

OPINION

The Anatomy of a Tech CUSO: When Two Large CUs Decide it's Time to Collaborate

While the concept of collaboration within the credit union movement has been discussed for many years, technology CUSOs are a relatively new breed. More and more of these CUSOs are forming as a way to help more CUs get the most out of a particular core system. Here's a look at how Bethpage Federal Credit Union and Belco Credit Union have taken advantage of opportunities for collaboration between the two credit unions via their Open Technology Solutions CUSO.

The leaders of both credit unions recognized the potential benefits and risks associated with collaboration, but approached the relationship with a common philosophy. Systems or applications that were "must haves" were identified early in the relationship and agreement to utilize these applications was reached quickly. In those business areas where one or both credit unions were not particularly tied to a specific vendor or product, options from both credit unions were discussed and a plan for selection was prepared. The selection process for specific functions is driven by the need to select the application that best satisfies the combined requirements of both credit unions. This approach means that, from time to time, the "perfect" application for one credit union might not be selected because it does not adequately support the requirements of the other credit union. This concept is readily embraced and espoused at the CEO level in both organizations.

Prior to forming the CUSO, both credit union partners dedicated significant time to the development of a five-year business plan to guide the collaboration processes of the new CUSO. Strategic direction, specific products and services to be offered, cost and revenue projections and SWOT (Strengths, Weaknesses, Opportunities and Threats) analyses were all developed and challenged to ensure that both credit union partners were comfortable with the overall approach for the organization.

A key area of discussion dealt with the operational governance of the organization. While the concept of collaboration is a popular topic within the credit union movement, unsuccessful attempts to collaborate can typically be linked to insufficient or inadequate governance. A comprehensive operating agreement was developed that clearly spells out

how the organization will be managed, what authorities are provided to the manager of the organization versus what authorities are reserved for the board. The agreement was structured so as to ensure that current and future members of the CUSO have equal representation on the board and that unanimous votes at the board level are required on major decisions.

At the tactical level, cross-organization teams are in place to ensure that each credit union, and the CUSO, are fully engaged and represented on all initiatives undertaken by the CUSO. Not only has this improved the outcome of the planned initiatives, but this approach has enhanced communication among all three organizations concerning day-to-day operations of the credit unions.

For these two credit unions and the technology CUSO they created, the collaboration concept has been approached using several models.

In some cases, a proven solution from one credit union has been implemented in the other credit union. This reusability model has provided business knowledge to the second credit union and has significantly reduced the implementation risk, resulting in a quicker implementation timeframe with fewer issues. This approach has been successfully employed in porting previously-developed solutions for profitability analysis, relational pricing, and business services from one credit union to the other. A key to successfully employing the reusability model is ensuring that sufficient flexibility and ease in maintenance are built into the applications so that they can be deployed at the next credit union with a minimum level of rework. In fact, a key reason for Bethpage's interest in forming a collaborative partnership was the experience and technical talent Belco had developed in implementing and operating the core system (both credit unions operate OSI's core system). By tapping into this available expertise, Bethpage was able to significantly reduce

the risks typically associated with a large system conversion project.

In some cases, a proven solution is not in use at either credit union. In these instances, a collaboration team comprised of business specialists from each credit union and technology specialists from the CUSO is formed. The team jointly identifies business requirements, reviews potential products, and selects a final product based on its ability to satisfy the joint business requirements. Vendor discussions are designed to lock in volume-based pricing for both credit unions, as well as future credit unions joining the collaborative partnership. This negotiation approach has resulted in significant cost reductions to both credit unions and any future collaboration partners.

An implementation team is formed to assist in the deployment of the product in the first credit union, where technology platform, product configuration and rollout issues are resolved. The same implementation team is employed to implement the product in the second credit union, taking advantage of what was learned in the initial implementation and ensuring a quicker, easier implementation. This approach has been successfully used in the selection and deployment of branch- and Internet-based new account processes, member relationship management and business intelligence technologies and consumer lending technologies. In addition, a similar process is underway to replace the online banking channel at each credit union.

Both credit unions view this new CUSO as a vehicle to exploit the benefits of future col-



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laboration opportunities. Preliminary discussions are underway to leverage the power of the common core system and other member-related systems to create a consolidated member call center. This collaboration will allow the collaboration partners to reduce call center expenses while enjoying the obvious benefits of increased call center hours.

The success of these collaboration efforts is dependent on having the right business partners, the right technologies and the right technical skills.