

Strategic Risk – How to eat an elephant

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About Us

- ⦿ Experienced Risk & Compliance Professionals
- ⦿ Working with credit unions since 2012
- ⦿ Used by over 90 credit unions
- ⦿ Award winning solution
- ⦿ Collaborating with the ILCU





One bite at a time -

Strategic risk relates to the events or decisions that could potentially prevent a CU from achieving its goals.

By taking a methodical, step-by-step approach, the management of strategic risk can become more embedded and more effective.



MANAGING STRATEGIC RISK

What are we looking at today?

- Documenting the strategic planning review process
- Key elements of a CU strategic plan
- Documenting Goals & Strategies
- Monitoring performance
- Developing a body of evidence around strategic planning

Questions Welcome Anytime



Bite 1 - Picture it

Assign ownership of strategic risk, picture it and keep moving towards it!

What would the Board like to see from this CU in five years?

If you overheard someone on the street talking about the CU, what would you like to hear them saying?

What would you NOT like to hear?

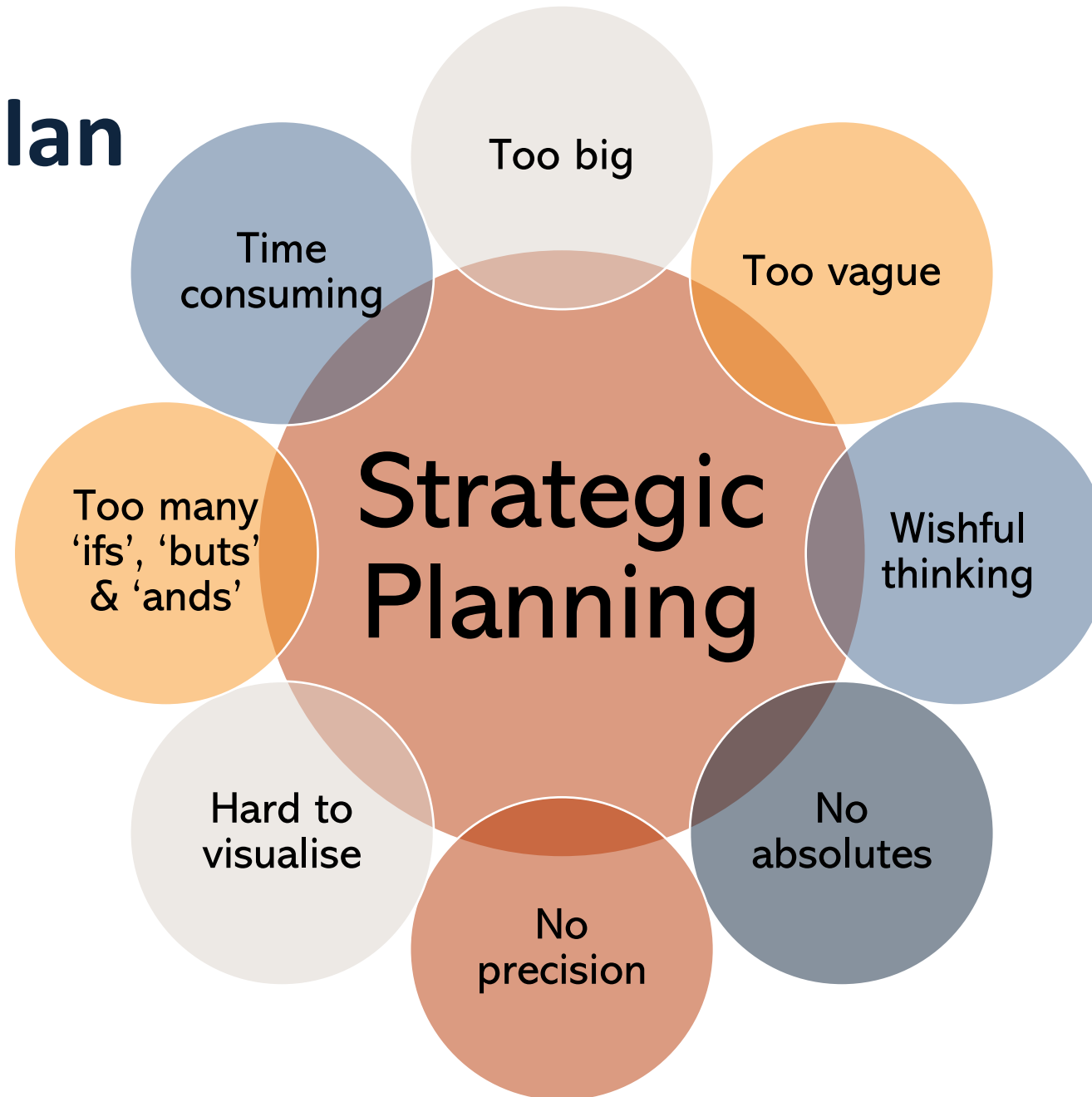


Bite 2 – Understand what threatens your picture

Sources of strategic risk include:

- ❁ Competition in the financial services market
- ❁ Compliance with new legislative & regulatory requirements
- ❁ Maintaining strong governance/leadership
- ❁ Financial viability
- ❁ Internal change management
- ❁ Keeping up with operational technology/processes
- ❁ Reputational damage from multiple sources
- ❁ Changing political landscape
- ❁ National & international economic developments

Bite 3 – Plan



So does that mean we shouldn't plan?

“To stand still is to fall behind” - Mark Twain

Without a strategic plan:

- ❁ How can the CU focus on being proactive rather than reactive?
- ❁ How can the Board communicate to all stakeholders what it aims to achieve?
- ❁ How can the Board be assured that the CU is heading in the right direction as efficiently as possible?
- ❁ How can the Board assess the CU's performance and viability on an ongoing basis?
- ❁ How can Members be confident that the CU will be able to service their financial needs into the future?
- ❁ How can staff be assured that the CU has a future as their employer?

Bite 4 - Involve Stakeholders



Bite 5 – Build Strong Foundations

1. Elect a **proactive** Committee Chair & Secretary
2. Ensure all committee members are familiar with the SPC's **Terms of Reference**
3. Meet **regularly** (would recommend at least quarterly - dates planned well in advance)
4. Encourage **contributions**/suggestions from all committee members
5. Build in proactive **risk-based decision making** from the outset
6. Assign responsibility for CU movement/financial services **horizon-scanning**
7. Ensure all committee considerations/proposals align with the **CU's ESG Policy**
8. Encourage all committee members to **listen and respond** in a respectful, considered manner
9. **Document rationale** for all proposals **whether adopted or not**

Bite 6 – Be informed to be effective

Ensure the Strategic Planning Committee is kept fully informed:

- ☼ Updates on current risk status from the Risk Management Officer
- ☼ Relevant data on competition in the financial services market from the CEO
- ☼ Financial data on the CU's current Return on Investment from the Finance Officer
- ☼ Loan Book performance data including targets and trends from CEO/Credit Committee
- ☼ Overall membership profile and borrowing member profile
- ☼ Trends on social media, feedback from common bond
- ☼ Effectiveness of marketing strategies from the Marketing Officer

Negative trends in any of the above should be brought to SPC's attention so timely adjustment can be made

Bite 7 – Learn from the past

- ❁ What can be learned from previous strategic plans?
- ❁ Has the CU moved closer to or further away from its goals?
- ❁ Can the CU measure progress towards its goals? If not, why not?
- ❁ If goals were reached, was it worth it? Has achievement of the goal(s) resulted in discernible benefits to the CU and its Members?
- ❁ Which strategies worked & which ones didn't?
- ❁ What could have been done differently?
- ❁ Could 'obvious' risks have been avoided?

Report objectively to the Board on the review exercise

No blame approach to review

- ❌ Focus on the 'how' or 'why' goals were not achieved rather than on the 'who'
- ❌ Focus on the process of achieving the goal(s). What about the process led to this situation?
- ❌ Depersonalise!
- ❌ People should not be made to feel like they are being punished or reprimanded

Instead of finding individual fault, look for collective solutions

Bite 8 – Refresh & go again!!



- 🌀 Take a fresh look forward, begin with what the CU looks like now and project forward 5 years
- 🌀 Is long-term viability in question at the moment? Is there a path to achieving it?
- 🌀 Are there areas the CU is struggling with at present?
- 🌀 Are there products/services the CU would like to be able to offer in 5 years' time? How critical are they to Members?
- 🌀 How are CU activities currently resourced? Are changes needed?
- 🌀 What does success look like?
- 🌀 What are the risks of action versus inaction?

Bite 9 – Have a structured Plan

Version Control/Document History	Lessons Learned from previous plans
Vision Statement	Future Business Model Canvas
Mission Statement	Summary of Strategic Goals
Executive Summary	Strategies to achieve Goals
Current Business Model Canvas	Financial Projection Assumptions
CU SWOT Analysis	Financial Projections
CU PESTLE Analysis	Plan monitoring & review process

Bite 10 - Know where you are

BUSINESS MODEL CANVAS

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIP	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNELS	
COST STRUCTURE			REVENUE STREAM	

Bite 11 - Illustrate what 'there' looks like

BUSINESS MODEL CANVAS

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIP	CUSTOMER SEGMENTS
	KEY RESOURCES		CHANNELS	
COST STRUCTURE			REVENUE STREAM	

Bite 12 – Know where you are going

- 🌀 Focus on the goals –
 - Are they still relevant or should some be replaced?
 - Do they indicate a clear path forward in the right direction?
 - Are they framed to be cognisant of the risks involved?
 - Do they give a sense of control?
 - Are they motivational?
 - Are they SMART?

S

- Specific

M

- Measurable

A

- Attainable

R

- Realistic

T

- Time-bound

Bite 13 – Remember it's a 'journey'

- ⦿ Have short, medium and long-term goals in place
- ⦿ Break down long-term goals into shorter term targets to
 - Build momentum
 - Provide a sense of progress/achievement along the way
 - Overcome the feeling that 'it is all just too big'
- ⦿ Keep an eye on the horizon for developments which could negatively impact on achieving the goal - May need to change course along the way



Bite 14 – Rationalise each goal

- ⦿ No proposal is too ‘out there’
- ⦿ Consider everything but conduct a clear unbiased risk assessment before committing - Maybe not now but perhaps later
- ⦿ Remember some risks are worth taking to get to the goal as long as they are within the CU’s appetite for risk
- ⦿ Hurdles to future development can become shorter term goals
- ⦿ SWOT and/or PESTLE analysis can help to flesh out the goals



Strengths

- Reputation
- Common bond penetration

Weaknesses

- Loans as % of assets low
- Struggling to achieve benefits of scale

SWOT

Opportunities

- Attract younger generation seeking ethical financial service providers
- CU Movement wide initiatives

Threats

- Financial cost of maintaining compliance
- Cost of keeping up with technological advancements

Political

- Stability of government
- Potential changes to legislation
- Global influence

Economic

- Economic growth
- Employment rates
- Monetary policy
- Consumer Confidence

Sociological

- Income distribution
- Demographic influence
- Lifestyle factors

Technological

- International influences
- Changes in Information Technology
- Take up rates

Legal

- Taxation policies
- Employment laws
- Industry regulations
- Health & Safety

Environmental

- Regulations & restrictions
- Attitudes of members
- Weather
- Climate change

Bite 15 - A goal without a plan is just a wish!!

- 🌀 In the plan narrative, place the goal in context using relevant internal and external data to illustrate the 'why' of the goal and build motivation
- 🌀 Document planned actions together with associated:
 - Key Performance Indicators
 - Key Risk Indicators
 - Targets (including interim/stage targets)
 - Delivery dates
 - Strategy owner(s)



Bite 16 - Strategic KPI Monitoring is key

- ❁ Monitor and report on KPIs to create momentum and serve as early warning system for negative risks materialising
- ❁ Integrate strategic KPIs into relevant periodic board reports
- ❁ Link individual contribution towards Strategic KPIs to performance reviews where appropriate and invite suggestions for improvement to build buy-in
- ❁ Acknowledge effort and celebrate the wins Big and small
- ❁ RMO can use KPI data in periodic review of strategic risk



Bite 17 - Evidence of Embeddedness

1. Current Strategic Plan (version controlled) which adapts when necessary
2. Clear Strategic Key Performance Indicators
3. Active & informed Strategic Planning Committee
4. Up-to-date SPC Terms of Reference
5. Comprehensive SPC Meeting Minutes
6. Thorough risk assessments, SWOT and/or PESTLE analysis to support proposal discussions
7. Regular horizon scanning reports to SPC from designated sources
8. Constructive SPC Report to board summarising activities, making proposals, KPI monitoring and decision log



One bite at a time.....

1

- Picture it

2

- Understand the threats

3

- Plan

4

- Involve stakeholders

5

- Build strong foundations

6

- Be informed to be effective

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- Learn from the past

8

- Refresh & go again

9

- Have a structured plan

10

- Know where you are

11

- Illustrate what 'there' looks like

12

- Know where you are going

13

- Remember it's a journey

14

- Rationalise each goal

15

- A goal without a plan is just a wish

16

- Strategic KPI monitoring

17

- Evidence of embeddedness



**If the CU doesn't plan
for its future, it risks
not having one!!**



But if the CU has a good plan for the future that everyone understands, then it has a much better chance of getting there!!

Any other questions





Thank you

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What is CalQRisk?

CalQRisk is an online Governance, Risk Management & Compliance software application used by over 150 regulated entities. The solution is modular and is used by organisations of varying sizes to streamline their existing risk management processes while ensuring compliance with relevant obligations.

Governance

Streamline your reporting process through our 'one-click' reporting functionality.

Compliance

Benchmark your organisation against relevant legislation / regulation.



Risk Management

Conduct risk and control self-assessments across the organization and generate a risk register at the touch of a button.

Integrated

Achieve operational efficiencies by integrating your approach to governance, risk and compliance.

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Reporting

Incidents

Monitoring

Tasks

Risks

Third
Parties

Processes





