

# Put Your Wallet Back in Your Pocket

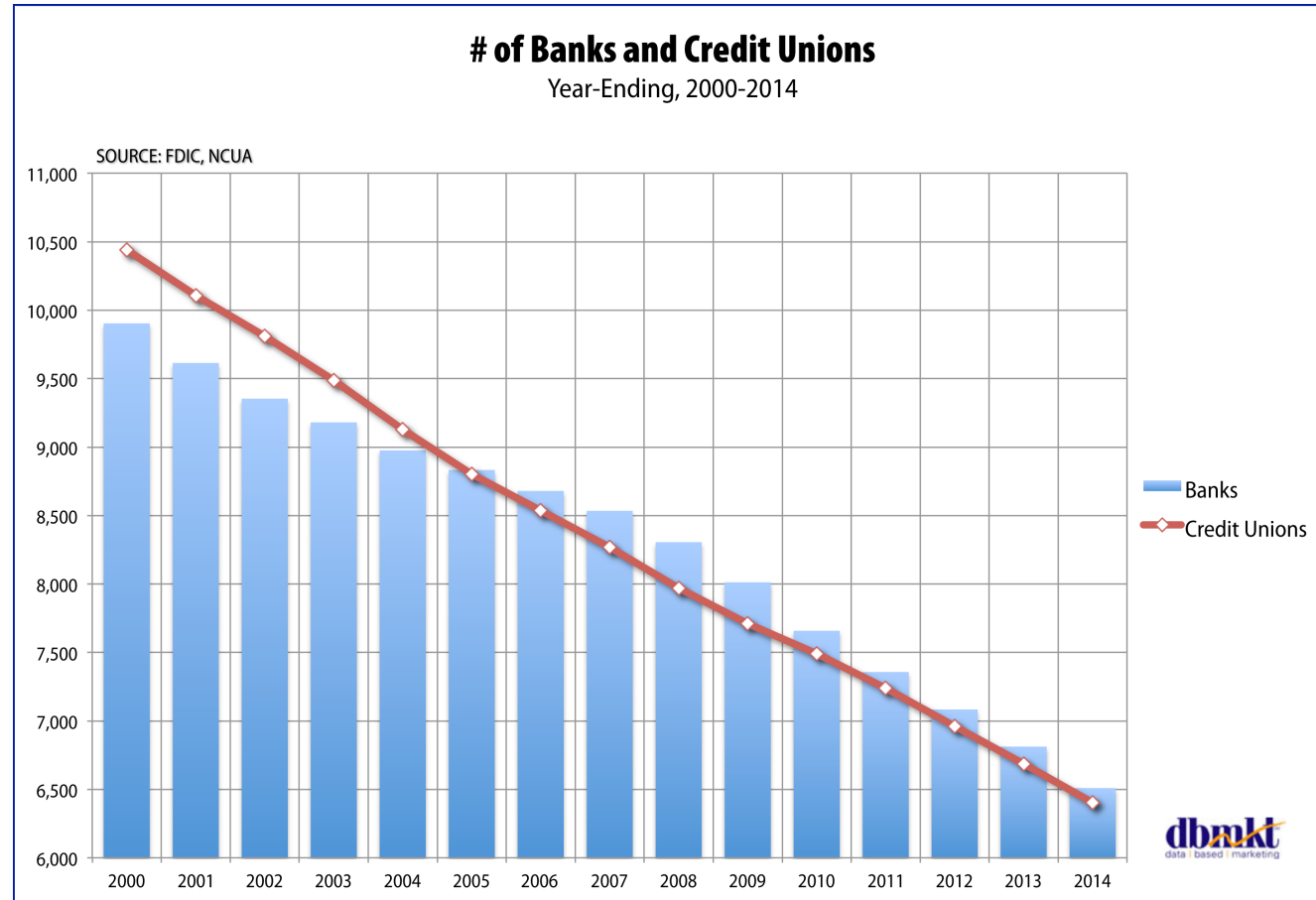
A Better Way to do Vendor Management



## The purpose of risk management

The purpose of risk management is to protect the viability of the institution for the benefit of its members.

# Rapid consolidation



# Why do we need a better way to do vendor management?

- Why do credit unions fail, forcing liquidation or merger?
- Why is the industry consolidating so rapidly?
- Who's going to be left?

# Why do credit unions merge?

- Poor financial performance
- **Failure to grow and be competitive**
- Not lack of risk management

*This is not just a small credit union issue!*

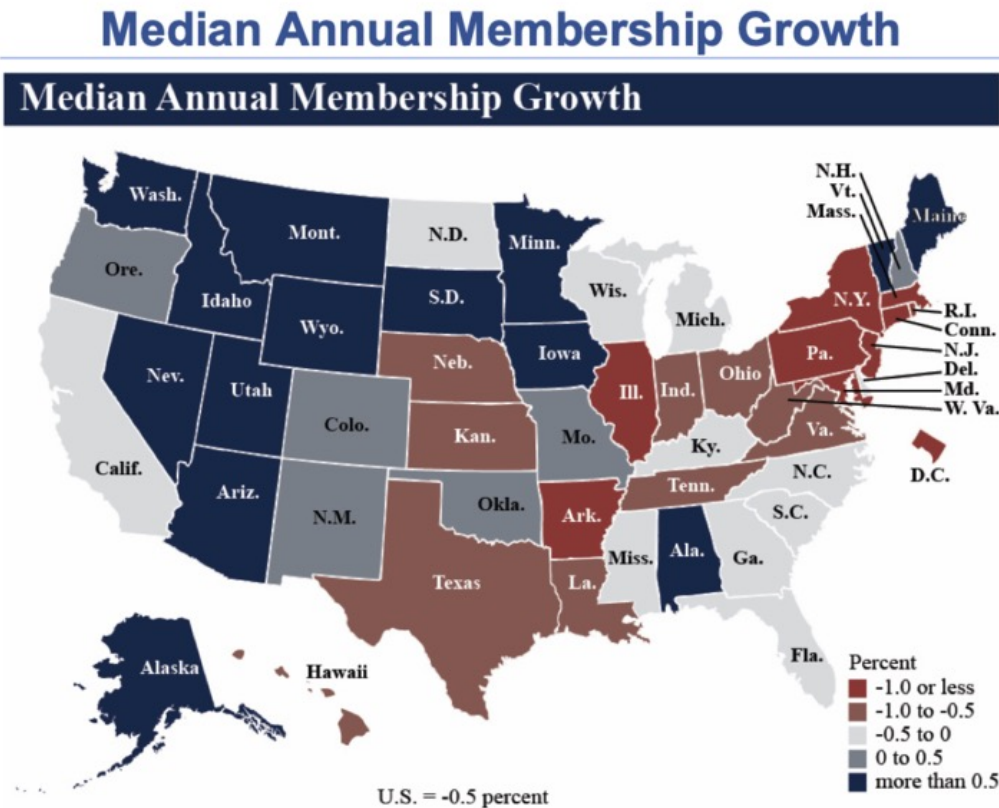
# Broken bonds

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- Fighting in the battlefield of technology
- Loyalty, group, and niche affiliations vs. “the cool app”
- Margins tight, dollars precious



# The issue is member and loan growth



Overall membership growth in Q1 2021 declined 0.5%\*

In 28 states and Washington, D.C.,  
the median membership growth  
declined\*

In 2020, CUs under \$500 M lost both members and loans\*\*

\*Callahan

**\*\*NAFCU**



# Your world of competition



**Bank of America**



**NAVY  
FEDERAL**  
Credit Union

ARMY  
MARINE CORPS  
NAVY  
AIR FORCE  
COAST GUARD  
VETERANS

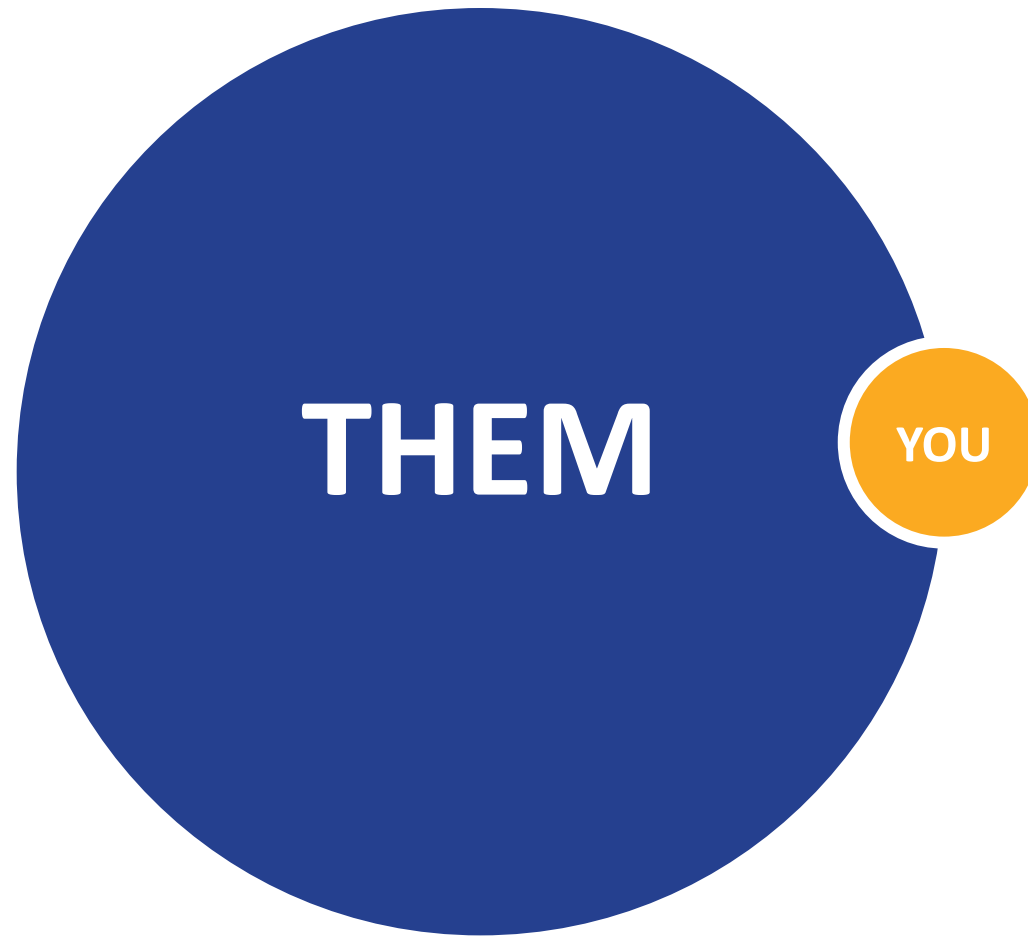


**WELLS FARGO**





# The size of competition





# Competitive Strategy

Where can you compete?

## Exceed member expectations

- Frictionless
- Easy to do business with us
- Right place, right time
- Excellence in service delivery



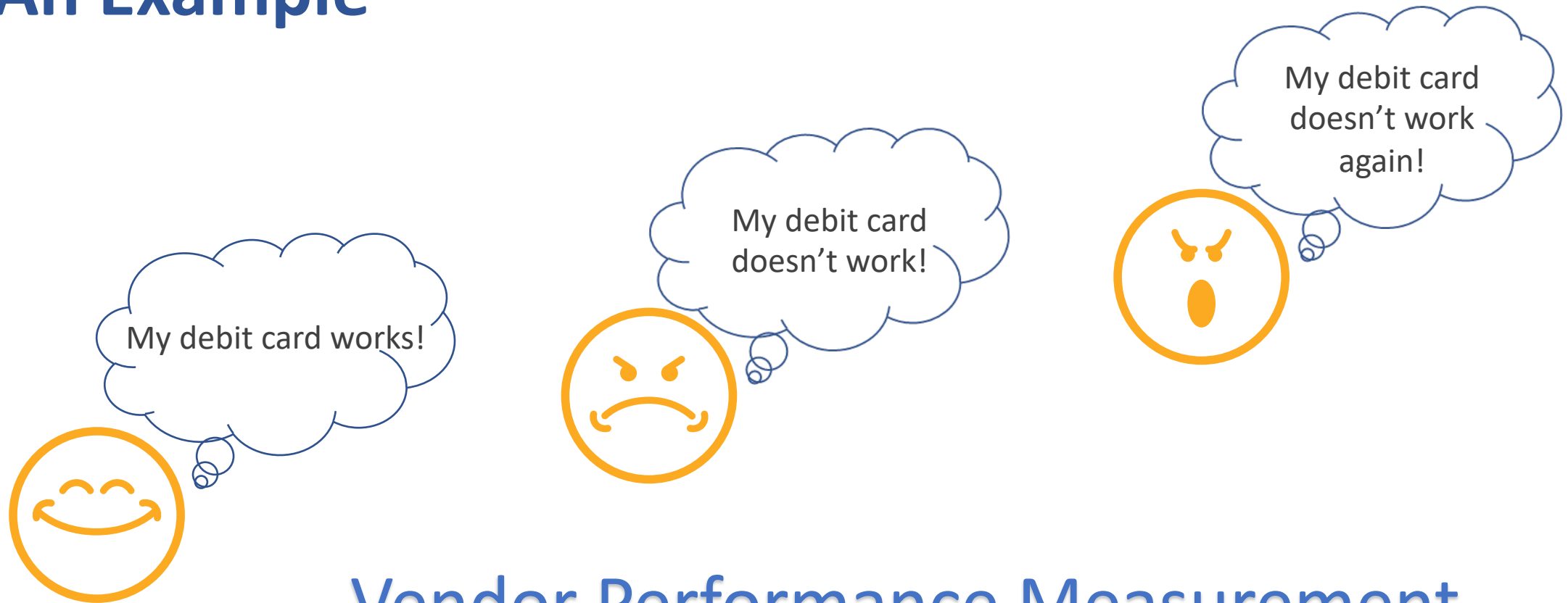
# How Do We Do That?

***Everything*** you do relates to  
exceeding member expectations



**including vendor management!**

# An Example



## Vendor Performance Measurement

# What causes failure?

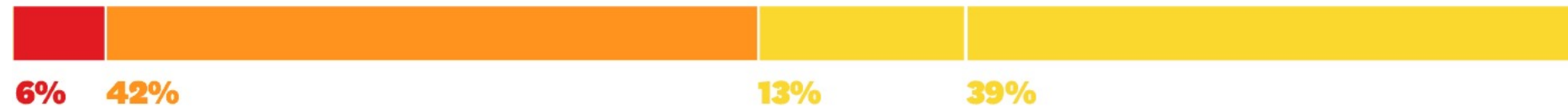
## Looking for Risk in All the Wrong Places

Risk management has historically focused more than half its time on legal, compliance, and financial-reporting functions. That's starting to change as companies realize that most big hits to shareholder value come from strategic and operating risks.

### THE PROPORTION OF SIGNIFICANT LOSSES IN MARKET VALUE CAUSED BY EACH TYPE OF RISK OVER THE PAST DECADE



### THE PROPORTION OF TIME AUDITORS SPENT ON EACH TYPE



SOURCE CEB  
FROM "HOW TO LIVE WITH RISKS," JULY-AUGUST 2015

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# Current state vendor management

- Check the box
- The paper chase
- Audits of audits of audits
- Contracts: the limits of liability and limitations clauses
- 2,500 credit unions review the same SOC reports?
- Examiners' role: protect the insurance fund
- The “software” solution: Is it a solution?

**MISSING**

- *What about paying too much?*
- *What about measuring vendor performance?*

# Risk of paying too much

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Example #1	<i>the rollover</i>	\$ 600,000
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Example #2	<i>master of the universe</i>	\$1,200,000
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Example #3	<i>whose money?</i>	\$5,000,000
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# Ideal state

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Choosing the right vendor

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Focus on the relationship

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Contracting for performance

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Measuring performance

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Right price

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Fair terms

# The hook: the compliance obligation

## Role of the NCUA

- "Created by the U.S. Congress in 1970, the National Credit Union Administration is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, and charters and regulates federal credit unions."  
[NCUA website]
- The NCUA, at heart, is an insurance company you must use
- Explaining a finding in a DOR to your board



# Software solutions



SOFTWARE IS A  
TOOL



IT DOESN'T THINK  
(YET, ANYWAY)



INSTALL IT



IMPLEMENT IT



MANAGE IT



TRAIN ON IT



KNOW WHAT  
YOU'RE BUILDING



**cost is 10X initial  
license fee**

# The purpose of vendor management

Protecting the viability of the  
credit union to serve its members  
financial needs!





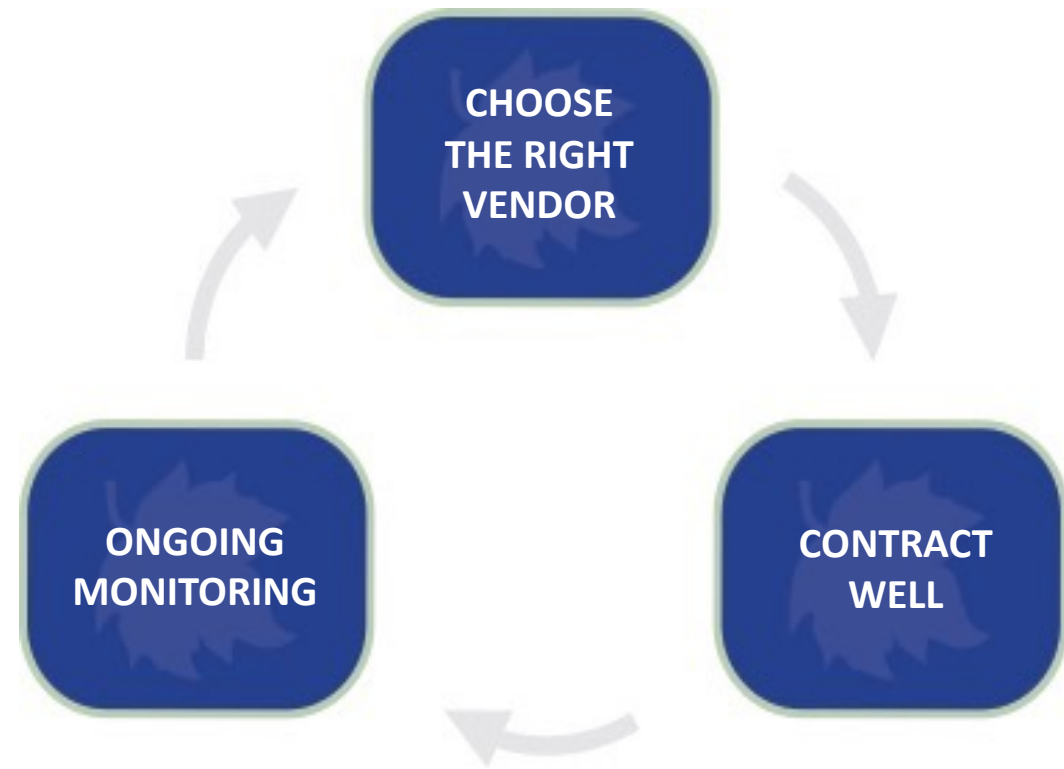
# Rethinking vendor management

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“Vendor management is a discipline that enables organizations to **control costs**, **drive service excellence** and mitigate risks to gain increased value from their vendors throughout the deal life cycle.” *Gartner*<sup>®</sup>

# It's in the guidelines



# 4-Part VM system *planning*

- Long-term contracts with risk (looking ahead is critical)
- Critical vendor interrelationship
- Difficult and expensive to change
- Awareness and attention to vendors

# 4-Part VM system

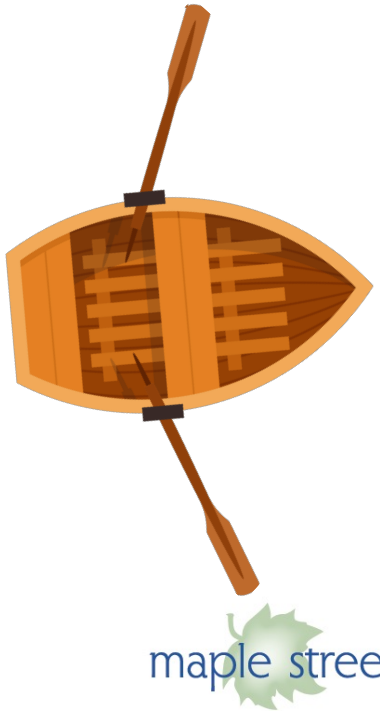
## *choose well*

### Choose the right vendor

- Partnering & relationship
- Risk of paying too much
- Every contract/vendor has associated expense
- Every dollar counts
- It's not your money
- Can the vendor provide the service you expect?

# Partnering with vendors

- You count on vendor performance
- More dependent all the time
- Build a relationship from the start



## 4-Part VM system *contract well*

### Managing vendor performance

- This is where you compete
- SLAs and uptime requirements
- Performance requirements for service delivery
- Evaluating/measuring vendor performance
  - *“That what gets measured, gets done.”*
- Updating vendor selection for key vendors: the relationship contract



# 4-Part VM system *measure*

## Measure and monitor

- Service delivery – your competitive strategy
- Evaluating vendor health
- Evaluating vendor controls
- Vendor dialogue

# **A new approach to vendor selection**

- Change your thinking
- Educate your credit union
- Rebuild your VM process to address vendor planning, better vendor selection, practice vendor relationship management, and measure vendor performance – at the right price.
- Outsource the tasks that take you away from acting like a C-Level Risk Manager
- Vendor management is about expense reduction, improved vendor performance and risk: negotiate all vendor contracts, make sure you're getting what was promised and keep members happy, focus your time on real risk

# It can be done . . . We've done it

## With Maple Street, you can:

- Outsource the checklist items and get an "A" on your exam
- Use vendor selection techniques to build vendor relationships
- Get a fair price
- Manage contracts and vendors to manage expenses for all vendors
- Help vendor owners measure vendor performance
- Report vendor performance for your other execs



# What is Maple Street?



# The Vendor Advantage System®

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- **Five Key Components**
- **Key 1** Strategic Vendor Planning
- **Key 2** Tactical Vendor Planning
- **Key 3** Choose the Right Vendor
- **Key 4** Contract Well
- **Key 5** Measure and Monitor

Vendor  
management  
***building strong  
credit unions***

Join the  
**Movement**

*Join us in educating – and saving –  
credit unions.*



