



## ***Wake-up!*** **Times Have Changed!**

Louisiana Credit Union League  
2009 Annual Meeting & Convention  
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***Facilitated by***  
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## Today's Theme

- What you WILL NOT find here
  - Fluffed-upped materials designed to hide the real, hard to swallow message
- What you WILL find here
  - Open, honest dialogue
  - Professional adult discussion about real issues
  - Ideas to consider and implement

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*In Memoriam...*

2008

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subprime

greed  
fraud  
bailouts



bonuses



 **Countrywide**

debt

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# Goodbye 2008!

*Don't let the door hit you...*

- Government bailout of Fannie Mae and Freddie Mac
- Government bailout of AIG
- Bank of America buys Merrill Lynch
- Lehman Brothers files bankruptcy
- Wells Fargo buys Wachovia Bank
- \$700B bailout of the financial industry
- *And so on, and so on, and so on...*

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# Goodbye 2008!

*You won't be missed!*

- Either disappeared or no longer independent entities:
  - Countrywide Financial
  - IndyMac Bank
  - Bear Stearns
  - Freddie Mac
  - Fannie Mae
  - Lehman Bros.
  - Washington Mutual
  - Wachovia



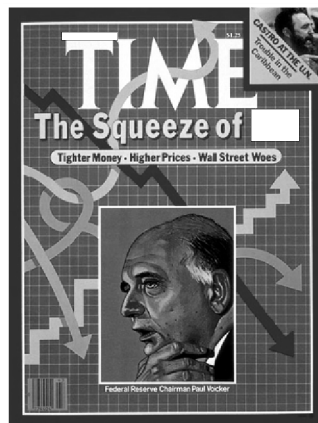
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## Yuck, 2008 Hurt!

- Rising unemployment
- Dismal stock returns (worst year since 1930s)
  - Dow lost 33.8%
  - S&P 500 lost 38.5%
  - Nasdaq lost 40.5%
- Government bailed out everybody – except you and me!
- Gas and milk at the same price!
- Credit crunch (NOT a new cereal)
- Housing market collapsed

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## In The News



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## This is Nothing New

- We've been here before!
  - It just *feels* new, each time it happens
  - We have short (or selective?) memories

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## The 2<sup>nd</sup> Great Depression?

- Not by a long shot!
  - Unemployment rate 25%
  - Another 25% had their wages and hours cut
  - Meaning one of every two households was either unemployed or underemployed

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## The 2<sup>nd</sup> Great Depression?

- People lived in true poverty, desperately needing food, clothing, shelter
- Government programs for the poor didn't exist like they do today (i.e. food stamps, unemployment insurance)
- Most households were one-income households. Today, it is more common to have two breadwinners

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## The 2<sup>nd</sup> Great Depression?

- From 1929 to 1932, stock prices declined over 89%!



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## Economic Realities

- What goes up, must come down
- You can't enjoy the good times without tasting some of the bad
- **NOTHING** is free; be prepared to pay the price
- Prepare for the most important economy – your own!


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## Real Stress

- According to a recent study by the American Psychological Association, money and the state of the economy are two of the top sources of stress for **80%** of Americans

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## Redefining the Member Relationship

- Goal One: Easing member stress and anxiety
  - We must use this opportunity to build **trust** with our members
  - The credit union should position itself to provide resources to help members navigate during these (and future) turbulent times

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## Repositioning for the “Newer Economy”

- Review the following:
  - Deposit balance requirements
    - Do they make sense in today’s world?
  - Fee structure/pricing
    - Are you increasing or decreasing?
  - Product mix
    - Will today’s member find your products appealing or appalling?

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## The “Newer Economy” Member

- Members have undergone an evolution – has your credit union?

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## Seven Simple Words

What we do today  
defines our future.

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## What Type of CU Are You?

- Reactive
  - Uncomfortable with change
  - Lives in the past
  - Misses the “good old days”
- Responsive
  - Can’t create the future
  - Forces outside their control
  - Change “on a dime” when needed
- Proactive
  - Anticipates/visualizes the future
  - Embraces change events
  - Must continuously innovate to be successful



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## Darwin Knows Best

*It is not the strongest  
of the species  
that survives,  
nor the most intelligent,  
it is the one that is  
the most adaptable  
to change.*

**- CHARLES DARWIN**

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## Innovation and Change

- *“If you don’t like change, you’re going to like irrelevance even less.”*

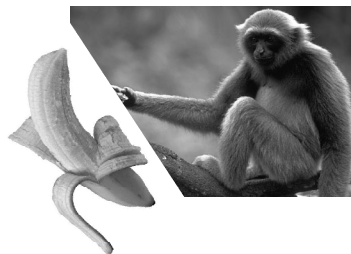
- General Eric Shinseki, Chief of Staff, U.S. Army



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## Outside the Box

- Let’s start with how a banana should REALLY be peeled!



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## True or Not True?

- Members are loyal
  - Sure, to you and everybody else!  
Members tend to act like customers. If they are not getting what they want/need from you, they will go find it

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## True or Not True?

- Members have strong, emotional ties to the credit union
  - Staff and volunteers tend to have the most emotional ties to the credit union

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## True or Not True?

- **Members resist change**
  - Sure, some do. However, long-term employees can sometimes resist change/evolution more than members

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## True or Not True?

- **You're becoming just like a bank!**
  - If we make decisions which will benefit the credit union and its members, we are actually becoming more like a credit union!

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## The Competition

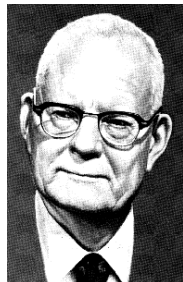
- Banks (traditional)
- Internet banks
- Other credit unions
- Mortgage companies
- Investment firms
- Financial advisors
- Internet lenders
- Peer-to-Peer Lending



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## Quote of the Day

- *"It is not necessary to change. Survival is not mandatory."*  
- - W. Edwards Deming



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## The Pace of Change

**Reality time here - change is a constant!**

- Members
- Staff members
- Technology
- Products
- Regulation/compliance
- Competition



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## Why Great Companies Fail

- Corporate arrogance and hubris
- Insufficient attention to weak signals
- Lack of vision and risk-taking
- Trapped in yesterday's business models
- Biases of internal decision processes

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## Do People Really Fear Change?

- Wow, people change a lot!!
  - Cars
  - Homes
  - Jobs
  - Spouses
  - TV channel



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## Fear of the Unknown

- People don't fear change as much as they fear the unknown.
- *"People always fear change. People feared electricity when it was invented, didn't they? People feared coal, they feared gas-powered engines... There will always be ignorance, and ignorance leads to fear."*

– Bill Gates

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## Why Our Business Needs Change

- Assists us in remaining competitive in today's ultra-competitive world (there are LOTS of choices in the financial marketplace today)
- Keeps us relevant to our members and their ever-changing wants, needs, and desires
- Encourages us to strive for ongoing continuous improvement
- Drives us to stay as current as possible in all aspects of the business

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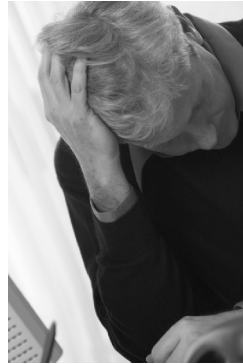
## Why is Change Healthy?

- Striving for continuous improvement in business operations, products, product delivery, technology, etc. benefits all involved (members and employees)
- Helps the credit union stay one step ahead of failure!
- Keeps the business energized, focused, and prepared for the future

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## Stop the Insanity!

- **Insanity:**  
Continuing to do the same things while expecting different results.



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## Whatever! Change Stinks!

- Change can hurt (unless you are the beneficiary of the change event)
- Most people fear the unknown more than the change event itself
- People “fear” at different levels and for different reasons
- Staff morale can be tough to manage during times of change

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## Why Does Change Often Hurt?

- Management not being open and honest (as much as possible) regarding what is going on, why it is happening, and what to expect during and after the change
- Too many changes at one time (or scheduled too close together)

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## Considerations

- Revisit your credit union's commitment to sales and service. This is the opportunity to reach out and build long-term member relationships
- Be open to change and evolution – both individually and as an organization
- Be part of the solution, not the problem

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## In Closing

- Remember where we (our industry) came from, but realize you can't live there
- Don't fight evolution – adapt as needed
- Retain the credit union philosophy by running a smart and successful business for your member-owners

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## Thank You!

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