Building a Practical Strategic Roadmap

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Today's Outline

- Introductions
- Why strategic planning is important
- Key components of a strategic plan
- Common mistakes
- Outside consultant pros/cons

Introductions

SCOTT BUTTERFIELD

Founder and Principal

- Former Credit Union Executive
- CUDE and CCUE Certified
- Industry Speaker (US, UK)
- Led 500+ Strategy Sessions

ALISON CARR

Chief Strategy Officer

- Former CU, CUNA Executive
- CUDE Certified; MBA
- Hispanic Outreach Expert
- Co-Founder: CU DEI Collective

TOM SAKASH

Strategic Consulting Officer

- Former CUNA Executive
- CUDE Certified
- Small Credit Union Expert
- Trained Facilitator

SUE SCHROEDER

Strategic Consulting Officer

- Former Experian Executive
- MBA, Strategy & Marketing
- Industry Speaker
- Certified Grant Writer

ALEJANDRA SELUJA

Hispanic Outreach Consultant

- Former CU Executive
- Certified Bilingual Translator
- CDFI Compliance Expert
- ITIN Lending Expert

Our team includes bilingual staff, experts in ITIN lending for immigrant populations, and a certified public translator (for CDFI initiatives)

Why Strategic Planning is Important

- Direction and focus
- Proactive – anticipate changes
- Resource allocation
- Risk management
- Performance measurements
- Alignment and communication
- Long term sustainability

It's more than placating Examiners!

POLL QUESTION #1

Plan with PURPOSE

- A clear and compelling **PURPOSE** is vital to strategic planning.
- Why does the CU exist? Why should anyone care?
- **Big Picture –** What are the most vital and meaningful outcomes the CU seeks in 5-10 years?
- Your strategic priorities should support progress towards those big-picture outcomes.

Internal Assessment

The purpose of this phase of planning is to answer:

- Where do we **excel**, what should we keep doing?
- What internal **challenges** might hold us back?

Focus the internal assessment on these three areas:

- Financial/growth
- Service delivery
- Culture

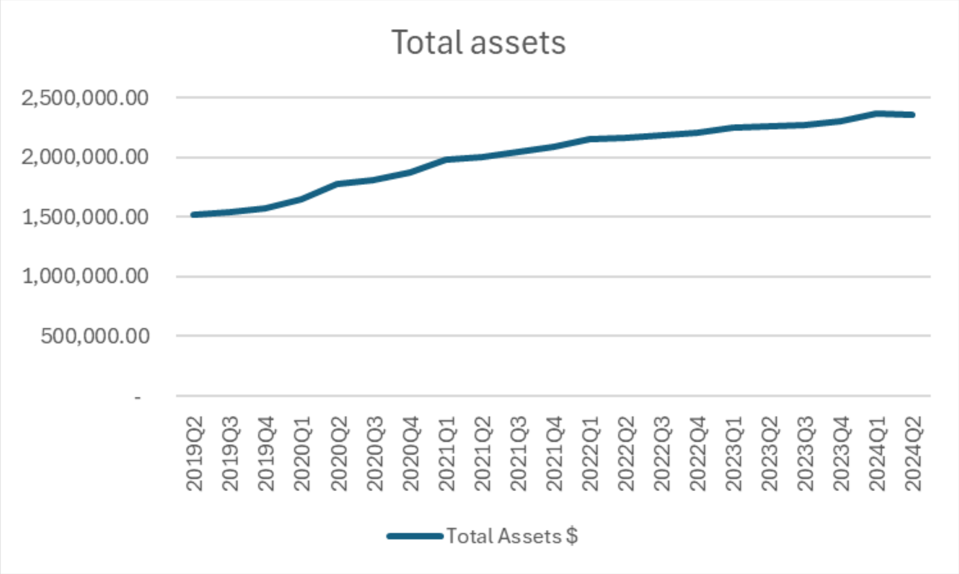
External Review

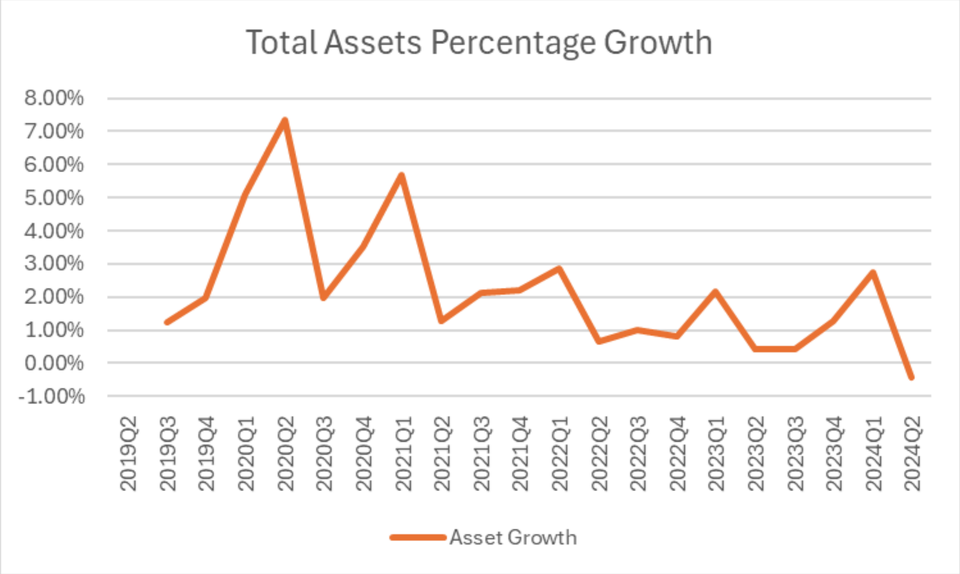
- The purpose of this planning phase is to discuss external trends, opportunities, and threats.
- Focus on events/trends **most relevant** to the credit union.
- Topic ideas:
  - Growth opportunities
  - Economic trends
  - Regulatory trends
  - Changing environments, e.g., changing consumer preferences and workforce needs.
  - Peer size best practices
- This can also be a good place to discuss important issues currently facing the credit union such as Succession planning, aging technology, etc.

Environmental Review Example

Here, Cynthia can provide a 10-minute overview of current financial trends that credit union leaders should consider during their planning session…It serves two purposes: 1) it is an example of how leaders can incorporate relevant data into their strategic conversation, and 2) it will give attendees something they can take back and use for their credit unions.

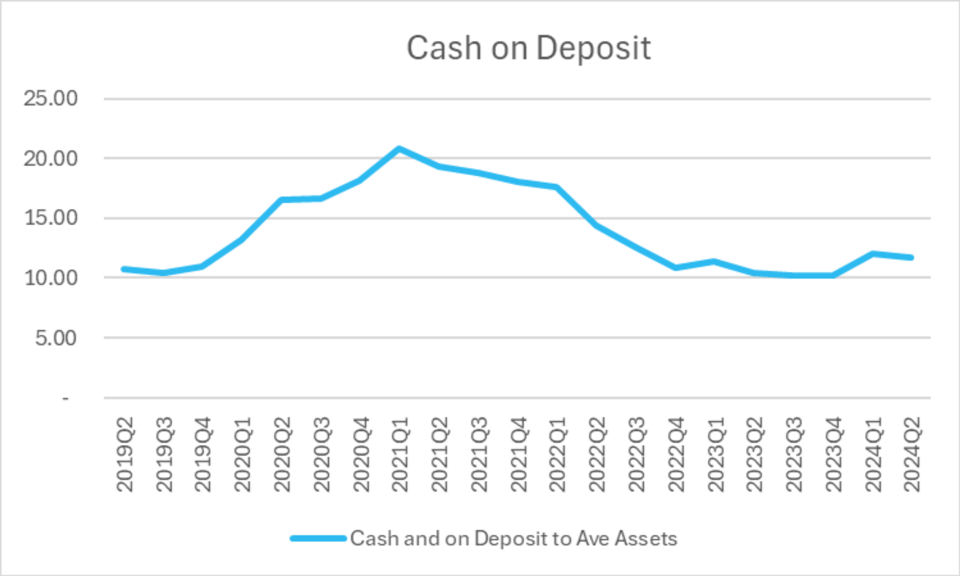
Asset Growth



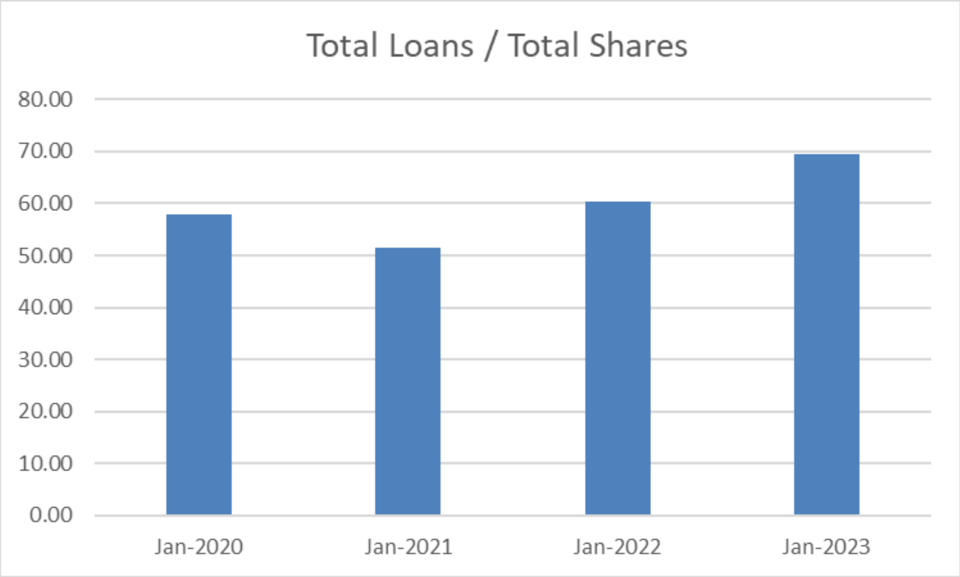


Cash & On Deposit to Ave Assets

Liquidity

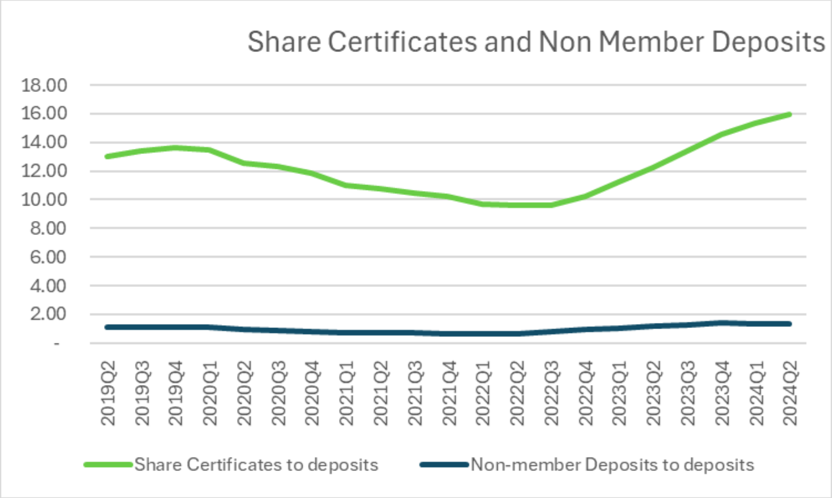


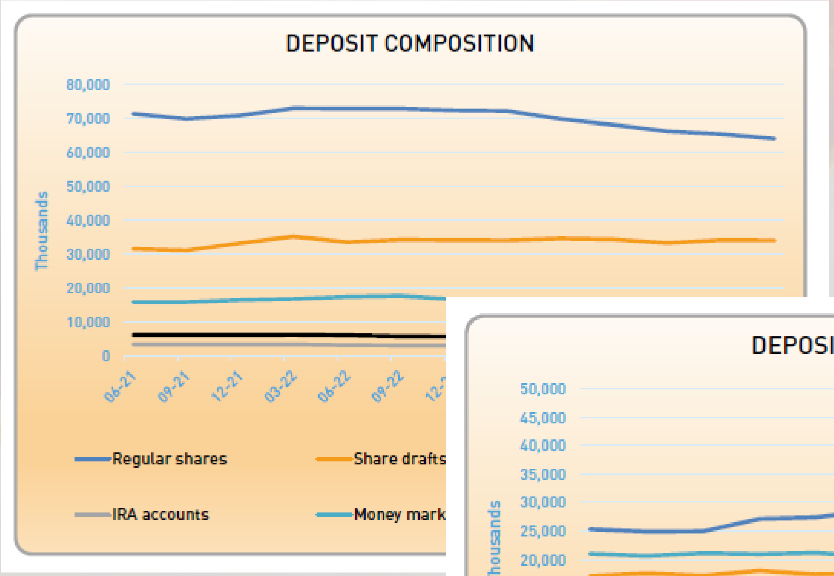
Total Loans to Total Shares

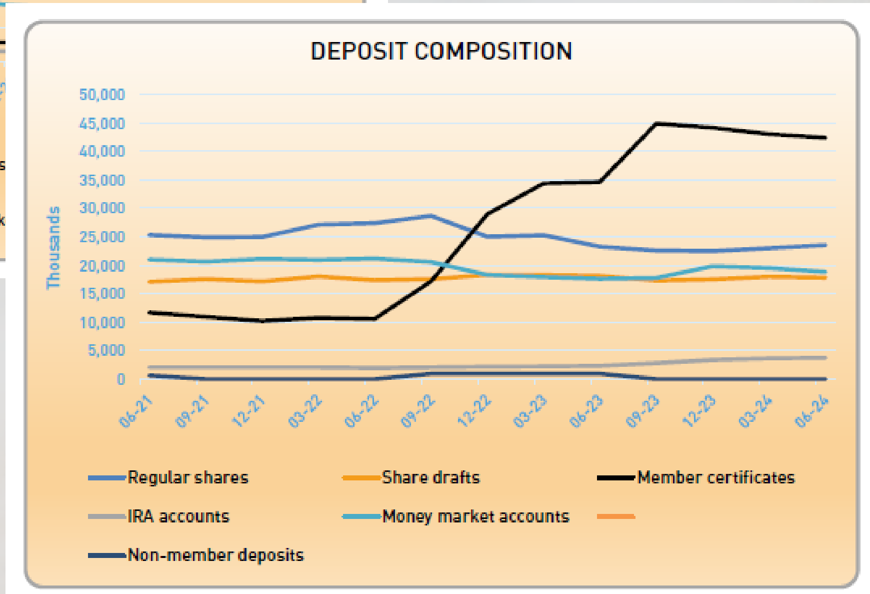


POLL QUESTION #2

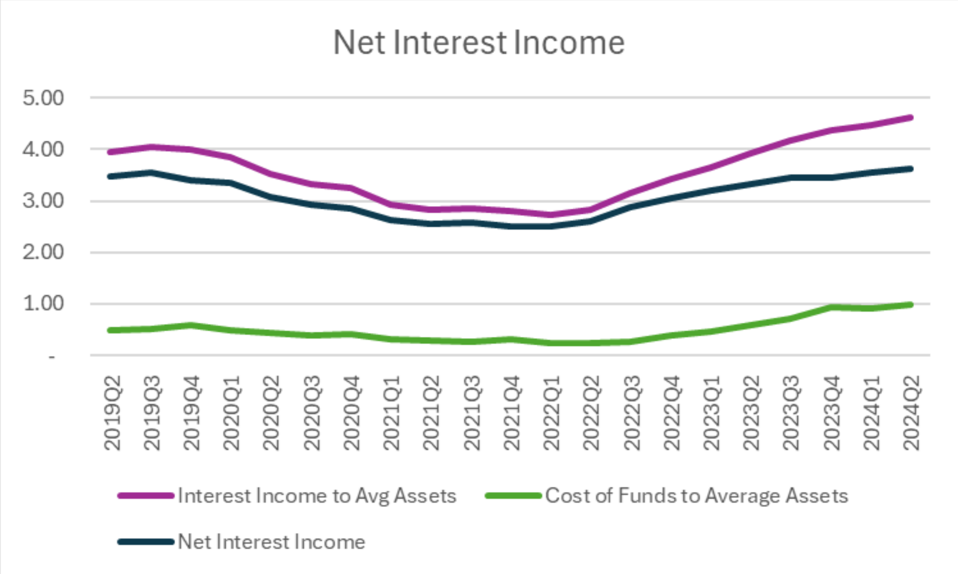
Share Certificates and NM Deposits



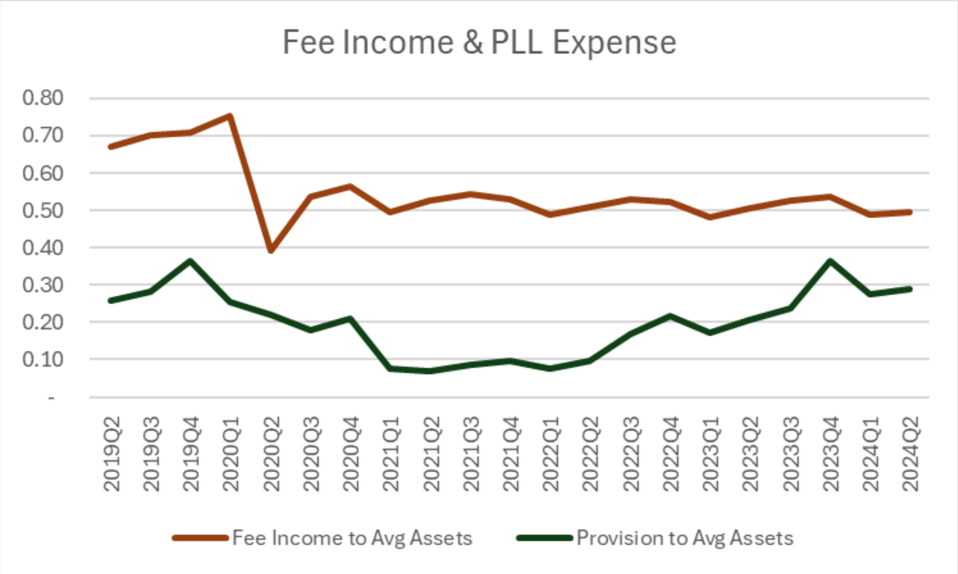




Earnings

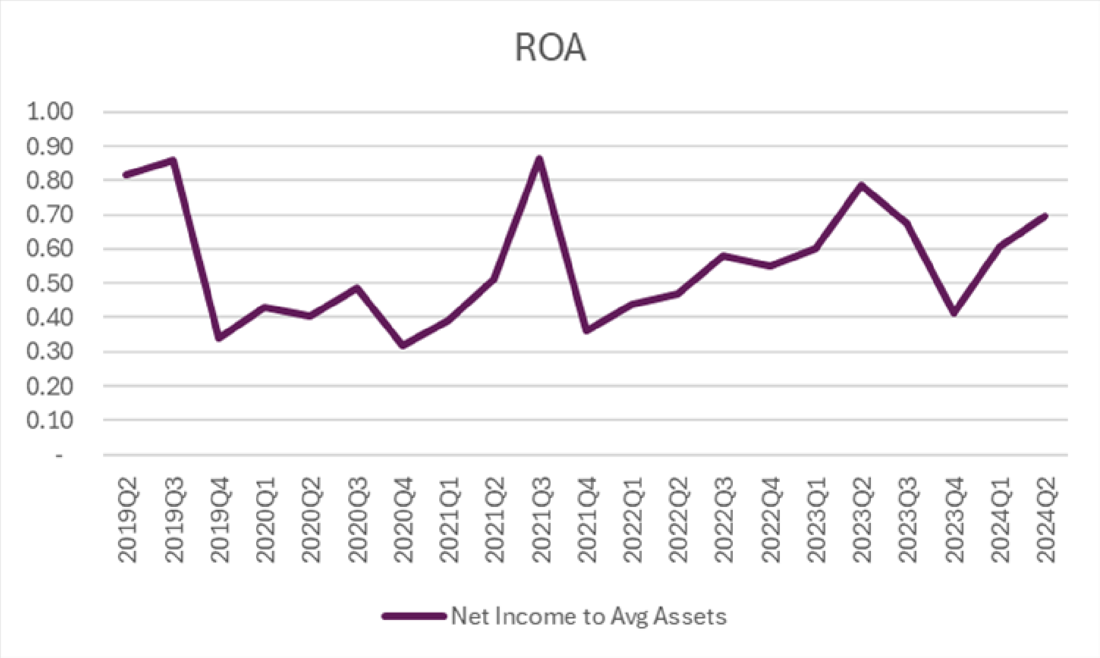


Net Interest Income
5.00
4.00
3.00
2.00
1.00
-
2019Q2
2019Q3
2019Q4
2020Q1
2020Q2
2020Q3
2020Q4
2021Q1
2021Q2
2021Q3
2021Q4
2022Q1
2022Q2
2022Q3
2022Q4
2023Q1
2023Q2
2023Q3
2023Q4
2024Q1
2024Q2
Interest Income to Avg Assets
Cost of Funds to Average Assets
Net Interest Income

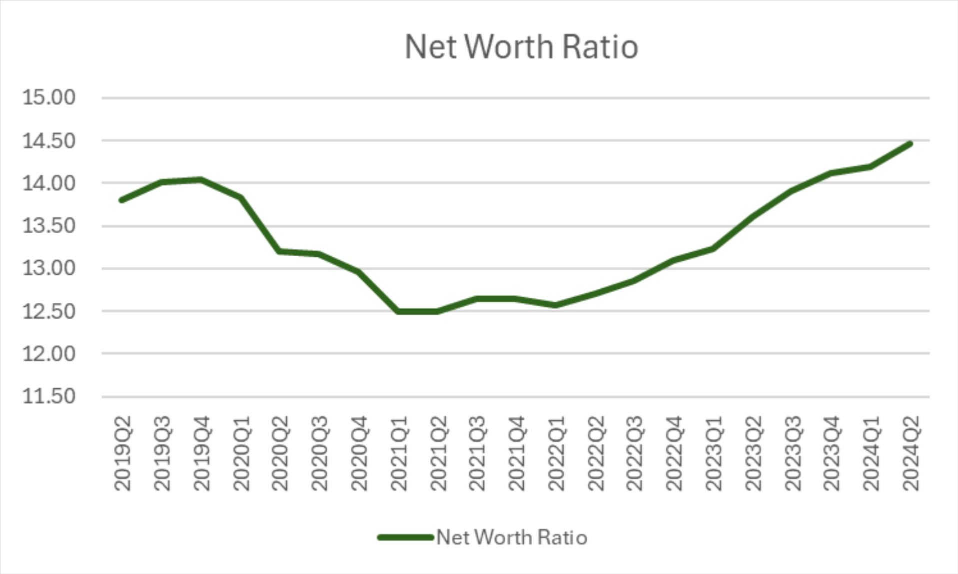


Fee Income & PLL Expense
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
-
2019Q2
2019Q3
2019Q4
2020Q1
2020Q2
2020Q3
2020Q4
2021Q1
2021Q2
2021Q3
2021Q4
2022Q1
2022Q2
2022Q3
2022Q4
2023Q1
2023Q2
2023Q3
2023Q4
2024Q1
2024Q2
Fee Income to Avg Assets
Provision to Avg Assets

Return on Assets



Net Worth Ratios



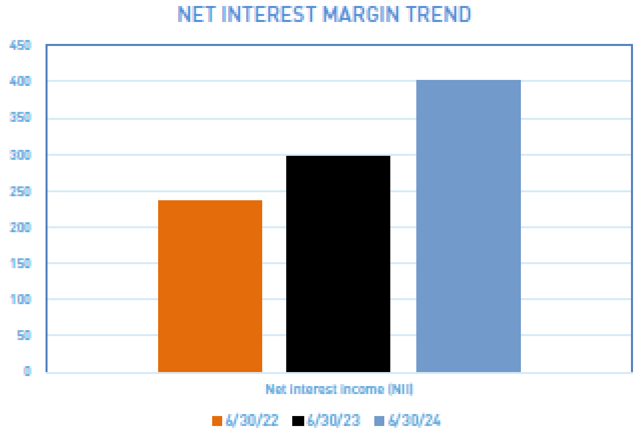
CU with Lower Certificates of Deposit

SPREAD ANALYSIS OF INCOME AND EXPENSES
LAST 12 MONTHS

Divided by average assets	Basis Points	Guideline	Variance
Interest income	417		
Cost of funds	15		
Net interest Income	402	325	77
Fees & misc income	84	*	*
Total margin	486	*	*
Provision for loan loss	11		
Operating expenses	410		
Total Operating Expenses	421	*	*
ROA - ongoing operation	65	50	15
NCUSIF recovery/(writeoff)	0		
Other gains(loss)	(0)		
Total Return on Assets (ROA)	65		

Possible variance due to rounding

Guidelines are in balance n/a * Not established



CU with More Certificates of Deposit

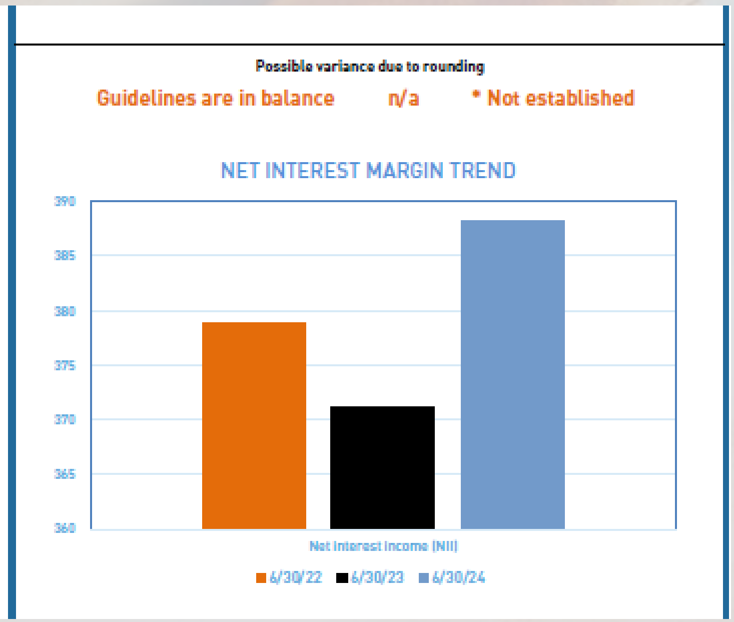
PANEL 5

INTEREST MARGIN & NET INCOME ANALYSIS

Expanded Analysis Begins at Page 48

**SPREAD ANALYSIS OF INCOME AND EXPENSES
LAST 12 MONTHS**

Divided by average assets	Basis Points	Guideline	Variance
Interest income	582		
Cost of funds	194		
Net interest Income	388	*	*
Fees & misc income	107	*	*
Total margin	495	400	95
Provision for loan loss	23		
Operating expenses	379		
Total Operating Expenses	402	*	*
ROA - ongoing operation	93	30	63
NCUSIF recovery/(writeoff)	0		
Other gains(loss)	0		
Total Return on Assets (ROA)	93		



Set Strategic Priorities

Bringing it all together…

Focused conversations around purpose, internal assessment, and external factors set the stage for CU leaders to answer the following strategic questions:

1. *"Based on the information we have reviewed and discussed, what are the three most important items CU management should be focused on for the next three years?"*

2. *"What is your HOPE for the credit union in three years from now? What must we accomplish, or what do we want to be known for?*

POLL QUESTION #3

Next Steps

- Once the board and management have agreed upon the top 3 strategic priorities, it’s the management's responsibility to create the action items they will pursue to accomplish the priorities and recommend the metrics as goals.

- Together, the strategic priorities and the action plan become the credit union’s complete business plan.

Facilitation Guide – Do's and Don'ts

DO

- Take it seriously; it's more than appeasing examiners
- Create an environment for volunteers and leadership to have open and honest conversations that are internally and externally focused and can lead to growth and relevance.
- Seek diverse opinions
- Utilize credit union expertise to provide guidance and relevant information for your size and culture at the credit union.
- Use templates to support the effort, such as the CUNA Small Credit Union Strategic Planning Facilitator's Guide
- Be focused – you can't cover every possible topic during planning sessions. Conversations should be relevant to the credit union's size, business model, culture, etc.

Facilitation Guide – Do's and Don'ts

DON'T

- Don't hire a consultant without relevant credit union experience
- Don't allow the strategic planning process to become too tactical
- Don't limit strategic planning to once a year

Resources

- Mark H. Smith
- CUNA Small Credit Union Strategic Planning Facilitator's Guide
- ACU EScan
- ACU, TruStage Economic Reports
- Local community economic development reports
- Local consumer demographic studies
- Community Development Research at Inclusiv
- Filene reports

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Mark H. Smith INCORPORATED

CREATING PATHWAYS FOR GROWTH AND COMMUNITY IMPACT

Thank you

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