

GEORGIA CREDIT UNION

Affiliates

2018 STRATEGIC PLAN



PLANNING

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PLANNING PERSPECTIVE

Over the years, the Georgia credit union support organizations have continuously mutated in structure and focus to meet the needs of members. Since the late 1970's, credit unions have become fewer and larger. At the same time, complexity and specialization have increased in credit union operations. In anticipation, the state support organizations have engaged in numerous transformations to meet changing needs. But, in the 1980's, **A commitment to coordinated effort was embedded in the expectations of the state support companies.** It remains that way today.

A critical element has been the evolution of a coordinated planning process. The state support organizations' planning process consists of long-term strategic considerations and short-range tactical planning...goals and budgets for the next year. The long-range considerations serve as guidance in establishing short-range plans. More important, **the entire focus in setting long-term direction is on the members... credit unions.** In fact, the only direct attention to the state support organizations comes at the end...establishing areas of primary value creation. This approach ensures resources are allocated to meet the priority needs of member credit unions.

In the planning process, directors and staff operate with the presumption that, given enough time and determination, credit unions can actually influence their environment. This attitude is a dramatic departure from the notion that credit unions must completely adapt to their environment. **The prospect of being able to initiate change in the marketplace for consumer financial services is an important component of self-concept for most credit unions.** Ironically, astute competitors recognize credit unions' ability to influence the market as a significant threat. In any case, the thinking that follows assumes credit unions can change their environment...over time.

The planning process is never finished. Some aspect of direction or short-term planning is discussed at every board meeting. The individual boards of the primary operating companies conduct strategy discussions in preparation for the annual planning conference. This document has been revised through time. It will be revised again as circumstances dictate in the future. **The objective of the planning process is to identify the most appropriate focus for activities of the state support organizations.** The results are spelled out in the pages that follow.

The story begins by envisioning a common public reputation that would apply to all credit unions. **Strategically, it will be essential for credit unions to have a reputation of trust and value that serves as the key basis for differentiation.** "Helping People Afford Life" is a concept of purpose that has been embraced by credit unions to achieve reputation distinction from for-profit providers. Each credit union continues to have unique elements of local brand identity. But the general population would come to know what they could universally expect from credit unions. Read on...

Strategically, it will be essential for credit unions to have a reputation of trust and value that serves as the key basis for differentiation.

COMMON REPUTATION

“What role in society should credit unions be widely perceived to fulfill by the general public?”

The reality is that each credit union will be regarded somewhat uniquely by its own membership. The intent here, however, is to identify those things that nearly all credit unions would have in common...from the view of the consumer.

The feeling is that, over time, credit unions can manage the image people form.

The Directors of the support organizations have identified several basic notions that should come to mind when Georgia citizens are asked to describe credit unions:

Safety & Soundness

“Credit unions are a safe/secure way to build and invest my personal savings.”

Member Focused

“Credit unions help me afford the important things in my life.”

Inclusivity

“I can join any credit union I want.”

Consumer Advocacy

“Credit unions represent the interests of consumers like me.”

Progressive & Innovative

“Credit unions are progressive financial institutions.”

Excellent Value

“Credit unions have good rates and reasonable fees.”

Accessible

“Reaching my credit union is convenient . . . and easy.”







COMMON PURPOSE

Based on a consensus of how the general public should view credit unions in the future, it is possible to generate commitment and enthusiasm for a sense of common purpose. While every credit union will have its own compelling reasons for existence, *the challenge is to identify a sense of purpose that can be shared by all credit unions.* This step is absolutely critical for enhancing the ability of credit unions to leverage their influence in the market through cooperative endeavor. If successful, credit unions will be in a position to influence their environment.

This is the notion of shared purpose (among credit unions) the Directors of the support organizations have agreed upon:

Credit Unions Exist to Help People Afford Life

GCUA MISSION

It is viewed that the state support organizations share a common mission to improve the well-being of their members... credit unions. The common mission for the state support organizations is articulated as follows:

Assist Credit Unions to Become the Premier Source of Financial Services for Their Members.

COOPERATIVE FUNDAMENTALS

It is also important to articulate the causal factors that motivate credit union officials to genuinely take interest in the well-being of members. It has long been said that credit unions are not motivated by profit...and are not in the business of providing charity. Because of their cooperative structure, credit unions are dedicated to providing excellent service. Excellence is defined over time by the members. The following cooperative fundamentals have been embraced by consensus among Georgia credit union leaders:

Cooperative Fundamentals for Georgia Credit Unions

Members, Not Just Customers

By joining a credit union, people become member/owners. Members expect more value and deserve more respect than is available in the typical customer interaction at non-cooperative financial institutions.

Service Differentiates

It is the dedication to providing service that differentiates credit unions from for-profit suppliers. Creating value for the members is the highest priority at credit unions.

Democratic Control

Members have equal influence in the voting process and equal opportunity to run for election to the board. One member, one vote. Once elected, directors have fiduciary responsibility to all members.

“Profits” Belong to the Members

In order to grow and provide new services, credit unions generate capital by retaining a portion of earnings. These retained earnings are used for the betterment of the entire membership.



SIGNS OF SUCCESS

Once a consensus is reached about a clear statement of shared purpose, it is important to identify how success would be recognized. Not just final (or total) success, but a basis for keeping score along the way. The question considered by the Directors of the state support organizations at this stage in the planning process was:

“If Georgia credit unions were spectacularly successful at fulfilling their role in society, what would credit unions have accomplished, or what would credit unions look like?”

The following things were identified as evidence of success...indications the credit union system is on its way to fulfilling its purpose:

Growth

- ▶ Gain new members
- ▶ Gain market share in member savings
- ▶ Gain market share from other lenders (consumer, mortgage and small business loans)
- ▶ Increase number of members that consider their credit union to be their PFI

Public Image

- ▶ Value of membership widely recognized (even by non-members and legislators)
- ▶ Credit unions are recognized as a trusted source of financial advice
- ▶ Credit unions become more involved in local communities

Cooperation

- ▶ More inter-state and intra-state cooperation
- ▶ Evolution of shared service distribution systems
- ▶ Emergence of local (city, chapter, etc.) joint venture activities

Governmental Relationships

- ▶ Legitimate chartering/regulatory choice (state and federal)
- ▶ Appreciation for the distinction between not-for-profit, cooperatively-structured credit unions and for-profit service providers

Empowerment

- ▶ Credit unions succeed in meeting member needs
- ▶ Credit unions are able to provide consumer financial services of their choice at competitive prices and terms
- ▶ Credit unions generate additional comparative price value for members

OPPORTUNITIES

More important than the challenges threatening credit unions' success are the competitive opportunities, which credit unions can leverage to their advantage.

Well-run companies focus more energy and attention on their strengths than they do on their weaknesses.

The following items are considered elements of competitive strength:

Growth

- ▶ Service culture
- ▶ Competitive pricing
- ▶ Long-standing employer relationships
- ▶ Extensive family connections

Public Image

- ▶ Perception as advocate for members' well-being
- ▶ Safety and soundness...perceived and actual
- ▶ Trust of membership

Cooperation

- ▶ Willingness to cooperate (pool resources)
- ▶ Support systems controlled by credit unions

Governmental Relationships

- ▶ Distinct (from banks) legislative and regulatory environment
- ▶ Ability to mobilize voter/constituent members

Empowerment

- ▶ Relationships with sponsor organizations
- ▶ Can demonstrate value of membership
- ▶ Able to react quickly to change (flexible organization)



CHALLENGES

What can keep credit unions from achieving success? Are these things inevitable?

If the answer to the second question is yes, credit unions must learn how to adapt. Surprisingly, the Directors of the state support organizations considered very few of the major challenges facing credit unions to be inevitable. That being the case, credit unions should be optimistic about the opportunities for influencing change.

This part of the planning process is in need of constant review. The following items are considered significant challenges:

Challenge	Inevitable?	
	Yes	No
Growth		
▶ Price competition	✓	
▶ Technological obsolescence (credit unions fall behind)		✓
▶ Failure to attract and retain young people and senior citizens		✓
▶ Volatile economic conditions	✓	
▶ Capital constraints		✓
▶ Non-bank and online competition	✓	
Public Image		
▶ Large credit union failure		✓
▶ Unable to differentiate credit union reputation (from banks)		✓
▶ Sales and profit objectives supersede member service as a primary focus		✓
▶ Considered to be just for poor people		✓
Cooperation		
▶ Direct competition among credit unions	✓	
▶ Lack of cooperation among credit unions		✓
▶ Breakdown of cooperation among national, regional and state-level support structures		✓
Governmental Relationships		
▶ Imposition of taxation, more compliance regulation and regulatory/deposit insurance consolidation (i.e. with FDIC)		✓
▶ Prescriptive (burdensome) regulation		✓
▶ Inadequate political influence		✓

GCUA STRATEGIC INITIATIVES

Working collectively, the Directors of the state support organizations identified strategic initiatives that would, over time, advance the well-being of Georgia credit unions. Functionally, these initiatives fell into three generic categories; leveraging influence on behalf of credit unions, accelerating the transfer of knowledge among credit unions and cultivating transformational opportunities for credit unions. **What follows can be regarded as tangible initiatives “on the radar” of the state support organizations.** They cannot be thought of as tactical goals with specific completion dates, but as areas of responsibility and opportunity that require routine attention.

LEVERAGING INFLUENCE

- ▶ Forge consensus/license among Georgia CU leaders on important strategic policy issues
- ▶ Strengthen relationships with – and become relevant to – state government leaders
- ▶ Identify ways to improve state laws and regulations
- ▶ Build/Maintain “two-way usefulness” relationships with DBF officials
- ▶ Cultivate CU supporters within the Georgia congressional delegation
- ▶ Maintain effective influence/engagement with CUNA to achieve progress with federal lawmakers and regulators
- ▶ Coordinate public messaging within the state and across the CUNA-League system
- ▶ Enhance the appreciation of value for League and CUNA membership
- ▶ Develop CU leadership commitment for protecting/advancing the cooperative business model
- ▶ Leverage CU market influence through group purchasing arrangements, operational collaborations and value-add marketing agreements

PROVOKING THOUGHT AND ACCELERATING LEARNING

- ▶ Gather, summarize and distribute important “best practices” information (especially in the area of regulatory compliance)
- ▶ Cause networking and idea-sharing among CU officials with similar roles/experience/interests
- ▶ Assist credit unions to attract member transaction balances by providing insight and support services focused on payments and account processing techniques
- ▶ Provide support to CUs that assists them in developing of strong loan portfolios...the most reliable contributor to ROA and capital strength over time

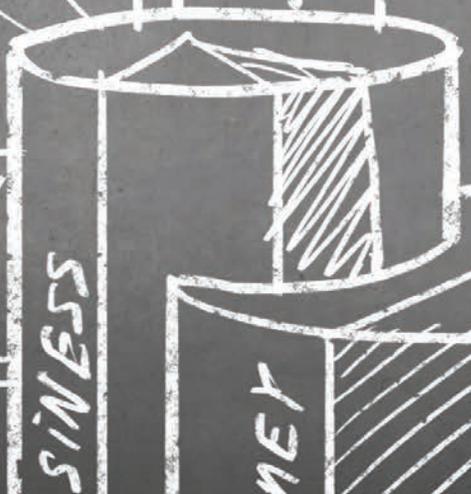
TRANSFORMATIONAL STRATEGIES

Active

- ▶ Deepen CU engagement with “institutional reputation” differentiation initiatives (In Georgia, “Helping People Afford Life”)

Inactive (Resource Limitations)

- ▶ Enable CUs to assist members in forming and growing small businesses...contributing to local job growth and career pathing for members and their families
- ▶ Position CUs as credible representatives of working families on key consumer finance policy issues such as retirement savings, education finance and health care finance



SUPPORT ORGANIZATIONS FOCUS

Based on a thorough discussion of **strategic considerations**, the Directors of the state support organizations were then in a position to turn their attention to the question of establishing **short term priorities** for the allocation of resources. The state-level organizations represent the most significant concentration of cooperative activities among credit unions in Georgia. The fundamental question was:

“What should state support organizations do to improve chances for credit union success?”

In general, it is believed that all of the **support organizations should function as catalysts for cooperation among Georgia credit unions**. Beyond that, the Directors identified key areas of “primary value creation” to guide effort on a daily basis. The areas of primary value creation for each of the operating companies are re-validated annually. Tactical initiatives were proposed by management and approved by the appropriate board of directors at the Affiliates planning conference held November 7-8, 2017. They are presented within the areas of primary value creation, identified below.

Areas of Primary Value Creation

LEAGUE

Influence lawmakers and CU regulators

- ▶ Identify/engage in targeted election campaigns
- ▶ Accomplish Advocacy Plan activities
- ▶ Recruit at least eight CUs for Member Activation Program by 7-31-18
- ▶ Obtain at least \$30,000 in CU contributions for the National Advocacy Fund/CU House

Enhance credit union reputation with public messaging

- ▶ Align HPAL initiatives with emerging National Awareness program

Enable networking, learning and collaboration

- ▶ Establish State Council Coordinating Group, and enhance Council support effectiveness
- ▶ Conduct a Small CU Summit using practitioner-led discussion format
- ▶ Coordinate a domestic learning journey

Gather/Summarize/Distribute information

- ▶ Redesign/Implement GCUA website

GCUS

Contract for marketing and distribution services

- ▶ Assess the feasibility/desirability of collaborative product/sales arrangements with other league(s)
- ▶ Assess the feasibility of applying group-purchasing leverage with health-care insurance by 6-30-18

Organize learning/networking events

- ▶ Improve participation at Convention and Idea Institute in 2018

Provide (or Source) consultative, fee-based services

- ▶ Design a sustainable business model for fee-based compliance services by 6-30-18
- ▶ Establish two new “Growth Partner” relationships for Growth by Design

Provide infrastructure support services

- ▶ Analyze infrastructure effectiveness in comparison with alternative strategies by 6-30-18

CUPAC/CULAC

Generate and allocate resources for campaign support

- ▶ Raise \$220,000 in PAC funding

FOUNDATION

Provide educational and consultative support for small credit unions

- ▶ Achieve participation of 12 CUs with less than \$50m in assets at the convention luncheon
- ▶ Develop/Benchmark metrics covering learning, financial and operational accomplishments at CUs under \$50m in assets by 3-31-18

Assemble resources for disaster assistance affecting CUs

Organize international cooperative learning engagements

- ▶ Coordinate group events for partner CUs at CUNA GAC and encourage routine individual partner interactions

COOPERATIVE SERVICES, INC.

Organize leveraged buying arrangements

- ▶ Conclude/Implement new Dr, Cr and check printing group buying arrangements

Develop collaborative operational solutions

Advance awareness of payments and technology innovations

- ▶ Focus content of Payments Council on emerging developments in payments and digital service distribution

Assist credit unions in protecting member data

- ▶ Assess the feasibility of providing, and CU demand for, group data analytics support services

MEMBERS ATM ALLIANCE

Achieve cost efficiencies for machine-based CU service distribution endpoints

- ▶ Grow MAA network by at least 75 devices and four participating CUs in 2018
- ▶ Prepare comprehensive review of cost and pricing by 3-31-18

Provide shared management oversight for ATM fleet

- ▶ Achieve MAA financial sustainability by 3-31-18

MEMBERS CORE ALLIANCE

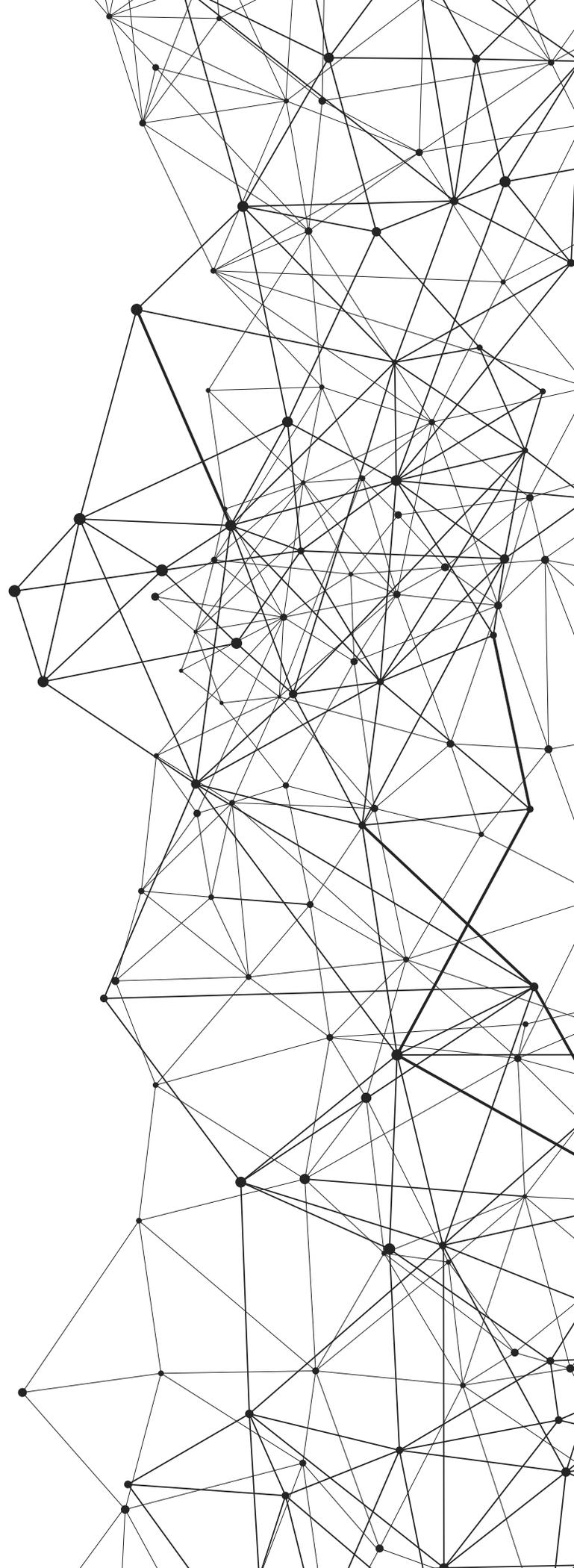
Develop shared back-office functionality to enable credit unions to achieve better efficiency and obtain access to enhanced service capabilities

- ▶ Prepare business plans for two MCA back office support services during 2018
- ▶ Grow MCA participants by two CUs in 2018

GCUL ACCEPTANCE CORP.

Provide card support services for credit unions

- ▶ Conclude/Implement new credit card group buying arrangements



A close-up, high-angle photograph of a person's hands holding a smartphone over a laptop and a notebook on a desk. The person is wearing a white sweater with a geometric pattern. The laptop is silver and the notebook is white. The scene is brightly lit, creating a warm, professional atmosphere.

GEORGIA CREDIT UNION

Affiliates

6705 Sugarloaf Parkway • Suite #200 | Duluth, GA 30097