



The Yin and Yang of Visionary Leadership




ACCU Forum 2009



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"Effective leadership is the only competitive advantage that will endure. That's because leadership has two sides - what a person is (character) and what a person does (competence)."

Steven Covey



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Competence



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Be Strategic

- *Vision*
- *Values*
- *Mission*




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Thinking for the Future

"No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be."

Isaac Asimov, Russian Author and Scholar



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Creating the Future...

"Successful organizations craft strategy as they continually learn about shifting business conditions and balance what is desired and what is possible..."

The key is not getting the right strategy but fostering strategic thinking."

The Strategy Process – Fourth Edition
(Mintzberg, Lampel, Quinn, Ghoshal)



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Our **Vision** is to be the financial services provider of choice in the communities we serve by providing a full range of innovative financial solutions; superior member service and value; and meaningful community support.



"Building a Better Future With You"

Our **Vision** is to be a local leader in providing high quality, tailor-made financial protection and wealth management services; through superior, professional service.



"Insuring your Peace of Mind"

Strategic Planning Process (simplified view)

Mission & Objectives

Environmental Scanning

Strategy Formulation

Strategy Implementation

Evaluation & Control

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Mission Statement

Core Values

Core Purpose

Business Vision

Visionary

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Environmental Scan

Internal Analysis

External Analysis

Strengths

Weaknesses

Opportunities

Threats

SWOT Matrix

Micro-environment

Macro-environment

P.E.S.T.L.E

The Five-Forces Model of Competition

Bargaining Power of Suppliers:
Supplier concentration
Importance of volume
Presence of substitutes
Threat of forward integration

Threat of Substitutes
Switching costs
Buyer inclination to substitute
Price-performance trade-off of substitutes

Bargaining Power of Buyers
Bargaining leverage
Buyer volume
Brand identity
Price sensitivity
Product differentiation
Availability of substitutes
Incentives

Barriers to Entry
Government policy
Capital requirements
Learning curve
Proprietary products
Expected retaliation
Economies of scale

Degree of Rivalry
Industry concentration
Industry growth
Product differences
Switching costs
Brand identity
Diversity of rivals

Rivalry

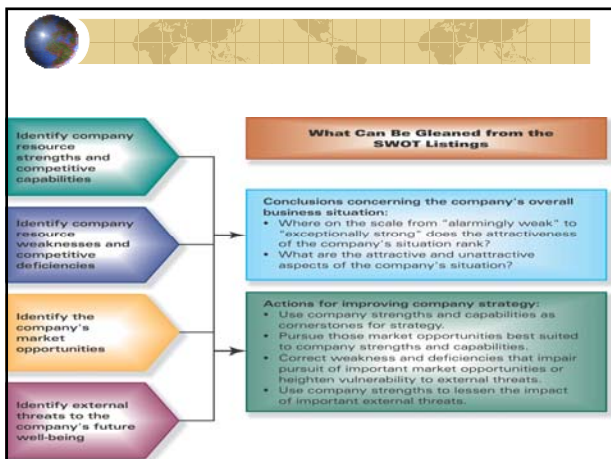
Source: Adapted from Michael E. Porter, "How Competitive Forces Shape Strategy," Harvard Business Review 57, no. 2 (March-April 1979), pp. 137-45

External Analysis (Macro)

- Political – regulatory, tax policy etc.
- Economic – economy, interest rates, inflation
- Social – population growth, age distribution, emphasis on safety
- Technological – automation, rate of change
- Legal – liability, fiduciary duty, compliance
- Environment – sensitivity, regulations etc.

SWOT Analysis

Strengths Core competencies Resources Brand name Good reputation Proprietary know-how Good distribution network	Opportunities New business markets Innovative breakthroughs New products Unfulfilled customer need Change in regulations New technologies
Weaknesses Areas of substandard business performance brand name reputation structure	Threats Potential business/market losses due to: competitor actions; competitive forces; government regulations/policies; technology; emergence of substitute products; shift in consumer preferences.



"The future is not entirely beyond our control, it is the work of our own hands"

- Robert F. Kennedy

"The best way to predict the future is to create it!"

- Jason Kaufmann

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Linking Strategy to Company Values and Ethics Standards

- Tightly linking a firm's strategy to high ethical standards begins with:
 - Leaders with **strong character and**
 - A set of **corporate values** and **ethical standards** that genuinely govern the credit union's strategy and business conduct
- Responsibility of top management and Board Chair
 - See that values statements and ethics codes are observed in devising strategies and
 - Become a way of life for all employees and directors

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What are Values?

- Set of common beliefs
- What the credit union cares about
- Support the vision and mission
- An "invisible hand" that guides behavior

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The Value of Values

- A guide when making and implementing decisions
- A common bond for employees

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A Reason for Success

Our Values / Co-operative Values

“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

(Statement on the Co-operative Identity, International Co-operative Association)

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Swan Valley's Core Values...

- **Integrity & Honesty.** We are reliable in our word - honoring commitments and promises; and, committed to the highest standards of business ethics.
- **Fairness & Equity.** We are just to all, accepting the duty to make judgments free from bias or discrimination.
- **Respect.** All individuals are highly valued and treated equitably. We value work-life balance.
- **Trust & Confidentiality.** We value the confidence placed in us; and, maintain absolute discretion regarding private information.
- **Service.** We strive to excel in providing service that exceeds the needs and expectations of our customers.



Be Strategic... in action

- Mobilize change through executive leadership
- Translate strategy into operational terms
- Align your credit union to the strategy
- Motivate to make strategy everyone's job
- Govern to make strategy a continual process

Source: Adapted from Robert S. Kaplan and David P. Norton, "The Execution Premium", Harvard Business Press (2008)

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Alignment

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Human Resources Mission

- Create an internal culture characterized by empowerment, openness, continuous learning and team based management.

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Perspective

Two components to a truly successful business:

1. **They are smart** (intelligent strategies, marketing plans, financial models, product features, excellent service)
2. **They are healthy**
 - less posturing (politics) from unresolved issues
 - more organizational clarity, yielding:
 - higher morale and productivity
 - lower unwanted turnover
 - lower recruiting costs



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Two Strategies

- Policy improvement
- Organizational Restructuring



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Why Focus on Policy?

- Creates alignment with vision, mission and values.
- Current HR Policies are significant in merger scenarios.
- Promotes Employee Satisfaction, which drives Member Value and Business Performance (Watson Wyatt)
- Important to the effective and efficient operation of the organization



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Why?

- Address competitive environment by meeting or exceeding standards of practice within the industry (credit union specific).
- **Improve Organizational clarity regarding roles, responsibilities and processes.**
- To meet current legal standards.



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What was the process?

- CEO identified need for review.
- HR Committee recommended & Board approved with broad terms.
- External consultants – HR Consulting Group CUCM were engaged for full review.
- Objective was compliance with industry standards and best practices.
- Focus was staff/organization
- The specific CEO/Board policies were removed to form part of governance policy review.



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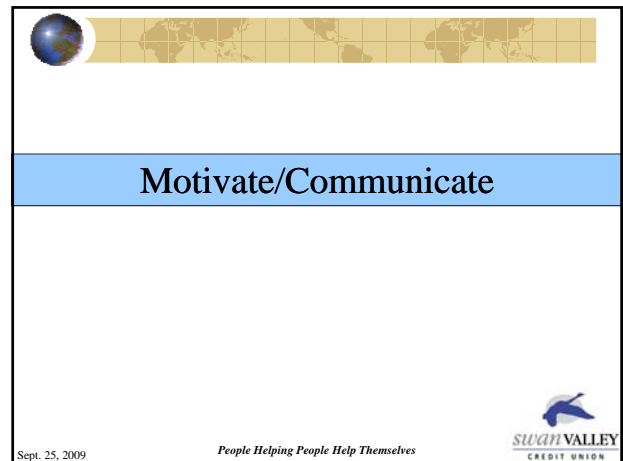
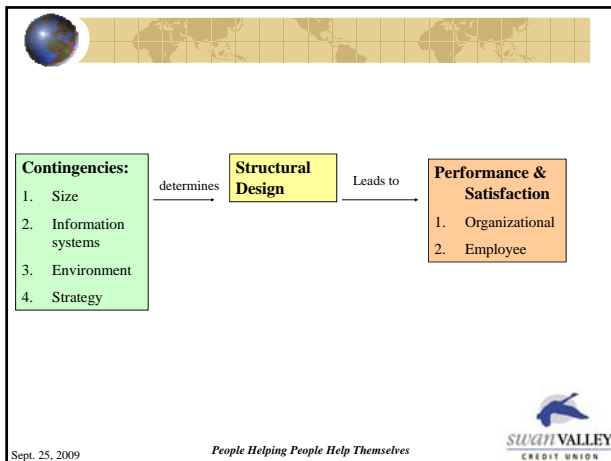
Organizational Design Criteria

- Support Strategic Direction
- Appropriate span of control for managers and supervisors
- Improve operational efficiencies
- Support empowerment & accountability
- Provide best member service
- Be scaleable – adaptable for growth



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***Change Management** is the process of managing change using planned management strategies that are implemented in a strategic and systematic order.*

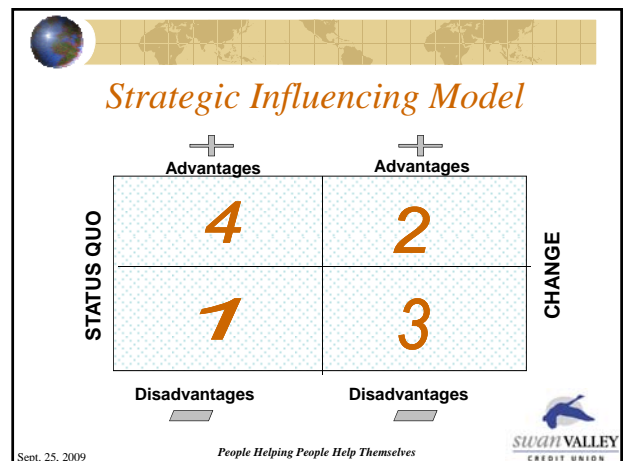
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- Six Potential Barriers to Successful Organizational Change...***
1. Lack of visible contact with leaders who are overseeing the change.
 2. Resistance to change.
 3. Lack of communication.
 4. Lack of preparation and readiness.
 5. Leaders' fear of losing authority.
 6. Leaders not providing a clear vision and rationale for the change.
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- Collaborative Approach***
- In sync with the times –organizations need to work collaboratively
 - Fosters trust in the process and people
 - Surfaces underlying needs and concerns
 - Enriches understanding of the real problem
 - Moves stakeholders from *compliance* to *commitment*
 - Is perceived as fairer
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The Natural "Disconnect"

Some points to consider:

- The "natural" persuasion pattern for a change agent is to present only quadrants #1 and #2 especially #2.
- The "natural" resistance pattern for others is to feel and think of quadrants #3 and #4, especially #3.
- Remember to address advantages/disadvantages from the other's perspective.

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Why Should I Believe You?

"The clearer you are about the 'truth' of your point of view, the clearer I am that you don't have a clue about the truth of my point of view"

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Strategic Influencing – Getting Consensus and Agreement

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Keys to this Communications Approach

- **Don't underdo Box 1** – it is important to present a compelling case for "why change"
 - Wherever possible, reflect reasons from *the employees' perspective*, not just the organization's.
- **Don't overdo Box 2** – you can always return to this during Q&A
- **Spend lots of time on Box 3** – you can't always resolve all issues, but validating them is important
 - Acknowledge that you are not presuming you understand all concerns and you would welcome input on this
- **Keep the flow** – don't go back and forth between boxes; this will totally lose audience and energy

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Governance

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Governance is how you answer...

The key question in economics...

How do we allocate scarce resources to the most effective uses?

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Melbourne Principles... Principle #10

- Enable continual improvement, based on accountability, transparency and good governance.

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So What's Good Governance?

- Good governance can be understood as a group of principles, as set out in 1995 by the Nolan Committee of the UK.
 - Accountability
 - Transparency
 - Integrity
 - Stewardship
 - Leadership
 - Efficiency

Source: ANAO, Better Practice Guide on Public Sector Governance, July 2003.

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Minimum Requirements for Majority of Directors on CU Board (WOCCU)

- Ability to read and interpret financial statements
- Understanding of laws governing credit unions
- Knowledge of risk management and effective management
- Knowledge of and commitment to CU philosophy
- Familiarity with lending and collections
- Familiarity with marketing concepts
- Familiarity with asset liability management
- Ability to work as part of a team
- Ability to commit enough time to director duties
- Strong oral communication skills

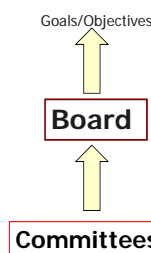
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Strategic Planning

Desired State



Reality



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Governance Objectives

1. Establish a Board focus on governance by policy
2. Improve efficient use of resources
3. Enhance transparency and the flow of information between the board and management
4. Strengthen strategic planning processes
5. Promote accountability and leadership

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Intent of Policy Governance Model

- Equip Board to ensure achievement of objectives with honesty and integrity
- Empower staff to maximum without "giving away the shop".
- Clarify the Board's job and relationships with members and management.

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Governance Perspective

- Board has 1 employee – CEO
- Board does not exist to serve staff – represents owners only.
- Employer/employee relationship is specific and defined largely through legislation. Membership is not a relevant factor.
- Staff don't want Board involvement
- "The Board would back the CEO". Must be built into the process **before** not **after**.

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Governance by Policy

- Approach – "everything that is not prohibited is permitted"
- Governance Commitment established
- Board – CEO linkage established
- Executive Limitations outlined
- End goals stated.

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Roles

- Board speaks with the authority of ownership
- Accountable for all facets of organization
- While much has changed, boards are doing what they've done for decades
- Boards need a **Policy Governance** model that is both powerful and empowering – a coherent framework
- Chairman is "Chief Governance Officer" (CGO)

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Guiding Principles

- Objective is "control without meddling"
- **Principle #1:** differentiate **ends** from **means**
- The Board addresses "**ends**" – what results, for which groups, at what cost.
- Ends are what the credit union is *for*
- The CEO uses "**means**" – all other decisions and situations.

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Guiding Principles

- **Principle #2:** Board declarations about ends and unacceptable means are only as detailed as necessary to attain sufficient control.
- Brief, written set of expectations of ends and off-limit means.
- Board committees assist, but never substitute for the Board or become involved in decisions delegated to the CEO.
- Board committees with subject matter the same as staff departments - constitute a major source of meddling

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Results at SVCU

- Reduced Board governance expense by 25%.
- Reduced senior management resource commitment significantly
- Information flow is more inclusive and promotes consensus building
- Strategic planning more effective
- CEO is more readily held accountable, leads without interference.

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Core Board Roles - Direction

- Leader:
 - Active input into strategic plan, review and approve.
 - Active involvement in Board renewal and management succession.
- Steward:
 - Ensure resources are allocated wisely, risk management, budgets.
 - Delegation of authorities – to board, committees, CEO, management.



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Core Board Roles - Control

- Monitor:
 - Using the right measures of success and getting the right level of information.
 - Audit and control system.
 - CEO evaluation and compensation.
 - Board evaluation.
- Reporter:
 - Disclosure and accountability to members and stakeholders.



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Board Committees – Best Practices

- Committee work is aligned with board's roles and responsibilities and governance model
- Committee has an annual workplan that is synchronized with annual board workplan
- Committee work is not repeated by full board.

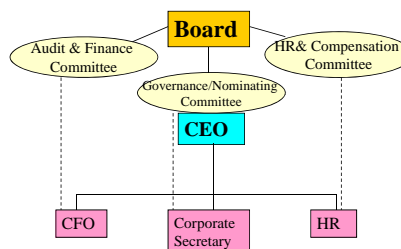


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Core Committees – Reformed Governance



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There is a trade-off...

- Committees:
 - Assist the Board with its work
 - Represent extra work for directors and staff
 - *Make sure the investment in time and effort pays off*
- Don't create more committees than you need
- Make good use of the committees you have



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Character



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Integrity

- The quality that guarantees all other qualities
- Reality – be objective towards self (self awareness)
- Commitment – organization comes first

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“Greed destroys wealth. Trust and integrity, by contrast, foster prosperity”.

- Patricia Aburdene

Author, of Megatrends 2010

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Personal Humility

- Act with calm determination.
- Use inspiring standards.
- Ambition for credit union, not self.
- Mentor successors.
- Take responsibility for poor results, do not play blame game.

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Courage – strength of will

- Unwavering resolve to do what is necessary to achieve best long term results.
- Give credit broadly and generously for success – “don’t look in the mirror”.

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3 Temptations of Leadership

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Temptation #1

- The desire to protect the status of their career above all else.

Solution:

- Make results the most important measure of personal success. The best interests of the organization trump ego.
- Choose results over status

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Temptation #2

- The desire to be popular.
- Impact – direct reports not held accountable.

Solution:

- Work for long-term respect of employees – they are key people who must deliver on their commitments.
- Choose accountability over popularity



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Temptation #3

- The need to make "correct" decisions, to achieve certainty.

Solution:

- Choose clarity over certainty. Take decisive action.
- Avoid "paralysis of analysis"



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Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life.

Sometimes it falls on a generation to be great. You can be that great generation.

Let your greatness blossom.

Nelson Mandela



Questions...?

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