

# Leading and Managing Change

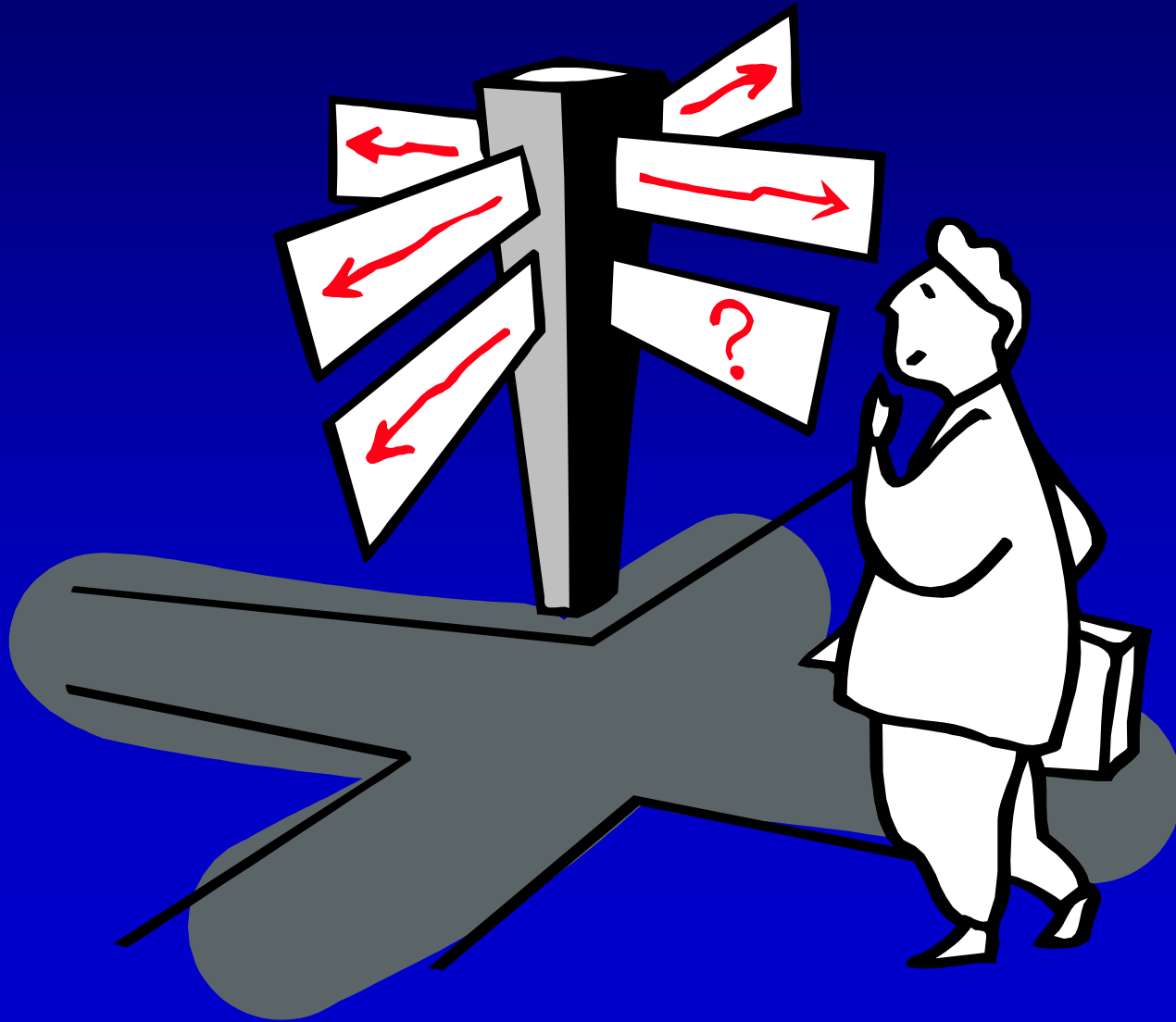
Dave Richardson

World Council of Credit Unions

September 22, 2006



# Which Way Should We Go??



# Three Challenges facing Credit Unions



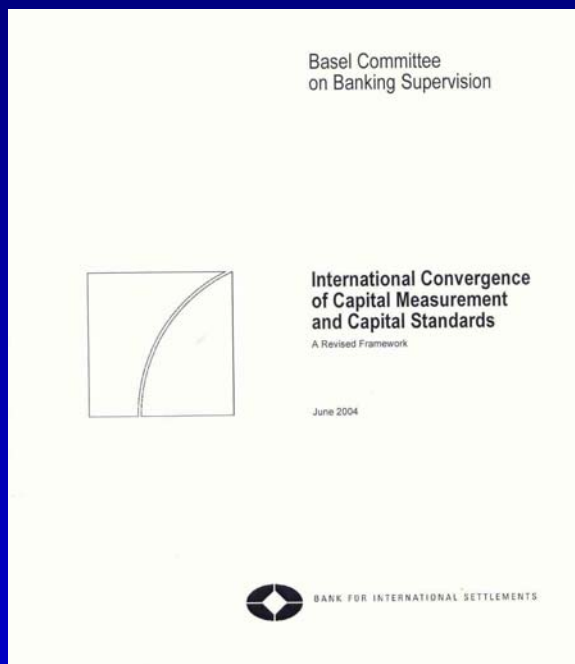


# #1

## Legal Framework & Regulation



# Basel II: Risk-based Capital



# The Messages of Basel II

“More efficient use of Resources”

“By motivating Banks to upgrade and improve their risk management systems, business models, capital strategies, and disclosure standards, the Basel II framework should **improve their overall efficiency and resilience.**”

# The Messages of Basel II

## “Risk Detection and Containment”

“The new framework represents an unparalleled **opportunity** for banks to improve their risk measurement and management systems...

# The Messages of Basel II

## “Risk Detection and Containment”

- Three Types of Risk for Minimum Capital Requirements
  - Credit Risk
  - Market Risk
  - Operational Risk



# The Messages of Basel II

## “Operational Risk”

“....[It] is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.”

# The Messages of Basel II

## “Supervisory Review of Norms”

“The supervisory review process recognizes the responsibility of bank management in setting capital targets that are commensurate with the bank’s **risk profile**.... Supervisors are expected to evaluate how well Banks are assessing their capital needs, relative to their risks and to intervene where appropriate”

# The Messages of Basel II

## “Transparency & Public Disclosure”

“...The Committee has sought to encourage market discipline by developing a set of **disclosure requirements** that allow market participants to assess key information about a bank’s risk profile and level of capitalization ”

# The Messages of Basel II

## “Transparency & Public Disclosure”

“...The Committee believes that when marketplace participants have a sufficient understanding of a bank’s activities and the controls it has in place, they can **reward** those that manage their risks prudently, and **penalize** those that do not ”

# The Messages of Basel II

“Winners and Losers: Significant Advantage to those who can manage and control risk.”

“...It [Basel II] also provides explicit incentives in the form of **lower capital requirements** for Banks to adopt more comprehensive and accurate measures of risk, as well as more effective processes for controlling their exposures to risk.”

# The Messages of Basel II

“Winners and Losers: Significant Advantage to those who can manage and control risk.”

“If **capital levels are too high**, Banks may not be able to make the most of their resources which may constrain their ability to make credit available”



# The Messages of Basel II

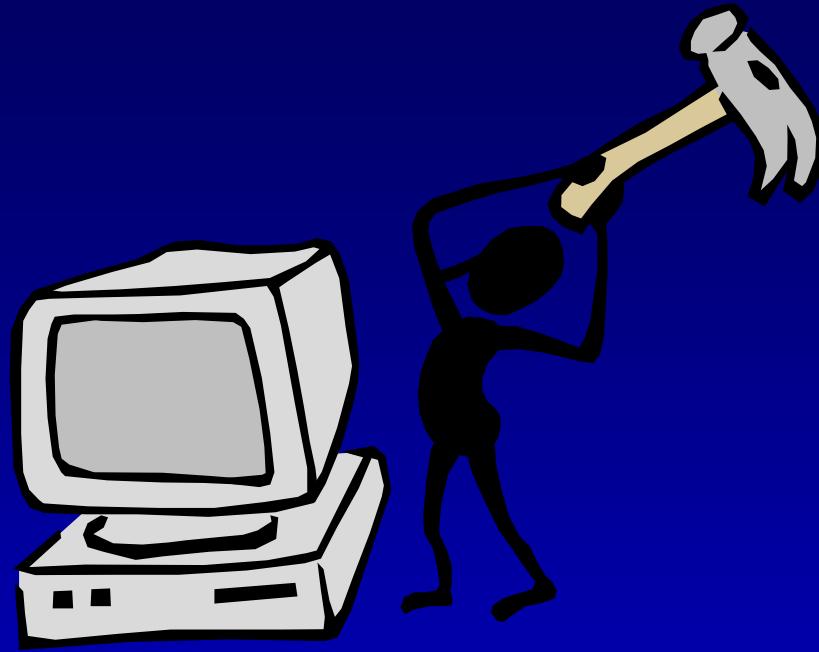
- Efficient Use of Resources
- Risk Detection and Containment
- Supervisory Review of Norms
- Transparency and Public Disclosure
- Winners and Losers: Significant Advantage to those who can manage and control risk.



#2

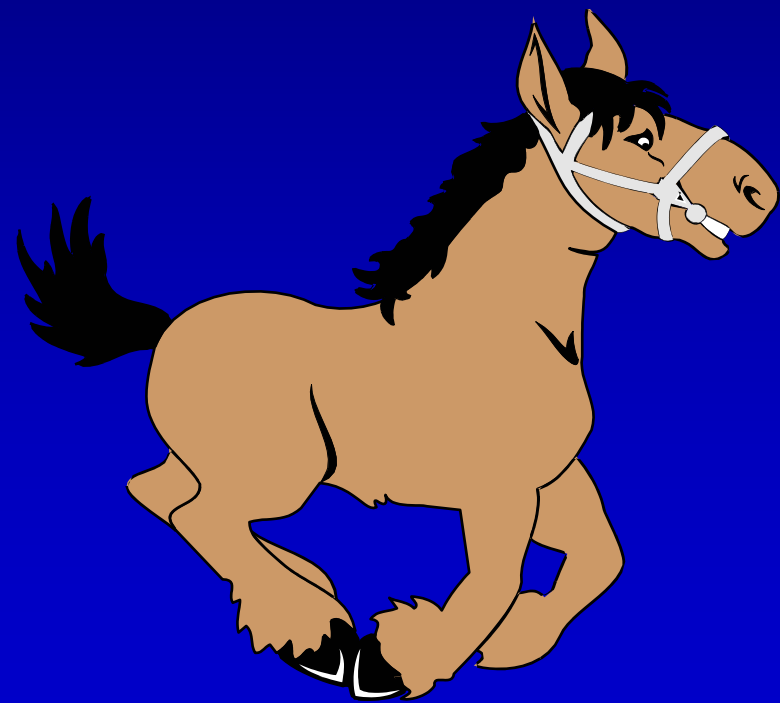
Technology

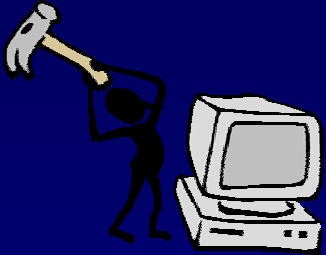




# The Challenges of Computerization

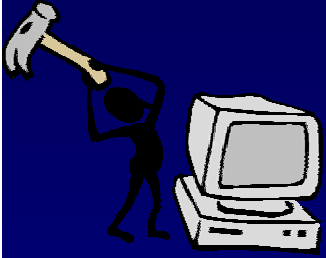
# Harnessing the Power of the Computer





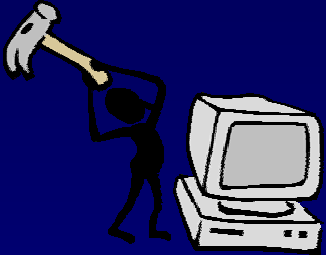
# Operating Platforms

- DOS
- WINDOWS
- UNIX
- WINDOWS NT
- LINUX



# Local Programming Needs

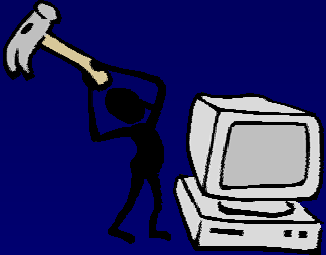
- Standardized versus Customized Software
- Modular Enhancements
- Parameterization of Options
- Security Levels
- Internal Controls
- Branch Office vs. Main Office



# Conversion Issues

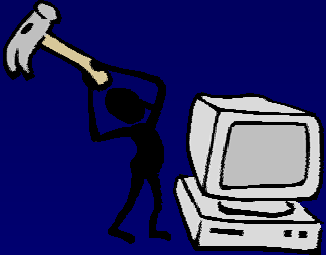
## Manual to Electronic Accounting Systems

- Adapting New Accounting Policies
- Changing Reporting Formats
- Creating a Database
  - Demographic Information
  - Transferring Loan & Savings Balances
  - Out of Balance Auxiliary Ledgers
  - Junk Assets



# Technical Support

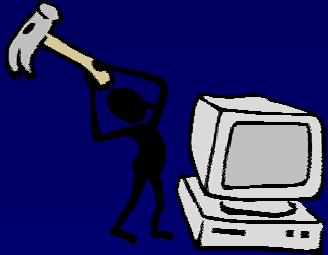
- What Type of Support?
  - Level I, II, III
- Who will Provide it?
  - In-house, Local , International
- How will it be Provided?
  - Telephone vs. On-site



# Training

## *How to do it?*

- User-Friendly vs. Non-User Friendly
  - Intuitive Learning
- General vs. Job Specific Training
  - Computer literacy
- Local vs. Regional Classes

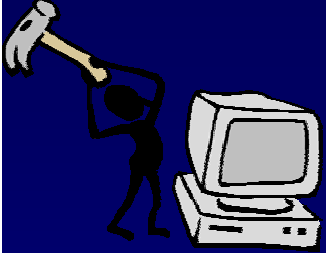


# Financial Costs

*What are the total costs?*

- Hardware
- Software
- Training
- Technical Support
  - On site
  - Off site
- Annual Licensing Fee
- Annual Maintenance Fee





# Future Product Enhancements

*How to Keep Pace with CU Needs?*

- New Product Versions
- New Modules
- New Technology Enhancements
- R&D Budget

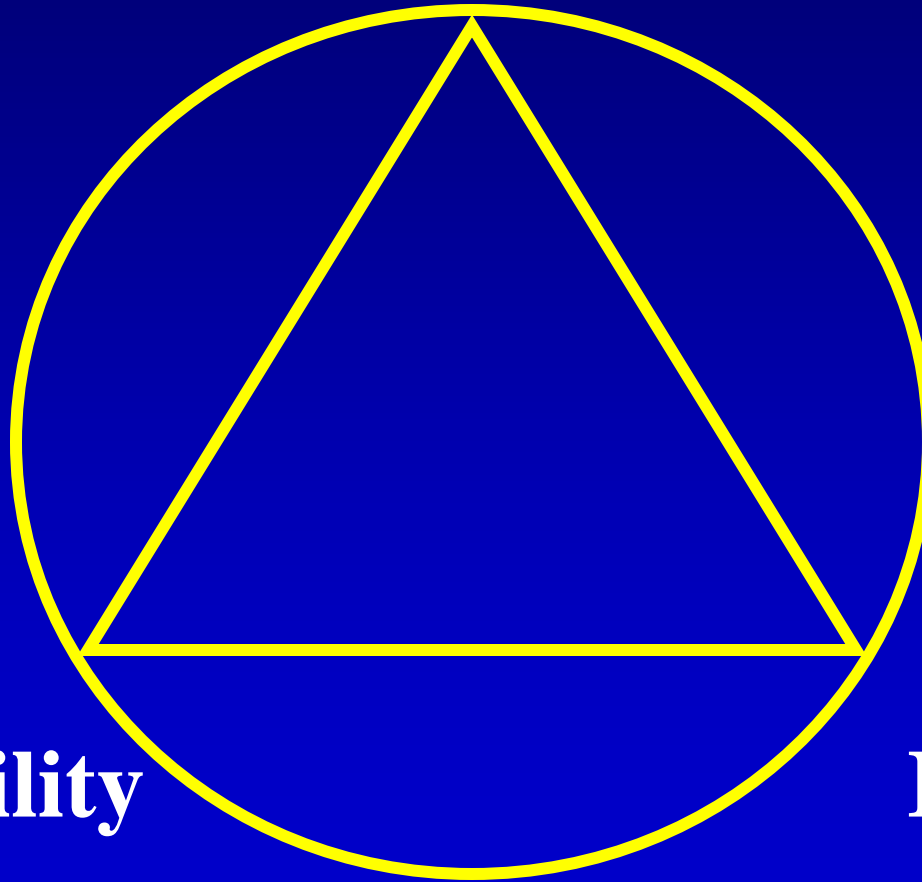


#3

Growth

# Best Practices

**Growth**



**Profitability**

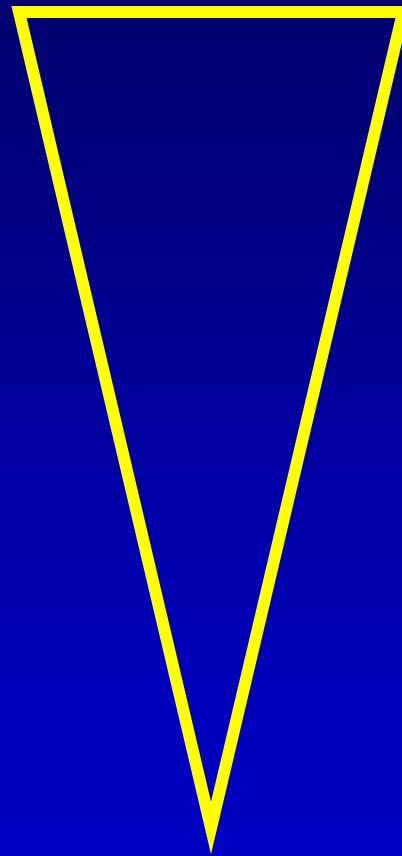
**Efficiency**

**Financial Discipline**

# “Worst Practices”

**Profitability**

**Efficiency**



**No Discipline**

**Growth**

# How to Grow?



**In the 21<sup>st</sup> Century, successful  
Credit Unions will sell  
SOLUTIONS instead of only  
financial products**

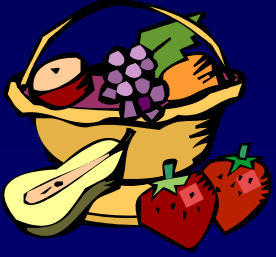
# Strategic Decisions

## Traditional

- Vertical, Top Down Structure
- Human Resources are Soldiers
- Poor Service
- Socialized Interest Rates
- Socialized Fees
- Rigid, Financial Products

## Proposed

- Decentralized Structure
- Human Resources are Decision-Makers
- Quality Control
- Entrepreneurial Interest Rates
- Fees for Services
- Products with Financial Solutions



# Product Diversification

## Loan Products

- Work / Business
- Housing
- Health
- Education
- Transportation

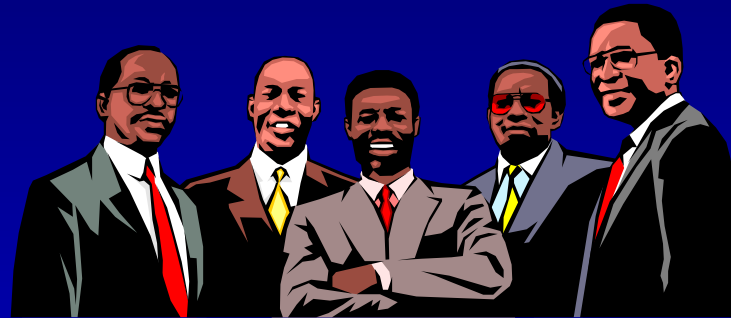
## Savings Products

- Passbook Deposits
- Term Deposits
- Savings Clubs

## Protection Products

- Insurance
- Overdrafts/Liquidity
- Remittances

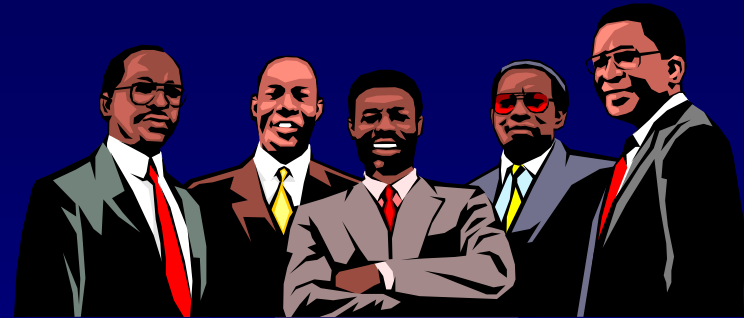
# Human Resource Management



## Key Objective:

Employ people who can elevate others to a higher plane





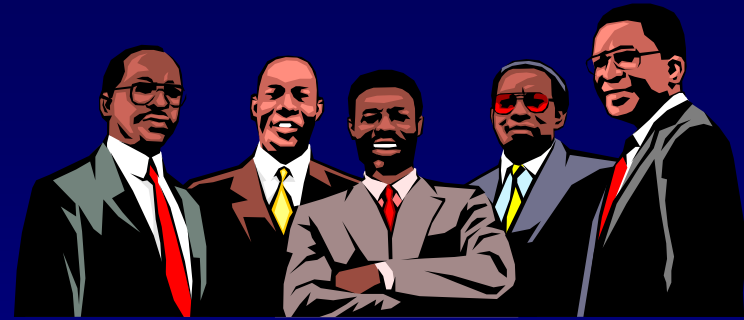
# H.R. Qualifications

## Prerequisite

- Technical Knowledge

## Goal

- Can Recite the Theory



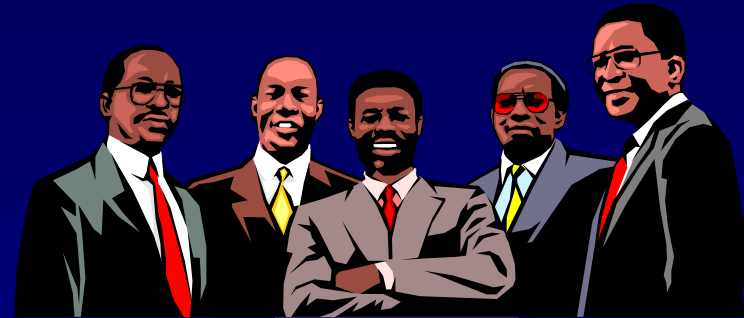
# H.R. Qualifications

## Prerequisite

- Experience

## Goal

- Can Practice  
What is Preached



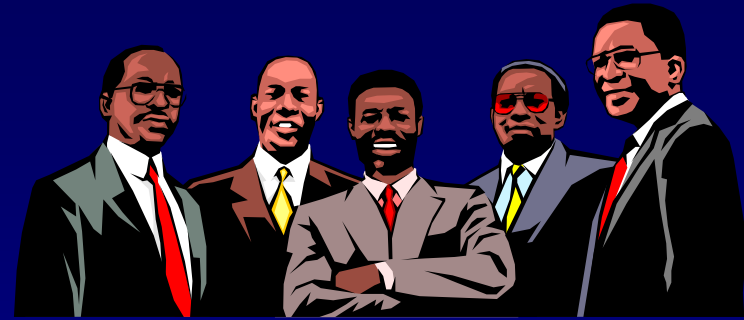
# H.R. Qualifications

## Prerequisite

- Communication

## Goal

- Can Teach the Theory



# H.R. Qualifications

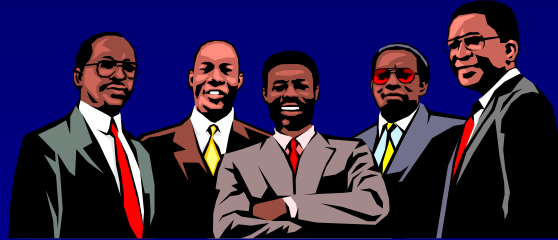
## Prerequisite

- Leadership

## Goal

- Can Influence Change

# How can you EMPOWER Your Employees?



- Job Title
- Responsibility
- Authority
- Compensation



**VISION**

World Council of Credit Unions

**QUALITY CREDIT UNIONS  
FOR EVERYONE**





The World Council of Credit Unions