

The Credit Union Branch Manager: *A New Leader for a New Era*

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Community Credit Union Committee*

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Times Used to Be So Simple

It’s surprising to take a step back and realize how many top credit union executives started their careers inside the brick and mortar of their own organization’s branches. The tale of a young college student starting at the teller line part time and ending up in the CEO’s desk 25 years later is not uncommon in credit union land.

This “branch-centric” history for many credit union executives is both a blessing and a curse. It’s wonderful to have a real-world perspective on how things operate at the front line, but it can also be difficult to “let go” of perceptions that may now be completely obsolete.

The branch environment has changed dramatically in the past decade and will continue to evolve on a fast track in the years ahead. With the rapid growth of the internet, mobile technologies, e-payments and social media, consumers are shifting from the physical world to the digital world very quickly. If one were to think more like an anthropologist, this shift in human behavior is clearly one of the most unprecedented changes in the history of our species. In reaction to this shift, credit unions have worked diligently to develop strong ATM, call center, voice response, point-of-sale, internet and now mobile technology channels. Our industry has eagerly stepped up and accepted that a “multi-channel” delivery capability is the only way to satisfy members’ voracious appetite for convenience.

Now the digital shift is happening at a scale that is beginning to throttle the traditional retail banking model. Consider these facts as we peer into the future:

- 2011 will be the first year that more smart phones with internet access will be sold in the United States than traditional cell phones. According to Morgan Stanley, an amazing 150 million smart phones will be sold each year by 2013.
- The Tower Group estimates that there will be 53 million mobile banking users by 2013, up more than 300% from 2010.
- Mercatus estimates that 30% of branch teller transactions will go away over the next three years because of the anticipated explosion in business and consumer remote deposit capture usage.
- Fifty-eight million, or nearly one in four U.S. adults, attempted to open a financial account online in 2010, a more than 100% jump from 2007, according to Javelin Research.

With this unprecedented behavioral shift by the consumer, financial institutions are struggling to determine where the brick and mortar branch fits into a future-looking business model and what role a branch manager will play in the growth and success of their organizations.

While branches still abound in both the banking and credit union industries, the pressure for these roughly 100,000 offices to generate a positive return on investment is certain to become more pronounced in the years ahead. There are already a few key statistics that foretell this growing pressure:

- For the first time in recorded industry history, the number of bank branches actually declined from 6/09 to 6/10 from 99,500 to 98,500.
- Consumer preference for branches has declined by 39 percent since 2007 according to the 2010 ABA Bank Preference Study.

Credit unions will need to begin planning strategically for this impactful shift that is occurring in the delivery of retail financial services. They will need to analyze the current transaction mix, sales mix and satisfaction their members have with the institution’s branch system, and they will need to understand how these trends differ by various member segments. They will need to understand what role the branch will play and what overall brand and experience the credit union is trying to reinforce in its branch environment.

A New Leader for a New Day

In establishing a modern branch delivery strategy, credit unions will also face the important task of redefining the role of their branch managers. As we move into a new era of retail banking, credit unions must be prepared to develop a new breed of leader inside the brick and mortar of their organizations.

The next generation manager will face a more challenging set-up responsibilities but will have opportunities for professional growth like never before. The branch managers of tomorrow will be asked to preserve their sincere commitment to service and our industry’s cooperative spirit. Yet, they will also be asked to lead the transition of the credit union to better drive mutual value from member relationships, to effectively optimize the usage of physical and remote channels and to address new industry mandates for efficiency and profitability.

In the past decade, much has been written about the need for credit union managers to shift from a reactive service culture to a proactive sales culture. The truth is that the needed evolution of branch managers is much more complex and impactful than this oft-heard sound bite.

The branch managers of the future will essentially act as the link between the traditional model and the new model. They will lead employees and members into new products, new delivery approaches and a new operating culture. In short, the new credit union branch manager will be asked to act as on-the-ground soldiers to lead an important transformation.

It is with great excitement that CUNA’s Community Credit Union Committee brings you this free whitepaper, ***“The Credit Union Branch Manager: A New Leader for a New Era.”*** This report has been

developed by Cornerstone Advisors, Inc., a leading management and technology consulting firm that specializes in the credit union and banking industries. Strategic direction regarding this report has been provided by community credit union leaders represented on the Committee.

We hope this report can help catalyze your credit union’s new retail delivery strategy and the role that credit union branch managers will play in the future. This white paper is designed to review the key forces that are changing the role of the branch manager and how credit unions should react to these changes. The paper will outline critical expectations for the next-generation branch manager and the skill sets that must be developed to meet these expectations. The evolution of both the branch and the profile of the branch manager will be a difficult and volatile challenge for credit union executives. It will be a major topic during strategic planning, annual budgeting and the ongoing execution of the organization’s growth plans.

Best practice credit unions are already on their way towards addressing this important evolution. We hope your credit union is starting this journey today and hope you find this research helpful.



The Five Forces of CU Branch Evolution

The world of the credit union branch manager is changing even faster than in times past. Stress and exhaustion have filled the average day of a manager in recent years as credit unions have weathered through the Great Recession and financial crisis. Now, credit unions are beginning to climb out of the crisis from recent years and pondering how they will compete and grow in the next era of financial services.

Based upon its ongoing formal analysis of retail branching trends, Cornerstone Advisors, Inc. has identified five major forces that are reshaping the world of the branch manager:

Force 1 – Relationship Growth

Credit unions must drive stronger cross-sell to deepen member relationships and create mutual value

In the past decade, credit unions grew significantly but in many respects failed to create the depth in member relationships that they would have preferred. Many institutions analyze their accounts per household data and find that too small a percentage of the member base is driving too high a proportion of the credit union’s earnings. Additionally, the high number of single-service households in a credit union’s member base can be concerning, and credit unions are striving to do more with this potential base.

Importantly, credit unions have a golden opportunity to create more value from member relationships going forward. A small, positive aspect of the recent financial crisis has been that it illuminated the trust



that consumers have with credit unions and the fragile relationship that large financial institutions have with their customers. According to J.D. Power’s 2010 survey of Retail Banking Satisfaction, customers are more willing to switch banks. The study found 66% of customers would contemplate switching, up from 54% three years ago. In addition, research conducted by the Raddon Financial Group indicates that a portion of large bank customers today are ripe for changing banking relationships and

consumers without a large bank relationship have virtually no interest in joining up with these behemoths. Branch managers must help credit unions lead a renewed energy towards driving greater value from member relationships.

Force 2 – Remote Channel Migration

Credit unions must optimize member channel usage to both reduce cost and improve convenience

Historically, credit union branches have been filled with the bustle of member transactions. The Friday paycheck crowd, the family opening up the savings accounts and the mad rush to get that next consumer loan approved at a competitive rate. In those days, it would have been hard to believe that things would ever quiet down. While credit union branches today are still busy, the world is changing around them. Think about the basic reasons for visiting a branch and how they have changed. Loan applications come more and more through the call center and online channel. Checks that need to be deposited are fast being replaced with electronic transactions. Simple service questions are now handled even by older members via internet banking. Various industry studies seem to indicate that branch traffic is beginning to slow for the first time ever. For instance, Cornerstone Advisors, Inc. recently completed an extensive benchmarking study of mid-size banks. Their study found that:

- Bank branches had fewer tellers on average. Mid size banks had 3.92 teller full-time equivalents per branch in 2007 and only, 3.03 in 2010.
- These banks also had less platform employees. The 3.60 in sales/service FTE per branch in 2007 dropped to 2.89 in 2010.
- These banks saw a drop in average teller transactions per account. While there were 4.6 teller transactions per checking account (business and retail combined) in 2007, this figure dropped more than 25% to 3.44 in 2010.



A potential drop in branch traffic will materially impact how credit unions both acquire and deepen member relationships. Think how important “traffic” can be to justify the existence of a retail store. Here’s an interesting way to view the retailing struggle we may face in the future. The world-famous Apple Stores have been averaging close to 70,000 visitors to each store per month, the most astounding traffic in retailing history. To put this in perspective, this is 10 – 15 times the volume of the average retail bank branch in America. How will branches better optimize their “sales per square foot” in the future? Will all the current square footage in our branches be needed in the years ahead as remote channels grow?

For branch managers an interesting paradox will exist: while they will be encouraged to drive traffic to their branches to deepen member relationships, they also need to be active in migrating low-value transactions out of their branches and shifting the overall focus and experience in the credit union branch.

Force 3 – Payments Value Creation

Credit unions must protect current sources of payments revenue while innovating to grow this part of the franchise

One of the more important components of strategic planning for credit union branches revolves around the generation and preservation of revenue generated by payments services provided to members. For the past 25 years, credit unions have focused more on attracting checking account members versus merely those focused solely on savings and consumer loans. This focus on “checking” is now morphing into an overall focus on electronic payment transactions. The table below illustrates the profound changes that we are seeing in how consumers and businesses make payments:



Changes in Payment Channels – (2000 vs. 2009 – Billions)

	2000	2009	Change	%Change
Checks	41.9	24.4	-17.5	(42%)
ACH	6.2	19.1	12.9	308%
Credit Card	15.6	21.6	6.0	38%
Signature Debit	5.3	23.4	18.1	443%
PIN Debit	3.0	14.5	11.5	483%
Prepaid	.5	6.0	5.5	1200%
Total	72.5	108.9	36.4	50%

Source: Federal Reserve as quoted in Digital Transactions – January 2011

As one can see, the amount of debit card transactions now greatly exceeds check transactions and credit card transactions will soon pass checks. Automated clearing house or ACH payments have tripled in number over the past decade. This chart paints a cold-hard truth that is clearly changing the world of the branch manager: while checks made up 58% of non-cash transactions in the year 2000, they dropped to only 22% in 2009 and are still heading down. As electronic transactions have grown and helped to drive both interchange and overdraft revenue in retail banking, regulation soon followed. The Federal Reserve rules related to Regulation E and the now-famous Durbin Amendment within the Dodd-Frank bank reform bill have strained the profitability of most retail checking accounts. Many institutions offering “free” checking programs are now evaluating how fees may need to be added for members to actually “pay the freight.” In addition, credit unions are emphasizing the need for members to actively use their debit and credit cards to generate valuable interchange revenue. In a nutshell, branch managers are being tasked with building a stronger base of checking account households [now more appropriately referred to as payments accounts with the declining existence of checks]. In addition, branch managers will be helping guide members and the organization through a sensitive time when pricing and fees on historically “free” checking accounts may change substantially.

Force 4 – Operating Efficiencies and Profitability

Credit unions must more aggressively drive measurable productivity and manage profit margins

In the past several years, the increased focus on profitability within credit unions has been palpable for branch managers. Cost-cutting efforts, staff freezes and reduced retirement benefits have made it harder for managers to feel fired up about the culture inside their organization. It’s important to note that recent profit enhancement efforts by credit unions have been effective. The chart below illustrates how the “core earnings”, defined as operating profit excluding loan losses, have improved sharply in the credit union industry, rising a full 53 basis points since 2008.



	9/10 YTD	12/08
+Yield on total assets	4.50%	5.56%
- Dividend/interest cost of assets	1.24%	2.42%
+Fee and Other Income	1.30%	1.28%
-Operating expense	3.17%	3.56%
Operating Profit	1.39%	.86%

As loan losses begin to subside in the credit union industry, profitability should begin to rise, allowing institutions to build capital and fuel growth. Going forward, it is clear that credit unions will be more focused on and disciplined with the money they spend. The cost of operating branches, including both facilities and staff, will be managed more closely in the future. For this reason, it will be more common for branch managers to focus more on the profitability of their stores. Historically credit unions have viewed their branches more as service outlets. Some never accounted for branches as separate cost centers and did not invest in “branch accounting” modules to manage the operations. Branch managers were primarily tasked with customer service and then eventually certain sales and growth targets. Today, the view of the branch is evolving in the credit union industry. While they are still highly focused on member service activities, executives are seeking better ways to view the branches as individual businesses, with profit and loss statements and a business “owner” in the branch manager. Certain credit unions have begun to develop more sophisticated branch profitability reports and are beginning to educate branch managers on what drives performance. The next phase of the credit union industry will have branch managers acting more like individual franchisors of the credit union brand, managing their own business for growth, profitability and member satisfaction.

Force 5 – Grass-Roots Leadership

Credit unions must take advantage of market opportunities and gain share by actively leading grass-roots marketing and outreach efforts at the community level

Credit unions will have an unprecedented opportunity to gain market share in the next three years. As previously mentioned, large banks have a tenuous reputation with consumers at best and continued moves to increase fees will only create more strain on this relationship. At the same time, local community banks have been weakened from the financial crisis and will be working through problem loans and consolidation more than they will be focused on organic consumer household growth. More innovative internet players will certainly be in the hunt for consumer loyalty, but credit unions will have the opportunity to work their “home-field advantage.” They can apply the same mobile and social media technology that is threatening their business and use it to “go mobile” into the community and build social media buzz on a local level. During the past years of the financial crisis, credit unions have begun to come alive even more with their local grass-roots efforts. (See the white paper from CUNA’s Community Credit Union Committee entitled “Best Practices in Community and Market Development”)



<http://www.cuna.org/download/development-best-practices.pdf>

Whether it is local financial education, mobile outbound business development staff or publicity stunts cross-marketed on Twitter and Facebook, community credit unions are beginning to find creative and value-added ways to create buzz in their local markets. They are working to align these efforts with their brand of being a member advocate and helping consumers better manage their overall financial lives.

Credit union branch managers must essentially act as the foot soldiers in these ambitious new efforts to reach out to the community and differentiate the organization from larger competitors. The manager can no longer sit at a desk and approve check holds – they must be a catalyst for the on-the-ground efforts to create a unique local brand.

An Action Plan for Next-Generation Branch Managers

With these five forces in mind, credit unions must begin to develop a clear future retail strategy and how their branch will fit into this vision. This activity should form an integral part of upcoming board and management strategic planning efforts. Key questions that must be answered include:

- What role will our branches play in the growth of member households and new business production?
- What overall brand and member experience are we trying to communicate with our branch “stores”?
- How will we position our branches as remote channel usage continues to rise? What needs to happen to migrate our branches from transactional activity to more high-value advisory activities?
- To what extent will our branches be involved in consumer lending, mortgage, business banking and wealth management activities? What does our staffing model look like to support these efforts?
- What is the overall ROI on our branch investment and how will shifts in consumer usage impact these returns? Do we expect more, or less branches in the future and what average size branch do we believe fits our model?
- How will our branches better support the proliferation of member activity online and via e-payments? How will we improve the knowledge concerning our remote delivery channel and e-payment offering with our branch staff?
- How will we better go mobile and outbound with our sales and service activities and what role will the branch manager play in these strategies?

When boards and executive teams can provide clear answers to the strategic questions above, a more formal next-generation branch model can be better solidified and the role, accountabilities and development needs of your next-generation branch managers can be clearly defined.

In the next pages of this report, we will review key activities and accountabilities that Cornerstone Advisors, Inc. believes next-generation branch managers need to align with the five forces changing their world. We encourage credit unions to compare these emerging accountabilities with how they position and develop their branch staff today. While every credit union must customize its model for branch management, these macro themes clearly must be addressed for future retail banking success.

A Comparison of Today and Tomorrow’s Branch Managers

Today’s branch managers have a great deal of talents and assets they bring to the table. However, external factors have changed what will make a credit union branch manager successful in the future. Ask yourself how your team of managers stands up in the comparison below.

Today’s Manager – The Member-Focused Team Player



- Strong service ethic and willing to go the extra mile for members
- Hands-on knowledge of branch operations – can even program the building thermostat!
- Knowledgeable at processing and closing consumer loan applications
- Likes to work hard to give members the best deal possible – sometimes coaches members on how to get around “dumb” product rules/prices at the credit union

The Next Gen Manager – The Value-Driven Entrepreneur

- Strong, in-depth product knowledge with solid expertise in basic financial planning concepts
- A tech enthusiast who actively uses every remote channel and tool the credit union offers
- A proud business “owner” who has the financial knowledge to understand and run the branch as a standalone P&L
- A growing leader, adept at linking the credit unions vision and strategy with the daily priorities at the branch “store” level
- An outbound networker, passionately working the grass-roots to grow the branch book of business in the community



Force 1 - Relationship Growth and the New Cooperative Model

The ultimate value of the credit union cooperative lies in leveraging the collective power of member relationships. The more products and services used by members, the greater leverage and competitive value the credit union can create. This “cooperative core” must be managed effectively by the credit union –making sure that pricing of products and the cost of delivery are carefully managed to benefit the entire membership in a fair manner.

Philosophically, a focus on shared cooperative value is something that branch staff have misunderstood in the past. They have errantly equated the credit union model with “giving the best rate” and/or waiving all member fees because they “care.” Unfortunately, this line of thinking is not sustainable as margins can shrink to irrational levels where the credit union does not generate earnings to be a growing and viable cooperative. Importantly, this philosophy encouraged consumers to “skim” the credit union for good deals on specific transactions but never commit to fully utilizing the cooperative in a loyal fashion.

Going forward, credit union branch managers will be asked to focus more on deepening their member relationships and ensuring value is created through member loyalty, retention and cross-sell efforts.

Key Expectations for the Next-Generation Branch Manager

- Track and manage the overall depth of relationships in their branch member base.
- Be an expert in all of the credit union’s products and services and develop staff to have the same depth of knowledge and comfort speaking to members about all offerings.
- Execute a disciplined new member enrollment and onboarding process to make sure that new members take advantage of all the credit union’s offerings.
- Execute an ongoing member “touch” program that thanks them for their business with the credit union and educate on additional products and services that can help them. Never let idle time in the branch go wasted –reach out to members every minute!
- Develop branch merchandising efforts that stress the value-added services (payments, mortgages, investments, insurance, business banking) that the credit union can offer and work hard to build member awareness and penetration in these product areas.

Force 2 – Remote Channel Migration – The Branch as Enabler

The next-generation branch managers will not be threatened by or wary of remote delivery channels. Rather, they will champion the value and convenience that these channels provide to members. The most critical activity a branch manager can play in a credit union’s channel strategy is to lead by example. Take a look at the famously trafficked Apple Stores and you will find an amazing feature called the Genius Bar. This counter within the stores is designed to troubleshoot and educate users on Apple products – the enthusiasm around the Genius Bar is simply infectious. Young techies brag about the power of their products and how “cool” the features of i Pods, i Phones, i Pads and Macs are for users. Now think about how credit union branches should feel more like financial Genius Bars. In the next year or two, there shouldn’t be a branch manager in the industry who isn’t an avid user of bill pay, mobile, remote capture, alerts and online personal financial management tools. They should be coaching both branch staff and members in an excited fashion about the new world of credit union delivery. At the same time, these managers should be cross-promoting the valid reasons why members should come into a branch – to discuss their financial life, talk to a mortgage counselor, set up an investment plan or open a new business banking relationship. The most secure branch managers will lead this migration from transactions to value-added advice.

Key Expectations for the Next-Generation Branch Manager

- Become a power-user of all the credit union’s remote delivery channels and e-payment offerings.
- Be active “eyes and ears” for the credit union on what is working and not working regarding remote channels – give formal feedback on how to improve availability, navigation, functionality and support of these technologies.
- Ensure that your entire branch staff is on a path to become power-users of remote channels.
- Emphasize merchandising in the branch that promotes the benefits of the credit union’s e-channel offerings.
- Increase the penetration of online, bill pay, e statement, mobile, remote deposit, alert and PFM modules with members on a consistent basis.

Force 3 - Payments Value – The CU as a Trusted Resource

Credit unions have taken notice in recent years about the tremendous value that checking or payment accounts create for the overall profitability of a branch. For instance, a large branch that attracts mostly savings accounts and some consumer lending is often less profitable than a checking-focused branch that creates fee and interchange income. Some best-practice branches drive more interchange and fee income than the total salaries in the branch! As remote channels begin to eat away at the overall activity in branches, managers should ensure that they are focused on growth in payment accounts. Think about the massive number of Blockbuster Video stores closing today and one can realize how a change in the playbook is needed when new technologies and competitors disrupt a business model. Building awareness and trust about a credit union's payments products is also important because of the immense threats that credit unions will face from innovation. Players such as Google, Apple and Isis are vying to create new mobile payment models that drive their revenue at the expense of card companies and banks/credit unions. One asset credit unions have today is their members' trust. As an industry, we must remain current on payment innovations but also act as the trusted bridge that helps members transition to these new capabilities. Many may not leap into the early-adopter offering of an Apple but may be willing to transition to a mobile payment offering from their local credit union. We must hope that such an outcome is possible and work hard to make it happen.

For the branch manager, the focus on growing and preserving payments revenue must be a key focus. Each manager should be able to recite their current sources of payments revenue and watch the sale of payment accounts, debit card usage, credit card cross-sell and bill pay adoption. They should be skilled at coaching the benefits of the credit union's payment offerings and promoting them within the branch environment.

Key Expectations for the Next-Generation Branch Manager

- Manage payments revenue line items (NSF, checking fees, debit interchange, credit card fees/interchange) on an active basis – build plans to grow this revenue source faster than the deposits within the branch.
- Be an expert in selling and supporting payments products. Ensure that research and support regarding member debit and credit card questions operates at "Net Promoter" levels.
- Coach staff on how to cross-sell and acquire more payments accounts and incorporate this focus into all sales and service culture activities.
- Use internal member data and external market data, in partnership with the marketing function, to better penetrate the member base and local market with payment account relationships.

Force 4- Efficiency – The Branch Manager as Business Owner

One of the more exciting aspects about the next-generation branch manager is that they may truly feel their role has become more senior and professional in the organization. No longer will they just be operationally focused. Instead, they will truly be managing a growing and vibrant independent business. A key priority for credit unions will be to unlock the entrepreneurial spirit and creativity in each and every branch manager. They should be encouraged to find new ways to drive performance and create value in their own local store.

To effect this transition from branch managers to business owners, credit unions will need to provide a more developed management structure. Importantly, the accounting and reporting systems at the credit union must be aligned to provide rich financial, member and transactional data at the branch level. Without such information, it will be difficult if not impossible to hold managers accountable as business owners. Additionally, formal training will be required to acquaint managers with financial and asset/liability management concepts and to deepen their knowledge of credit union products and channel offerings. Candidly, these types of investments have been short-changed by credit unions in the past. There have been some attempts to professionalize the position of branch manager but most have been much too half hearted. The first step in this journey is simply raising the bar in what we think branch managers can and should be capable of achieving. Competitors out of industry such as E.D. Jones, Primerica and Vanguard have proven what strong development programs can do for growth and performance. Credit unions are waking up to the power of developing human capital inside their four walls.

In the future, the way credit unions add value will be changing. By creating more transparent information and management accountability, credit unions will learn how best to manage the revenue and expense associated with a traditional branch system amidst a new world.

Key Expectations for the Next-Generation Branch Manager

- Manage the branch via a comprehensive monthly P&L statement.
- Understand basic financial and asset and liability concepts and take actions in your branch that show a commitment to improving margin and non-interest income.
- Manage the overall cost structure of the branch, looking for ideas to optimize staff and the focus of staff activities and be active in pointing out how to save money throughout the credit union's branch system.
- Be creative and proactive in developing ideas to grow the branch and improve financial performance.

Force 5 – Grass-Roots Leadership

“Leadership is action, not position”

Donald McGannon

With massive changes in both consumer behavior and competition, branches will simply not grow if they rely solely on inbound traffic. Consequently, an inbound manager tethered to their desk is certain to miss great professional and leadership opportunities in the future. Think about what makes a credit union “local”. Is it the presence of a building? Of course not. There are national companies with buildings up and down any Main Street in America. What makes a company local is how well they understand, engage and lead the community they serve. It’s the conversations, support, ideas and face time that make or break a credit union’s ability to foster a unique, local brand. Best practice examples from companies such as Umpqua Bank, Lululemon and REI illustrate how local and national companies can engage in interesting and buzz-worthy local market activities.

As credit unions wake up to the power of being active in the grass roots of their communities, branch managers will essentially serve as the connectors and “foot soldiers” in this effort. They will be expected to be visible, active leaders in their community that promote and evangelize the cooperative message of the credit union. They will be passionate financial educators who spread the word in local communities about personal financial responsibility and how their institution can help. Importantly, grass-roots community leadership will mean more than passively attending a Rotary meeting or local chamber of commerce event. It will mean finding creative ways to get out into the community and to make their branch the “happening spot” in the neighborhood.

Key Expectations for the Next-Generation Branch Manager

- Develop a custom business plan to attack the local market within a 2 – 3 mile radius around the branch.
- Be active in select community organizations that align well with the credit union’s brand.
- Be a mobile, outbound evangelist of the credit union, finding creative ways to introduce consumers and small businesses to their local “store” down the street.
- Get creative with community and PR efforts to build awareness for the credit union
- Lead financial education efforts in the community and be an active spokesperson for personal financial responsibility.

A Balanced Scorecard Approach to Managing the New Branch

As the world of the credit union branch manager gets turned upside down, executive management will need to evaluate and evolve how they hold branch managers accountable and provide incentives for growth and performance.

Most credit unions today have begun to manage their branches through a balanced scorecard approach. The balanced scorecard recognizes key metrics that support the credit union’s strategic vision and business plan. The scorecard effectively allows executive management to allocate corporate goals to the store level. Clearly, balance scorecards can be challenging and require occasional adjustments. Yet, the focus and alignment that these tools provide should not be underestimated – what gets measured gets managed.

In crafting a branch balance scorecard to reflect the next generation of delivery, credit unions should remember a few key design principles. First of all, the scorecard process is not designed to promote an “every kid gets a trophy” mentality. It is designed to help track adequate performance, super performance and low performance. It is designed to provide a fact-based vehicle to make resource allocations and to support more of a performance-based pay structure in the branches. Talk like this can be scary in many credit union cultures, but moving to a “meritocracy” does not need to threaten the member focus nor the familial spirit of the organization. It only serves to make the ground rules in the family more clear and raises the bar for everyone in terms of what’s possible.

In designing a balanced scorecard, the well-known branch consulting firm Bancography offers sound advice. Bancography recommends that a branch scorecard be:

- **Simple** – it should be focused on a few key measures;
- **Understandable** – branch staff should get how performance is measured in just a few minutes;
- **Attainable** – goals set on the scorecard should be challenging yet realistic;
- **Controllable** – the measures on the scorecard should be items the branch can control;
- **Stable** – the scorecard should not always change causing confusion and a sense of unfairness among branch staff;
- **Timely** – the scorecard should provide frequent updated information to keep staff engaged in the link between their actions and results.

While all scorecards need to be customized to a particular credit union’s strategic plan, Cornerstone Advisors, Inc. has provided some potential measures that could be incorporated into a branch scorecard on the following page.

Key Next-Generation Branch Scorecard Items

Relationship Growth

- New members acquired
- Services per new member (first 90 days of relationship)
- Services per member (overall)
- Revenue per member

Channel Migration

- % of members actively using internet, bill pay, e-statements
- Transactions per teller FTE

Payments Value

- # of new checking (payments) accounts
- # of new active debit cards
- # of new credit cards
- Non-interest income per branch/member

Efficiency and Profitability

- Net profit contribution (per internal cost accounting)
- Accounts per FTE

Grass-Roots Leadership

- Qualitative: involvement in local community and demonstrated activities that promote the branch and credit union

Conclusions

Looking over the past decade, there have been entire industries and famous companies upended by technological innovation and dramatic changes in consumer behavior. The music industry was first “Napstered” and then “i Tuned”. The travel industry saw the rise of Priceline, Expedia, and Orbitz. The video store industry saw the rise of NetFlix, Hulu and Apple T.V.

From a strategic standpoint, community credit unions have seen great value in the power of branching. In many markets, credit unions will still find value in selectively adding new “stores” to their network. However, the business model for our retail branches and how we view the role of branch managers is going to change forever as credit unions see continued proliferation of mobile channels and the usage of e-payments. We are only a few years away from the common usage of video calls, mobile payments and more personalized online financial services. Credit union branch managers certainly will not become obsolete – this had been inaccurately predicted several times in the past. At the same time, today’s credit union branch manager will not create sufficient value in this new world – their expectations and development must change with the times.

This evolution can actually be an exciting time for the credit union and branch managers. This new breed of value-focused entrepreneurs will be taking the power of new technology and the message of the cooperative movement and personal financial responsibility to the streets of America. Our transaction-based branches will morph into more interesting destinations for community learning, collaboration and activity.

For credit union executives who love a good challenge, the reinvention of branch banking awaits.