

Starting a Business in the CU*Answers Network

CEO Collaboration Workshop

CEO Strategies

November 8-12, 2010

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

Introduction

- | Three scenarios where thinking about going into business with your CU*Answers network peers might be the answer to a 2011 business dilemma:
 - | I'm not making enough money from my balance sheet – *I need another source of income*
 - | I have to cut my direct expenses and still field a competent and backed-up team – *I need shared resources*
 - | I may have to stall my growth or even shrink next year, but I still have to feed the beast – *where do I get the income?*

So is this about collaboration? Or is this about *my* business?

That might be the point...collaboration IS your business
if you want to survive in the future

Your Assignment Today

- | At every stage during today's discussions about starting businesses, I want you to write down all of the issues you have with starting a business:
 - | Objections that occur to you
 - | What help might you need?
 - | What else do you need to learn?
 - | What investment might this take?
 - | How would you sell this?
- | The purpose of this meeting is to **design the project to get started**
 - | Today, we're going to envision how much work this will take, documenting the projects, and getting committed to starting

Think Small to Act Big

- | One of the problems people have when you ask them about starting a business is they want to envision a *pro forma* that shows a BIG initiative is underway
 - | “So how could we make an extra \$100,000 with a new business?”
...and the crowd goes silent
- | Today I want you to think about how you could do one simple transaction with your peers that would be an example of commerce and exchange
- | Evolve from small and you find yourself acting big
- | Wait for the big idea and you might just find yourself waiting

While it might take a lot to inspire a \$100,000 investment by your board, one transaction might inspire your team to come up with a \$100,000 idea

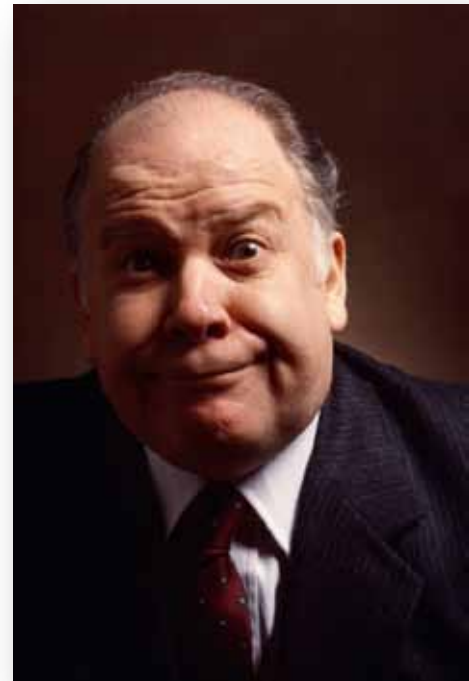
Why Many People Think This is So Hard

- I We're here to talk about collaborative business models, and how you might attack your challenges using these strategies
- I How could something so intuitive be so hard to implement?
 - I Do you ever find yourself in a room full of business leaders with good intentions about collaboration, wondering, *"Why does this seem so counter-intuitive to everything I know about business? I thought I was going to gain some advantage from this project!"*



Collaboration 1.0 Word Association

- | The first thing that might be wrong is the perspective you used for collaboration that led you to show up in the first place
- | Google CEO Eric Schmidt says,
 - | “When you say ‘collaboration,’ the average forty-five-year-old thinks they know what you’re talking about – teams sitting down, having a nice conversation with nice objectives and a nice attitude. That’s what collaboration means to most people.”



Rethinking Collaboration

- | What comes to mind when you hear the word collaboration?
 - | People working together happily and productively
- | Business settings we associate with collaboration:
 - | Peers sharing ideas at a conference luncheon
 - | Coworkers sharing ideas at the office
 - | Partners in a supply chain
 - | Between departments in an organization

Collaboration 1.0:
Potentially overvalued, oversold, and just
plain worn out as part of the credit union
industry narrative
It's lost its competitive advantage



Collaboration 2.0: Dramatically Different

"The new promise of collaboration is that with peer production we will harness human skill, ingenuity, and intelligence more efficiently and effectively than anything we have witnessed previously...Peer production will displace traditional corporation hierarchies as the key engine of wealth creation in the economy."

From *Wikinomics: How Mass Collaboration Changes Everything* by Don Tapscott & Anthony D. Williams

You could approach this like a paper route: some spare change earned in the morning before you go to work

Or you can approach this with the idea that these concepts are about changing the very core drivers of your success, and building a new place to work for everyone

New Catalysts for Why We Got Together

- | Did you come to this meeting thinking you are going to work towards these goals?
 - | Harnessing employee skills in a new way for a new endeavor
 - | Highlighting ingenuity and shared intelligence with a new intensity for value creation
 - | Creating a distribution channel you could label as “peer production”
 - | Creating new economies and revenues for participants
- | When you go into a collaboration with partners today, can your efforts and results rise to these challenges?

Did you aspire to actually creating a competitive differential you didn't have prior to coming into this relationship?

What is "Competitive Advantage?"

One of my favorites out of 13.8 million hits on Google...

Competitive Advantage - Windows Internet Explorer

http://www.quickmba.com/strategy/competitive-advantage/

Competitive Advantage

QuickMBA Knowledge to Power Your Business

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Competitive Advantage

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a **competitive advantage** over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage.

Michael Porter identified two basic types of competitive advantage:

- cost advantage
- differentiation advantage

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

Cost and differentiation advantages are known as *positional advantages* since they describe the firm's position in the industry as a leader in either cost or differentiation.

A *resource-based view* emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. The following diagram combines the resource-based and positioning views to illustrate the concept of competitive advantage:

What is "Competitive Advantage?"

One of my favorites out of 13.8 million hits on Google...

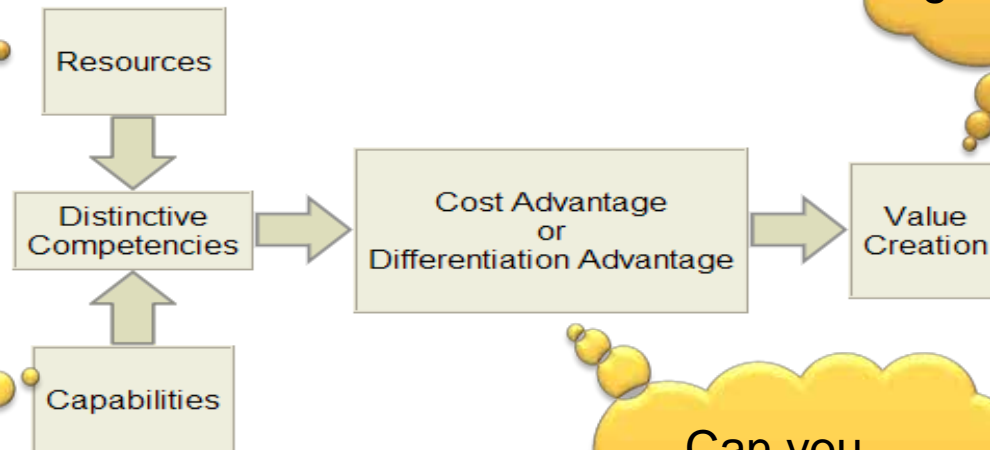
Will collaboration
give you more
resources or
less?

Do you need
more
capabilities
ASAP?

What do you
get paid for?

Can you
create these
alone?

A Model of Competitive Advantage



Resources and Capabilities

According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear.

Resources are the firm-specific assets useful for creating a cost or differentiation

New Catalysts for Why We Got Together

...or why you accepted the invitation

- | Look around the room and ask these questions:
 - | Will this collaboration yield more available resources for your business plan? *Can you earn from these resources?*
 - | Will this collaboration expand the capabilities you can draw from for your business plan? *Can you earn from these capabilities?*
 - | Will this collaboration yield new or improved distinctive competencies for you to draw on? *Can you earn from these competencies?*
 - | Will all of this result in your finding advantage and creating more value for your stakeholders?

You have to wear two hats: What will you give and what will you take? What will you sell and what will you buy?
Will this be a marketplace for exchange?

New Catalysts for Why We Got Together

...or why you accepted the invitation

- | Have you thought about the problems you hope collaborative solutions can solve?
 - | Managing HR capacity in a new way
 - Solving the “less than one body” need
 - Ensuring sustainability through redundancy
 - Sharing the management of benefits and uncomfortable HR events
 - | Balancing excess capacity and capacity shortage in responding to challenges and opportunity
 - | Identifying new markets and products
 - | Harvesting the perspectives of diverse solutions
 - | Re-purposing under-performing assets
 - | Leveraging expertise to new markets

You could do all of these alone, but
would it be as quick, as
comprehensive, or as expansive?

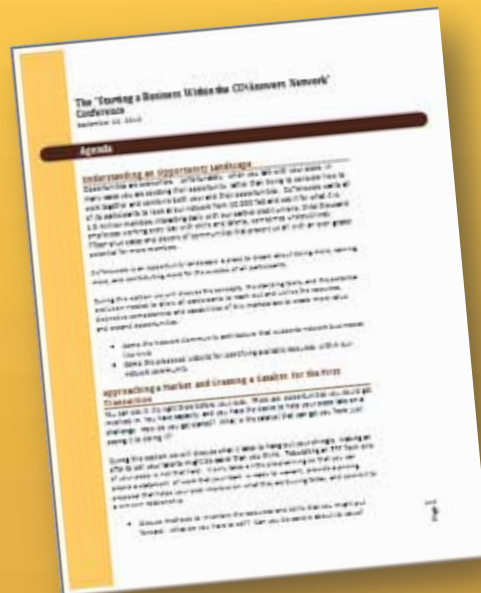
5 Questions to Ask About This Strategy

Can I...

- | Improve my organization's competitive differential?
(Do you have one?)
- | Sell my excess capacity to others?
(Do you believe you have excess capacity?)
- | Buy excess capacity from others?
(Do you believe you need new capabilities?)
- | Create a marketplace to exchange value with my peers?
(Would you actually participate?)
- | Capitalize on idle opportunities?
(Are you candid about what you're not working on?)

These questions are the same ones you should ask yourself standing alone, at your next planning session, as part of your next business plan

Why did we have this meeting?



To improve our network, to improve our business plan, and to strengthen our partners...

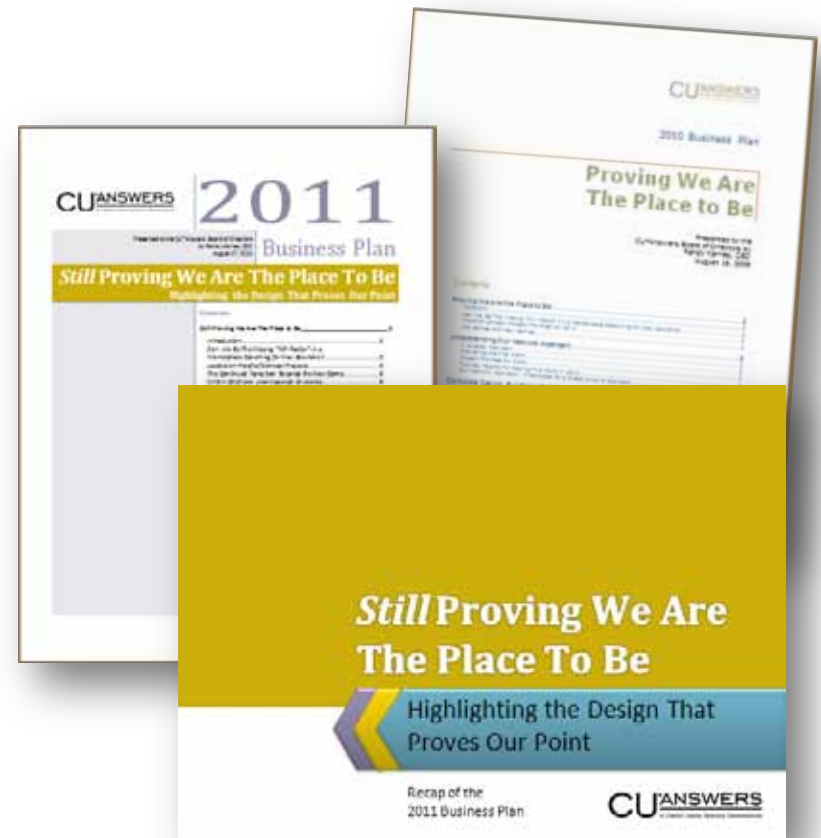
...to *build an engine to compete*

Our Starting Point: What We Have in Common

In 2009, CU*Answers introduced to our ownership the concept of “The Place to Be” ...

...a goal for a marketplace full of business people wishing to make collaboration a competitive advantage

Not for our CUSO, but for their own organization's hopes and dreams – what they might do with their peers



It will take a few years to prove the point

A Place to Be

A Marketplace Waiting for Solutions

- I We saw the opportunity to re-purpose the network and distribution channels we had built to allow credit unions to sell, buy, and exchange services with each other – to reach 1.5 million members
- I What if we could inspire 150+ credit unions to go into business in this marketplace?
 - I What if they could re-purpose their resources, capabilities, competencies, and opportunities with each other to gain a competitive advantage for their local organizations?
 - I The inspiration was what we had in common



Goals For Our First “Start a Business” Conference

Encourage a CU to start a business to compete with a CUSO business

Encourage a CU to start a business within the network that is not currently offered by the CUSO

Encourage a CU to start a business to outsource resources and capabilities to another business within the CUSO network

Encourage a CU employee to start a business to sell their services to another business within the CUSO network

Understanding an Opportunity Landscape

- | Opportunities are everywhere – unfortunately, when you talk with your peers, in many cases you are coveting their opportunity, rather than trying to consider how to work together and combine both your and their opportunities
- | In this section of the conference we will discuss the concepts, the standing tools, and the potential evolution needed to allow all participants to reach out and utilize the resources, distinctive competencies and capabilities of this marketplace to create more value and expand opportunities

You might be here to take advantage of an opportunity landscape, or you might be here to build a business that identifies marketplaces and brokers them

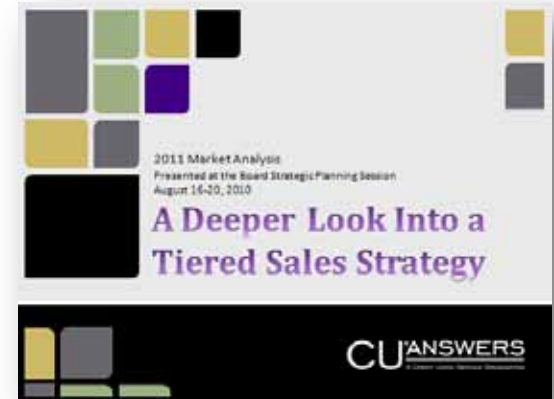
This page is a business in itself

Seeing The Potential

A Landscape of Opportunity

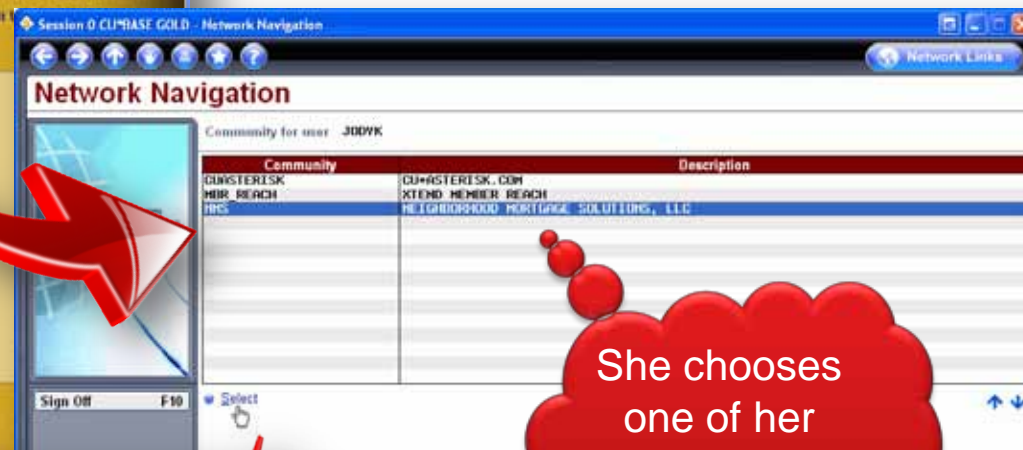
The BIG Picture

1 CU*Answers employee...
working with **150** CU*Answers employees ...
supporting their **390** family members...
serving **216** credit unions...
with **3379** employees...
and their **8785** family members...
in **138** communities...
in **22** states...
serving **1,000,000** members



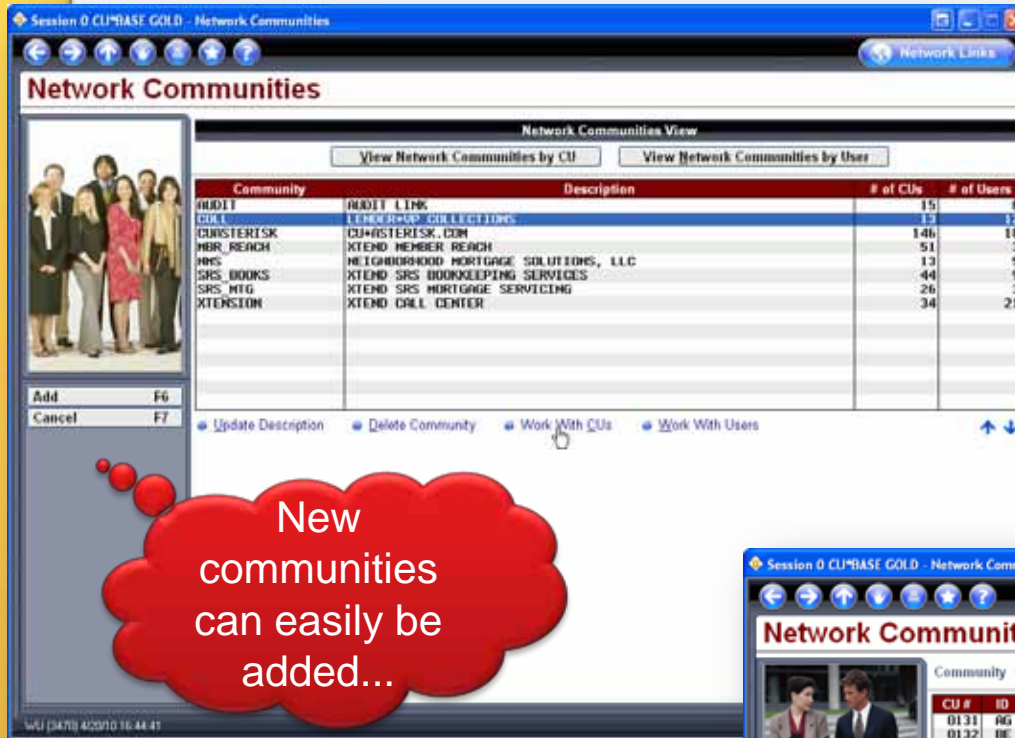
Seeing Your Transaction Partners

Hooking You Up to Your Clients



Seeing Your Transaction Partners

Hooking You Up to Your Clients



Configuring Network Communities is easy and flexible

...and CUs can be added to a community at the click of a mouse



Seeing Resources and Capabilities

Hooking You Up to Available Talent

Job BoardXtend - Windows Internet Explorer

http://opportunity.xtendcu.com/opportunity/jobs/

Job BoardXtend

Home About Press Contact Related Sites

Xtend

Search

Member Communication
It's all about the member

Back Office
It's all about cost containment

Shared Branching
It's all about convenience

Contact Unlimited
It's all about convenience

Opportunity
Hire within the network

Jobs View available hours in the network

Post date	Position title	Job Location
Sep 07, 2010	<u>Super MSR</u> Scott's CU of the Future	kentwood, MI
Sep 07, 2010	<u>We need a Vinny</u> Julies Credit Union of Good Fortune	Grand Rapids, MI
Sep 07, 2010	<u>MSR - weekends</u> David's Rocking Credit Union	Grand Rapids, MI

Xtend, Inc. is a credit union service organization (CUSO) formed in 2002 with the sole purpose of increasing the competitive advantage of its owning credit unions through strategic products, services, and partnerships. It's the old adage of the whole being greater than the sum of its parts. By utilizing our wide array of branded services, credit unions are able to reduce operating expenses, increase revenues, and communicate more effectively with their members. Through our strategic partner relationships we are able to help credit unions gain access to new markets and member service opportunities, while at the same time helping our partners become more successful.

Job Board Menu

- Post a Job
- View Jobs
- Advanced Search
- Browse Resumes
- Post Your Resume
- Search Resumes

New Within the Network - the New Xtend Website Feature

Post Job Description

Check the Latest

Post and Search Resumes

Approaching a Market and Creating a Catalyst for the First Transaction

- | Methods to inventory the resources and skills that you might put forward
 - | What do you have to sell? Can you be candid about its value?
- | How to analyze opportunities that are not being harvested through your current efforts
 - | How can you create an RFP to your peers so that they can help you go active?
- | How CU*Answers might help you connect, market, and sell your offerings to other credit unions

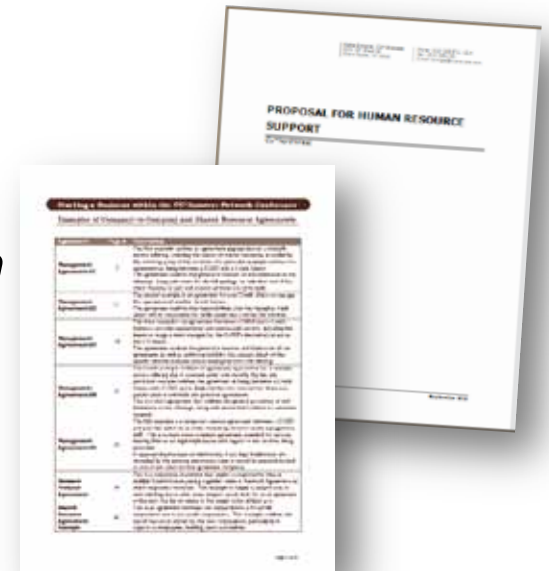
Templates and Starter Kits

- | Blueprints from the cuasterisk.com network
- | How to provide resources and challenges to these businesses for new solutions
- | How to propose new business opportunities to your Board
- | The formulas needed to be competitive in offering services to the network



Examples of Collaboration Documents, Agreements, and Value Statements

- Employment contracts between your CU and a cuasterisk.com partner
- How employment contracts might work between one CU and another
- How to sell to your Board that your employees are working for more than one organization
- What would it mean if there were multiple businesses for like purposes within our network? What could they share? How do you balance *competition* with *cooperation*?



What are we going to do?

Sometimes the easiest way to get started is to draft off someone else

When we call and want to buy, will you be ready to sell?

Proofs of Concept: CU*Answers Goals for 2011

Encourage a CU to start a business to compete with a CUSO business

What we're going to do...

- | Continue to develop cuasterisk.com Blueprints and other materials to share with the entrepreneurial credit unions and CU employees within our network
- | Do a series of "Start a Business" conferences over the next year to reinforce the ideas

Proofs of Concept: CU*Answers Goals for 2011

Encourage a CU to start a business within the network that is not currently offered by the CUSO

What we're going to do...

- | Continue to highlight and develop our platform to allow new business entries to connect with organizations and employees within the cuasterisk.com network
- | Work closely with new entries to improve products and processes within CU*BASE and our online products that create a common tool set to develop business around
- | Encourage CUs to present their business plans to CU*Answers as a venture capitalist partner (what can CU*Answers do to invest in the start-up, whether it be capital, tools, or other resources?)

Proofs of Concept: CU*Answers Goals for 2011

Encourage a CU to start a business to outsource resources and capabilities to another business within the CUSO network

What we're going to do...

- | Work closely with credit unions through our HR department and HR attorneys to develop effective policies, procedures, and contracts so that CUs can create employee placement services to the network
- | Develop a standing set of procedures at the cuasterisk.com companies to highlight hiring and working with credit unions to source new employees for the CUSO's businesses
- | Set a goal to hire xx employees per cuasterisk.com business unit per year; complete a proof-of-concept on remote and shared employees with CUs: practice what we preach

Proofs of Concept: CU*Answers Goals for 2011

Encourage a CU employee to start a business to sell their services to another business within the CUSO network

What we're going to do...

- | Work closely with credit unions through our HR department and HR attorneys to develop effective policies, procedures, and contracts so that CUs can allow and feel comfortable with their employees moonlighting with a cuasterisk.com company
- | Develop a standing set of procedures at the cuasterisk.com companies to highlight hiring and working with credit union employees directly for the CUSO's businesses
- | Set a goal to hire xx employees per cuasterisk.com business unit per year; complete a proof-of-concept on remote and shared employees with CUs: practice what we preach

Where do we go from here?

- | Each business unit at CU*Answers will start to reach out to interested credit union resources to talk about how to organize, start some momentum at your CU or in your area
 - | Audit Link in Ohio? SRS Bookkeeping employees from CU X?
 - | Available collectors in Grand Rapids?
- | We're going to refine this presentation and add the missing ingredients, one suggestion at a time
 - | Look for more of these meetings through 2011, 2012, 2013...
- | We're going to refine the process, one transaction at a time, as soon as the participation engages
 - | Look for improvements in remote employee technology, continued development of CU*BASE Network Facilitation tools, etc.
- | ...work hard!