

Do We Have the Right Blueprint for Designing Collaborative Technology?



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By Randy Karnes, CEO,
CU*Answers

Introduction

Do we have the right blueprint for designing collaborative technology? Or maybe I should ask, “Do we have the right business models and structures for collaborative credit unions?” Like many things waiting for the next breakthrough, it may be the case of the chicken and the egg.

Our industry, for all of its cooperation and social motivations about the power, status, and respect for the individual (member), is still primarily driven by the independent focus of credit union organizations.

Therefore, the models that support networked collaborative solutions continue to be structured for that underlying, independent organizational focus. Timing is everything, and time may be of the essence for our industry.

Operational Collaboration: Defensive Strategies Are Not Enough

Can we inspire a new wave of innovative collaboration before it's too late?

To date, most credit union network solutions have been designed as

solutions for trafficking activity and scaling operations for transaction and/or member service responses. The driving goals have been either to create marketplace power (negotiate buying or marketing scale), to share risk to overcome startup issues, or to drive down direct cost or net cost by owning the solution.

The point could be made that the stimulus for these “in-between” or connective network solutions has been defensive in nature—designed to save money or avoid getting closed out of key market spaces.

Everyone would agree that shared branching networks and EFT networks for ATM, Debit, or Credit transactions have been successful. Shared service collaborations in mortgage origination, indirect lending, and call centers do play a major role in supporting the value of credit union collaboration.

At the same time, I am not sure anyone would say that these examples have changed the way credit union architects see their core designs for their organizations, or that collaboration has revolutionized the credit union business.

Many would argue that very few credit union CEOs and even fewer board directors really see themselves or anyone in their organizations as “core organizational architects.” Today, the majority of credit union leaders are cast as nurturers of existing business models that are growing, evolving, and changing at the edges of the business model. Very few feel compelled to challenge the core of the model or their organization’s fundamental views on why, how, and where they make their money and provide value to their owners.

Far too often, the only time credit union leaders assume the role of challenging these core views is when the organization is failing or seriously struggling—or on the flip side, possibly drowning in opportunity. *Either way the challenges are unavoidable: change or die.*

It is possible we, the most ardent of pro-credit union collaborators, are even approaching the same point (change or die) when it comes to driving credit union collaborations and network efforts. How long would CU*Answers, or CUDL, or PSCU, or the Shared CO-OP Network, survive without credit union operations to network?

It is simple: If we only collaborate in between credit union core operations as add-ons, or marginal services, and if credit unions continue to be seriously challenged to survive, our collaborations will simply run out of time and clients.

So can both sides of the equation—credit union and network architects—find new solutions that capture the marketplace’s imagination effectively enough to recharge our mutual memberships? Just as important, can we motivate enough credit union leaders to cause a wave of excitement that will act as the catalyst for large-scale collaboration—*before it’s too late?*

Can Networked Models Ever Really Be a *Core Strategy* for Credit Unions?

Will our leaders seize the power of network business development?

This is tricky and no doubt based on the “eye-of-the-beholder” mentality of the business designer. To that end, simple brick-and-mortar, single-branch organizations can say their approach sets them apart from other designs. The same could be said for community charters, single sponsors, or any other credit union core design from past or present.

But as different as these strategies might appear, at the core they’re all the same. They are focused on providing services to a single, standalone membership. The opportunity in these organizations is centered on the membership that they own or see as theirs. At the core, they focus all their resources and their hopes on one, not many.

Why would someone bet on designing a credit union business model around the fundamentals of a networked design? Would you bet the farm by making it your core strategy to serve and earn from many membership groups, not just one? Where would you start? What would be the primary motivator?

How about driving opportunity? Many credit unions consider charter changes because they claim a lack of opportunity, or they don’t feel they can capture enough opportunity to be successful under their current design. Why not challenge the business development methodology of credit unions? Why not push for innovation at a whole new level—networked business structures. The credit union industry needs hyper-opportunity, and it needs it *now.*

“What if credit unions shifted from seeing cooperation and collaboration as just a defensive strategy to one that was intensely offensive?”

In essence, what if credit unions shifted from seeing cooperation and collaboration as just a defensive strategy to one that was intensely offensive? A strategy that at the core is based on major adjustments to, or new, economic engines versus what we use today in generating member returns?

Imagine a person volunteering on behalf of 3,000 members to face the marketplace and declare their desire to be a credit union. The member owners want their credit union to continue.

But when they interview to hire a staff, the response is, “I’m sorry, there is just not enough opportunity in a 3,000-member credit union for me to make it my career.” Or when they talk to a regulator, the response is, “I’m sorry, I just don’t believe there is enough opportunity here to create a viable business plan. It’s just too risky.”

No matter where they go, nobody believes they have a chance.

Who really needs to be inspired here? Not the 3,000 members. We need to inspire the naysayers with a new strategy that says that 3,000-member CU represents *significant* opportunity—if married to the right business plan...a *networked* business plan.

(Now jump to the future. Ten years from now, instead of 3,000 members being turned away, what if it’s 30,000? Or 300,000?)

What if our industry could inspire credit union leaders to get excited about possibilities like that? Would these leaders be able to radically transform how the marketplace sees the linking of credit union membership bases as a viable business model? Could they aggressively go about acquiring and linking membership bases to an

“Operational Collaborative Network” that could harvest member opportunity more effectively than ever before?

Many would argue that this is an old game. We have had holding company structures before. We have had shared service centers. We have had participation networks for asset optimization. We have had “network lite” plays in the past. Big deal.

Far from being defeated by that statement, I am bolstered in my beliefs even further by these past efforts.

One reason for my confidence is that today, network resource owners are much more open to partnerships and multiple alliances to serve their network customers than ever before. In addition, consumers are not only used to networks, they expect them—they value them as conveniences in their lives.

Further, collaborations and network infrastructures are more prevalent and resource rich. Imagine the potential opportunity if the industry inventoried the credit union-owned network assets (hardware, bandwidth, intellectual capital, business network connections, partner relationships, etc.) and then was able to ride the resources like Internet users ride the collective bandwidth of the Web. Are credit union-owned resources really networked in the spirit of the ownership collective?

Valuing Someone Else’s Membership Base as an Asset

The other guy’s member or marketplace opportunity.

“Okay, I see the light. I’m going to link together all these membership bases and build an organization, or I’m going to change my organization so it can be part of a network of credit union membership bases. So how do I merge?”

“Are credit union-owned resources really networked in the spirit of the ownership collective?”

“Our industry needs collaborations that retain the value of the individuals while expanding the opportunities of the resulting partnership.”

This would be the classic response to building opportunity for most credit unions today. But that is not point of this discussion, or even necessarily the best way to build opportunity. Just because you value the asset doesn't mean it's easy to own the asset or even to know why you should.

Our industry needs collaborations that retain the value of the individuals while expanding the opportunities of the resulting partnership. We need to retain the things that drive the value, whether that means people, special solutions, or the response of the local marketplace. Mergers and consolidations often destroy value in the eyes of the members, the community, and the vested nurturers.

One of the major road blocks to building opportunity collaborations directly between credit unions (Credit Union A integrated intensely with Credit Union B), is the problem in getting the two sets of primary credit union stakeholders (members, boards, staffs of both organizations) to agree on the mutual and exclusive value of each other's opportunity. To put it another way, “What are we really buying into as part of this partnership?”

Should the two teams overcome this challenge, then they most often go about destroying the original stakeholder's value—both Credit Union A's and Credit Union B's—through the consolidation of brand, processes, and vision. Not a partnership, but a consolidation.

Not only is this an expensive process, it generally takes too much time and creates too much team stress. And it dilutes the marketplace excitement over the possible gains and results in the eventual “partnership hangover” that makes everyone wonder why they would ever do this again.

Next thing you know the credit union returns to the day-to-day grind of pushing for incremental gains. And in the credit union business today, for far too many credit unions, historical incremental gains will not result in long-term revitalization or continued existence.

So credit union architects need to face the challenge: How can a credit union develop a strategy for creating valuable opportunity collaborations with many sets of credit union external stakeholders, with more than just a merger strategy? How can a credit union avoid destroying assets throughout the creation of the network?

How can a credit union jump the track, and create a new economic engine for the resulting credit union network that effectively and efficiently generates both day-to-day and large event gains for the network participants?

Maybe a vendor model would be a good place to start.

Vendors Build Business Models to Attract Credit Union Partners
Can credit unions use the vendor model as a template for a new network design?

What do vendors know about networks and how to use them that maybe credit unions don't? First and foremost, they know they'll go out of business if they don't figure out how to work with or for multiple credit unions and their memberships. It's a matter of survival.

Hmmm...sound familiar? If today's credit union leader was to awaken to the same idea, he might want to consider the tools or mindset a vendor uses in attracting credit union partnerships.

This is where I feel that most credit union leaders really need to dig deep and search for the power to create a

fundamental shift in the makeup of their organizations. They need to search for the answers. They need to switch gears from leading an organization best suited to a single or homogenous point of view, to one that is hungry for new opportunity, structured to integrate and capitalize from diversity (not consolidate or eliminate it), and to be a machine for finding the next membership opportunity base. Every credit union charter is valuable, a potential partner and opportunity—and every member is a potential customer.

Of course, there are traps in this structure to avoid. The network is not a middleman; it is the primary provider of resources to harvest opportunity. Income generation comes from expanding opportunity and generating more output, not simply slicing into the existing revenues of the new player who is entering into the partnership or collaboration. A network leader must see all membership bases in aggregate and not view themselves as earning off those other guys.

To date, the most successful network solutions available to credit unions are based on non-labeled or unbranded transaction processing where the member's activity is routed, but the relationship between the credit union's identity and the network solution is far apart.

What if credit unions built organizations where the brand of the credit union and the brand of the network collaborative were *both* important? Not important from the business standpoint, but from the *member's* perspective—how the members saw their relationship with the collective organizations. Sometimes the network, sometimes their credit union: always valuable.

Consider a credit union and a single leadership team leading and coordinating multiple credit unions.

While it is a collective, the design intends for each individual credit union to have its own persona as it faces the aggregate collection of members. The management of the credit union's identity can be multi-faceted and fluid: sometimes official, where the separate charters are maintained, or sometimes simply operational, branch-like.

The power of the concept is that the collaborations can work with different tactics or strategies due to the timing, politics, or trial basis of the relationships, all at the same time. At any given time, the organization is managing the evolution of multiple partnerships and the operation is constantly evolving. This makes expanding the network far easier as it approaches new potential partners, because each new partner can have it their own way.

(For a real-world example evolving at CU*Answers, review to our document entitled, "Networking Credit Unions for Growth."

[www.cuanswers.com/
client_special_interest.php#networking](http://www.cuanswers.com/client_special_interest.php#networking).)

When credit unions look at the vendor network solutions in the marketplace today (PSCU, CUDL, CU*Answers, etc.), they should challenge whether they have idle assets or resources that might do the same thing: build a network for value.

Think about how a credit union vendor sets up its business model to work with different independent groups of memberships:

- A vendor develops an engine or process to find new membership groups.
- A vendor designs solutions that respect the diversity of each membership group.

“What if credit unions built organizations where the brand of the credit union and the brand of the network collaborative were *both* important?”

“Truly innovative large-scale collaboration must start with credit union designers focused on their core strategic business designs.”

- A vendor designs solutions that allow each membership group to retain its individual identity.
- A vendor lets each membership group configure and design their own products and processes without destroying the shared effect of the network.
- A vendor develops connective resources to serve CU staff and, when possible, shared resources to work directly with the members.
- A vendor develops processes to mutually evolve both the network and the capabilities of the membership groups.
- A vendor develops processes to respond to changes in membership groups (mergers, conversions, etc.).
- A vendor evolves new economic engines to mutually earn with all of the individual membership groups.

Now replace the word “vendor” with “credit union” and imagine earning from serving all of the credit unions in your network. Whether it be with credit union staff or the members themselves, you can earn from sharing both your resources and opportunities with network partners.

Once again, you can find existing examples of this kind of thinking within credit unions who have started CUSOs to service both their own members and the members of customer credit unions. And while these organizations do have the right idea, something still seems to be missing. Maybe the vendor template is not quite enough.

The Missing Catalyst, the Spark for Collaborative Innovation

The inspiration for new designs.

What is missing is the belief that credit unions in a network can do business instantly with *each other*, without being

channeled through a central hub or middleman. The network is not a vendor, it is the connective highway between credit union partners for infinite combinations of business transactions. Credit Union A does business with Credit Union B to solve lending challenges. Credit Union A does business with Credit Union Z for investments. Credit Union B solves its call center issues with Credit Union X. Solutions are matched with opportunity, not locked in step, but recombining over and over for each new member request.

These solutions and transactions are pre-set by the business relationships between network partners and the network’s role is transparent to the member. The member’s credit union said yes.

To date, there is still one major weakness in most credit union vendor models, and for good reasons. There still aren’t enough active credit unions that have business plans to drive a new collaborative capabilities. There aren’t enough business models based on the fluid exchange of member opportunity and solutions across independent membership bases. Most networks function far below their potential.

This is why we believe that truly innovative large-scale collaboration must start with credit union designers focused on their core strategic business designs. These designers, bolstered by a new entrepreneurial spirit, must develop standing credit union relationships ready to engage instantly on behalf of the member: a fertile business environment and opportunity to generate network returns.

In the future, if credit union architects see this as a viable business plan for credit unions, then there will be a new specification for credit union business models and the technical solutions that these models will use: **a new specification for collaborative solutions.**

We believe that the credit union industry has not challenged itself or the vendors to do something truly new. Like many others, the CU industry seems to be marching down a path of consolidation, believing they can acquire scale only through ownership or by eliminating whatever they think lacks significant opportunity.

Conclusion

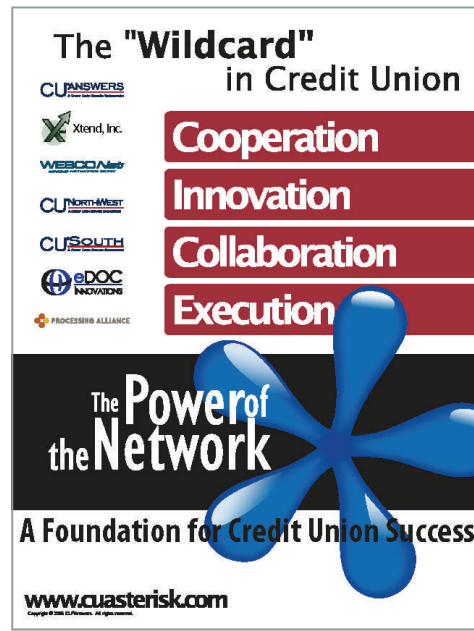
CU*Answers has nothing if not opinions and big dreams. They both come with the territory of credit union collaborations. We believe that regardless of the size of the institutions we call partners, we will be able to create a marketplace footprint for our collective that is as big as our dreams. We will do so by fostering the debate about the best ways to partner, cooperate, and collaborate for business success.

It is this dialogue that might be one of our strongest and most significant assets. Because in a networked world, your plans and the viability of your future are not only judged by what *you* can do, they are judged by the company you keep—the partnerships that foster your dreams.

In the end, we are driven by one major belief: If credit union leaders will demand from themselves a new collective structure for our industry, and then set themselves on the path to build it, the solution providers will take their lead to heart and deliver a new set of technical solutions for large-scale collaboration: *a new blueprint for the future.*



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 Contact rkarnes@cuanswers.com





6000 28th Street SE Suite 100
Grand Rapids, MI 49546

Phone: 800-327-3478 • 616-285-5711
Fax: 616-285-5735
E-mail: rkarnes@cuanswers.com

WWW.CUANSWERS.COM
