

*Strategic Process
Analysis for
The Credit Union League
of Connecticut*



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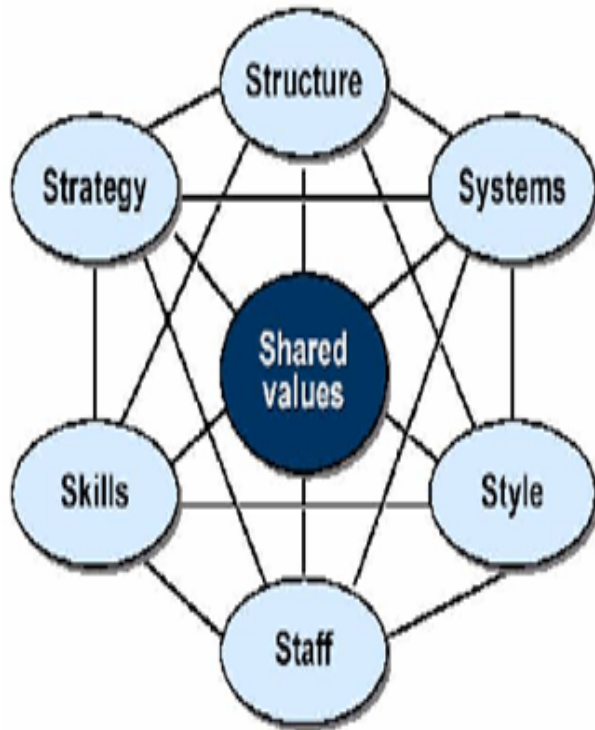
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Framework of Analysis

McKinsey 7-S model

7-S framework of McKinsey

Description of the 7-S framework of McKinsey



The 7-S framework of McKinsey is a Value Based Management (VBM) model that describes how one can holistically and effectively organize a company. Together these factors determine the way in which a corporation operates.

Shared Value

The interconnecting center of McKinsey's model is: Shared Values. What does the organization stand for and what it believes in. Central beliefs and attitudes.

Strategy

Plans for the allocation of a firm's scarce resources, over time, to reach identified goals. Environment, competition, customers.

Structure

The way the organization's units relate to each other: centralized, functional divisions (top-down); decentralized (the trend in larger organizations); matrix, network, holding, etc.

System

The procedures, processes and routines that characterize how important work is to be done: financial systems; hiring, promotion and performance appraisal systems; information systems.

Staff


Numbers and types of personnel within the organization.

Style

Cultural style of the organization and how key managers behave in achieving the organization's goals. [Management Styles](#).

Skill

Distinctive capabilities of personnel or of the organization as a whole. [Core Competences](#).

Book: Ethan M. Rasiel, Paul N. Friga - The McKinsey Mind: Understanding and Implementing the Problem-Solving Tools and Management Techniques - 

League Process Modeling & Analysis

League processes, business rules and workflow are inextricably linked to proposed operational transformation efforts. Because work practices and constituency drivers influence how systems and strategies are built, it is vital to assess all business processes when engaging in a comprehensive analysis strategy.

With the input of many affiliated credit unions, as well as an exhaustive “hands-on” analysis, key performance indicators (KPI’s) have been defined and utilized for the purposes of identifying and measuring the current effectiveness of League products and services, as well as recommended future business practices.

Each core competency area has been assigned a Business Process Analysis score ranging from 1-10, with 1 representing a need for the greatest change, and 10 representing a “model” operation.

Core Areas of Analysis (Competencies)

- Compliance
- Legislative Affairs
- Training & Education
- Communications
- Small Credit Union Support Program
- Member Public Relations

Analysis

The following constitutes the results of the business process modeling and analysis of the League's current operations, alignment and deliverables

Compliance

BPA Score - 2

Strengths

- League involvement
- Experienced person

Weaknesses

- a la Carte services
- Capacity issues
- Service capabilities
- Limited scope of experience
- Funding/Budgeting
- Lack of uniformity
- No personnel back-up
- Very limited scope of operation
- No comprehensive solution
- Not relevant to all CU's
- Legality of information provided

Legislative Affairs

BPA Score - 6

Strengths

- Value proposition
- Engaged/Admired V.P.
- Known to Legislators
- Capacity to improve

Weaknesses

- Lack of visibility to all CU's
- Budget constraints
- Constricting scheduling structure
- Lack of "high-power" LA events
- Lack of awareness
- Limited face-to-face engagement

Training & Education

BPA Score - 6

Strengths

- Seen as vital service
- Engaged/Admired V.P.
- Potential to expand
- Vital to Small CU's

Weaknesses

- Lack of financial resources
- Relevance to all affiliated CU's
- Capacity
- Access to national ed seminars
- Structure
- Planning issues

League Communications

BPA Score - 7

Strengths

- Skilled League employee
- Access to multiple media
- Relevance
- Value generator

Weaknesses

- Perceived transparency issues
- Timing/frequency of materials
- Relevance of material
- Organization of material
- Publication in national periodicals

Small Credit Union Support

BPA Score - 6

Strengths

- Excellent/highly regarded staff
- High value proposition
- Wide CU support in the state
- Easy access to Staff
- Ability to strengthen and grow

Weaknesses

- Lack of appropriate budget
- Need increased staff
- Lack of defined program
- Marketing of services
- Tools to help small CU's succeed
- Constricting scheduling structure

Member Public Relations

BPA Score - 7

Strengths

- Excellent League staff
- Value proposition
- Creates goodwill
- Event success

Weaknesses

- Lack of appropriate budget
- Limited in scope
- Needs more standardization
- Involvement at CU level

Overall Member Perception

BPA Score (avg.) - 4.9

<u>Indicator</u>	<u>BPA Score</u>
Relevance	5
Value (for dues \$)	3
Service Quality	4
Product Mix/Availability	6
Importance	7
League Financial Viability	5
Staff Expertise	7
Continuity in Leadership	3
Transparency	4
Overall Effectiveness	5

Credit Union Survey Results

***Sent to credit unions June 2, 2008**

2008 Budget

(As is and actual trend projection)

CULCT & LSC

2008 Budget: Original and Trend		
	Original	Trend
Income:		
Dues	\$ 1,171,900	\$ 1,137,000
Sales	178,000	178,000
Investment Income	48,000	48,000
LSC	167,500	168,800
	\$ 1,565,400	\$ 1,531,800
Cost of Sales	(192,100)	(192,000)
Gross Income	\$ 1,373,300	\$ 1,339,800
Operating Expenses	\$ 1,487,500	\$ 1,547,400
Reimb. Exp. from LSC	(118,500)	(118,500)
Net Operating Expenses	\$ 1,369,000	\$ 1,428,900
Net Income	\$ 4,300	\$ (89,100)

The Need for Positive Change!

“One of the most exhilarating things about being in business is starting something new from inside something old – launching a new product line or service, for example, or moving into a new market. Not only is it a blast, it is one of the most rewarding paths to growth.”

Jack Welch, 2005

Proposed Changes -A Paradigm Shift-

- **The Importance of Anticipation** *You can and should shape your own future. Because, if you don't, someone else surely will!* Process futurists teach how to manipulate the info. **Fishing for the Future**
- The question is, what if you had known about the impact of potential positive change? I WOULD ADD **GUTS** TO DO IT. PEOPLE ALWAYS COME UP WITH POSITIVE IDEAS, BUT THEY OR OTHERS ARE TOO AFRAID TO ACT ON THEM. Changes in rules trigger trends. Concentrate on problem avoidance and anticipation and less on problem solving and Reaction. Theory is if you anticipate the problem before it happens you won't have to react. This is seen in insurance policies, pension funds. Good anticipation is the product of good exploration. Know the landscape what is possible. Five (5) components to strategic **exploration**
- **Influence understanding:** to understand what influences your perceptions
- **Divergent thinking:** thinking skills to discover more than one answer.
- **Convergent thinking:** thinking skills to focus integrated data and prioritized choices.
- **Mapping:** draw pathways to get from present to future.
- **Imaging:** to picture words or drawings or models of the future as found in exploration.

Joel A. Barker, "Barker's Paradigms"

Compliance

- Be an integral part of compliance solutions for CT credit unions
- Provide a comprehensive/broad solution that is applicable to ALL CT credit unions
- Ensure maximum value (from cost standpoint) to affiliated CU's
- Work with examination community to ensure viability of product
- Ensure highest service delivery of compliance product
- Ensure access to highly trained compliance personnel
- Compliance solution must be scaleable
- Compliance delivery should be financially viable for the League
- Compliance solutions delivered in accordance with all applicable laws

Legislative Affairs

- Arrange more prominent LA events
- Budget more money to support LA activities
- Allow more flexibility in LA staff scheduling (work schedules)
- Engage “bigger name” players in the political arena
- Increase League LA contact in individual credit unions
- Budget for League sponsored LA travel
- Design a more active LA strategic plan

Training & Education

- Increase training & education budget
- Leverage strategic partnerships to increase education opportunities
- Improve delivery structure
- Provide more timely and relevant material
- Engage nationally known trainers
- Improve marketing/advertising methods of sessions
- Conduct surveys to ascertain proper topic material
- Increase capacity for product delivery (based on CU size)

League Communications

- Engage affiliated credit unions in design of communication materials
- Survey members in regard to content & delivery desires
- Engage national periodicals more often with CT related information
- Constantly review processes in conjunction with member needs
- Communicate openly and freely with membership

Small CU Support Services

- Increase budget
- Add staff in 2009
- Define the program (include purpose/outline deliverables)
- Effectively market the program
- Assemble appropriate solution tools for small CU success
- Allow more flexibility in staff schedule (home office)
- Appropriately advertise/market program
- Aggressively and often communicate positive results/outcomes

Member Public Relations

- Increase Budget for service delivery
- Document strategic plan for the area
- Become more visible to affiliated credit unions
- Increase level of creativity
- Ensure appropriate level of financial support for events
- Increase scope of services for all credit unions

Implementable Strategies

The following strategies are being recommended to address the “Business Process Analysis” findings previously noted.

“The quickest way to discourage success is to punish innovative thought! This behavior only reinforces a risk-averse culture and ensures the inevitability of failure. The best way to support dreams and stretch is to set apart small ideas with big potential, then give people positive role models and the resources to turn small projects into big business.”

Jack Welch

Leveraging knowledge management across strategic alliances

- Firms can no longer develop all the resources, technologies and products to compete in today's dynamic marketplace, and so many of those firms use alliances to acquire the critical skills, knowledge and capabilities that they lack.
- Strategic alliances are co-operative relationships between two or more independent organizations, designed to achieve mutually beneficial business goals for as long as is economically viable.
- We want to emphasize that the strategic alliance is usually a long-term endeavor that consists of multi-projects, is mutually dependent and beneficial, and integrates people, process, technologies or products.

Strategic Alliances (Cont'd)

Alliance phases	Find phase	Design phase	Manage phase
Critical information requirements	Alliance strategy development and proactive partner screening process	Structuring of alliance activities	Relational components of an alliance including trust, collaboration and learning
	Identify internal gaps with respect to capabilities, resources and skills	Evaluate and align partners' strategic objectives	Develop an effective working environment
	Develop, evaluate and communicate internal alliance objectives	Identify and align required alliance skills with partners' skills	Manage relationships and maintain trust
	Understand legal ramifications of partnering	Make staffing decisions using best personnel with long-term commitment to the alliance	Evaluate alliance performance and implement feedback mechanism
	Access partner-specific and industry-specific information		Capture and disseminate alliance lessons learned

Figure 1. Information requirements for the alliance process.

Strategic Alliances

Leveraging the Expertise of Strategic Partners

Function

Compliance
Marketing
Member Privilege
Office Supplies
I/T Compliance
Reverse Mortgages
Insurance Products
Finance

Strategic Partner

M&M Consulting (CCS)
Arga Marketing
Pinnacle Financial
WB Mason
BTG Group
BCI Financial
Cuna Mutual Group
Constitution

Compliance Objectives

- Provide a subsidized, comprehensive solution to affiliated credit unions
- Ensure compatibility/uniformity of compliance solutions
- Provide a scalable program relevant to all asset size credit unions
- Ensure professionalism and accuracy of solution
- Provide a “world class” service oriented product
- Increase value of dues dollars sponsorship
- Provide access to examiner supported solutions
- Access to top compliance professionals

Strategic Partners (Cont'd)

Marketing

Arga Marketing

- Provide creative services
- Access to marketing strategies
- Custom professional products
- Strategic penetration products

Member Privilege

Pinnacle Financial Strategies

- Provide O/D privilege solution
- Increase income potential
- Ensure compliant product
- Provide examiner approved solution

Strategic Partners (Cont'd)

Office Supplies/Furniture

WB Mason Co.

- Provide access to lowest cost
- Ensure highest service delivery
- Access to widest range of products
- Immediate positive contribution to cu income

I/T Compliance

BTG (Buckley Technology Group)

- Access to compliant IT solution
- Access to low cost solution
- Opportunity to expand software solutions
- GLBA compliant auditing
- Access to free vendor management solution

Strategic Partners (Cont'd)

Data Processing

TBD

- Access to online DP solution
- Ability to outsource DP function
- Examiner familiarity w/ product
- Full service solutions
- Top tier software solutions

Reverse Mortgages

BCI Financial

- Immediate profitability
- Increased service offering
- Access to relative demographic product
- Compliant solution
- Full-service partner

Strategic Partners (Cont'd)

Insurance Products

Cuna Mutual Group

- Full array of CU industry products
- Access to multiple product lines
- Industry experts
- Long standing partner

Financial Resources

Constitution Corporate

- Full array of financial products
- Known to CT Credit unions
- Staunch League partner
- Accessibility to CT credit unions

Associate Membership Program

- Ensure appropriate level of due diligence
- Take on “stakeholder” status
- Ensures high level of League involvement/ control
- Financial relevance and impetus for success
- Ensures compliant endorsement
- League employees knowledgeable about solutions for cu’s
- Credit union awareness
- Leveraged access to professional solutions
- Win, win, win strategy (Partners, League, credit unions)
- **Applicability to ALL credit unions (not asset size dependent)**

Proposed Strategic Plan

(for the remainder of 2008)

- Implement Connecticut Compliance Solutions in conjunction with M&M – immediately (to be effective September 1, 2008)
- Institute “Associate Membership” program – immediately
- Formalize and market “Small CU Support” program – immediately (to be effective NLT November 15, 2008)
- Implement Training & Education initiatives – immediately – work toward 2009 budget additions
- Implement Legislative Affairs initiatives – immediately – work toward 2009 budget additions

Proposed Strategic Plan

(for the remainder of 2008)

- Train League staff on Strategic Partner businesses (products & services) – immediately
- Hold training & education seminars on new strategic alliances, and products & services (special compliance seminars) – Schedule immediately, take place in coming months
- Communicate strategic direction and benefits – immediately (in conjunction with outside consultant)

Revised 2008 budget

Predicated on approval of proposed Strategic Plan

CULCT & LSC 2008 Revised Budget

		2008 Revised *
Income:		
Dues		\$ 1,137,000
Sales		178,000
Investment Income		48,000
LSC		101,600
		\$ 1,464,600
Cost of Sales		(192,100)
Gross Income		\$ 1,272,500
Operating Expenses		\$ 1,484,900
Reimb. Exp. from LSC		(228,900)
Net Operating Expenses		\$ 1,256,000
Net Income		\$ 16,500
* No revenue sharing projections noted.		

Projected Outcomes of Implementation

- Comprehensive compliance solution
- Dues supported compliance “answer person”
- Increased service delivery
- Conduit for major “core” business functions for cu’s
- Visible value added for affiliation
- Net annualized reduction in staff overhead of 18.4%
- Greater amount of dues dollars available for support
- Ability to re-concentrate efforts on “core” areas
- More efficient League operations
- Provides the League greater financial viability
- Lowered departmental expenses due to strategic partners financial and expertise input (T&E)

Ramifications of Status Quo

(No Changes in current operations)

- Continued degradation in “value” proposition of League affiliation
- Continued lack of capacity in compliance area
- Degrading service delivery issues
- Increased perception that League is unable to service cu needs
- Future “forced” budget constraints (lack of funds)
- Continued degradation in goodwill from credit unions
- Forced cuts in service/product delivery by department
- Need to increase fees for service
- Continued a la carte (band aid) approach to services
- Eventual disaffiliations due to lack of interest/importance

Forward Looking Statements

- Improve League visibility (improve service) by adding a Member Service Rep
- Realize greater income from revenue sharing program
- Accrue for organic business creation
- Begin to document business strategy for new business
- Engage affiliated credit unions more aggressively (strategically)
- Create an “enticing” re-affiliation program
- Continue to strengthen relationship with examining community
- Explore new strategic partnerships that will benefit CT credit unions
- Constantly strive to improve League operations and support delivery