**CUES 117: Merge for the Right Reasons—an Interview with Deedee Myers, Ph.D., and Peter Myers**

*How to tee up merger discussions, what's important post-merger, and the value of forward-thinking*

**Lisa Hochgraf 00:04**

You're listening to the CUES podcast, Episode 117. Thanks for tuning in to our latest show.

Whether you're listening from your car, your home or your office, we are grateful to you for joining us.

As you know, this show is where you can hear credit union industry leaders and cross-industry experts provide a wide range of perspectives on trends and topics relevant to you. My name is Lisa Hochgraf, senior editor for CUES and our *Credit Union Management* magazine.

I'm really excited about today's guests, who hail from CUESolutions provider DDJ Meyers.

But before I introduce them and today's topic in more detail, let's take a moment for a word from our sponsor, CUESolutions provider CU Members Mortgage.

*Since 1982 CU Members Mortgage has provided expert mortgage solutions to credit unions and CUSOs nationwide. Over these years of service, we've collaborated with hundreds of credit unions to create a refined program to assist credit unions of any size with any need. Your credit union can leverage a vast product list, retained servicing and leading-edge technology solutions to increase income and build a more satisfied membership base. Plus, training and marketing support ensure you are one step ahead. Find out more at www.CUmembers.com. Equal Housing Lender. CU Members Mortgage is a division of Colonial Savings. FA NMLS 401285.*

It's not surprising that pretty much everything we talk about in life or on this show these days is taken in the context of the pandemic. In this episode, we talk about mergers, including what to expect as vaccination rates rise and the economy reopens.

Our two guests have a great vantage point on this discussion, as they spend a lot of their time with directors and CEOs, both inside boardrooms and out. They are Deedee Meyers and Peter Meyers. Deedee has more than a few letters behind her name, including Ph.D. She is CEO of DDJ Myers, based in Phoenix. Also joining us is DDJ Myers, Senior Vice President Peter.

Deedee and Peter have regular conversations with top industry leaders about strategy, organizational alignment and vision. In the show, they expertly respond to questions about how to pave the way to a merger conversation.

What needs to be done after a merger to truly complete the process and enable the emerging new organization to take shape?

What to be cautious about when considering a merger?

And how Deedee and Peter stay in forward-thinking mode, which is so key to their work?

You might want to note that Deedee and Peter's podcast from just over a year ago, "How to Smash the CEO Interview" had a remarkable response. You can listen to it at CUmanagement dot com slash podcast 73.

I expect you're going to find a lot of value in what Deedee and Peter have to say about mergers. Let's get started.

Welcome to the show, Deedee and Peter.

**Deedee Myers**
Good to be here, Lisa. Thanks for having us today.

**Peter Myers**
Yeah, excited to be back. Thanks for having us.

**Lisa Hochgraf**
Deedee and Peter, as the economy reopens after an extended period of various states of closure during the pandemic, getting going and getting growing again are on the top of many credit unions' priority lists. So, what do you anticipate in 2021, compared to 2020, for merger and acquisition activity?

**04:04 Peter Myers**
That's a great question. You know, as we're preparing for a strategic planning event this coming weekend, and we had one, just a couple of weeks ago, mergers are back on the radar for a lot of organizations. And let me first put it into a historic context.

 

You know, prior to the Great Recession, there was, you know, roughly like 300 mergers a year, high to hundreds, etc. But then after the Great Recession, it dipped down for a little while. And I think that's what we've been experiencing in the last year is 136 mergers in 2020.

I think it's going to pick back up in 2021. But we're also thinking beyond because the marriage of a merger, it takes time. There's courting, so I don't think it's, you know, it's not banks, we're not-for-profit companies. We can't just go in with a hostile takeover. It takes time.

So, I think 2021 and beyond, it's back on everyone's radars. One of the things we did notice though and some of the street planning conversations is those that had an appetite for acquiring have and paused last year, their appetite is now more fortified. Right? They're seeing more opportunity to go out there and partner with other organizations, those that were saying, "No, we're going to go into long, long where we've evaluated mergers."

And I had one client that put it seriously on the table, "Hey, maybe we should just merge up because it's going to be too difficult with what we thought was going to happen with financial services last year." But they're coming out stronger than they've ever been. And so, they're, they're doubling down.

So, your question in terms of what's going to happen in the next year or two, I think we're gonna see those mergers, you know, pick back up, and those organizations that have fortified their balance sheets and fixed some of their operations and were able to trim some of the expense, I think they're doing well. And I think they're going to continue to move forward as an organization until, until the next major thing captivates their attention for a merger opportunity.

**06:06 Lisa Hochgraf**
I really appreciate your perspective, Peter. I know that you and DeeDee are both in boardrooms on a regular basis, talking with leaders of credit unions, and so you have a feel for what they're thinking and what they're experiencing all the time and in these crazy times in particular. So, I'm curious, based on your experiences in the boardrooms, what are five ideas on paving the way for merger conversations?

**06:30 Deedee Myers**
First one is start by building trust, so when, when two CEOs have built a relationship and start to trust each other, it's much easier to get into the merger conversation. The boards will actually build trust faster with each other and be in the kind of dialogue that will create a meaningful relationship. So that's building trust.

Also, we're hearing from the research we did: Lend a helping hand. I'm going to give an example of Pen Air during the hurricanes. They went out and helped other credit unions who had issues with their buildings and their ATMs because of the hurricane. They lent other credit unions their bus, which is the mobile ATM. So, it's being good partners in the region is what Bob Jacobson says.

Third is provide expertise and business support. You know, one credit union staffed a CUSO to deliver underwriting services to smaller financial credit unions who had that business but were able to do the underwriting.

The fourth one is offer system solutions for … conversions are costly and time consuming. So, if a credit union is locked into an old core system that can't grow and take on additional volume, and it's harder for the smaller credit union to take … and do that investment, then the larger credit can help. That's one way to do that.

And the last one is: Steer away from cold calls. So, this also goes back to the first one, building trust. Cold calls take longer and are much harder, sometimes fail faster, and building that relationship to have a good merger or a good acquisition.

So just because somebody does a cold call doesn't mean you should move it into action. So just, just make sure you're building the trust there first. And those were the five ideas from the research

**08:25 Lisa Hochgraf**
Deedee, I wonder if the research that you're speaking of is published somewhere that our listeners could access it?

**08:30 DeeDee Myers**
Absolutely. Lisa, check our website out, please look for three whitepapers. There was so much research we segmented into three different whitepapers. So, please take whitepaper No. 1, No. 2 and No. 3, and you'll get the full story.

**08:47 Lisa Hochgraf**
That's wonderful. That's a great resource. I will put the link in the show notes, listeners, if you want to look for it there.

I love the ideas that you're presenting about credit unions collaborating with other credit unions as a way to, first, just have cooperatives working together, but then also pave the way for merging together and continuing to work together to better serve members. Those are a really great set of steps.

So, what about the post-merger phase? What is important at that juncture?

**09:15 Peter Myers**
Yes. So, when you're thinking about post-merger phase, a lot of organizations, they really look for that goal, that end zone, that touchdown of “Okay, the letter of intent is signed, merger agreement then gets signed, one of those, we're so excited.” Slam dunk. But then that further cultural integration, not just the technological integration, but cultural and operational integration really needs to be worked out prior to us having a big celebration.

I'm just going to give you a real simple example. Not an organization we worked with, but I remember a number of years ago, a couple of large organizations, they were they were merging and their boards were just gonna combine and, and I'm obviously very paraphrasing, “Well, we have x number of board members, you got the same number of board members, let's just combine our boards. And then you know what we'll figure out the board, you know, representation afterwards. That way we have equal representation.”

Years later, they still had the same amount of board members and as a high, high, high number of board members, pushing the limits. And so, they never faced into that conversation. And so, there still ended up being, because there was that equal representation on the board of those two organizations, there still felt like there was an “us” and “them” and not a third organization or a third representation. So boards, from an example, they have to evaluate, “Look, let's be clear. Are we going to be the continuing board, like ‘we are acquiring so and so and yes, we're bringing on one board member and so therefore, like they've gotta, for lack of a better word, like assimilate into us.” Let's just get clear about that so the standards and expectations are clear. Or do we need to for an MOE, or we're gonna, we're gonna fold in and have joint representation, maybe we need to talk about creating a third board, like a third identity. And so that that governance structure gets reevaluated, looked at, what's going to best serve us moving forward.

From a management team, one of the things, you know, I've read a number of bank merger announcements, and I remember one, I'll never forget it, the CEO said, “Yeah, we don't need two CEOs” end quote, or sorry, two CFOs end quote, and it was like, “Wow, okay, couldn't have said it more clearly, right, in terms of what they're looking to do.”

A lot of credit unions, they feel very differently, though, right? They want to, they want to acquire talent; they want to find those spots for those executives that are coming in, for example, if it's an acquisition standpoint. But you know, the weird, you know, weird, or the difficult thing that we have to pay attention to is, “Will those individuals, maybe there's a spot for them, but maybe that's not what they're looking for.” And so, to be presumptuous that we can say, “Hey, Deedee, we're gonna, we've got a great spot for you, and you're going to love it." And presume that you are, ah, DeeDee are going to love it and give it your all. We got to pay attention to that.

So, there's some cultural strategic alignment items that we need to work out, well, well, well ahead of time, while some of the integration, technological integration is happening. And maybe when we're working with our clients, we like to map as much of that out ahead of time as we can because we don't want those deals to get killed because of one person's job security. We're looking for the best thing for the membership.

**12:42 Lisa Hochgraf**
I'm really glad you addressed that timeline. I wondered, after I phrased the question being about post-merger and after the merger is approved, it almost seems like some of this conversation needs to happen before you decide that you're actually going to proceed. Like it seems like ah as much of an advance conversation even though they are things that will take effect after.

**13:03 Peter Myers**
Yeah, if I'm, if I can see myself in the future of this organization playing an integral role to the advancement of the priorities. You better believe my support is going to be more wholeheartedly, than if "No, Peter we'll figure out a spot for you afterwards." Right. I mean, that is a huge risk. And, and my orientation is not going to be in the right place. It might be more in self-preservation versus advancing the cause.

**13:34 Lisa Hochgraf**
Getting buy-in sounds like an important issue as well.

Peter and Deedee, what words of caution do you have for people when they're considering a merger? What things can go wrong? And are there times when credit unions should choose another option besides merging?

**13:50 Deedee Myer**
I'll jump in on that and then, Peter, why don't you pick up from there. You know, so from the research, and I agree with all these ideas, so there's are thoughts … is there, there were four or five that stood out, Lisa.

And I wholeheartedly believe that credit unions should have a strategic planning scenario about strategic growth, whether they're proactively interested or not. If somebody comes knocking on the door, and they've got a really good idea about collaboration in the industry or merging or whatever. You're better prepared for that if you've done that work up front.

So, we encourage that as part of strategic planning. If not, sometimes pursuing mergers and acquisitions are for the wrong reason. We hear so much that, when somebody does get a call, the first answer is, “Yeah, we'll talk to them as long as our chair and our CEO is surviving chair and CEO.” To me, that's the wrong reason. We, we shouldn't be talking about who the survivor is, you know, the CEO or the board chair. It should really be about the synergies between the two organizations to unlock parallel value for the the membership. It really should be what is the membership of gonna see in terms of additional value, what's going to go on in the community, not just about the chair and the CEO. It has to be about how we're going to add more value. So that's No. 1.

No. 2, we see credit unions tending to wait too long to be in the merger or acquisition conversation. What happens is, this is Bob Burrow from Bayer Heritage Credit Union. He says some credit unions wait too long to pursue a merger. And it's better if these institutions consider a merger when they're healthy, rather than waiting until the NCUA designation is “troubled”. Because you had the negotiation on part of the membership from a troubled perspective is clearly different than from my healthy perspective. That’s the second one.

The third one is if the board or culture doesn't align. It's okay to say “No.” We want to make sure that the board and culture are going to align. Otherwise, it's an uphill battle. So, some of that work needs to be done ahead of time.

So, if you're just merging to get bigger, and you're …  That's the wrong reason. I mean, it's a good reason to take care of sustainability. But the board culture and the organization culture need to align as well.

**16:23 Peter Myers**
We did a couple of clients last year, and you know, “Hey, let's just put this topic on the table,” right? That's what they wanted to talk about, and just bat it around and see what comes of it. And the outcome was, “We're clear about what is important to us.” And even, even then, it's like, “While we we feel so validated, in that what we had declared was our strategic vision for the organization actually came back on top again, as the reason why we should exist as an organization.” So, we just went through a scenario of maybe this could be a better option. But actually, no, this thing we were originally committed to still is the most important piece.

**17:00 Deedee Myers**
I like that, Peter, because it deepened the conversation. It also created higher-level consciousness in the boardroom, the executive team, we're, “What are we doing? Why are we doing it? And are we doing it for the right reasons?”

**24:01 Peter Myers**
You know, indeed, he said earlier, like, “We got to have these advanced conversations, what are our priorities? What's important to us?” … I'm going to go back like maybe seven, eight years ago, where we were brought in to facilitate this merger conversation, what do we want, we want to merge up, we don't want to be a credit union anymore. We want to merge up.

It's hard. It's one, other resources, compliance, etc. And so, I remember just as clear as day, one of the board members was upset about having to dedicate a whole day to have this conversation because he felt like the decision was already made, like, “I don't want to be a board member anymore. Why do I have to take a day off of work in order to do this? Bah humbug.” Right.

And, and I'll never forget that at the end of the day, when we started speaking about the opportunity for their membership, and their staff in the go-forward situation with a merger partner. He was like, “Well, I want to be on that board. I want to be on that. I'm excited about this.” We'll call him Sean, okay. And Sean, and I was like, “But Sean, you just said you didn't want to even be here today. You think the requirements in the future are gonna be easier? It's, it's like, well, this sounds more fun.” And I had. So, you know, as as best as I possibly could, in that moment. “Hey, Shawn, look, you know, and the rest of the board, let's be clear about what we're up to, and what got us into this moment.”

And so, writing down those conversations, writing down what is important to us, why we are committed to doing what we're doing ahead of time. So, we can then reference that document and go have it stared back to our face, when we just get excited about the shiny, the shiny object in front of us.

**18:47 Deedee Myers**
So, creating that vision of the future. And then the that board member, Sean, we're calling him started leaning into it.

**18:56 Lisa Hochgraf**
So, Deedee and, Peter, I love how forward-thinking both of you are, not just in this conversation about mergers but also in previous conversations that we've had about succession planning and becoming a CEO or deciding to go for a CEO job. So many times, you've described things you can do now to lay the groundwork for a successful future. Do you have a set of principles or ideas that you follow that help keep you in this forward-thinking mode that you could share here and credit union leaders that are listening might be able to emulate?

**19:27 Peter Myers**

Yeah, thinking about the future is a difficult task. And it's probably even more, it's cumbersome. It's hard and it's taxing and then to even do it well takes years and years of experience. But there are some people—and I'm going to put DeeDee in this category—that have insight or vision into the future that is beyond what most people can see. And it's because they … they see possibilities where others do not. And Deedee has been doing that since we started, since she started the company in 1989 and through each economic cycle or recession, you know, we're in our own DDJ strategic planning process. What's next? What's next? And she's just got these visions. And you know, I'll even say this and people that know me and DeeDee, they can kind of get it or I'll be like, “That's nuts. Are you kidding me? Right?” And that's my first reaction, right? And then what she keeps taking me to school because these things keep coming to pass. And what I've learned over the years, I still got a lot of time to learn this is, well, there is something in that I just because I can't envision it doesn't mean that it's not a valuable conversation for us to have or to contemplate. And that's, that's actually what we work with boards on. That's what we're working with the board on tomorrow.

Just because we can't touch that future in this moment, because I don't understand it, doesn't mean that we couldn't, we shouldn't simmer in it, and really see what could come out of it. That's really helps us in our company, and everyone in our company organized around, “Okay, we need to keep coming up with a rich and relevant content.” We're constantly innovating and doing new things, because we're trying to see where where our clients need and want to go, and how can we be partners in relationship with them and for their particular causes. And so, you know, sometimes in our team, you know, alright, let's standardize this process, so that we can, you know, make it more efficient.

And then all of a sudden, we start balling it up and creating a new thing. I mean, that's just kind of how we roll. It's like, like an entrepreneurial, you know, startup, one of our clients said, it's like, you're a startup, you see, you operate like a startup, but you've been doing it for 32 years now.

**21:40 Deedee Myers**
Well, applying that to our clients is helping them see what's possible down the road for their members, right, and imagining that future and be really big in it. And we enjoy it. We enjoy it.

**Lisa Hochgraf**
It impresses me again and again, how forward-thinking the two of you are, and I really appreciate you sharing your thoughts specifically on mergers today, but also these big picture ideas on forward-thinking and planning for the future. Thank you, Deedee and Peter, for joining us today and sharing your wisdom.

**Deedee Myers**

Thank you.

**Peter Myers**
Thanks for having us, Lisa.

**Lisa Hochgraf**
Thank you so much for taking time out of your day to listen to the CUES Podcast.

Thanks very much to Deedee and Peter for being our guests on the show today. What a wealth of information they brought with them. You can find DDJ Myers on the web at DDJ Myers dot com.

Our thanks also go out to CU Members Mortgage for sponsoring this show. Both DDJ Myers and CU Members Mortgage are CUESolutions providers. If you'd like to learn more about becoming a CUESolutions provider, a CUES Supplier member or just how to sponsor CUES content, please email kari@cues.org. That's K A R I @ cues dot org.

Find the show notes for this podcast and a full transcript when you visit cumanagement.com/podcast117. There is a lot of other credit union-specific content on CUmanagement dot com as well.

If you're interested in diversity, equity and inclusion, please click on the orange banner at the top of the page. If you're a CUES member, you have access to invaluable membership benefits to further enhance your development, many of which are available virtually. Visit cues.org/membership to learn more.

Thanks again for listening today.

CUES is an international credit union association. Our mission is to educate and develop credit union CEOs, executives, directors and future leaders. To learn how CUES can help you realize your potential, visit cues.org today.