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James Robert Lay:

Greetings and hello. I am James Robert lay and welcome to the 63rd episode of the banking on digital growth podcast. Today's episode is part of the exponential insight series, and I'm excited to welcome Kirk Drake to the show. Kirk has more than 20 years of experience designing and implementing advanced technology solutions, systems and strategies for financial brands. He is the CEO of ongoing operations as well as CU 2.0. Kirk is also the author of the book CU 2.0, a guide for credit unions competing in the digital age, as well as this new book that's now out and available on Amazon titled Financial. Helping financial service executives prepare for an artificial world. Hello, Kirk, and welcome to the show.

Kirk Drake:

Good morning. Great to see you.

James Robert Lay:

It is good to be here with you today. Absolutely. One of the things that I've been thinking a lot about is reflecting, reflecting on the past, reflecting on 2020 and when I think about that, what's been the greatest lesson that you have learned coming out of 2020 and into 2021?

Kirk Drake:

It's interesting having worked with Paul Fiore at CU wallet and hundreds of other entrepreneurs over the years and masterminds and other type of functions. One of the things I pocketed away as a lesson that really applied last year was the ability to really disconnect from your perception of reality and embrace agility and change quickly. Back in the day when I was working with Fiore, something came up in the business that was different than what our expectations were. Maybe it was a market change, maybe a new competitor, maybe a client didn't go some direction that we wanted, his ability to pivot and change and go forward with the new journey was just breathtaking. It was just so fast and it really taught me over time was, when something crazy happens like COVID that disrupts all of your prearranged business plans and attempts to organize the world into whatever we think reality is.

Kirk Drake:

That really the quickest thing you can do is rip off that band-aid, ignore whatever your ... our human brains would tell us not to leave the house and never go anywhere and never take any risks. So, ignore all of that and lean into the facts and the information you have right then to make a different plan and change the future to be what you want it to be. And last year was the first year where I was really able to take six or seven years of those lessons. See COVID, see the impact, immediately react change, reassess and adjust and do that two or three times during the year. And it just resulted in fantastic results, across the board and everything I was involved with.

James Robert Lay:

You mentioned a couple of interesting points. Pivoting and changing, moving fast and creating a new reality or creating a new future. And this is something that you've been doing and I would call practicing to your 0.6 years. Was it easier for you to do it because you've had this practice, is this innate and why do some financial brand leaders struggle with this idea of accepting, embracing and really moving towards change?

Kirk Drake:

I don't think it's easy. It requires muscle memory and an internal belief or value system that says, I'm going to hit the override button on what my brain is telling me and how I'm feeling to take a step back and reevaluate where I thought we were aware. I thought we were bellowing versus reality. If you think about strategic planning or how you lead a team or any of those things, all of these things are designed to build coalescence or consensus around a theme or a concept and get group buy-in and then, go off and execute something. And the reality is that, takes a huge amount of emotional energy to get people on the same page and going the same direction and so, when a crisis occurs, there's the usual stages of grief, you're angry, you're frustrated, you're, all those sorts of things, but the reality is the faster you can move through those and accept each stage and move on to the next one is the faster you can adjust to the marketplace.

Kirk Drake:

And to me the greatest companies are the ones that are able to do that consistently over time and really adapt and change quickly. But to adapt to change, we really have to disconnect from our fears at the end of the day and conquer those. And the fears are really at the end of the day, mostly unfounded. They're just our reptilian brain ratcheted back to caveman era where we're designed to react to certain stimulus in our environment that don't really actually exist anymore.

James Robert Lay:

There's that old analogy of fear being false evidence appearing real and your point is about hitting the reset button. If I can encapsulate your thought, it all comes down to one word, it's awareness. It's awareness of where we've been, where we're at and where we can go next and accepting that loss and you've mentioned the stages of grief. It's accepting the loss of the old self to create the space and time to create the new self, the individual, the team, the organization, if you will. Which is where I'd like to take the conversation, because you've got this new book out financial, and you write every FinTech uses AI, some gain competitive advantage, other solves old problems in new ways, all see better results than their non AI competitors. They're creating the future yet, most banks and credit unions, aren't even thinking about AI. Why is that?

Kirk Drake:

I think it's easier to assume it's not going to happen to us and that, we're not that there isn't any urgent and pressing threat from it than it is to accept, because the reality is, you can react really hard and go say, we're going to do everything in AI and that's an outside's reaction too. The whole credit unit is not going to shift tomorrow to AI, but you can bet over the next five, 10, 15 years, it's going to have repeated significant changes in that regard. And instead of ... there's a great comic I saw that said, who had the biggest impact on digital transformation? The CTO, the Chief Experience Officer or COVID?

James Robert Lay:

And COVID was typically visualizes the wrecking ball coming into the boardroom.

Kirk Drake:

But the reality is that trend was so underway for so long that the credit unions that had made material progress on it have, it's effortless or it's appears effortless as they ride that next transition in they're the ones that are really, put their head in the sand and said, it's going to be all brand first human to human piece. They're the ones that have the biggest lift and that struggle and have the biggest short-term pain in that equation. I think AI is going to be similar. You're going to see layers of things peeled off that don't feel particularly disruptive, but if you do nothing for 10 years and you look up at that point, it's going to

be hugely disruptive. And even, I go one step further to me, I don't think it's all that important that credit unions be investing hundreds of hours into AI right now.

Kirk Drake:

I do think if you look where the path is going to go, to be able to take advantage of AI, you're going to have to be on cloud. To take advantage of that you're going to have structured data and really put your analytics, not just into solving day to day problems, but making it actionable and automated across everything we're about a process automation and those things. And so, if the credit union isn't tackling cloud robotic process automation and analytics and investing heavily in those three trends, when the trend does occur on AI and it's going to occur faster than any other trend we've seen before, because once it hits and it creates a competitive advantage, it's unstoppable. Look at Tesla right now, is a perfect example. They have such a huge lead in AI that most of the other automating factories have assumed that they have lost that back. That it is just ... it's not even the battery technology or the electric car piece of it or navigation or any of that. It's their long-term valuation to my opinion is driven entirely around their AI model and whatnot.

James Robert Lay:

You mentioned a story in the book and hearing you talk through that, it makes me think of what we view as the overnight success. Because you mentioned a lot of financial brands who've been making investments, making progress, COVID hit and they've been able to really look like they've come out of like, where did they come from? Why is this happening? Well it's because they had been making the investments ahead of time and this was an easy transition. And to your point, it's like 10 years looking back and you shared a story, which I felt like we're living parallel lives about the subject of learning and of math and the calculator.

James Robert Lay:

You grew up hearing Oh, you're going to need to do math by hand because you're not always going to have a calculator. We'll look at where we're at, look at where our kids are. And so, when we look at exploring the past to understand the present, so we know where we need to go next in the future, why is it important? Because, you wrote about these three timelines of human progress in the book. Why is it important to at least gain a sense of understanding about these timelines when it comes to AI?

Kirk Drake:

I think the key, if you look back at all of the ... you look at electricity, it took 50, 60 years for it to become ubiquitous. Smartphones took six or seven years. AI chatbots took two or three, and so each one of these trends is happening faster more disruptively in that regard. A Funny segue there, some of this conversation with my wife where, she was trying to buy some pants for our kids the other day and she goes, the PayPal integration isn't working and I can't pay for whatever it is and five years ago she'd be off. And today she's like, the pace of all this technology and all this change is going so fast that it's not even reasonable for big brands to be testing every single component of their websites and payment integrations and whatever.

Kirk Drake:

She goes, I know it's not working today. I know it'll probably be working tomorrow. I'm not going to red shirt complaint. I'm just accepting that the pace is going faster and faster, faster, and it'll fix itself. As consumers, Kimberly is a great litmus test for millennials in a number of different ways for me, a couple of years younger and just sees, she's always on the front end of whatever the trend is for her generation and it just really highlighted to me how I think we've all accepted the change rate. And we've been, this

is the new norm. The new normal everybody talks about is that nothing's normal and that it'll all change a week from now. And so, coming back to AI, the sequence of interactive changes in the learning that AI is able to do. Look at Tesla, three months ago they rolled out the driverless fully automation.

Kirk Drake:

And really by the end of 2021, it'll be everywhere. That's a one-year learning in that regard. I don't think, it's crazy because on one hand Tesla's been around 17 years. Nothing they're doing today is really all that, anything we wouldn't have expected that was probably in their business model 17 years ago, but we feel like Tesla is just like boom, on the scene and making all of this adjustment. And so, when we look at AI in our credit units, it's going to be a similar trajectory where all of a sudden it will feel like it's everywhere. We already see that with machine learning. The first phase of this, we're seeing it in every aspect of what credit unions and fintechs are doing. What we haven't seen is stage two and stage three, but you can bet those are coming.

James Robert Lay:

When you're talking about Tesla and about Elon Musk, one of the biggest driving factors for him has been this idea of first principles thinking. Taking things down, like literally having no assumptions about anything going back to zero and starting over. And that's what AI machine learning is going to force a lot of us to do, which is why this perspective of a queue or adaptability quotient is going to be far more important than IQ. When we think about the future and going forward because the machine, the AI is going to open up opportunities that we can't even begin to wrap our heads around. Thinking about AI for financial brands, I'd love for you to talk through a common belief that this industry has but you passionately disagree with.

Kirk Drake:

A common belief, I think and I realized this is a controversial one, but I think a common belief is that service matters. I feel very strongly that service matters. I also just think 99% of our consumers don't care. They've just accepted that the digital integration, the accessibility, the convenience, those pieces are more important and I'll give you an example and maybe it's not even that service doesn't matter. It's our definition of service is wrong. Which is, I can tell you many credit unions may say, train for service. And by the way, I don't actually believe I have any idea of how to deliver great service. So let me be very clear on that. But every credit of Benji says great services. When the member walks in the branch, we recognize their name and I always go, that's the weirdest thing ever.

James Robert Lay:

AI machine learning gives you that capability now with facial recognition.

Kirk Drake:

Exactly and we find it creepy. Because it's, at the end of the day when I walked into a branch, if they go, hello, Mr. Drake and I have not had coffee with this person. I've not had him over to my house for dinner. I've not been on a phone call that was more than transactional. The immediate thought is, this person is either trying to get something from me or they believe there's more of a relationship here than actually exists.

James Robert Lay:

I get to tell you a funny story on this. My wife and I, I was doing an event actually, this was years ago for the New Jersey credit union league and one of my wife's dreams was to spend the night at the Plaza hotel. So she flew up there with me and we took a car from New Jersey into Manhattan and went up to

the Plaza and she was, she couldn't believe it. She was like, wow, crying and she's just so happy when I get out of the car and they're like, well, hello Mr. Lay, and I'm like, how did they know my name? The story goes, I'm like, did they have some type of data on me or something? My wife, they opened the door for her first. They asked who the name of the reservation was and I was kind of let down.

James Robert Lay:

I was let down by that experience, I thought it was going to be some type of cool data integration that I didn't know about. But yeah, you're right. It is. It provides that kind of, that creepiness factor. But at the same time it also provides some opportunity as well, which you write. One way or another AI is going to change banks and credit unions. It's going to offer new tools, new methods and to this possible new dangers, we have a few choices about how to react to these technological changes in the paces at which they come. We can let it grind us into obsolescence, or we can hang on to it, try to survive it and jump on early and thrive. I want to look at both sides of the coin here with you, the dangers and the opportunities. First, let's look at the opportunities that you see with AI. You've given a couple of good examples, but let's dive deeper into some of the opportunities for financial brands.

Kirk Drake:

Yeah, sure. The first one is, there and I think there's two schools of camp on this. One of which is this is a tool for back office, that allow us to be more efficient there. And the second one is, this is something we arm our consumers with and allow them to touch tangibly and feel. There's risks and rewards on both sides of that. I don't know that I have a good answer for that. Just like, if we look at vaxxers and anti-vaxxers, there's economies in both of those things and belief systems that both that benefit that. I think the pace of change and how it's impacting us as humans is causing a great deal of societal friction right now and it's going to get worse. And you're seeing this kind of bizarre backlash against Twitter or Facebook, and this further polarization of our society, because we believe these technology companies have all this bizarre power in some way shape or form. By the way, as a society, we chose to give them.

James Robert Lay:

Absolutely.

Kirk Drake:

It's the bizarre piece of that. So, when we look at it in those service paradigms, we got to build a philosophy around, is this back office, is it front office? In that, looking at it from first off, what can it tell us about our consumers that we don't already know, or that seemingly disconnected pieces of data where we get all, not just our existing data around consumers, but all these other data points. Begin to create a better picture and paradigm shift in that regard. The second piece is, really looking at the efficiency side of things and then the third piece I would say is, really looking at the fair and equitable conversation that it was really uncomfortable for us as an industry, as a society, et cetera. But, and this is particularly challenging in credit unions which is, we have pockets of similarity. We're a group of church people. We're a group of people that work at this-

James Robert Lay:

Affinity.

Kirk Drake:

Affinity. That affinity bond by default means all of our data is biased. That we not fall to any national trend or piece and we're going to have these pockets of bias in everything we're doing. And so then the question becomes, do we lean into that and accept the bias and just try to make the bias more efficient?

Do we take a step back, try to insert some new data into that equation to make it less biased, but that by its core, if we are a teacher's credit union, in some ways we should be biased towards teachers. That creates an ethical, moral conundrum for us to go down. And then, that service piece of the bias that's going to come out in our employees in our, how we're making our own decisions and the diversity and equity and those pieces as another piece of it.

Kirk Drake:

So I think, and I went down a segway there. All of those are really good questions and that the challenge is, that's all great but, in order for us to succeed and have a seat at this table 10 years from now, we have to do something today. We have to take the first learning step that goes beyond machine learning that goes beyond, some predictive analytics and makes us uncomfortable because it's through those sequential uncomfortable moments that we get to truth, or we get to a trend or we get to some level of normal.

James Robert Lay:

If you think about it and for the dear listener, go back to the greatest growth that you've made personally, that you've made professionally. It has always been in those uncomfortable moments when you've had the courage to lean into that. So, when it comes to adopting AI internally, you hit on a key point. This is an emotional conversation. What are going to be the biggest roadblocks that hold financial brands from either A, having that conversation to begin with in the first place, because you talked about an opportunity here is back office efficiency. I see the opportunities with that as well humanizing, automating the predictable to humanize the exceptional great lessons coming out of the four seasons experience and experiences, well-defined systems and processes that have been defined, applied. And here's the key, optimize over a period of time resulting in a positive or negative emotion, but let's talk about the emotional conversations that have to happen internally.

Kirk Drake:

[crosstalk 00:22:27] the first one is, that it's going to be perfect and that we're not going to get it wrong. We have such a quest to deliver perfection in this industry that we won't take and experiment on something and admit that we got it totally wrong. The first point is just being comfortable that, really you're better off plugging a chat bot in and having to go totally wrong, versus not plugging a chat bot on it. You'll learn more from the wrong and you will improve the credit even more long-term by failing abysmally then than by doing nothing. The second one is, punishing those for failure and creating this bizarre system of, as if our leaders and our managers and our frontline people actually have any of us figured out. We have attempts and we have best practices, but they're best practices.

Kirk Drake:

They're not the only way to do these things and so there's being accepting that, this is going to be layers of onion and peeling in that respect. The third one that is the biggest one is that, our internal folks today actually have a shared alignment on vision of where this all is going. And I think if you look at the IT, some of the CTOs out there, you look at some of the people who've been in your credit union for 20, 25 years, I would argue, they probably don't actually have all that much vested interest in the longterm sustainability of the financial industry and your brand, as much as their own personal career short term things.

James Robert Lay:

That's a great point you make about the IT side of things because historically speaking, what is IT been there for? It's been to protect, it's been to secure. It hasn't necessarily been to advance and go on the

offensive side of things. A couple of things I'm hearing you say, get comfortable being uncomfortable, except that failure is the fertile soil from which new growth springs a new. And one of the things here in the book, and this was a great way to tie it all back together and really bring the conversation full circle, is one of the concerns about AI, for financial brands is the innovator's dilemma which is that businesses built on successful platforms. They have too much at stake to risk everything to your point, even about IT. How can financial brand leaders overcome their past to deal with change in the present and eliminate the fears that might be holding them back to create the future?

Kirk Drake:

The first piece is to really have that dialogue and understand what people's fears are and to make sure they've got a healthy enough emotional intelligence and conversations as leaders to understand what those true fears are and to have the IT, the accounting person, the lending person who's been there for 25 years and is four years away from retirement going, it brings me back to this conversation I had with my grandfather that you and I haven't talked about this before, where he was in his seventies. I said, grandpa, why would you email me? He's like, Kirk, you can just fax me. I was like, that's ridiculous. I'm not like handwriting a letter and faxing it to you. Like, what's wrong with you? You helped create UNIVAC. You built controlled data, like you're an IT guy. I don't get this.

Kirk Drake:

He's like, Kirk, I got like five, 10 years left on the planet. I don't really want to bother or spending a year learning to type. I was like, that's a great perspective. That's a perspective in most of our credit unions where we've got the person who feels that way. We've got to find a way to enable them to be successful and add value for the final few years of their career without making them feel like they've got to go relearn the entire work. That's what we're facing here, is a complete paradigm shift.

James Robert Lay:

Yeah. It really comes back to this idea of AQ, adaptability quotient into what you're talking about now, EQ emotional intelligence. You add both of those together. That's a transformative experience but then, I also hear Dan Sullivan in the back of my head. One of the things, always make your future bigger than your past. It's about giving people hope that, this is not the end. This is just the next chapter, a new beginning. We're turning the page if you will. Let's lean into that and let's create that future together. This has been a great conversation kirk, I'm excited about the book. People can grab a copy on Amazon and if anyone is listening, they have follow-up questions. They want to connect with you continue the conversation. What is the best way for them to reach out and say hello to you?

Kirk Drake:

Absolutely. You can, of course find me on LinkedIn. Or you can email me at [kdrake@cu-2.com](mailto:kdrake@cu-2.com), always available, love chatting with people about this. I recognize this is my best guess of things that we needed to prepare for, but it's certainly not. It's interesting having, comparing the two books, I feel like running a 2.0 was very much prescriptive guide. Here's what to do. Here's things to try and in this book, I have way less of that. I just feel like I asked a lot of really good questions.

James Robert Lay:

Then you also, you've got some really cool things going on. Like for example, the mastermind, that's another way people can work and increase some value. it's not just with you, it's, the neat thing is making connections with others. Can you talk about that?



Kirk Drake:

Yeah, absolutely. Thanks. You're a great participant and supporter in that too. I appreciate that. The FinTech mastermind, my goal was, we have lots of pockets of conversations that are very industry specific, so you can get 10 credit unions and CEOs together, 10 marketing credit union people together. We have very few things where we intentionally bring in the disruptors into that equation and make us really uncomfortable with our pace, with our learning, with any of those things. So the mastermind is, we've got about 75, 80 people in it so far that are probably two thirds FinTech, one-third credit union leaders. We'd like more credit and leaders in it as we go and it's really designed around having conversations and dealing with leadership challenges and keep growth opportunities on both sides that help the fintechs understand the credit union's perspective, but also helps the credit unions learn how to be more uncomfortable with our discomfort or how to be more comfortable with our just comfort of the pace of change and those things.

Kirk Drake:

It's been doing it for six or seven months now, and every time I get on one of those calls, I'm blown away with the conversation, the thoughtfulness, the key expertise that exists both in the industry and outside.

James Robert Lay:

Well, I think what you're doing is very special because it is, bringing this back full circle. You've created a safe place to have some emotive conversations, to get comfortable being uncomfortable and really to learn because you and I are both big believers in masterminds. We've both participated in them personally. It's about a rising tide raises all ships together. So I appreciate the work that you're doing there and once again for this conversation. Thank you so much for joining me today Kirk.

Kirk Drake:

It's a pleasure. Thank you.

James Robert Lay:

Once again and always until next time. Thanks for joining me on another episode of banking on digital growth as always be well, do good and wash your hands.