"Two Strategies in One" by Jeff Rendel, Certified Speaking Professional

Ambiguity. Complexity. Uncertainty. Volatility. That sums up the degree and pace of change that credit unions face every day. Where is that legendary and chock-full-of-stability "3-6-3 Rule" of yesteryear (borrow at 3 percent, lend at 6 percent, and tee-off at 3 P.M.)? To generate sustainable value within the high stakes of imprecision, it's essential that credit unions take a methodical approach to refining their strategic flexibility.

Long stretches of characteristic steadiness are remnants of years past. Blame it on deregulation, technology, member expectations, and more; once you work out a strategy, it's out-of-date – or so it seems. Perhaps, as markets season, great growth opportunities exist for those willing and able to grow both a core business model on low margins and an adjacent model and market outside of the deposits and lending business of the credit union.

One mid-sized credit union accepted that its bread and butter operations were bound to produce 50 basis points of profit from here on out. Its members expected a low-fee, no-fee model and were of top borrowing quality. As its assets grew, the margins remained the same. How could it increase its profit margin when the earning base was made up of the same types of assets and liabilities? And how could it continue to support its earning base and not sacrifice service to its members?

The answer was a dual strategy: protect the core business of the credit union and grow new revenue streams outside of business as usual. Mainly through CUSOs, the credit union implemented mortgage origination outside its membership, insurance and financial services, business lending (soon to grow to a larger, commercial scale), and purchased several boutique firms that specialize in financial matters. Where the core business continues to provide a sustainable source of profit and capital accumulation, the back strategy has added more than 10 basis points of consolidated profit (and it's growing).

At the credit union's planning session, the CEO explained that her anticipation of "where the market was going" was more than what was true in the moment. In her estimation, the truth of the future was a model that could succeed, but with lower margins, steady growth, and a lot of scale. New levels of profit would require new sources of revenue that added value outside of standard credit union operations. Even more positive was a loyal and growing membership base that continued to appreciate the financial benefits of credit union membership and provided a reliable and developed market for add-on value beyond financial services basics.

Jeff Rendel, Certified Speaking Professional, and President of Rising Above Enterprises works with credit unions that want elite results in leadership, sales, and strategy. Each year, he addresses and facilitates for more than 100 credit unions and their industry partners.

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