or it's so easy to do, why not implement now? It's not strategic in nature.

- A **start and completion date** for each step.
- The **team leader along with team member(s)** [listed by position — not by name] for completing each step.
- A **list of resources** needed for the action plan.
- A **list of benefits** if the action plan is implemented.
- A **Cost-Benefit Analysis (CBA)**, including a list of out-of-pocket expenses and non-financial costs related to the specific tactical action plan.

The cost-benefit analysis shows how your credit union income and expense statement would change if you:

- Start the TAP and decide not to go through with it (implementation costs, also referred to as the cost of failure), or
- Complete the TAP and it succeeds.

The CBA also provides measurement(s) to help monitor and know if the TAP is on target or needs to be updated.

- Comments on improving the tactical action plan process (if applicable).

Tactical Action Plan Test

If the Tactical Action Plan were presented to someone else for execution:

- Would the reader have a clear understanding of the overall objective or purpose of the plan?
- Are there enough details to execute the TAP without your input?
- Will others be able to assess the success of the TAP?

Reduce the chances of Tactical Action Plans being returned marked "REDO".

- 1) Follow the format in this manual. See the next page.
- 2) Simply repeating or revising the TAP on an annual basis does not count as a long range plan.

Example

If the credit union's share draft or checking program is currently *one size fits all*, a possible TAP could be developed to customize the share draft program, creating four different account types.

If the credit union already has a tiered share draft or checking program, reviewing or evaluating the program on an annual basis is considered a normal part of doing business and would not be considered a TAP.

If the credit union has 12 loan types with policies and procedures and does a review to streamlining loans to four types, this could be developed into a TAP.

- 3) TAPs can be included in each SI in which they pertain to, however, each TAP is only counted once toward the completion of project requirements.

Example

You include a copy of a TAP from the Loan SI in the Financial Management SI. This TAP does not count toward minimum requirements for the Financial Management SI. It simply reinforces it.

- 4) If all TAPs (other than evaluate or review) are complete by the year of graduation, they do not satisfy the school's minimum requirements for a two-year strategic plan – year of graduation plus one.
- 5) Each TAP has implementation costs, a separate, more inclusive, cost-benefit analysis.

Some Tactical Action Plans:

- May have no direct cost impact. If this is the case, state this on the form. Do not make the reader guess.
- May not have any quantifiable benefits or costs. In this case, the intangible benefits or costs should be summarized.

If there are no costs, and benefits can't be quantified, tell the reader why the strategy or action plan is strategic to the future of the credit union.

All SIs, Tactical Action Plans, and Cost-Benefit Analyses (CBAs) must follow the school's format! Hint: Learn how to use tables in word and this format will be easier.

Tactical Action Plan Format

Strategic Initiative #:

Objective #:

Strategy #:

Tactical Action Plan #:

Team Leader (position responsible for ensuring completion of the Tactical Action Plan):

Action Steps	Responsible Team Member (by position)	Start Date	Finish Date
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
.....			
20.			

Resources Needed (staff, facility, technology, equipment, etc.):

Benefits (*why the credit union should do this*):

Costs (*out-of-pocket dollars if the credit union implements the Tactical Action Plan*):

Implementation Costs (*cost to the credit union regardless of outcome, including such things as legal fees and loss of investment dollars*):

Additional areas for consideration:

- Comments on Improving Tactical Action Plan *Process* (*update this section as action steps progress*).
- Statements about when to review to assess success of the TAP.
- Are there any triggers that might cause a change in plans?

Cost-Benefit Analysis (CBA)

Quantifies expected income and expense directly related to the TAP timing and activities.

Develop a minimum of one Cost-Benefit Analysis for each TAP.

Include:

- Resources Needed
- Expected Benefits
- Critical Assumptions on which outcome is dependent. Include any supporting information that substantiates the cost-benefit analysis, including things like the number of new employees per year, total new loans expected, total deposits, etc.
- Risks - uncontrollable factors that may impact outcome.
- Implementation costs
- Projected Income
- Projected Costs

Sample scenarios to think about when developing the TAP and CBA.

- If the SI is to increase membership:

Can the increase be supported with current staffing levels or will employees need to be hired?

Does the credit union have a member to employee ratio? If yes, how will this ratio be impacted with the proposed increase in membership?

Example:

The current credit union goal for members to employees is to be between 450:1 and 475:1.

The current ratio is at 450:1 (49,500 members to 110 employees).

The proposed SI is projected to increase membership 10% per year over the next two years from 49,500 to 59,895.

This increase in membership increases the member/employee ratio to 545:1 (rounded) with current staffing.

How do you resolve this?

- Hire more employees?

- Change the credit union's goal or tolerance level of the members/employees ratio.
- Some other decision?
- What kind of additional loan or deposit demand will be created by an increase in membership?
- Which fees or expenses will be increased or incurred due to the increase in membership?
- If the SI is about introducing a new product or service, you may want to research the *Product Diffusion Curve*. This curve shows the how fast consumers adopt a new product based on specific consumer behaviors.

<http://www.quickmba.com/marketing/product/diffusion/>

- Innovators make up 2.5% of a consumer population. These individuals will adopt a product as soon as it is introduced.
- Early-adopters (13.5%). Follow innovators based on the innovators' positive response to the new product.
- Early-majority (34%). Will consume a new product only after they believe the product will provide them with value. Their decision is based on feedback from others and positive acceptance from early-adopters.
- Late-majority (34%). Consume a product once it has become a common product among other consumers.
- Laggards (16%). Last of consumers to adopt a product. They will only adopt the product because alternatives no longer exist.

Think of the introduction of the I-Pad and where you and others you know may fit in on this curve

- Other expenses to consider for the CBA may include: vendor fees, incentives (for members or employees), marketing expenses and more.
- Consider what types of related products or services may be consumed by the member based on the SI.

Success Notes:

The Cost-Benefit Analysis is unique to the Tactical Action Plan it is covering.

If the TAP begins 4th quarter, so do the numbers. Make sure to calculate figures correctly based on when the TAP starts.

Example: If the TAP begins in September (end of 3rd quarter), CBA figures should also be based on this start date, allocated over a four month period (Sep-Dec).

Do not incorporate or attempt to tie in the entire credit union budget into the CBA. It is for the related TAP only, seeking to illustrate for the reader, in financial terms, the potential impact of the action plan.

Think long and hard before submitting a \$0 Cost-Benefit Analysis!

Ask these questions first.

- If no costs or additional resources are needed, why not go ahead and implement now?
- If no benefits – why do it?
- Would the strategy stretch existing resources?
- Are the strategies reasonable?

You will have to sell the evaluator(s) on why a \$0 CBA is strategic!

Additional instruction is provided during the 1st Mid-Year Clas session.

Basic Information Needed for Cost-Benefit Analysis

The information below is UNIQUE to each individual credit union. See your CFO, Accountant or Manager for guidance.

% of Members with Loans	
Average Loan Balance	
Loan Yield	
Provision for Loan Loss	
Average Share Balance	
Fee Income (% of members that incur a fee, average fee per month OR fee income per member)	
Average Funds Cost (dividend expense)	
Investment Yield	
Data Processing Expense (per member)	

- If deposit volume exceeds loan volume, excess funds are invested at the current rate of return, resulting in positive investment income.
- If loan volume exceeds deposit volume, investments decline, resulting in negative investment income.
- Loan growth may impact the provision for loan loss expense unless your credit union is over-reserved for loan losses, in which case you need to state that in your critical assumptions.

For additional information, check with the appropriate individual at your credit union to find out how your credit union calculates the Provision for Loan Loss. You may also want to refer to the NCUA Letter 12-CU-09 (or most recent NCUA document related to this area).

- Other types of expense ratios to consider for CBAs as appropriate to your credit union:
 - Average postage cost/member
 - Supplies expense/member
 - Any other expenses which are significant to the credit union's operations.

Helpful tip: Keep a list of the ratios used by your credit union on an excel spreadsheet for quick reference when developing CBAs.

Cost-Benefit Analysis Format

Bullets are used to illustrate possible expenses related to the line item. For the project, only areas with income or expense related to the Tactical Action Plan need to be included in the Cost-Benefit Analysis.

The CBA should also reflect a reduction in expenses (negative expenses) if cost savings are part of the Tactical Action Plan or a reduction of investment income if amounts are used to fund loans or fixed asset acquisition.

Cost-Benefit Analysis		
Strategic Initiative #:		
Objective #:		
Strategy #:		
Team Leader:	20xx (year of graduation)	20xx (year of graduation plus one)
PROJECTED INCOME - Include all income derived from this Tactical Action Plan – for example:		
Loan Income		
Investment Income		
Dividends		
Interest on Borrowed Money		
Fee Income		
Provision for Loan Loss		
May also include loss of investment income if dollars being used are substantial and had been earning interest.		
Total Projected Income		
PROJECTED COSTS - Include all dollar costs associated with this Tactical Action Plan – for example:		
Employee Compensation & Benefits		
• Salary		
• Incentives		
Travel & Conference		
• Training		
Office Occupancy		
• Depreciation Expense		
• Insurance		
• Utilities		
• Taxes		
• Security		
• Rent		

	20xx (year of graduation)	20xx (year of graduation plus one)
Office Operations		
• Postage		
• Printing		
• Daily Expenses		
• Supplies		
• Equipment Rental		
• Data Processing		
Education & Promotion		
• Marketing Expense		
Loan Servicing (expenses related to granting or collection of loans)		
Professional & Outside Services		
• Temporary Employees		
• Contract Labor		
• Consultants		
• Attorney retainers		
• External Audit Service		
Miscellaneous Expenses		
• Cash over/short		
• Association Dues		
• Annual Meeting Expense		
• Manager Expenses		
• Miscellaneous Expenses		
Total Projected Costs		
ESTIMATED NET PROFIT (LOSS)		

Tactical Action Plans and Cost-Benefit Analysis Case Study

Background Information

Sample questions to consider when developing an objective statement:

- Is this change reasonable based on credit union history and market trends?
- Does the objective go beyond projected changes based on business as usual?
- Is the projected outcome strategic to the credit union's future?

From the SCOT & External Analysis:

- The credit union is in a position where loan growth is needed.
- Demographics for the targeted groups show potential for high loan demand.

You also:

- Used your credit union's lawyer to review the FOM expansion.
- Purchased some give-aways.
- Produced some direct mail pieces.

Preparing for this initiative, possible considerations:

- Equipment Needed:
iPad, iPhone, office computer & phone
- Facilities:
Will be able to utilize surplus office space.
No additional space expense incurred.
- Legal:
Is there in-house expertise or will an outside attorney be hired to review the FOM expansion?
- Promotional Materials
- Staffing.
A new employee is needed.

A temporary employee is hired to mail these materials.

What is the credit union's job market? Can internal HR handle or will an employment placement firm be hired?

To improve chances of success, the employee is enrolled in a sales training seminar.

As the Tactical Action Plan unfolds:

- New members begin to sign up and make deposits.
- A few take out loans and open checking accounts or get credit cards.

All these things happen during implementation of the Tactical Action Plan. *They change your credit union's income and expense statement in **all** years.* Your CBA must reflect these projected changes.

Account for member communications, share dividends, loan interest income, provision for loan loss.

Strategic Initiative – Membership

Objective

Grow ABC Credit Union Membership from ____ to ____ by <date>.

This represents an annual increase of ____ % per year over the next 2 years.

Tactical Action Plans

TAP 1: Expanding SEGs (select employee groups) to include serving large department store chain in the area.

TAP 2: Expanding SEG group to include serving nearby industrial plant.

- 1) Each Tactical Action Plan has a **list of resources** needed.

Some resources are shared with other Tactical Action Plans. In the example, the new staff person would serve the store and industrial plant employees. The cost of the equipment purchased covers both TAPS. Include the staff person, portable phone, and laptop in the list of resources for **both** TAPS.

Include in both TAPS, all the major benefits the credit union would realize if the plan succeeds.

- 2) Each Tactical Action Plan has a **list of benefits**.

List the major benefits the credit union would realize if the plan succeeds:

- Loan growth
- Membership growth

- Increase in number of products/services per member.
- Other?

3) Each Tactical Action Plan has a **list of expenses** you incur in when the TAP is executed. These are the **implementation costs**.

In the example, items included might be:

- salary/benefits (for the new person)
- depreciation costs (for the laptop and phone)
- lawyer's fees
- data processing
- supplier fees
- total costs of promotional materials (development, printing, delivery)
- postage (if direct mail is to be done in the Tactical Action Plan)
- total cost of give-aways
- temporary staff fees
- training expenses
- and all other out-of-pocket costs you incur when the TAP is implemented

4) List expenses of the TAP **for each year** in which you complete the Tactical Action Plan.

➔ It is important to project income and expenses for each year covered by action plan.

In the example, the FOM (field of membership) expansion would be completed in one year, so only one year's implementation costs are required.

- If resources are shared with other TAPs, resource costs should be allocated between the TAPs. In the example, the staff salary/benefits and the depreciation of the laptop and phone expenses, the lawyer's fees, and (maybe) the costs of promotions and give-aways are shared by two TAPs. Allocate accordingly, indicating that these are shared expenses with other TAPs.
- What to do about expenses which continue indefinitely but were incurred in one-year? In other words, the example says a new staff person is hired and a laptop and phone are purchased. The TAP lasts only one year.

How should salary/benefits and depreciation expenses be covered?

Answer: List TAP expenses for just the year the plan covers.

When preparing the CBA, include the salary and benefits, as well as depreciation expenses, for all years. They are considered additional operating expenses which continue after the TAP is done.

The CBA Does Not Just Re-state Expenses of the TAP.

Do not lump the total cost of the TAP into *operating costs*, adding dividend expense, and stopping there — it won't work!

1) Each year covered by the CBA should cover these **income** items:

- Loan income from loans generated by the TAP.
- Investment income from deposits generated by the TAP which are not loaned out.
- Fee income generated by members who joined.

Calculate these income items separately for each year.

- List income from loans, not loan volume. ←

2) Each year covered by the CBA should cover all operating expenses created by the TAP. Allocate the costs into expense items used by credit union. This means that:

- Lawyer's fees are listed as professional services
- Postage goes into postage
- Salaries and fringe are listed as salaries and benefits
- Depreciation is depreciation
- And so on, for all the expenses incurred in completing the TAP.

Include expenses for all of the years changed by the TAP.

After all of the steps required to implement the TAP are complete. Some of the expenses incurred are one-time expenses; ending when the plan is finished.

One-time expenses might include:

- Purchase of promotional materials and give-aways.
- Lawyer's fees and the cost of temporary help.
- Postage charges for the direct mail of promotional material.
- Training expenses.
- Temporary help.

Some of the expenses incurred in completing the plan are **continuing expenses**.

Continuing expenses might include:

- Salary and benefits for the new employee.
- Depreciation for the laptop and phone

Operating expenses increase because of the increase in credit union membership, deposits, and the services used at the credit union.

Operating expenses include:

- Dividend expense
- Loan Loss Prevention
- Data processing charges
- Postage
- Printing
- And all of the other related expenses.

Example

In the first year, postage expenses include the cost of:

- Direct mail.
- Mailing statements and newsletters.

In the second year, postage expenses cover only statement mailing costs (the direct mail promotion ends after the first year).

- 3) Estimate dividend expense.
- 4) Add all expense items and all income items.

- 5) It is possible to have negative expenses and income.

Example

If marketing is outsourced, a negative salary and benefits entry would be made (of course, the *professional services* category would go up).

If investment dollars are reduced, investment income would be negative.

CBA Test

Are the implementation costs the same as the expenses listed in the CBA? If yes, chances are, something is not right.

Rarely are implementation costs and expenses listed in the CBA identical.

Normally CBA expenses are greater than the implementation costs.

Word to the Wise

Do not copy CBAs from samples or other student projects. The plan you are developing is unique to your credit union, covering a specific point in time.

Sample Strategic Initiative Summaries from Previous Projects

These are Examples - The Majority of Strategies should have TAPs STARTING Late the Year of Graduation, with the Majority Starting the Year after Graduation.

The sample provided represents a variety of met minimum, good, very good, and excellent objective statements, and strategy and TAP headings. Think about how an objective statement could best reflect the magnitude of change proposed for the credit union. How would the reader know if the SI was successful? How will the reader understand the magnitude of change involved?

SI	Objective	Strategy	Tactical Action Plans
Branching	Provide full service branches to members and potential members within close proximity of local college campuses by December 31, 2014.	Offer branching services to ABC College students and faculty beginning January 31, 2013.	Develop and implement a mobilized branch at ABC College. Deploy a satellite branch within close proximity of ABC College by December 31, 2012.
		Offer branching services to DEF College students and faculty beginning January 31, 2013.	Develop and implement a mobilized branch at DEF College. Deploy a satellite branch within close proximity of DEF College by December 31, 2012.
		Offer branching services to XYZ College students and faculty beginning January 1, 2014.	Develop and implement a mobilized branch at XYZ College. Deploy a satellite branch within close proximity of XYZ College by December 31, 2013.
Delivery Channels	Implement up to date technology to improve the flow for Delivery Channels by December 31, 2014.	Increase our cash available and reduce operating expenses by processing member's checks electronically through ABC Company..	Plan, test, and implement branch capture.
		Offer ACH origination to potential and existing members.	Move ACH receiving and wires to the same central processor. Test and implement ACH origination.
Facilities Growth	Improve the access and convenience to facilities and services for the members of ABC CU by March 31, 2014.	Add four new ATM locations by year-end 2013.	Add two new independent ATM machines in both 2013 and in 2013.
		Strategically plan for addition of newly constructed main office.	Purchase land for future main office in centralized location.
Financial Management	Achieve a Return on Assets of 1% or greater by 12/31/2014.	Lower the net operating expense ratio.	Raise the ATM fee for non-members from \$1.50 to \$2.00
		Reduce cost of funds by 10 basis points by 12/31/2014.	Increase share draft mix to 15% by 12/31/2013
Financial Management	Bring ROA up to .50% by December 2014.	Increase fee income to maintain 2.30% TFI/LN&SD by December 2014.	Increase credit card late fee from \$25 to \$30.
			Restructure consumer loan late fees from 5% to flat fee of \$30.
Financial Management	Bring ROA up to .50% by December 2014.	Reduce delinquency ratio from 1.59% to 1.33% by Dec. 2014.	Revise hold policy on delinquent loans from 30 days to 15 days.
Financial Management	Increase net ROA to .50% by Dec. 2014	Increase fee income.	Add late fee to credit cards.
		Minimize charge-offs.	Restructure delinquent collateral loans.

SI	Objective	Strategy	Tactical Action Plans
Financial Management	Increase ROA from .47% to .66% by 12/31/2014.	Increase fee income from .97% to 1.25% by year-end 2014.	Increase NSF from \$20 to \$25.
		Increase loan income 30% by 12/31/2014.	Implement an in house ATM fee of \$1 per transaction.
			Target existing members to refinance loans held elsewhere back to ABC CU. Implement a phone program for members with auto loans due to pay off within 6 months.
Financial Management	Maintain net ROA of 1.25% or higher until 12/2014. (Start 01/2014 End 12/2014)	Identify branch profitability through branch accounting.	Implement new product to help determine branch profitability.
		To maintain a net operating expense of 1.61% or less by 2014	Develop new position to manage branches.
			Develop inventory control program.
Financial Management	Reduce net charge-offs on average loans (ratio) to .75% by December 31, 2014.	Increase the average quality level of the loan portfolio by December 31, 2014.	Develop lending and collection reports and a process to identify portfolio quality and address delinquency issues in a timely manner.
		Lower the loan delinquency to 1.25% or less by 12/31/2014.	Implement a loan officer and collections training program.
			Implement a mortgage program.
Financial Management	Reduce operating expense to average assets ratio to 5% or less by 12/31/2014	Increase operational efficiencies between the anchor branches and the main office.	Develop and implement supply ordering procedures.
			Add branch capture services.
Financial Management	Reduce operating expense to average assets ratio to 5% or less by 12/31/2014.	Reduce operational expenses related to growth.	Change from state to federal charter to save on sales taxes.
			Establish a work-at-home program for call center staff.
Human Resource Management	Improve staff satisfaction and reduce employee turnover to less than 10% from current levels of 20% by May 2013, then maintain a staff turnover rate of 10% or lower.	Address concerns raised in the recent staff survey around ABC's leadership and culture by August 2013. Develop HR systems and processes that both staff and managers value and use to make decisions regarding performance, recognition, rewards, opportunities, training, career, and succession plans by June 2013.	Confirm senior leadership, implement performance measurement and develop clear strategies to communicate vision and direction. At the same time develop a culture in which staff feel valued and prepares ABC to deliver on strategy.
			Review existing pay grades, benefits, and performance assessment and other HR systems against best-practice models, and implement appropriate changes. At the same time, address intimidation claims.
		Introduce regular monitoring and feedback of staff satisfaction by December 2013.	Annual staff feedback surveys introduced to re-assess and quantify staff satisfaction levels and identify issues. Then develop further action plans to address any concerns raised as appropriate.
			Update and expand ABC CU's procedure manual.

SI	Objective	Strategy	Tactical Action Plans
Human Resource Management	Improve staff knowledge of products and services, and offer stronger support of policies and procedures by December 2013.	Develop a product knowledge training manual for employees and managers.	Write and implement a product training manual.
		Revise current policies and procedures manual and display on-line via intranet.	Update existing manual and add new policies and procedures.
Human Resource/ Member Service	Training new and existing staff for ABC CU's growth and member development. (Start 01/09 End 12/2013)	Develop new hiring/interviewing practices.	Implement new interview practices within the management staff.
			Develop skills assessments for new hire employees for all frontline positions.
	Develop training for new and existing employees.	Create a position for a full time trainer and set training schedules for new and existing employees.	
	Increase member service through teller training.	Implement teller certification training.	
Human Resources	Maintain optimum benefits within best cost structure.	Develop comprehensive benefit strategy.	Evaluate changes in the current Retirement Plan/401K Plan.
			Evaluate changes in Health/Dental/Optical Plan.
		Evaluate the firing process.	Institute formal background check program.
		Provide formal and constant training through a Corporate Trainer.	Hire a Corporate Trainer.
		Provide formal and constant training through a Corporate Trainer.	Evaluate Staff incentives and develop individual level incentives for cross-selling.
Human Resources	To implement an formal employee training program, process payroll more efficiently, and implement a staff incentive plan by December 2014.	To be more efficient in processing payroll and reduce the amount of paperwork that is used when timesheet are signed off on.	Plan, test, and implement Time and Labor Management payroll software.
		To implement a formal training program, to improve how we train and welcome in new employees.	Hire training manager, research, and implement training program.
		To implement an incentive plan for front and back office employees.	Research and implement incentive that is appropriate for both back and front office employees.
Image	Improve community involvement by 25% with assistance from the staff, board of directors, and management team the next 3 years.	Establish a standard for each staff member and volunteer to become involved in at least one community service activity.	Develop a list of suggested organizations.
			Appoint a community activities committee.
		Establish an incentive program to reward those participating in community service.	Establish paid time off for staff participation in volunteer functions.
		Establish an incentive program to reward those participating in community service.	Develop goals on performance appraisals to reward community service.

SI	Objective	Strategy	Tactical Action Plans
Innovation & Technology	Improve the competitive position and overall penetration of ABC's electronic services through the introduction of online banking enhancements by December 31, 2013 (Start 06/2013 End 12/2013)	Improve services for the small business market through the introduction of an online banking product specifically designed to meet the needs of this market.	Determine the online banking needs of the small business market.
		Improve services for the small business market through the introduction of an online banking product specifically designed to meet the needs of this market.	Identify potential vendors, determine costs, and develop a cost-effective strategy for deployment of the services that provide the most value for this market.
		Introduce retail online banking enhancements that add value to the existing product and generate additional sources of revenue while solidifying the relationship with the member.	Evaluate existing product and member feedback to determine areas for improvement.
			Determine the appropriate product enhancements, identify potential vendors and evaluate pricing strategies.
		Introduce retail online banking enhancements that add value to the existing product and generate additional sources of revenue while solidifying the relationship with the member.	Implement and communicate product enhancements.
Innovation / Technology	Utilize technology to become a financial literacy resource for members, young adults, and the educational community by December 31, 2013.	Attract the educational community to use the credit union as a resource for financial learning.	Develop and implement an educational Pod cast on financial literacy.
		Increase financial literacy awareness to young adults.	Develop and implement a website dedicated to young adults.
Lending	Increase loans to XYZ \$130 million by May 2014 (80% increase from May 2013).	Develop a long-term relationship with younger members by October 2013 (ongoing).	Establish a "My First Car Loan" product for members aged 18 to 21.
		Introduce Business Lending	Establish a "Parent Car Loan" vehicle loan product for members aged 16 - 21.
		Grow "on-book" home loans to XYZ \$70 million by May 2014 (Refer to KRA #5, Strategy #1)	Review the existing "floating rate" home loan product provided to members. Ensure it is competitive on pricing and fees by May 2013.
		Develop payday lending program to increase loan product penetration.	Research, develop, and launch a competitive "fixed rate" home loan product for members by May 2013.
		Implement Sub-prime lending criteria to serve members who might otherwise obtain a loan from another financial institution by June 2013.	Research product used by other credit unions and develop lending and collections policies and procedures, tailored to ABC environment. Launch to members.
Lending	To increase total loans outstanding 5% annually from \$110 million to \$122 million by December 31, 2013. (Start 01/2013 - End 12/2013)	Auto Loan Recapture	Target members who have auto loans at ABC CU.
		Increase credit card portfolio penetration	Credit Card points reward program.
			Market platinum cards to recent first mortgage originations.

SI	Objective	Strategy	Tactical Action Plans
Lending	Increase loan-to-asset ratio from 79% to 90% by 12/31/2013.	Incorporate lending with member services.	Train member service representatives. Process loans at the time of initial account opening.
		Provide new loan products that will meet the members' needs.	Launch a home equity line of credit program.
		Provide new loan products that will meet the members' needs.	Launch a student loan program.
Lending	Increase net Lending by 10% by December 2013.	Implement a recapture program.	Look at bill pay vendor to find recurring payments to other financial institutions. Look over credit report when a new account is opened.
		Increase credit card portfolio.	Mail credit card checks out to credit card holders to use as cash or balance transfers.
Lending	Increase outstanding loans 5% annually from \$105 million to \$121 million by year end 2013.	Increase credit card portfolio	Implement Risk Based Pricing on credit cards. Mail pre-approval on VISA credit cards to "A" paper members and letter checks to existing credit card holders.
		Indirect Lending Program	Replace current Indirect Lending Program through ABC Company with XYZ Company.
Lending	Increase total loans outstanding by 10% annually from \$1.15 billion to \$1.534 billion by year-end 2013.	Continue to increase the mortgage loan and equity loan portfolio.	Develop an affordable housing program intended to provide loans to members of modest means. Implement effective sales incentives for mortgage lending as well as branch staff.
		Increase direct auto loan volume through effective target marketing and increased lending in the non-prime segment of the membership.	Use marketing triggers to identify and pre-qualify members who are actively shopping for an auto loan.
			Target non-prime segment of existing membership and non-members living near retail branches for pre-qualified loan offers. Consider offering cash incentives to prime market for refinance business.
Loans and Checking Accounts	Create revenue streams to reflect the values of serving the underserved – increase loans outstanding by \$6 million and increase checking accounts by \$1 million per year for 2012 and 2013.	Review the possibility of offering mobile home loans. Manufactured homes represent a realistic option for many low-income wage earners, but they are not formally recognized as affordable housing by traditional financial institutions.	Identify advantages and earnings potential and implement strategy if favorable.
		Review the possibility of opening checking accounts with other forms of identification for foreign citizens.	Identify advantages and earnings potential and implement strategy if favorable.

SI	Objective	Strategy	Tactical Action Plans
Membership	Increase membership 15% to 2,500 by 12/31/2013.	Improve membership retention.	Survey members for services utilized.
		Increase penetration of current field of membership.	Establish a contact person within the SEG organizations.
			Conduct SEG group quarterly membership drives.
Membership	Increase membership by at least 5% each year for the years from 2013 to 2014.	Expand family participation.	Promote youth program.
			Target non-members who are eligible for membership.
		Maximize penetration of current field of membership.	Conduct membership drive for newly acquired [geographic region].
			Conduct membership drive for [SEG].
Membership	Increase membership from 26,818 to 30,000 by December 2014.	Brand credit union through coordinated advertising activities that will educate the community about ABC FCU.	Advertise products and services through mass media outlets.
		Increase community awareness of credit union eligibility.	Partner with local high schools and develop training on financial education.
			Develop a program for ABC CU to be involved in community youth related events.
Membership	Increase membership to 158,000 (6% increase from year-end 2013) by year-end 2013. (Start January 2013 Ongoing)	Increase membership in the Hispanic community.	Determine the unique product and service needs of the Hispanic market.
		Increase membership in the Hispanic community.	Develop products and services to meet the needs of this market.
			Develop marketing strategies to target this market for existing products as well as new products developed specifically for this market.
		Seek opportunities to grow through merger.	Identify potential merger partners located within the market areas ABC Credit Union desires to serve.
			Make contact with likely merger candidates to determine whether opportunities exist to improve service to the membership of both credit unions through merger.
			Make contact with NCUA and state regulators to notify these agencies that ABC CU is open to considering mergers with distressed institutions.
Membership	To increase membership by net 10% by 12/31/2013	Increase penetration of Hispanic market.	Implement a user-friendly membership program that addresses the unique needs of the Hispanic member.
		Target market the students in the [common bond area - i.e. geographic or occupational]	Develop a mobile credit union
		Increase memberships acquired from local high schools to an average of at least 5% of new members per month by December 31, 2013.	Develop a young adult marketing program.

SI	Objective	Strategy	Tactical Action Plans
Membership	To increase ABC Credit Union's membership to 46,000 by year-end 2014 for a 12% increase from March 2013. (Start 03/2013 End 12/2013)	Enhance are youth and senior accounts.	Lower senior account age from 60 to 55.
			Develop Youth Saver Accounts.
Membership	To increase Membership to 24,400 by year-end 2013. (15% increase from December 2013)	Develop and quantify member surveys to ascertain member's wants and needs.	Annual membership surveys.
			Quantify existing closed account surveys.
			Develop products and services for meeting needs for the youth markets.
		Increase membership in youth markets.	Identify financial education opportunities and develop training programs for local high schools in our community charter.
			Develop target market program for local high schools and ABC College.
			Develop product and services that the Hispanic community will utilize.
Increase the Hispanic membership	Identify financial education opportunities and develop training programs for the Hispanic community.		
	Develop target market programs for the Hispanic community		
Membership Growth	To increase total membership to 103,556 members by 12/2013 from 89,719 members on 12/2010 for a total increase of 14.71% (11.25% attributed to current expected growth and 3/46% attributed to new strategies).	Increase current membership base in the Hispanic market (immigrants, first generation Hispanics, who might not be fluent in English and second and third generation who were born here and thus are likely more assimilated).	Determine demographic makeup around field of membership, establish resources and launch a marketing campaign to reach the Hispanic market.
			Intrease current 18-24 age category core membership base from 8.0 % to 8.5%. The membership in this age category will increase from 7,204 to 8,800.
		Implement online live chat support 24/7 365 days a year to gain competitive advantage over today's consumers who demand more tech savvy solutions and to improve overall customer satisfaction.	
Security	Protect and educate the credit union's members regarding internet security risks and identity theft issues.	Increase credit union staff knowledge and skills to prevent ID theft.	Develop and implement identity theft procedures (Banc Systems) for staff to seamlessly facilitate the steps needed to comply with BSA.
			Initiate biometrics to prevent identity theft during the year 2013.
		Increase the members' awareness of internet security risks and identity theft issues.	Develop and implement an educational program.
			Offer an identity theft recovery service.

SI	Objective	Strategy	Tactical Action Plans
Service Quality	Improve the quality of member service to reduce closed accounts by 50% monthly average by December 2013.	Create a research program to determine membership satisfaction.	Create a closed account survey.
		Research companies that conduct membership satisfaction surveys.	Create a mystery shopper program.
Service Usage	Increase services per household from 1.80 to 2.20 by December 31, 2013.	Develop a relationship pricing model to encourage additional product usage.	Determine optimum product usage to maximize household profitability.
			Develop criteria used to reward members that meet the goal of optimum product usage.
			Develop marketing strategy to introduce the program to members that will drive new business while improving retention.
		Increase total checking accounts 10% by December 31, 2013.	Introduce retail checking product enhancements intended to add value and provide market differentiation.
			Target the small business market through effective marketing and sales activity.
Technology	To keep technology advancing to provide the best products and service to the membership. (Start 07/2013 End 12/2013)	Develop larger ATM network in the [geographic] area to better serve current members and attract new membership growth.	Purchase a mobile ATM machine to use at offsite functions.
		Expand technology products to be more efficient.	Explore new ATM locations with local merchants in the East Texas area.
		Improve system compatibility between loans and teller systems.	Develop branch capture products to reduce branch errors and accelerate the processing time between the credit union and the Federal Reserve.
			Research new core systems to replace Users systems.
Users of Services	Increase the number of members that use ABC CU as their primary financial institution from 20% to 25% from 2013 to 2013.	Enhance current checking account program.	Target market current members without a checking account.
		Enhance current credit card program.	Conduct a debit card promotion.
			Target market current members without a credit card.
			Conduct a credit card promotion
Users of Services	Increase the penetration of checking accounts from 21% of eligible members to 25% by the end of 2013 and to 30% by the end of 2013.	Market to youth between 13 and 18 a "Teen Advantage Checking".	Develop and implement a financial education program for teenagers to be presented by credit union staff at in area high schools.
		Promote checking accounts to existing and potential members.	Develop a marketing plan to promote fee checking.
Users of Services	To enhance current member service levels by year-end 2014.	Implement instant approval for credit cards.	Pre-approve Members for a credit card at the point of membership.
		Install Self-Service equipment in credit union lobby	Provide members with self-service terminals in credit union lobby.

**Financial Management (5th) Strategic Initiative
Additional Forms for Projections**

ALM Resources provides these forms in Excel format with detailed instructions on a USB drive to students during the 2nd year Projections Class.

**Balance Sheet
(Statement of Financial Condition)**

Name

Credit Union Name

	ACTUAL Historical Year End	PROJECTED Proj Year End 1	PROJECTED Proj Year End 2
ASSETS:			
Total Loans and Leases			
Less: Allowance for Loan & Lease Losses			
Cash on Hand			
Total Cash on Deposit + Cash Equivalents + Total Investments			
Land and Building + Other Fixed Assets = Total Fixed Assets			
NCUA Share Insurance Capitalization Deposit			
Total Foreclosed and Repossessed Assets			
Other Assets			
TOTAL ASSETS			
LIABILITIES & EQUITY:			
Accrued Dividends and Interest Payable on Shares and Deposits			
Accounts Payable and Other Liabilities			
1. Total Borrowings			
2. Share Drafts			
3. Regular Shares + All Other Shares (Account #630)			
4. Money Market Shares			
5. Share Certificates			
6. IRA/KEOGH Accounts			
7. Non-Member Deposits			
Total Funds (Lines 1 - 7)			
Regular Reserves			
Undivided Earnings + All Other Reserve Accounts			
TOTAL LIABILITIES & EQUITY			
<i>Assets & Liabilities Are Out of Balance By</i>			
<i>Allowance for Loan Loss Account as a Percent of Total Loans</i>			

Statement of Income and Expense

Name

Credit Union Name

	ACTUAL Historical Year End	PROJECTED Proj Year End 1	PROJECTED Proj Year End 2
Interest on Loans *			
Less: Interest Refunded (Enter as a Negative #)			
Income from Investments *			
TOTAL INTEREST INCOME			
Dividends on Shares *			
Interest on Deposits *			
Interest on Borrowed Money			
TOTAL INTEREST EXPENSE			
Provision for Loan & Lease Losses			
Fee Income			
Other Operating Income			
Non-Operating Gain(Loss) #420+430+440			
TOTAL NON-INTEREST INCOME			
NON-INTEREST EXPENSE			
Total Employee Compensation and Benefits			
Travel and Conference Expense			
Office Occupancy Expense			
Office Operations Expense			
Educational and Promotional Expenses			
Loan Servicing Expense			
Professional and Outside Services			
Member Insurance			
Operating Fees			
Miscellaneous Operating Expenses			
TOTAL NON-INTEREST EXPENSE			
NET INCOME			

For Projected Years Only:

* *Interest on Loans, Income from Investments & Dividend Costs are market-driven items. Therefore, when the market changes, the yields should increase or decline at approximately the same rate unless otherwise noted in your SI #5).*

The current yields and average balances are located on the ALM Ratio Projections Sheet.

Multiply an average balance by a current yield to determine loan and investment income and dividend costs.

Capital Reconciliation

Name

Credit Union Name

	ACTUAL Historical Year End	PROJECTED Proj Year End 1	PROJECTED Proj Year End 2
A. Interest on Loans			
B. Income from Investments			
C. Dividends + Interest on Borrowed Money			
D. Net Interest Income			
E. Total Non-Interest Expense (Operating Expenses)			
F. Fee Income			
G. Other Operating Income			
H. Net Operating Expenses			
I. Net Operating Income (Line D-H)			
J. Non-Operating Gain or Loss			
K. Net Charge Offs			
L. Capital Contribution			
RECONCILE OF ALLOWANCE FOR LOAN LOSSES			
M. Prior Year Allowance for Loan Loss (Account #719)			
N. Provision for Loan & Lease Losses (Account #300)			
O. Net Charge Offs (Enter as a Negative #)			
P. End of Year Allowance for Loan Loss Account			
CAPITAL			
Q. Regular Reserves			
R. Undivided Earnings			
S. Equity Capital (Net Worth)			

[Online] Complete the highlighted areas. The remaining sheet automatically calculates once the Balance Sheet and Statement of Income and Expense are completed.

ALM Ratio Projections

Name

Credit Union Name

	ACTUAL Historical Year End	PROJECTED Proj Year End 1	PROJECTED Proj Year End 2
Adj. Total Assets			
Average Adj. Total Assets			
Average Gross Loans			
Average Core Investments			
Average Net Total Funds			
A. Percent of Change in Adj. Total Assets			
B. Percent of Change in Gross Loans			
C. Percent of Change in Equity Capital (Net Worth)			
D. Percent of Change in Member Fee Income			
E. Percent of Change in Operating Expenses			
F. Asset Yield			
G. Cost of Funds			
H. Gross Spread			
I. Net Operating Expense Ratio			
J. Operating ROA			
K. Loan NCOs/Avg. TAs			
L. Net Capital Margin (Net ROA)			
M. Gross Loan Mix			
N. Equity Capital/TAs (Net Worth)			
O. NCOs/Average Loans			
Loan Yield			
Investment Yield			
Average Funds Costs			

Use TCUL's ALM Resources Key Ratio Report to complete this form.

Example

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.

Strategy #1: Maximize penetration of current field of membership.

TAP #1: Implement business checking accounts.

TAP #2: Merge with small credit union in Bradco County.

Strategy #2: Increase number of members under age 30.

TAP #1: Open a high school branch office in one of the six high schools in Bradco County.

TAP #2: Conduct membership drives at local high schools.

TAP #3: Implement a young adult program for members age 20 -24.

Internal Analysis

LIMITLESS Federal Credit Union sustained itself for nearly fifty years with one primary employee group. This employee group, BC, and its few subsidiaries in Bradco, Texas helped the credit union grow to over 15,750 members and \$140,362,449.73 in assets by the end of 2005. Although the growth had been strong for many of those years, year-end totals actually show a small decline in all but one of the last ten years. That's when the Board of Directors and Senior Management realized that something would need to change. One of the main obstacles facing LIMITLESS Federal Credit Union was its location in what is known to some as "Credit Union Alley". This name came about with the abundance of credit unions located in Southeast Texas. There are over 30 credit unions within a 45-mile radius of LIMITLESS Federal Credit Union, and many of them had converted to a community charter by the late 1990's. In January of 2006, LIMITLESS Federal Credit Union opened its doors as a community chartered credit union, giving the opportunity for all of Bradco County to become members. While definitely a step in the right direction, this would not be the only step required to grow the membership.

The expanded field of membership allowed the credit union a much better position to compete with the other area credit unions and banks. With over 83,000 people in Bradco County, the credit union only has about 16% of those as members. In order to take advantage of the full potential this charter expansion provides, the credit union should reach out to those members and there are several new ways to do that.

Here are two TAPs which would allow the credit union to maximize the penetration in the current field of membership.

1. Implement business checking accounts.

There are many people in Bradco County who choose to keep their personal accounts at the same location as their business accounts for the purpose of convenience. At this point, LIMITLESS Federal Credit Union does not offer business checking accounts. By adding this service, it would not only bring in new members, but also increase satisfaction in some of the existing members who are unhappy with their business accounts at other area institutions by allowing them to move their business accounts to LIMITLESS Federal Credit Union.

2. Merge with small credit union in Bradco County.

Bradco County Employees Credit Union currently has just over 1,000 members. Many of those are accounts established due to employee direct deposit. By gaining these members, LIMITLESS Federal Credit Union could offer these people much more in the types of financial services currently available to them, thus motivating them to encourage their family members to join.

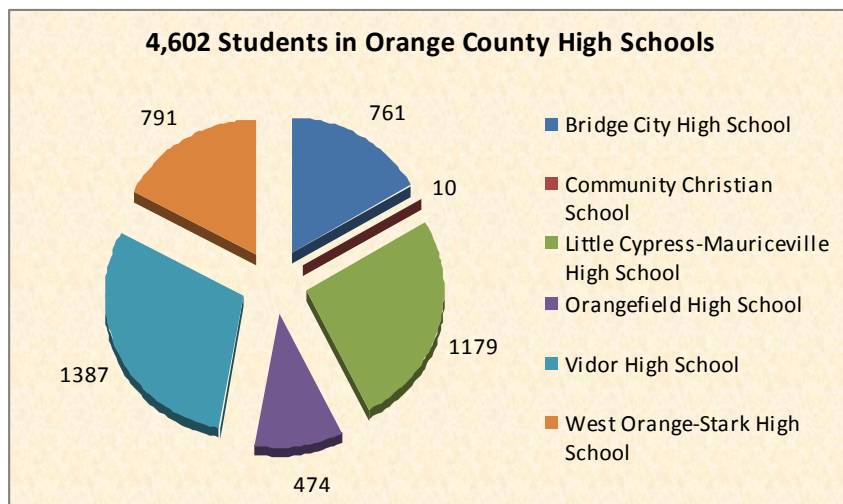
In addition to maximizing the current field of membership, another key area of focus should be the younger generation, specifically those under the age of 30. Currently, the credit union only has 15% of members who are between 19 and 30 years of age and only 10% of those ages 18 and under. By gaining

members at an early age, it will enable the credit union a position to become the primary financial institution for them. The ultimate goal would be to retain these accounts and continue to provide loans and services to meet their needs throughout their life stages. While this group may not be profitable at first, investing time and growing a relationship with this group should pay off tremendously in the future.



There are three TAPs developed to achieve this growth in members under 30:

1. Open a high school branch office in one of the six high schools in Bradco County
2. This plan also not only would benefit the students in Bradco County high schools, but also has the potential to reach teachers and administrators as well. There are many benefits to this plan, including teaching financial responsibility, serving as a public relations tool with the community, and helping build loyalty to the credit union. This plan also helps the school as a resource to provide financial education, a now required part of the curriculum.
3. Conduct membership drives at local high schools
4. LIMITLESS Federal Credit Union is a respected area financial institution and already works with the schools in the form of scholarships, donations, and financial education. Between the six schools in Bradco County, there are over 4,600 students. Just one membership drive per year at each of the high schools would be a significant increase in accounts, as well as another step in relationship building with the school.



5. Implement a young adult program for members age 20 -24.

While the credit union has been doing a good job in maintaining its youth and teen accounts, not enough focus has been in the direction of those ages 20 – 24. This is often a time where people come into their own and make their decision as where they plan to do most of their financial business.

These strategies for achieving membership growth of over 2,200 are ideal in that they continue the people helping people philosophy of all credit unions, and enhance the hometown image that LIMITLESS Federal Credit Union has become respected for in its past sixty years.

Projected New Members

Objective: Increase number of members from 13,797 to 16,000 by December 2012.

	2011	2012
Strategy #1		
TAP #1 <i>Business Checking Accounts</i>		212
Strategy #1		
TAP #2 <i>Merger/Acquisition</i>		1,042
Strategy #2		
TAP #1 <i>School Branch</i>		295
Strategy #2		
TAP #2 <i>High School Member Drive</i>	230	230
Strategy #2		
TAP #3 <i>Young Adult Program</i>		200
Total	230	1,979
Grand Total	2,209	

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.

Strategy #1: Maximize penetration of current field of membership.

TAP #1: Implement business checking accounts.

Team Leader: Chief Operating Officer (COO)

	Action Steps	Responsible Party	Start Date	Finish Date
1	Propose the offering of business checking accounts to board of directors. Upon approval, update policy manual to reflect this new service.	COO	August 2011	August 2011
2	Contact Summit to add account codes, jobs for monthly fees, and flag numbers.	CFO and VP of Accounting	August 2011	October 2011
3	Prepare promotional strategy to include visits to area Chambers of Commerce and civic organizations to announce new service.	VP of Marketing	September 2011	October 2011
4	Use SOLV report to segment members with organizations, small businesses, etc. Prepare customized mail piece for them informing of new service.	VP of Marketing	October 2011	October 2011
5	Contact Todd's Printing to obtain mail list of potential small businesses in Bradco County to send direct mail letter which informs of business checking account service.	VP of Marketing	December 2011	December 2011
6	Update membership brochure to reflect addition of business checking accounts	VP of Marketing	December 2011	January 2012
7	Train member service representatives, new account representatives, and other staff involved on procedures for this type of account.	VP of Member Services	January 2012	January 2012
8	Designate certain tellers to handle transactions for small business members and add lobby signage to direct members.	VP of Member Services	January 2012	January 2012
9	Mail marketing letter to current members from targeted list generated by SOLV to notify of service.	VP of Marketing	January 2012	January 2012
10	Mail letter to list generated by Todd's Printing to small businesses in Bradco County to advertise business checking accounts.	Becker Printing	February 2012	February 2012
11	Monitor number of business checking accounts opened each month and adjust marketing efforts as needed.	VP of Member Services and VP of Marketing	March 2012	March 2012
12	Report results to board, including number of accounts and amount of fee income.	CFO	April 2012	April 2012
13	Market on annual basis	VP of Marketing	Ongoing	Ongoing

Resources Needed:

SOLV program to generate mail lists from existing members, external mail house capable of generating county wide mail lists, printing company for direct mail pieces and revised products & services brochures, postage, lobby signage, existing employees trained to handle business accounts.

Benefits:

Existing members who own small businesses or who are involved in organizations must go elsewhere to obtain a commercial checking account. By adding this service, those members would have the added convenience of being able to conduct all, both personal and business, financial services in one location. As for future members, this provides the same convenience for them. It is also easier for the credit union to bring in new members if they are able to provide all of the services which the member can receive elsewhere. Business checking accounts were offered by LIMITLESS Federal Credit Union many years ago, but were discontinued by the early 1990's. Those grandfathered accounts are already on the Summit system, so we know that the system can handle these types of accounts. Since some are already there, there should be little cost to add a new account code for the new business checking accounts.

Costs:

The primary costs associated with this new service would be those listed in the implementation. Aside from that, there would be annual marketing expenses to cover direct mail pieces and promotional flyers averaging \$1,500.

Implementation Costs:	2011	2012
Data processing fee to setup new codes	\$250	\$0
Direct mail letters and follow-up marketing material	\$1,500	\$1,500
Postage	\$0	\$350
Special membership packet for business checking accounts	\$800	\$0
Lobby signage	\$0	\$200
TOTAL	\$2,550	\$2,050
GRAND TOTAL	\$4,600	

Cost-Benefit Analysis

SI #1	MEMBERSHIP	
Objective:	Increase number of members from 13,797 to 16,000 by December 2012.	
Strategy #1:	Maximize penetration of current field of membership.	
TAP #1:	Implement business checking accounts.	
Team Leader:	COO	
	2011	2012
PROJECTED INCOME		
Loan Income	\$ -	\$ -
Investment Income	\$ -	\$ -
Dividends	\$ -	\$ -
Interest on Borrowed Money	\$ -	\$ -
Fee Income	\$ -	\$31,000.00
Provision for Loan Loss	\$ -	\$ -
Total Projected Income	\$ -	\$31,000.00
PROJECTED COSTS		
Employee Compensation & Benefits	\$ -	\$ -
Travel & Conference	\$ -	\$ -
Office Occupancy	\$ -	\$ -
Office Operations, including Data Processing	\$250.00	\$200.00
Education & Promotion, including Marketing Expenses	\$2,300.00	\$1,500.00
Dividends	\$ -	\$25,550.00
Loan Servicing	\$ -	\$ -
Professional & Outside Services	\$ -	\$ -
Miscellaneous Expenses	\$ -	\$ -
Total Projected Costs	\$2,550.00	\$27,250.00
ESTIMATED NET PROFIT (LOSS)	(\$2,550.00)	\$3,750.00

Assumptions:

Currently, the credit union has approximately 150 business share accounts. It is reasonable to assume that 75% of those would be interested in a business checking account. Marketing efforts which include direct mail and business development to other businesses in Bradco County would likely grow the business checking account segment, with 100 new businesses in first year of service and 175 in the second year. The fee for the business checking accounts would be \$20 per month. Fee income assumes 75 existing business accounts opened for ten months and 100 new business accounts opened for eight months.

	2011	2012
New Business Checking Accounts from Existing Business Share Accounts	N/A	75
New Business Checking Accounts from Bradco County	N/A	100
Average Balance of Business Account	N/A	\$7,500

Risks:

One of the main concerns with offering business checking accounts again is the amount of time required for each business account transaction. There is the possibility that the revenue generated by offering business checking would not exceed the costs involved with servicing these accounts which are typically more labor-intensive than regular personal accounts.

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.
 Strategy #1: Maximize penetration of current field of membership.
 TAP #2: Merge with small credit union in Bradco County.
 Team Leader: Chief Executive Officer (CEO)

	Action Steps	Responsible Party	Start Date	Finish Date
1	Determine merger and acquisition strategy	Senior Management	August 2011	October 2011
2	Research smaller Bradco County credit unions' financial records	CEO & CFO	September 2011	October 2011
3	Determine credit union best suited for acquisition	CEO	September 2011	October 2011
4	Acquire preliminary approval from executive board of directors to proceed with plan	CEO	November 2011	November 2011
5	Contact CEO of chosen credit union about possible merger; have discussion about benefits for members and credit union	CEO	November 2011	November 2011
6	Receive permission from other credit union's board to proceed with merger process	Other Credit Union's CEO	January 2012	January 2012
7	Sign letters of intent	LIMITLESS FCU CEO and Other Credit Union's CEO	February 2012	February 2012
8	Contact data processor about merging data	Senior Management	March 2012	February 2013
9	Build formal agreement	CEO	March 2012	April 2012
10	Request final board approval	CEO	April 2012	April 2012
11	Contact NCUA for approval of merger. Upon approval from NCUA, proceed with remaining steps.	CEO	April 2012	April 2012
12	Begin ongoing staff communication	CEO and COO	October 2012	October 2012
13	Begin member communication	CEO, COO, and VP of Marketing	October 2012	October 2012
14	Contact credit union membership with explanatory letter about merge and request voting approval; upon approval, proceed with remaining steps	CEO, COO, and VP of Marketing	October 2012	November 2012
15	Begin organizational integration	Senior Management	October 2012	January 2013
16	Begin board alignment	LIMITLESS FCU CEO, Board Chairman and Other Credit Union's CEO	October 2012	December 2012
17	Begin operational integration	Senior Management	October 2012	March 2013
18	Market the merger	VP of Marketing	January 2013	March 2013

Resources Needed:

Financials from Bradco County credit unions (easily obtained from NCUA.gov), membership informational/voting letters, data processing accommodations

Benefits:

The most notable benefits would actually be to the membership of the other credit union. The merge would give them access to many convenient products and services which are currently not affordable by their smaller credit union. As for LIMITLESS Federal Credit Union, the merge would expand the membership base, grow the shares and loans, as well as the physical aspect in adding an alternate location which would possibly be in close proximity to the core membership of that credit union.

Costs:

The major expense to this plan would be the data processing expense of merging the data from the smaller credit union. There would also be smaller costs involved with the printing of the membership letter and voting ballot, as well as marketing material for the merger. Because the accounts would not be moved until January 2013, the share balances, interest paid on loans, fee income, etc. would not reflect on the 2011 and 2012 financials.

Implementation Costs:	2011	2012
Membership letter/voting ballot	\$ -	\$1,800.00
Data processing fee	\$ -	\$7,000.00
Marketing material	\$ -	\$2,500.00

Cost-Benefit Analysis

SI #1	MEMBERSHIP	
Objective:	Increase number of members from 13,797 to 16,000 by December 2012.	
Strategy #1:	Maximize penetration of current field of membership.	
TAP #2:	Merge with small credit union in Bradco County.	
Team Leader:	CEO	
	2011	2012
PROJECTED INCOME		
Loan Income	\$ -	\$101,473.92
Investment Income	\$ -	\$42,773.48
Dividends	\$ -	\$ -
Interest on Borrowed Money	\$ -	\$ -
Fee Income	\$ -	\$28,134.00
Provision for Loan Loss	\$ -	\$ -
Total Projected Income	\$ -	\$215,154.88
PROJECTED COSTS		
Employee Compensation & Benefits	\$ -	\$31,200.00
Travel & Conference	\$ -	\$ -
Office Occupancy	\$ -	\$ -
Office Operations, including Data Processing	\$ -	\$15,000.00
Education & Promotion, including Marketing Expenses	\$ -	\$4,300.00
Loan Servicing	\$ -	\$ -
Professional & Outside Services	\$ -	\$ -
Miscellaneous Expenses	\$ -	\$ -
Total Projected Costs	\$ -	\$50,500.00
ESTIMATED NET PROFIT (LOSS)	\$ -	\$164,654.88

Assumptions:

This TAP is based on acquiring Bradco County Employees Credit Union. December 2009 records indicate this credit union has 1,042 members, 158 loans totaling \$2,773,452, shares totaling \$3,012,217, and assets stand at \$3,977,326. The estimated average fee per member is \$27. The estimated average loan balance is \$17,553.48 with a loan yield of 6.81%.

One employee from the smaller credit union would remain under the employ, with a salary of \$15 per hour at forty hours per week, plus benefits including health insurance and 401K contributions.

Risks:

The first risk that the credit union approached for acquisition will not be receptive to the idea. If on board, the next obstacle would be to get approval for the regulatory agency NCUA. Upon approval from these two sides, the next issue would be the view of the merger by the membership of both credit unions.

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.

Strategy #2: Increase number of members under age 30.

TAP #1: Open a high school branch office in one of the six high schools in Bradco County.

Team Leader: Chief Executive Officer (CEO)

	Action Steps	Responsible Party	Start Date	Finish Date
1	Invite representative from another credit union which currently has a program to offer advice on best practices and common issues with operating an in-school branch	Senior Management	August 2011	August 2011
2	Form a committee at credit union to review statistics and operations of local schools to determine best choice for in-school branch	Senior Management	August 2011	September 2011
3	Determine if credit union by-laws will need to be amended to allow for a high school branch; obtain legal advice if necessary.	CEO and COO	August 2011	September 2011
4	Discuss what services will be offered and how to manage and run the branch	High School Branch Committee	August 2011	September 2011
5	Obtain board approval to proceed with a high school branch program	CEO	October 2011	October 2011
6	Prepare proposal to present to schools, including location, security measures, and contact names of school officials to be contacted	High School Branch Committee	October 2011	December 2011
7	Set goals for number of new accounts, checking accounts, debit cards, and other services to be offered	High School Branch Committee	October 2011	November 2011
8	Present in-school branch proposal to school board	High School Branch Committee	January 2012	January 2012
9	Upon acceptance by school board, sign legal counsel-approved partnership agreement between credit union and school selected for branch. This should include equipment provided by the credit union and expectations of what is required by the school such as space, publicity, security provided, and support of school leadership.	CEO	January 2012	February 2012
10	Meet with school administrators to coordinate plans for logistics of location, as well as student/teacher/credit union personnel involvement	High School Branch Committee	February 2012	April 2012

11	Select, hire, and train the student staff	VP of Human Resources and COO	May 2012	May 2012
12	Setup periodic meetings with the credit union representatives and the student staff prior to opening to discuss plan for program	High School Branch Committee	June 2012	August 2012
13	Conduct classroom presentations throughout the school to inform and promote future branch office	VP of Marketing	August 2012	September 2012
14	Conduct kick-off of branch with publicity for grand opening event	Marketing Department and High School Branch Committee	September 2012	September 2012
15	Meet quarterly to decide on promotions, savings incentives, and marketing support needed	High School Branch Committee	October 2012	Ongoing
16	Conduct review of program with school officials, credit union senior management, and make adjustments as needed	High School Branch Committee	January 2012	January 2012

Resources Needed:

Cash handling equipment, office forms, account opening documents and disclosures, office supplies, branch signage and promotional signage, computers, telephones, promotional items for kick-off publicity, credit union personnel to oversee branch operations, room or office provided by school, and possibly office furniture

Benefits:

The benefit of a high school branch will not be in the form of profit to the credit union. However, there will be a good opportunity for the credit union to increase its membership. This will come in the form of students, teachers, school staff, as well as parents. This will also serve as a strong public relations benefit, showing the credit union as a committed part of the community with a specific focus on our youth. The long term benefit to the credit union will be in establishing a relationship with these students at a young age, in hopes that they will be long-term, loyal members who will become profitable throughout their life stages.

Costs:

Initially, there would be a large setup and implementation cost to get the school branch established. Once things are in place, there would be smaller recurring fees for maintaining an office, such as office supplies and updated marketing material. However, it is likely that the school would incur the electrical costs and provide the space for free. That leaves the most expensive cost as the additional employees.

Implementation Costs:	2011	2012
Hardware (two computers, two printers, two phones)	\$ -	\$3,500.00
Vault, teller drawers, & equipment	\$ -	\$2,500.00
Data lines to data processor and credit union	\$ -	\$250.00
Setup and installation fees to Texas Computer Associates	\$ -	\$1,000.00
Office supplies	\$ -	\$175.00
Marketing material and office signage	\$ -	\$525.00
Training material for student employees	\$ -	\$250.00
TOTAL	\$ -	\$8,200.00
GRAND TOTAL	\$8,200.00	

Cost-Benefit Analysis

SI #1	MEMBERSHIP		
Objective:	Increase number of members from 13,797 to 16,000 by December 2012.		
Strategy #2:	Increase number of members under age 30.		
TAP #1:	Open a high school branch office in one of the six high schools in Bradco County.		
Team Leader:	CEO		
		2011	2012
PROJECTED INCOME			
Loan Income		\$ -	\$ -
Investment Income		\$ -	\$1,837.00
Dividends		\$ -	\$ -
Interest on Borrowed Money		\$ -	\$ -
Fee Income		\$ -	\$1,238.00
Provision for Loan Loss		\$ -	\$ -
Total Projected Income		\$ -	\$3,075.00
PROJECTED COSTS			
Employee Compensation & Benefits		\$ -	\$4,176.00
Travel & Conference		\$ -	\$ -
Office Occupancy		\$ -	\$ -
Office Operations, including Data Processing		\$ -	\$6,425.00
Education & Promotion, including Marketing Expenses		\$ -	\$775.00
Loan Servicing		\$ -	\$ -
Professional & Outside Services		\$ -	\$1,000.00
Miscellaneous Expenses		\$ -	\$ -
Total Projected Costs		\$ -	\$12,376.00
ESTIMATED NET PROFIT (LOSS)		\$ -	(\$9,301.00)

Assumptions:

This plan assumes that the school would provide the location, office space, and power. The credit union would purchase the hardware and supplies. The branch would operate three days per week for four hours per day (one hour before school, two hours during lunch, and one hour after school) for a total of 12 hours per week. The student staff would consist of six part-time employees earning minimum wage (\$7.25 per hour x 6 hours per student x 6 student employees = \$261 per week x 4 weeks = \$1,044 per month). The school branch would be supervised by existing credit union personnel, thus eliminating additional new hires.

The products promoted at the high school branch would be share accounts, share draft accounts, Visa check cards, and online services including home banking, e-statements, bill pay, and MyMoney®. Loans and MasterCard would not be promoted to students. The average fee income per student is estimated at \$18 per member (assuming 1/3 of the regular members' fees since few services offered).

Risks:

The main risk for the credit union is of course the possibility that the school boards in Bradco County would be resistant to the idea. Without the school supporting the program, it would not be successful. Another risk is how the branch is promoted. If the students work in the branch, there may be a problem with them handling and having access to the teacher's financial information.

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.
 Strategy #2: Increase number of members under age 30.
 TAP #2: Conduct membership drives at local high schools.
 Team Leader: Vice President of Marketing

	Action Steps	Responsible Party	Start Date	Finish Date
1	Send letter to school administrators proposing an annual membership drive, which could be combined with a one-time financial planning class	VP of Marketing	August 2011	August 2011
2	Upon receiving a positive response from the school, meet with school officials to determine location and timeframe for class and membership drive, responsibilities of both school and credit union	VP of Marketing	September 2011	October 2011
3	Set goals for membership drive, including number of share and share draft accounts opened, and number of debit card applications	VP of Marketing	September 2011	September 2011
4	Create presentation about credit union benefits for students	VP of Marketing	September 2011	November 2011
5	Establish budget and decide on what promotional items will be used	VP of Marketing	September 2011	November 2011
6	Prepare membership packets, including required account disclosures, credit union promotional materials, and educational brochures	Member Services Department	November 2011	November 2011
7	Conduct membership drive at local high school	Marketing Department	December 2011	December 2011
8	Follow up with all new accounts, by sending a thank you card reminding members of our services	Member Services Department	January 2012	January 2012
9	Evaluate results of campaign and present report to Senior Management	VP of Marketing	February 2012	February 2012
10	Discuss suggestions to improve process of opening accounts at schools	Marketing Department	February 2012	February 2012
11	Repeat the steps for each school in our field of membership; three schools per year, so that each school has a visit every other year	VP of Marketing, Marketing Department, and Member Services Department	Ongoing	Ongoing

Resources Needed:

Laptop, Card Scan (system to copy ID for new accounts), new account forms and disclosures, membership packets, promotional items, thank you cards for new accounts

Benefits:

This program would be a tremendous asset to the students by making it easy to open their accounts. The credit union would easily increase its membership in an age group which is desperately needed. This is also yet another way to grow the relationship between the credit union and the school. A side benefit is that the parents of these high school students would also choose to use the services offered by LIMITLESS Federal Credit Union.

Costs:

The credit union already has a laptop and CardScan system for new accounts, as well as the forms/disclosures and marketing materials for new accounts. The costs for this plan would be for promotional material and customized thank you cards.

Implementation Costs	2011	2012
Promotional Materials	\$560.00	\$560.00
Thank you cards	\$145.00	\$145.00
Postage for thank you cards	\$120.00	\$120.00
TOTAL	\$825.00	\$825.00
GRAND TOTAL	\$1,650.00	

Cost-Benefit Analysis

SI #1	MEMBERSHIP	
Objective:	Increase number of members from 13,797 to 16,000 by December 2012.	
Strategy #2:	Increase number of members under age 30.	
TAP #2:	Conduct membership drives at local high schools.	
Team Leader:	VP of Marketing	
	2011	2012
PROJECTED INCOME		
Loan Income	\$ -	\$ -
Investment Income	\$ -	\$66,145.59
Dividends	\$ -	\$ -
Interest on Borrowed Money	\$ -	\$ -
Fee Income	\$ -	\$4,140.00
Provision for Loan Loss	\$ -	\$ -
Total Projected Income	\$ -	\$70,285.59
PROJECTED COSTS		
Employee Compensation & Benefits	\$ -	\$ -
Travel & Conference	\$ -	\$ -
Office Occupancy	\$ -	\$ -
Office Operations, including Data Processing	\$120.00	\$120.00
Education & Promotion, including Marketing Expenses	\$705.00	\$705.00
Loan Servicing	\$ -	\$ -
Professional & Outside Services	\$ -	\$ -
Miscellaneous Expenses	\$ -	\$ -
Total Projected Costs	\$825.00	\$825.00
ESTIMATED NET PROFIT (LOSS)	(\$825.00)	\$69,460.59

Assumptions:

This plan assumes three schools would be visited per year, giving access to over 2,300, and estimating 10% to open new accounts. There would be no additional staff needed for membership drives, as these drives can be handled by the marketing department and processed by new accounts. The average fee income per student is estimated at \$18 per member (assuming 1/3 of the regular members' fees since few services offered). This is also based on these members share balance being \$3,149.79, which is 1/3 of

the average share balance (assuming that most of them do NOT have term share certificates and IRAs which drive the credit union average share balance to \$9,449.36).

Risks:

The primary risk associated with this strategy is the willingness of the high school to allow us to be at the school for the membership drive. The relationship already with the credit union and the school has already been established with scholarships and other donations, so it is the hope that this program would only enhance that relationship.

SI #1 MEMBERSHIP

Objective: Increase number of members from 13,797 to 16,000 by December 2012.

Strategy #2: Increase number of members under age 30.

TAP #3: Implement a young adult program for members age 20 -24.

Team Leader: Vice President of Marketing

	Action Steps	Responsible Party	Start Date	Finish Date
1	Research other credit unions to determine what types of programs are offered and the types of services they include	Marketing Department	September 2011	November 2011
2	Develop guidelines for program, to include type of services and manner in which they will be offered	VP of Marketing	December 2011	January 2012
3	Present to Senior Management for approval	VP of Marketing	January 2012	January 2012
4	Determine budget for this program, including an implantation estimate, as well as annual expenses	CFO	February 2012	February 2012
5	Present idea to staff, take staff suggestions and have them vote on program name	VP of Marketing	February 2012	February 2012
6	Present to Board for approval	COO	March 2012	March 2012
7	Contact Summit to create new flag for data processing system	VP of Marketing	March 2012	April 2012
8	Update policy manual to reflect new program	VP of Marketing	March 2012	March 2012
9	Contact Fiserv esolutions to create and add new page to website specifically for this group	VP of Marketing	March 2012	May 2012
10	Create new brochure for program	Marketing Department	April 2012	May 2012
11	Determine promotional items for kick-off incentive	Marketing Department	April 2012	May 2012
12	Determine marketing avenues and prepare copy and art for kick-off publicity	Marketing Department	May 2012	June 2012
13	Conduct staff training session to be sure all employees are aware of the program details	VP of Marketing	June 2012	June 2012
14	Begin program	Staff	July 2012	July 2012
15	Monitor number of new accounts and report to Senior Management	VP of Marketing	July 2012	October 2012
16	Offer special event for the club two to four times per year (event would be social or educational with topics such as finding a job, managing finances, time management, etc.)	Marketing Department	October 2012	Ongoing
17	Evaluate program and make adjustments as needed	VP of Marketing	Ongoing	Ongoing

Resources Needed:

Brochures, promotional items, website enhancements

Benefits:

The young adult market is at a key borrowing age. By offering this group an added value of services, such as educational seminars, in addition to a regular checking account would increase their excitement about the credit union. This is also a very vocal group, so ideally they would spread the word to their friends and family.

Costs:

The costs associated with this plan would be marketing. There would need to be a direct mail piece to this age group, there would need to be a customized brochure for this new club, and there would also need to be a separate webpage for this group. Those items would all come under the implementation of the program. Once established, there would be events two to four times per year. These items would also have expenses related to invitations, postage, handouts, food, promotional items, and door prizes.

Implementation Costs:	2011	2012
Brochures	\$ -	\$800.00
Promotional items	\$ -	\$1,500.00
Website enhancements	\$ -	\$1,200.00
Special event	\$ -	\$1,000.00

Cost-Benefit Analysis

SI #1	MEMBERSHIP	
Objective:	Increase number of members from 13,797 to 16,000 by December 2012.	
Strategy #2:	Increase number of members under age 30.	
TAP #3:	Implement a young adult program for members age 20 -24.	
Team Leader:	VP of Marketing	
	2011	2012
PROJECTED INCOME		
Loan Income	\$ -	\$93,168.00
Investment Income	\$ -	\$ -
Dividends	\$ -	\$ -
Interest on Borrowed Money	\$ -	\$ -
Fee Income	\$ -	\$16,200.00
Provision for Loan Loss	\$ -	\$ -
Total Projected Income	\$ -	\$109,368.00
PROJECTED COSTS		
Employee Compensation & Benefits	\$ -	\$ -
Travel & Conference	\$ -	\$ -
Office Occupancy	\$ -	\$ -
Office Operations, including Data Processing	\$ -	\$1,200.00
Education & Promotion, including Marketing Expenses	\$ -	\$3,300.00
Loan Servicing	\$ -	\$ -
Professional & Outside Services	\$ -	\$ -
Miscellaneous Expenses	\$ -	\$ -
Total Projected Costs	\$ -	\$4,500.00
ESTIMATED NET PROFIT (LOSS)	\$ -	\$104,868.00

Assumptions:

These figures in the plan are based on the current number of members ages 20 – 24. There are approximately 600 members in this age group. All members would be converted to the new program unless they opted out. The average fee income per student is estimated at \$27 per member (assuming 1/2 of the regular members' fees since they may not take advantage of all the services offered). This is also based on these members share balance being \$4,724.50, which is only half of average share balance (assuming that most of them do NOT have term share certificates and IRAs which drive the credit union average share balance to \$9,449.36). However, many of these members will likely need auto loans, education loans, and line of credit loans. The estimate assumes half of these members will have a loan with an average loan balance of \$8,913.43 (again, this is half of the credit union average loan balance which is \$17,826.86) at an interest rate of 6.50%. The other factor is that the program will begin in July 2012, giving only six months of numbers to calculate.

Risks:

The risk with this plan is that these members will not take the time to be involved in the events offered and take advantage of the products and services available. Additional and frequent marketing efforts will need to be made; however, they will need to be done using the right avenues to reach this generation of members. It is likely that their participation would increase significantly with the introduction of new technology services, such as pod casts, instant messaging support, mobile banking, and text messaging alerts. These services will be included in SI3.

Executive Summary

Summarizes the business plan in such a way that readers quickly become familiar with the future direction of the credit union.

Write a two to three page executive summary of the strategic business plan.

SAMPLE – EXECUTIVE SUMMARY 1

The Ultimate Credit Union
Executive Summary

Where we came from.

The Ultimate Credit Union has experienced many changes since conception. Beginning in 1936 the credit union was formed as a cooperative system that made credit available for people that would not have ordinarily had the opportunity. The credit union was named ABC Employees Federal Credit Union. The sole employer that was served was _____ Company, Dallas Texas. The credit union benefited from charter amendments in the 60's that allowed the opportunity for more people to join the credit union by expanding the charter to include employees of _____ Company who worked in City1, City2, City3, and City4, Texas, employees of _____ Offices whose pay records are kept in City1, employees of the Credit Union, and their immediate families.

With the continuing expansion of the membership base the credit union experienced name changes; ABC Employees Federal Credit Union, ABC Federal Credit Union and in 1995

The Ultimate Federal Credit Union. Through mergers the credit union had the opportunity to grow the membership. With charter changes the credit union allowed more employers to offer the credit union as a benefit to its employees. Change to a state chartered credit union opened the door for a community charter; it was approved for The Ultimate in December 2000. This allowed the credit union to serve the community of County1 and County2. Again the name was updated to what it is today, The Ultimate Credit Union.

Where we need to go...

The Ultimate's loan management team had done an excellent job of making loans, so good that the union has been faced with loan to share ratios as high as 110%. The challenge is how to continue the strong and highly successful current lending program with high loan to share ratios or how to lower those ratios. The credit union should pursue loan sales to investors as another alternative to hedging high loan to share ratios.

The industry faces the loss of core deposits due to the transfer of money into funds that provide higher earnings but are still secure investments. Americans will see the largest transfer of wealth as the baby boomer generation ages. Offering innovative products and services to this segment of the membership will be necessary to stabilize and neutralize the loan to share ratio and will create the opportunity to continue to offer services to that generation.

The credit union's membership is aging. Products and programs specifically designed for the older generations is a critical area that will need development. Training employees to understand aging members and their financial and personal needs will offer the opportunity to continue to serve the members that have long supported the credit union.

The membership numbers continue to decline and the credit union has only seen increases due to mergers. The credit union must develop a strategy to increase the membership numbers among the younger generation. Education to the membership and employees must focus on the credit union history and philosophy. It is vital that we develop and nurture a relationship with the younger generation to be able to maintain a future. New and innovative products and technology must be attractive to the changing demographics.

Developing programs and products that will increase the number of services per member will allow us to operate more efficiently and economically. Profiling the high profit and user of services members is necessary so the data can be utilized to increase penetration and profitability.

Facilities and branch efficiencies, operating expenses and maximizing employee productivity are necessary to maintain and increase profit levels and improve net ROA.

The credit union must meet the needs of the current and future generations to continue its purpose.

SAMPLE – EXECUTIVE SUMMARY 2

Fun Federal Credit Union has had a successful past operating as PlayCo Employees Federal Credit Union. Since its beginning in 1948, the Credit Union has focused on meeting the financial needs of members in a professional and equitable manner while remaining fiscally sound. By adhering to traditional credit union values of putting members first, the credit union has gained a strong reputation in the Region Texas community as a stable and strong financial institution.

With any business, changes are inevitable, and the credit union is no exception. It was only very recently that the credit union has made two of the most substantial changes in its history. Those two changes were the community charter and name change. In January, 2006, the name changed to Fun Federal Credit Union and the credit union's charter now serves all of County1,

not just PlayCo employees and family members. This move to a community charter was made carefully and with much analysis. The new name also was chosen to better reflect the geographic area where the credit union is located and to keep ties to the local PlayCo plant where the credit union originated. Both the name change and the charter change were done as a result of analyzing the market, which has become intensely competitive over the past several years. Also, conditions at PlayCo plant site played a role in the decision to move to a community charter since there was downsizing and a partial sell-off of the PlayCo site. Economic conditions and regulatory conditions also factored into the need to expand beyond the PlayCo employee base. As the credit union looked to future growth potential, it became clear that a charter change was needed.

The growth potential of the credit union has also resulted in the recent decision to expand the Neverland Drive facility into a larger facility with expanded drive-in lanes and an enhanced Member Services area. By doubling the existing size of the Neverland Drive facility, the credit union is positioning itself to more effectively meet future demands of a growing membership.

Over the years, the credit union has grown to a full-service financial institution, offering almost any type of financial service a consumer could want. The services currently offered at Fun Federal Credit Union include: checking accounts with overdraft privilege, savings accounts, certificates, IRA's, debit cards, credit cards, all types of consumer loans, real estate loans, youth accounts, senior citizen accounts, and a variety of electronic services such as an up-to-date website, internet banking, internet bill-pay services, electronic statements, and on-line loan applications. While not always leading the competition in technology that is available or in new services available, the Credit Union carefully weighs the costs versus the potential benefits of any technological advancement or new service on the market.

Looking to the future, there are several areas the credit union should consider in order to thrive and grow. Since today's society is driven by the need for convenience, there are potential opportunities for the credit union to make its services more convenient to all members.

- By extending hours throughout the workweek and offering Saturday hours in the drive-through, the credit union would be meeting the needs of many families' busy

schedules. The traditional workweek of Monday through Friday no longer applies to all families, especially those in Region Texas who work in the imaginary industry and typically have rotating shift schedules.

- Another opportunity presented by offering extended hours would be the potential for part-time employment and flexible work scheduling for Credit Union employees. This would allow for maximizing staffing levels during peak times, and utilizing a smaller staff during less busy times. Shared branching would give members even more flexibility when they travel to other parts of the country by allowing them to conduct their financial transactions at another shared branch location.
- Another area of improving convenience to members would be adding a call center where members could speak to a live person after hours and on weekends for loan approvals. Often members shop for cars on weekends, and by having a third-party call center to give loan approvals, the credit union would reduce the risk of losing out on loans made during non-traditional working hours.
- Another opportunity for the credit union to consider is to capitalize on business development efforts by creating a business development program. This would allow the credit union to fully become involved in various organizations and activities in the county. It would also show our commitment to the area and would be an opportunity to gain more members.
- A potential growth segment for Fun Federal Credit Union is represented in young adults. Offering services and programs that appeal to this age group will be critical to the future success of the credit union. Partnering with an area high school for a high school branch office would help to gain future loyal members. The concept of reaching students with financial education and introducing them to the credit union in a practical way is worth exploring.

The opportunities that the newly formed community charter will present to Fun Federal Credit Union are exciting and challenging to the organization. As long as the philosophy and mission of the credit union remain the same, each challenge will be met. As the credit union moves toward reaching out to the entire County1 community, the basic mission still exists, and

that is, to provide quality financial services to our members in a professional and equitable manner while remaining fiscally sound.

SAMPLE – EXECUTIVE SUMMARY 3

Executive Summary

From its humble beginnings at the Enterprise Plant in Bakersfield, Texas, Oaks Community Federal Credit Union served its members through good times and bad for fifty-four years. The [Year] merger with Prism Lake Federal Credit Union created even more opportunities for Oaks members through additional branches and services.

No one knew the adversity the credit union and the Southeast Texas area would face in the last few months of [Year]. Hurricane Alfie blew through the area in the early morning hours of [Month, Date, Year], one week before the merger was to take place. The eye of the storm passed no more than 40 miles from all seven offices. The recovery from the hurricane plus other national concerns such as the wars in Iraq and Afghanistan, oil prices, and homeland security have caused additional stress on both employees and members.

The members have also suffered through two data conversions between November [Year] and April [Year] and have dealt with problems with the credit union's third party vendors on debit cards and online banking. While these issues have gotten much better over the summer of [Year], the members are still feeling the effects of these conversions.

Internally, staff turnover, development of new departments, and the challenges of operating multiple branches have caused management to simply remain in survival mode. These issues have affected both employees and members, but are being corrected through the creation of new positions for training and branch coordination.

As Prism Oaks Federal Credit Union looks to the future, it should include ways to increase membership and improve member satisfaction. Security for members and employees should also be a top priority. POFCU should look at new and innovative technology products for members and staff and offer increased lending options for all members.

In order to increase membership, POFCU should first focus on an area of its field of membership that is not being fully served. The credit union should focus on increasing

membership at the San Diego office by conducting membership drives, participating in community events, and building relationships with the numerous small businesses in the San Diego area. Since the San Diego office opened in [Year], none of these things have been done on a consistent basis.

The credit union should also seek to increase penetration with the existing membership. The credit union tagline is “xxxxxxxxxxxxxxxxxxxx”, and a plan to reach all members of a family should be established. An Ambassador program for small business owners to open business accounts as well as encourage employee membership should also be effective.

The members of POFCU have been overlooked during the lengthy transition and growing pains associated with the merger. In order to regain their trust and build stronger relationships, the credit union should reevaluate the current fee schedule and eliminate needless fees to members in good standing. Increasing or restructuring other fees will allow the credit union to maintain adequate fee income. Another aspect of this will be to implement a comprehensive relationship-pricing program to show appreciation to members who consistently do more business with POFCU.

The service level has also decreased dramatically at all locations since the merger. As a way to determine deficiencies in member service, the credit union should develop a “secret shopper” program. This will allow the credit union to get feedback on the overall experience that members are seeking in today’s society. Another way to increase member satisfaction is for the credit union to be open when the member needs it. New hours for both the drive-through and lobby are crucial to reestablishing a high level of member satisfaction.

Prism Oaks Federal Credit Union operates seven branches in three counties. While crime in these areas is not nearly as high as more populated areas in Texas, it is still imperative that the credit union provides a safe environment for members and employees. To accomplish this, the credit union should replace the current security camera systems at all offices, as well as replace outdated drive-through equipment with new technology that will dissuade theft by check, identity theft, and robbery.

The staff will need ongoing training in both basic and advanced techniques for dealing with the wide range of security issues the credit union

faces today. A comprehensive security plan and reference handbook will allow employees to review necessary procedures on an ongoing basis. The credit union also has an obligation to educate members of all ages on the current fraud scams and identity theft trends that are becoming increasingly more sophisticated.

Another area of improvement is technology. The world becomes more reliant on technology every day. In order to provide the best service to its members and provide useful tools to the employees, POFCU should utilize the new technology products available to the credit union industry. First, the credit union should implement the branch capture program that allows checks to be transmitted to the Federal Reserve electronically instead of by courier.

POFCU should also seek to increase participation in training sessions to include all employees. The credit union should install video conferencing equipment at all offices as well as develop a library of training sessions for use at later times as well as in employee orientation.

In the lending area, the credit union has a very low loan to share ratio. By offering new lending options for members and partnering with credit unions suffering from liquidity issues, the credit union can increase this ratio to a more profitable level. The member relations representatives should also be taught how to effectively book loans at account opening since this is the only time a member is willing to listen to the services the employee has to offer.

Since the merger, several things need to be done to continue constant growth in the bottom line. A complete audit of maintenance contracts and purchasing procedures must be performed so that the credit union is getting the best service and prices. With the new laws on reporting Courtesy Pay losses, the credit union must establish a way to actively pursue collection of charge offs related to Courtesy Pay. Finally, management should perform an analysis of cash on hand at each office and delivery of cash. As investment rates continue to increase, it is crucial that as much money as possible be invested in the most profitable areas.

As the challenges of the merger continue to be resolved, the future for Prism Oaks Federal Credit Union looks bright. The Board of Directors and management must continue to seek new ways of serving members and provide for the employees in order to remain successful in the future.

Optional Project Elements

Elements might include:

- Core Values Statement
- Code of Ethics
- Governance
- Or similar material to supplement the plan.

Students have flexibility in these areas, including or developing as appropriate for the credit union.

Students are encouraged to meet project requirements before developing optional elements. These elements may be submitted at anytime and are graded on a pass/fail basis.

If optional elements already exist for your credit union, indicate why you feel they are important to include in the strategic business plan you are preparing.

If you are creating new documents for your plan, please note.

Core Values

Define the culture and character of an organization.

An important caveat to the concept of core values is that there are no specific “right” core values for becoming an enduring great company. No matter what core value you propose, we found an enduring great company that does not have that specific core value. A company need not have passion for its customers (Sony didn’t), or respect for the individual (Disney didn’t), or quality (Wal-Mart didn’t), or social responsibility (Ford didn’t) in order to become enduring and great. This was one of the most paradoxical findings from “Built to Last” – core values are essential for enduring greatness, but it doesn’t seem to matter what those core values are. The point is not what core values you have, but that you have core values at all. That you know what they are, that you build them explicitly into the organization, and that you preserve them over time.

“Good to Great” Jim Collins

Example One

SCMSAA Core Values

- Involved
- Leader
- Mentor
- Professional
- Supportive

*Adopted by the SCMSAA Board of Directors
March 28, 2011*

Example Two

Current Guiding Principles

People Helping People – Credit union difference of helping Members and associates achieve personal goals.

Dedication to Exceptional Service – Exceed quality of service expectations by recognizing opportunities to provide solutions that fulfill our Members’ and Associates’ needs.

Commitment to Education – Actively promote the education of our Members and Associates to attain the highest level of development both financially and personally.

Integrity – Be respectful, ethical and reliable in all of our relationships.

Financial Responsibility – Enhance the security of our Member-owners through financially sound actions that support the credit union philosophy of not for profit financial cooperative.

Adopted by the Board on June 14, 2011

Critique: I feel these guiding principles reflect the culture and mindset of the employees of ABC Credit Union. The first principle captures the big reason for the creation of the credit union movement. The second principle displays the credit unions commitment to its members and providing them quality member service. Financial literacy education is really one of the hallmarks of ABC Credit Union and one of the things that we really pride ourselves on. The final two principles are really things that any company needs to do to gain the trust of everyone it does business with and be successful in the future.

Thoughts: ABC Credit Union’s ultimate goal is to make a difference in the lives of our Members, associates, and communities. We define our success by an enduring set of principles that empowers our associates to embrace change and learn from their experiences.

At the end of the day ABC Credit Union should conduct interactions by the concept of “People Helping People”. These Guiding Principles are used to aide associates that when in doubt make sure that whatever solution is chosen it fits within these ideals that we hold dear.

Code of Ethics

Define a basic set of ground rules.

A code of ethics (otherwise known as an ethical policy, code of conduct, statement of business practice or a set of business principles) can be a management tool for establishing and articulating the corporate values, responsibilities, obligations, and ethical ambitions of an organization and the way it functions. It provides guidance to employees on how to handle situations which pose a dilemma between alternative right courses of action, or when faced with pressure to consider right and wrong.

No two codes will be the same. They must reflect the concerns of the employees of the particular organization and the context of the relationships and business environment in which it operates.

Having a code of conduct is not enough however. It can only be effective and practically useful with committed dissemination, implementation, monitoring and embedding at all levels so that behaviour is influenced.

Key areas to include –

- A. *The Purpose and Values of the Business - The service which is being provided - a group of products, or set of services - financial objectives and the business' role in society as the company sees it.*
- B. *Employees - How the business values employees. The company's policies on: working conditions, recruitment, development and training, rewards, health, safety & security, equal opportunities, retirement, redundancy, discrimination and harassment. Use of company assets by employees.*
- C. *Customer Relations - The importance of customer satisfaction and good faith in all agreements, quality, fair pricing and after-sales service.*
- D. *Shareholders or other providers of money - The protection of investment made in the company and proper 'return' on money lent. A commitment to accurate and timely communication on achievements and prospects.*
- E. *Suppliers - Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.*

- F. *Society or the wider community - Compliance with the spirit of laws as well as the letter. The company's obligations to protect and preserve the environment. The involvement of the company and its staff in local affairs. The corporate policy on giving to education and charities.*
- G. *Implementation - The process by which the code is issued and used. Means to obtain advice. Code review procedures. Training program.*

Source:

<http://www.ibe.org.uk/codesofconduct.html>

Governance

The role of corporate governance remains a key factor in the success or failure of a company. Revelations of corporate scandal and reports of the damaging repercussions of bad Boardroom conduct highlight the increasing need for companies to invest in a sound corporate governance strategy.

PriceWaterhouseCoopers Corporate Reporting

An effective governance plan is key to a successful partnership between the CEO and Board of Directors. A board's responsibility is to ensure the effective management of the credit union by the CEO, leaving the daily operations or management of the credit union to the CEO and management team. A board's commitment to this type of partnership directly impacts the overall success of the credit union now and in the future.

Sample List of Board Responsibilities

(Adapted from LoneStar Perspectives - Spring 2010)

- 1) Determine mission and purpose.
- 2) Select the CEO.
- 3) Support and evaluate the CEO.
- 4) Ensure effective planning.
- 5) Monitor programs and services.
- 6) Ensure adequate financial resources.
- 7) Protect assets and provide financial oversight.
- 8) Build a competent board.
- 9) Ensure legal and ethical integrity.
- 10) Enhance the credit union's public standing.

Each of these responsibilities is important for a board to follow in order for a board to be effective.

How does your board's effectiveness create value for the credit union?

Are there areas of opportunity for the board to improve?

What areas constitute strengths of the board?

What can your board do to position itself and the credit union for future success?

Here are some other points to consider in your evaluation of your board and its governance plan.

- 1) Does your board have a succession plan? Does your board have an onboarding plan for new directors? A mentor program or assignment to a supervisory committee could create value in this area.
- 2) How is the strategic planning conducted with the board? Is this done internally or is this conducted with the assistance of an outside party specializing in strategic planning?
- 3) How does your board measure the performance of the credit union and CEO? What model do they use to ensure they are evaluating the critical success measures of the credit union? A balanced scorecard is one method that can be utilized to ensure effective measurement of performance for the credit union and CEO.
- 4) Diversity – what is the make-up of your board in relation to the SEG(s) [select employee groups] or community the credit union serves? Does the board represent these groups well or is change needed?
- 5) What type of education and training is provided to the board for their continued learning and development? Is continued education a requirement for serving on the board?
- 6) How will current or new regulations affect your board? Will the new financial regulation requiring board members to have a working knowledge of financial statements and accounting and finance practices affect their ability to direct the credit union's strategic path?

The points listed here are just a few items to consider in identifying the strengths and potential opportunities of your board. There are many articles on governance that can also provide you with other ideas to evaluate in assessing the overall effectiveness of your board and its ability to move forward and govern the credit union for future success.

Example

Board Analysis

BVO Credit Union's board has been effective in governing the direction of the credit union for many years. The current board has been in place for the last 14 years, since the former chairman resigned from his post. The board is made up of eight individuals, three former employees of the credit union, four business leaders and the CEO. The three former employees have over 70 years of credit union experience among them and served in management positions before retiring from the credit union. The business leaders have over 80 years experience in their related fields. Three of the business leaders are business owners and the fourth is a senior level manager with a local company. The CEO has been with the credit union for over 30 years and has been in her position for 12 years.

The board has a wealth of business and industry knowledge and has used this to their advantage in governing the direction of the credit union. They have a strong working relationship since they have been on the board for the last 14 years. They manage the strategic planning of the credit union from within by rotating the responsibility of leading the strategic planning sessions between two of the members and the Chairman each year. This has benefitted the group in their learning and development as directors.

The board has maintained its knowledge of the financial industry through attending conferences, seminars, and webinars geared towards board and credit union education. While their personal expertise brings value to the board, they have also created value by enhancing their knowledge of the financial industry. This knowledge has aided the board in evaluating the performance of the credit union and CEO.

Another area of strength is the board's commitment to enhancing BVOCU's public standing. The four business leaders are considered leaders within the community and are involved with several local charitable organizations. They have used their influence to create a positive image of BVOCU as a community financial partner, which has contributed to BVOCU's membership growth over the last several years.

Board Evaluation

Although the board has been effective in governing the direction and policies of the credit union, I believe there are a few areas which can enhance the effectiveness and future success of the board. These areas include developing a board succession plan, enhancing the strategic planning process, and diversifying its make-up to be more representative of the community the credit union serves.

While the length of service of the current board members can be considered a strength, if one or more of the board members resigns, the board's leadership and effectiveness could be severely

impacted. Developing a succession plan would enable the board to not only identify potential board member(s), but also create involvement for the potential board member(s) through participation on the supervisory committee. This would also enable the board to ensure the continued success of the organization and board's leadership of the credit union.

The strategic planning process is another area which has worked well, but could be enhanced to identify other areas of opportunity for the organization. Utilizing the services of a strategic planner would allow the board to evaluate its effectiveness with the planning process and identify potential best practices other credit union boards are using. This would be a significant change in the overall planning process as the board has never utilized an outside party to participate in the planning process. However, as the method of doing business as a credit union continues to evolve, the board must also continue to evolve and take advantage of opportunities which will leverage the talent and leadership of the board in governing the credit union.

Lastly, the board is made up of former credit union employees and business leaders. Three of the business leaders are business owners with the fourth being a senior level manager with a local company. This make-up is not truly representative of the members or community BVOCU serves. The board should take into consideration the value of having a board representative of the community and the credit union's members. Adding more directors should not be the primary solution, but adding directors with different backgrounds or levels of expertise should be considered. This could be accomplished with the implementation of the succession plan as stated earlier. As the board identifies potential board members, they should look for individuals who will bring more diversity to the current board make-up. This would allow the board to have a broader perspective as to the current and future needs of the community and members of credit union.

Conclusion

BVOCU's board has been successful in their role of governing and leading the direction of the credit union. They have demonstrated their commitment to the credit union, its members, and the community through their service on the board. The future leadership of the board is critical to the success of the credit union and through implementing an effective succession plan, enhancing the strategic planning process, and bringing more diversity to the make-up of the board, the leadership of the board will continue to be successful in its role.

Class of 2013 Project Completion Deadlines

If feedback indicates minimum requirements have been met, it is your choice whether or not to address evaluator comments. The comments are there for thought and incorporation as you see fit.	Deadline
<p>Submit project sections in this order.</p> <p>Always include the student progress and feedback form (personal information completed) with each submission.</p> <p>For final project submission, refer to the project check list starting on page 9.</p>	<p>Submission must at least meet SCMS Minimum Requirements and be in Evaluator's Possession by this Date to continue to the next school session.</p>
History Highlights, Mission Statement & Vision Statement	09/23/2011
SCOT & External Analysis	11/18/2011
Outline of Strategic Initiatives (SIs) – A working outline to bring with you to Mid-Year Classes. The outline includes SI name, objective statements, strategy heading, objective statement, and tactical action plan headings.	Should have a working draft by 2012 Mid-Year Session. Date TBD.
<p>Outline of Strategic Initiatives (SIs) – This will likely change as SIs are developed. This is normal. Once the outline has been approved, it does not need to be resubmitted until the final project submission.</p> <p>If you are uncertain about a change in direction, please discuss with project evaluators or school director.</p> <p>SI 1 (Recommend starting with membership as this tends to be an easier SI to develop.)</p>	04/13/2012
SIs 2-4 (Recommend Innovation as one of the SIs)	12/7/2012
Strategic Initiative 5 - Financial Management – includes year end-financials results for 2012. (Submit this section to Deborah Rightmire. Include projections and updated outline.)	03/29/2013
Executive Summary - Do not wait for the Financial Management SI to be approved. The executive summary may be updated if needed before final project submission.	03/29/2013
The entire project is due on one submission for final review in order to be considered for July graduation. No more submissions or changes accepted after this date. The evaluator will call you regarding final project approval. The project submitted is returned to students on campus. Students missing this deadline or who have incomplete work at this time may be given the opportunity to complete SCMS the following school year.	05/10/2013
<p>After the final project deadline has been met, the complete project has been reviewed, and your school application with full tuition has been received, students may request their presentation groups and time slot.</p> <p>Send a printed copy of the complete project to your Strategic Issues Presentation class leader as instructed. Failure to do so is an automatic elimination from honors consideration.</p>	

Your feedback is appreciated. Core manual instructions and project samples are updated on a regular basis. Additional resources to help those who come behind you are also welcome. Let the school director know if something could use clarification or was particularly helpful.

**Student Project: Two-Year Strategic Business Plan
Progress and Feedback form**

Student to Complete Contact Information. **Send this form with each project submission.**
Always keep a copy for yourself. **Important – please print legibly.**

- Work not following project format will be returned redo. -

Contact Information						
Name					Class of	
Credit Union Name						
CU Website						
Credit Union Job Title						
Preferred Project Street Mailing Address - Always include return pre-paid shipment envelope and remember not to request signature on receipt when mailing project work.						
City, State, Zip					Asset Size in Millions	
CU Main Phone				CU 800 Number		
Student Direct Phone				Student Cell Number		
CU Fax Number				Student Email Address		
Best time(s) to call:						
Project Feedback						
	Date of 1st Submission	Date Returned to Student	Date of 2nd Submission (if needed)	Date Returned to Student	Date Approved	Comments
History						
Mission Statement						
Vision Statement						
Optional - Code of Conduct, Ethics Statement, Value Statement, Etc.						
SCOT Analysis						

*Optional items may be submitted at any time.

Student Name _____

Credit Union Name _____

	Date of 1st Submission	Date Returned to Student	Date of 2nd Submission (if needed)	Date Returned to Student	Date Approved	Comments
External Analysis						
Outline (Headings – SIs through TAPs)						
SI 1						
SI 2						
SI 3						
SI 4						
SI 5 (Fin Mgmt – include copy of updated outline & projections)						
The Financial Management SI must be approved by Debbie Rightmire prior to sending it to John Vardallas.						
Executive Summary						
Complete Project						
Additional Project Notes:						
E = Excellent VG = Very Good G = Good M = Met Minimum MM = Met Minimum with Minor Revisions R = Redo		1 = “More Cowbells” – Embellish, expand thoughts 2 = Could improve on clarity by making more concise. 3 = Did you “forget” to run spell check? 4 = Need to refer to graph or charts within the body of the work. 5 = Estimate of dividend cost, investment yield, and/or loan yield outside of current market conditions. 6 = Action steps/Cost-Benefit analysis all finish in one year – Redo – this is a 2-year strategic plan!				

- Important: Make sure this grid reflects each time a portion of your project has been approved. If there is ever a question about your project status, this form is referenced.
- It is ok to email or call John if you cannot read his comments.

**Financial Management (5th) Strategic Initiative
Evaluation Form**

Section 1: The student to pre-complete this section. Send completed form along with the Financial Management SI to Debbie Rightmire, SCMS c/o TCUL, 4455 LBJ Freeway Ste 1100, Farmers Branch Texas 75244-5998.		
Student Name		
Full Name of Credit Union		
Best Phone Numbers to Contact You	Days of Week	Time
Work		
Home		
Cell		
Email in case Debbie or Sandy are unable to reach you:		
Section 2: Completed by Debbie Rightmire	Received	Complete
Internal Analysis		
Objective(s), Strategies, & Action Plans		
Projections		
Internal Analysis _____ _____ _____		
Objectives	Strategies	TAPS
_____ _____ _____		
Projections _____ _____ _____		

Debbie Rightmire, Evaluator

Before mailing the 5th SI and/or complete project to John, Debbie must have approved the 5th SI. She will call you and return this form upon completion. Note on your student feedback form the date you received approval from Debbie. If you have a copy of this form when you are ready to send your entire project to John, please include it along with your student feedback form. If not, your updated feedback form confirms to John that Debbie has reviewed and approved your 5th SI.

Student Presentations of CU Strategic Issues

1) Determine the audience – select to approach as if addressing:

- a) the credit union’s board of directors, or
- b) the credit union’s management team.

Plan to simulate a real business environment and engage the audience.

2) Select one to two key strategic elements from the business plan. Based on the target audience, make a presentation to gain “buy in” as to why the strategic element is important to the credit union and / or to acquire funding:

- a) provide the foundation/ background that led to the proposal of this strategic direction (brief history)
- b) discuss the objective, strategy(ies) and general overview of the action plan
- c) provide cost/benefit analysis
- d) discuss challenges, issues, trends related to implementation

3) Bring presentation to a conclusion.

Presentation Format

- Time: minimum 20 minutes, maximum 25 minutes. (The stated time factors may be adjusted to allow for class sizes, availability of reviewers and time constraints.)
- Attire: Business Professional (not business casual)
- Minimum of one audio-visual element.

Presentation Room Set-Up

Each presentation group room has a podium, LCD projector, and white board. Sorry folks, no remote controls unless you bring your own.

Bring your presentation on your laptop or a USB drive. Lessons learned – have a back up plan!

Keep the material interesting! Practice. Go through the full presentation several times before the presentation date!

Think about what questions your identified audience might have and be prepared to answer them.

When you are not presenting, take your roll as an audience member seriously. If you were in your classmate’s environment:

- What might you want to know?
- What questions do you have about the issue presented?
- Do the recommendations sound important and reasonable for the credit union to implement?

Tips & Things To Consider

- Make sure you have your thoughts together. Practice before class to be sure you stay within the time frame.
- Dress professionally.
- You will never have a group pull harder for you during a presentation than your classmates. We can all learn by listening to others.
- Don’t read the material (your audience tends to have a limited attention span!).
- After the project has been approved, you cannot fail because of a poor presentation. However, an outstanding presentation may have an impact on honor consideration.
- In the history of the school — no one has ever fainted or become deathly ill during an oral presentation. The anticipation is much harder than the actual presentation.

Relax!

Core Manual Editorial Team

Team Objective:

To Improve core manual usability and to make it readily available online (password protected or restricted access) by June 1, 2011.

Strategy:

Establish a Core Manual Team to help keep material relevant, with a complete Core Manual Update for SCMS Class of 2013 by November 30, 2010.

TAP 1:

Divide the manual into sections for team members to review, edit and update with final review by John, Lily & Janine. Update or create new generic samples.

TAP 2:

Establish formal method for gathering feedback/input from students on an on-going basis for core manual updates.

TAP 3:

Identify free, easy online process to share relevant articles, pose and answer questions.

Students, alum, and faculty, are encouraged to email questions, recommendations, challenges and thoughts to jmcbee@scms.coop.

Additional project samples are available at www.scms.coop.

Send any corrections, recommendations, or samples to the school director, Janine McBee: jmcbee@scms.coop.

Team

- Shawn Bailey, AMOCO FCU - TX (CI of 1999, Former SCMS Director)
- Windy Campbell, Electric Cooperatives FCU - AR (CI of 2008)
- David Frith, City CU - TX (CI of 2010)
- Chris Graham, East Texas Professional - TX (CI of 2008)
- Eric Hardman, Electro Savings CU - MO (CI of 2009)
- Angie Head, Shell FCU - TX (CI of 2008)
- Steve Perry, CUNA Mutual Group - Regional (CI of 2009)
- Penny Quick, Wichita FCU - KS (CI of 2010)
- Alex Rascon, GECU - TX (CI of 2010)
- Lisa Rowland, Neches FCU - TX (CI of 2010)
- Shawn Temple, Bossier FCU - LA (CI of 2009)
- Bianca Terrazas, Concho Educators FCU - TX (CI of 2010)

Junior Editor

- Mindy Seagraves Tinker FCU OK (CI of 2011)

Faculty Advisers

- John Vardallas, TheAmericanBoomer - WI
- Debbie Rightmire, Texas Credit Union League - TX
- Lily Newfarmer, Tarrant County CU - TX
- Gina Evans, Kansas CU Association - KS
- Editor-in-Chief/School Director & Synergist
- Janine McBee, Texas Credit Union League - TX