



DCUC

DEFENSE CREDIT UNION COUNCIL

Serving Those Who Serve Our Country

Thinking in Black, Gray, and Silver

Leading the Industry in Uncertain Times




Sources, Citations and Adaptations

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Black swans, gray rhinos, and silver linings: Anticipating geopolitical risks (and openings)

February 24, 2023 | Article



DEFENSE CREDIT UNION COUNCIL

Serving Those Who Serve Our Country


Strategic Plan

2024 - 2027

Harvard Business Review

Magazine Article

Strategy



Strategy-Making in Turbulent Times

by Michael Mankins and Mark Gottfredson

Harvard Business Review

Strategy under uncertainty

Hugh G. Courtney, Jane Kirkland, and S. Patrick Vignerie

The traditional approach to strategy requires precise predictions and thus often leads executives to underestimate uncertainty. This can be downright dangerous. A four-level framework can help.

At the heart of the traditional approach to strategy lies the assumption that executives, by applying a set of powerful analytic tools, can predict the future of any business accurately enough to choose a clear strategic direction for it. The process often involves underestimating uncertainty in order to lay out a vision of future events sufficiently precise to be captured in a discounted-cash-flow (DCF) analysis. When the future is truly uncertain, this approach is at best marginally helpful and at worst downright dangerous: underestimating uncertainty can lead to strategies that neither defend a company against the threats nor take advantage of the opportunities that higher levels of uncertainty provide. Another danger lies at the other extreme: if managers can't find a strategy that works under traditional analysis, they may abandon the analytical rigor of their planning process altogether and base their decisions on gut instinct.

Hugh Courtney is a consultant in McKinsey's Washington, DC, office; Jane Kirkland is an alumnus of the New York office; and Patrick Vignerie is a principal in the Atlanta office. This article is adapted from one that appeared in Harvard Business Review, November-December 1997. Copyright © 1997 President and Fellows of Harvard College. Reprinted by permission. All rights reserved.

Many Ideas, Applications, and Demonstrated Results



My Military Background

I had a spectacular 25-year Air Force career ... retired as a full Colonel!

At time of retirement, I commanded a brigade-level organization composed of 1,400 Airmen and DoD civilians – served as City Mayor (CEO), District Magistrate (Judicial Authority) and led all Disaster Preparedness and Emergency Response Actions.



Experience in Strategy Formulation and Execution

My “final salute” as I relinquished command in the United States Air Force

The old
“C” format

(Recommendations
on the top and bottom
lines with
Stratifications along
the left side)

My Academic Background (Post- Graduate)



AY 2000 Graduate

Master of Arts
Organizational Management



AY 2005 Graduate

Master of Military Operational Art
and Science



AY 2012 Graduate

Master of Strategic Studies



The Wharton School

Wharton Executive Education, CEO Institute I: Strategic Planning
May 2021 - May 2021

Activities and societies: Credit Union Executives Society (CUES)



Cornell University

Certificate in Organizational Effectiveness: CEO Institute II
May 2022 - May 2022

Activities and societies: Credit Union Executives Society (CUES)

PROMOTION RECOMMENDATION			
PRIVACY ACT STATEMENT			
AUTHORITY: 10 United States Code, Section 8013; Secretary of the Air Force, Air Force Instruction 36-2110, Assignments, and Executive Order 9397 (SSN).			
PURPOSE: Effectiveness/duty performance history, promotion, and other appropriate personnel actions.			
ROUTINE USES: The "Blanket Routine Uses" published in the Air Force system of records notices apply to this system.			
DISCLOSURE: May specifically be disclosed outside the DoD as a routine use pursuant to 5 U.S.C. 552a(b)(3).			
I. RATEE IDENTIFICATION DATA (Read AFI 36-2406, Officer and Enlisted Evaluation Systems, carefully before filling in any item)			
1. NAME (Last, First, Middle Initial)	2. SSN	3. GRADE	4. DAFC
HERNANDEZ, ANTHONY R.		Lt Col	97E0
5. ORGANIZATION, COMMAND, LOCATION			
HQ ACC/CC, Joint Base Langley-Eustis VA			
II. UNIT MISSION DESCRIPTION			
Air Combat Command organizes, trains, and equips combat-ready forces for rapid, worldwide deployment and employment. ACC and ACC-gained units include more than 145,000 people worldwide, providing forces to all five geographic unified commands, NORAD and USSTRATCOM. ACC is the largest AF MAJCOM and serves as the air component to USNORTHCOM and USJFCOM, and provides air components to USCENCOM and USSOUTHCOM.			
III. JOB DESCRIPTION			
1. DUTY TITLE: Executive Officer to the Commander, Air Combat Command			
2. KEY DUTIES, TASKS, RESPONSIBILITIES: - COMACC's personal representative to HQ ACC staff, AF/DoD/JS senior ldrs and US/foreign government officials - Tasks ACC staff to meet COMACC's intent, orchestrates daily information flow & correlates for executive decision - Transmits Commander's guidance and policy to staff & field; oversees/drafts official and personal correspondence - Supervises and directs COMACC's front office/personal staff; plans, organizes and executes all facets of schedule			
IV. PROMOTION RECOMMENDATION			
- Mark this record a "10"! ROTC DG; FM Officer Basic Course DG; FM Staff Officer Course DG; SPO CGOY ('99) - #1/250 as winner of 1st-ever SAF/FM "Comptroller Excellence Awd" and #1/32 as SAF/FMB's 4th Qtr MVP ('02) - #1/41 joint attendees and 1st place honors at DoD Professional Military Comptroller School--SAF/FMBO's #1 O-4 - "#1/25 majors & top 2/15 Sq/CC's!" 7AF/CC's "Top 1% of majs under my command"--CC'd Sq to "Excellent" UC1 - "#1/9 O-4 Sq/CC's & #2/66 O-4's!" CC'd Sq to Wg's only ORI "Outstanding" (#1/19 Sqs); best AMC rating in 5 yrs! - "#1/17 FGOs!" Interim DS (Gp/CC equiv)--led 6 DS agencies/235 Amn thru ORI: 5 "Excellents" + 1 "Outstanding" - "#1/5 FGOs!" Guided AF's largest/most complex O&M budget; max'd \$8.6B for COMACC priorities/wartime ops - "#1/24 Lt Cols I rate!" Excelled as ACC/CV's exec ofcr & principal advisor--sharpened focus/msg to ACC & CAF - #1/157 O-5s on my staff! Absolutely rdy for Col--post SDE select for toughest Gp/CC, then JCS; Def promote now!			
V. PROMOTION ZONE		VI. GROUP SIZE	VII. BOARD
BPZ <input type="checkbox"/> IAPZ <input checked="" type="checkbox"/>	N/A	P0611B	IC110
IX. OVERALL RECOMMENDATION		X. SENIOR RATER	
DEFINITELY PROMOTE <input checked="" type="checkbox"/> PROMOTE <input type="checkbox"/> DO NOT PROMOTE THIS BOARD <input type="checkbox"/>		NAME, GRADE, BR OF SVC, ORGN, COMD & LOCATION WILLIAM M. FRASER III, General, USAF Air Combat Command Joint Base Langley-Eustis VA DUTY TITLE Commander SSN [REDACTED] SIGNATURE 	
Senior Rater: Review previous OERs, OPRs, Education/Training Reports, and Supplemental Evaluation Sheets. May consider other reliable information that is not contained in the record of performance when completing the PRF. Evaluate the officer's performance and assess his or her potential. Write Promotion Recommendation (Section IV) in concise "bullet" format. Provide an accurate unbiased assessment free from consideration of race, sex, ethnic origin, age, religion, or marital status. Provide the officer a copy of this report approximately 30 days prior to the board for which this report is prepared. Officer: Review record of performance, Officer Pre-Selection Brief, and PRF for accuracy. Prior to your board convening date, you must contact your senior rater to discuss if your PRF is not accurate, omits pertinent information or has an error. If your senior rater concurs, there are procedures to correct prior to the board (reference 36-2406, chapter 8). Per DOD Directive 1320.11, Special Selection Boards, paragraph 4.3, a supplemental promotion board "shall not consider any officer who might, by maintaining reasonably careful records, have discovered and taken steps to correct that error or omission on which the original board based its decision against promotion."			
AF FORM 709, 20090210 PREVIOUS EDITIONS ARE OBSOLETE. FOR OFFICIAL USE ONLY (When filled in)			

My entire career in 9 bullets

Among the many different jobs, roles, and 3 separate command experiences, I was also a Pentagon War Planner during & after 9/11 (ONE, OEF, and OIF)



Prepare for the “Unexpected”

Thinking in Black

Black Swans

A black swan event is unexpected and therefore difficult to prepare for ... but is often rationalized with the benefit of hindsight as having been unavoidable (there are always signs, indications, and early warning signals).

Term was coined by Nassim Nicholas Taleb in 2001

Example: Russia’s overt military buildup in 2021, then proceeding to a full-scale invasion of Ukraine in 2022.

Note: People forget the conflict started in 2014.

Others stem from the usual suspects:

- Severe economic/social events (tariffs, energy, famine, etc.)
- Political upheaval (coup d’etat, swing elections, etc.)
- Natural disasters (storm, earthquake, eruptions, etc.)

While black swans are “inherently unpredictable,” it is critical for leaders to imagine and anticipate as wide a range of scenarios as possible. Only then can organizations develop sound planning processes and immediate action-oriented responses.



Past or Ongoing Industry Events

- Stablecoin → Affect Payment Networks → Loss of Membership
- Artificial Intelligence → Loss of Membership → Staff Cuts
- Executive Orders (USAID, CDFI, Climate \$\$) → Go out of business
 - Is NCUA Independence Next?
 - What else?

Are These Really Unexpected?

Has Anyone Heard of a “White” Black Swan?



Anticipate, Plan, and Execute

Thinking in Gray

Gray Rhinos

Unlike the unpredictable nature of black swan events, gray rhino events are probable events that carry enormous impact.

“Define Extreme but Probable Scenarios”

Mankins and Gottfredson, 2022

We can see these risks out there in the distance, but we don’t clearly perceive their full dimensions.

“... obvious, visible, coming right at you, with large potential impact and highly probable consequences.”

Michele Wucker, 2012 (Greek Financial Crisis)

Organizations must anticipate these events AND ensure they have a framework in place to avoid or minimize the damage when a gray rhino makes its charge. Learn to deal with uncertainty!

Four Levels of Uncertainty

Courtney, Kirkland, and Viguerie, 1997

Keep in mind, gray rhinos may also stampede as a group, which is appropriately termed as a “crash” of rhinos. Smart leaders and organizations will anticipate these events as well.



Past or Ongoing Industry Events

- CUNA/NAFCU Merger → Single Industry Voice vs. Variety of Interests
- Overseas Military Bank → Hostile “Insider” Reactions vs. Mbr Interests
- Preserving the Industry’s Tax-Exemption → Keep Quiet vs. Take Action
- Legislative (CCCA, CRA, 10% CC cap, tax bank acquisitions)
- Industry Consolidation

Several Opportunities Here

What About The Elephant(s) in the Room?

Anticipate, Plan, and Execute

Slide from DCUC's October 2023 Planning Session



Before We Begin – Ask: What Could Happen?

Harvard
Business
Review



Magazine
Article

**What Else Should We
Be Worried About?**



Strategy-Making in Turbulent Times

by Michael Mankins and Mark Gottfredson

1

Define Extreme but Plausible Scenarios

- Loss of AFFN Revenue + Inflation
- More Industry Consolidation / New CEOs
- America's Credit Unions becomes a Threat
- Who Speaks for Military and Veterans?

2

Identify Strategic Hedges
and Options

- Find Alternative Revenues
(e.g., dues, investments, referral income)
- Focus on Advocacy (Differentiation)
- Merge/Create a Larger Organization

3

Run Experiments Before
Locking in Investment

- Focus on Active Members who attend our
conferences (don't chase ... create interest)
- Focus Marketing / Brand Awareness
- Deepen Existing Partnership Agreements

4

Identify Trigger Points,
Signposts, and Metrics

- Dues (# of Active and Affiliate members)
- Conference Attendance & Sponsor Interest
- ... Financial Results (lagging indicators)
- # Articles, Interviews/Webcasts, Speaking

5

Provide Prescriptive
Surveillance

- Focus on Future: "What do we need to do
next?" vs. Past: "How did it go?"
- Understand root causes and have contingency
plans ready – Adapt early-on

Keep all this in mind as we proceed with our planning session steps

DCUC Strategic Design

a/o June 10, 2025

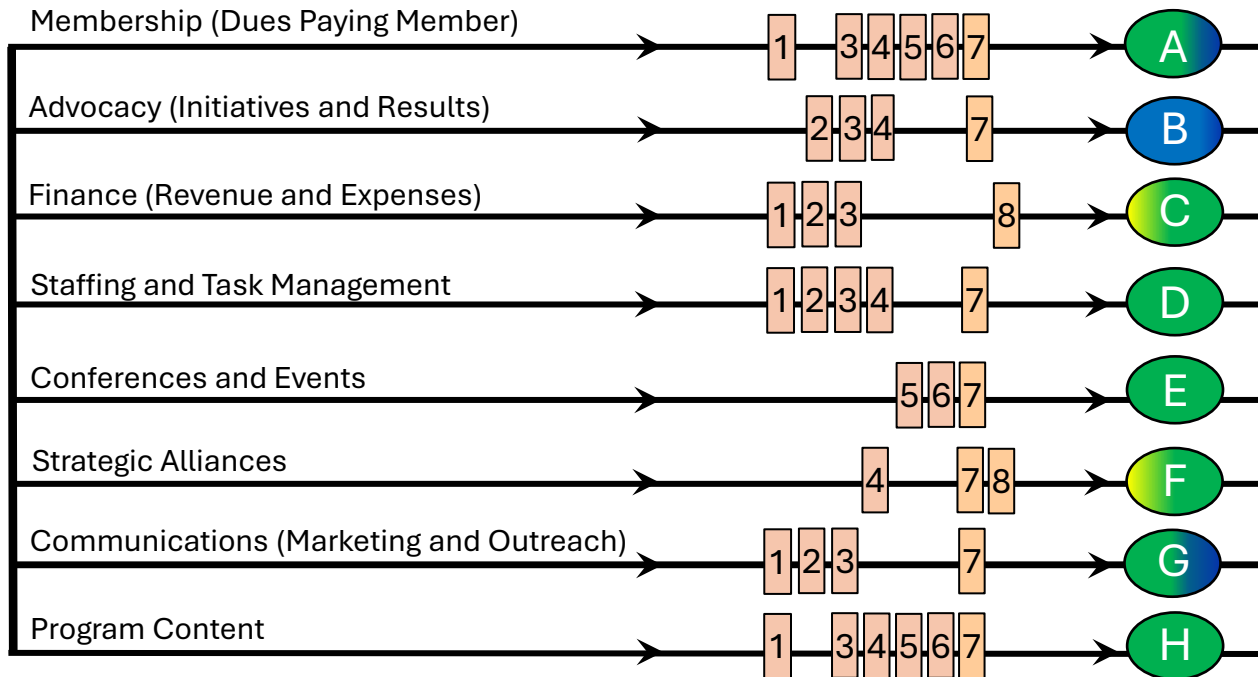
Mission: To champion the interests of credit unions serving our military and veteran communities

Vision: DCUC is the trusted source for credit unions on all military and veteran matters

Lines of Effort

Desired
Conditions

Planning Horizon: 3 Years
Plan Start Date: March 2, 2024



- A. Our membership has grown by 20% and remains strong, focused, and active. Member value continues to exceed expectations making DCUC the envy of the industry.
- B. Our advocacy efforts and responses are fast, effective, and highly credible whenever there are emerging or changing legislative, regulatory, and industry wide trends. Built on trust.
- C. Our revenues/budget allow us to maintain low membership dues while balancing risk and providing the flexibility to seize opportunities so we can grow and fund other lines of effort.
- D. Our staff continues to drive member value through our products, events, and member services. DCUC continues to grow, hire, and develop great people (including CAO).
- E. Our conferences and events are the best in the industry and features great speakers, timely information and keeps the family reunion atmosphere. Attendance remains high.
- F. Our strategic relationships are enhanced with DoD, NCUA Board members, system partners and Congressional leaders. DCUC leads the industry in terms of trust and brand.
- G. Our marketing and outreach programs further enhance our mission, grow our membership, and make external organizations (e.g., Congress, DoD, future members, etc.) seek us out.
- H. Our program content is focused on providing timely information and better value to our members along with demonstrating how DCUC fits into the larger industry framework.

Strategic Objectives

"Over the next three years, we need / want to ..."

- ☒ 1. Raise and justify dues income by \$500,000 or more over the next two years (by 2027).
- ☒ 2. Hire additional staff (Advocacy in 2024, Communications in 2025, COO in 2028).
- ☒ 3. Increase non-dues revenue by \$500K or more and continue to manage expenses (by 2027).
- ☒ 4. Build advocacy and attain 50% more interactions with Congress, DoD, NCUA, and Industry (by 2027).
- ☒ 5. Improve conference attendance to 400 attendees and maintain high quality (by 2027).
- ☒ 6. Revitalize the Sub-Councils and grow new groups along with virtual opportunities (by 2027).
- ☒ 7. Increase brand awareness and improve the quality and communications reach by 100% (by 2027).
- ☒ 8. Add two new enduring strategic partnerships in addition to AFFN and TruStage (by 2027).

Assessments

- Healthy / Robust
- Needs Some Attention
- Significant Attention Required
- Discontinue Effort
- Industry Leader



Create Your Own Opportunities

Thinking in Silver

Silver Linings

Black Swan and Gray Rhino events create a severe turbulence and violent storms that will affect your future and the future of your organization.

We expect our leaders and organizations to take a step back and find a way through while calmly assessing potential openings and opportunities that will allow the organization to operate in a safe zone and potentially garner a competitive advantage.

These are the “silver linings,” above or at the edge of the storm.

Silver linings are fragile because they can disappear as easily as they present themselves and are usually blurred out by clouds of confusion, panic, and rage.

Strategic leaders must exhibit courage and remain steadfast amid the volatility, doubt, criticism, and setbacks.



Sometimes you will be eating lunch by yourself!

Focus on the Prize and Help Others Get There



Past or Ongoing Industry Events

- Become **THE** Alternative Credit Union Trade Association that Builds on:
-- Unity --Credibility --Results --Accessibility --Accountability --Low Dues!
- Become Early Adopters for New Technology & Trends (e.g., Stablecoin)
- Rethink Credit Union Advocacy so No One Ever Messes with Us Again
- Finding Alternative Revenue Streams for our Members
- Creating a Variety of Collaborations with System Partners

What About “Fool’s Gold?”



Anticipate, Plan, and Execute

Thinking in Gray

What are some “Gray Rhinos” that may already be charging at NACUSAC members?

Elephant or Rhino?

How real is the “industry’s” push to pursue changes that would further weaken the role of supervisory committees?

Is now the right time to be floating this idea?

Who or what is driving this idea?

**So, What Are You
Going to Do About It?**

Create Your Own Opportunities

Thinking in Silver

Are there any opportunities for NACUSAC here?



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