Structured Collaboration for Irish Credit Unions

CEO Business Model Development Forum

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Structured Collaboration for Irish Credit Unions

CEO Steering Group Collaboration Workstream

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EXECUTIVE SUMMARY

The purpose of the Collaboration Workstream of the CEO Forum is to support the development of Irish credit unions by providing a clear description of the processes and requirements associated with an effective framework for collaboration.

The objective of the Workstream was to determine how best credit unions can use collaboration to deliver on their business strategies and to drive business model change. Collaborative business relationships are recognized as an important business strategy for Irish credit unions and the development of a ***structured methodology*** would underpin a more successful credit union approach to collaboration in line with international best practice.

The volunteer members of the Workstream (the Working Group) set out to achieve its objectives in a number of stages, which are shown in Figure 1.

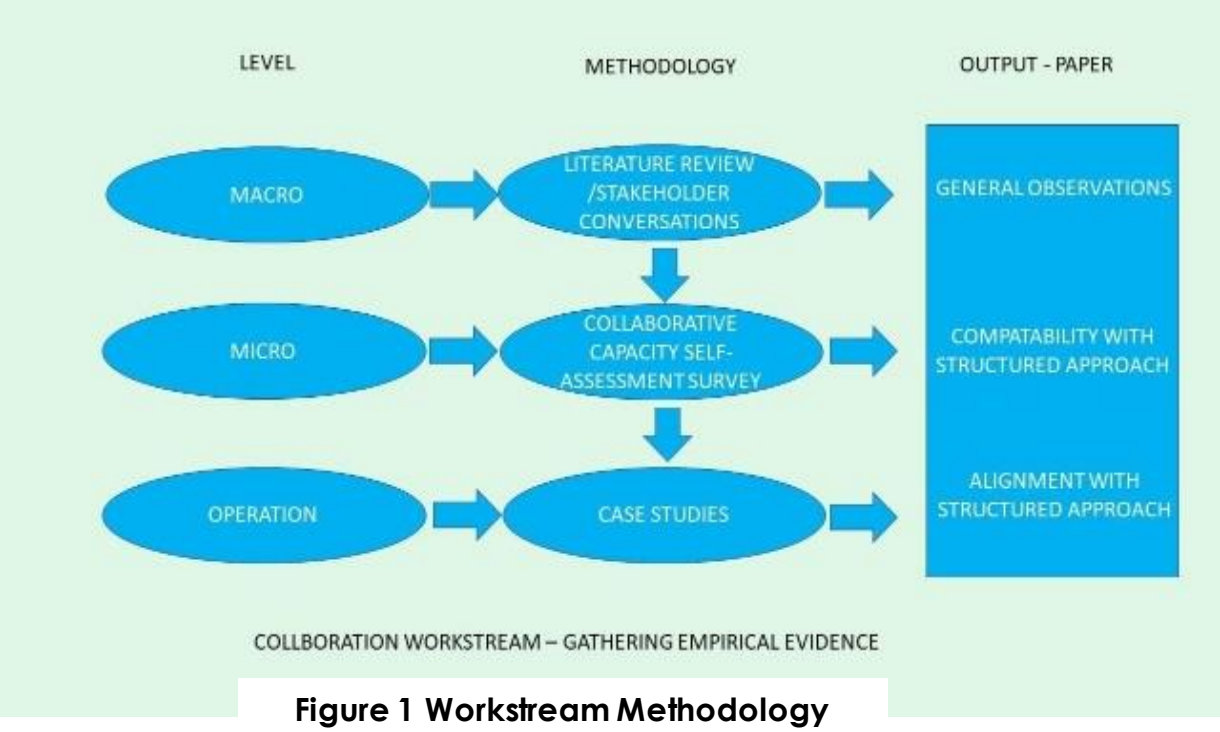

Figure 1 Workstream Methodology

Engagement with Credit Union Stakeholders and Literature Review

As a starting point for the analysis, interviews were conducted with stakeholder organisations, (Irish League of Credit Unions, Credit Union Development Association, National Supervisors Forum, Credit Union Managers Association, Centre for Community Finance Europe and Credit Union Advisory Committee). These organisations supported the need for credit unions to collaborate to provide scale, service and accessibility for members although they had limited experience of structured methods of relationship management within collaborative arrangements. **Section 2** reports on the interviews conducted with stakeholder organisations.

Whilst collaboration among credit unions may be an obvious next stage in the maturity of the credit union movement in Ireland, strategic collaboration must be actively driven by credit unions and will take time to be embedded in our culture. From its research the Working Group believes that effective collaboration requires clear goals and defined responsibilities underpinned by an agreed process. Shared language, vision and commitment in relation to collaboration will further help to build a collaborative community and foster a culture of collaboration among credit unions. Identifying a structured methodology fit for use by credit union collaboration projects will save time and money and should lead to more successful collaborations.

The Working Group identified the International Collaborative Business Relationship Management Standard, ISO 44001[1], as an internationally recognised, tried and tested framework for collaboration. The International Organisation for Standards[2] states that ISO 44001 "specifies requirements for the effective identification, development and management of collaborative business relationships within or between organizations." It is a business tool which provides a robust framework for collaborative working which can be scaled and adapted to meet particular business needs making it suitable for credit unions of different sizes and projects of differing complexities. ISO 44003, which is a version of the

[1] ISO 44001:2017 Collaborative Business Relationship Management Systems – Requirements and Framework.

[2] https://www.iso.org/standard/72798.html

International Standard tailored specifically to the needs of Micro, Small and Medium size Enterprises, has already been formulated and will soon be released. As ISO 44003 has not yet been published and for ease of reference the Working Group will refer to ISO 44001 in this paper.

Collaborative Self-Assessment Survey

The Working Group asked a number of volunteer credit union CEOs to complete a 'Collaborative Capability Self-Assessment Survey' (provided by the Institute for Collaborative Working). This survey was used to measure a credit union's perspective on collaboration under various categorisations. The Working Group found the results showed that collaboration is not new, but the embedding as benchmarked against the standard in each individual credit union is not fully mature. The gap analysis will help credit unions understand better how they can integrate the principles into their culture. **Section 3**

Case Studies

The Working Group explored, in detail, three Case Studies of projects which involved extensive collaboration between credit unions. These collaborative projects were: Cultivate; CUDA (digital marketing project) and PAYAC Member Personal Current Account Services). Commentaries are provided by the respective Project Teams on each of these collaborative initiatives from concept formulation to final outcome in each case study. An important element of each analysis is an overview of the benefits and rewards achieved from collaboration as well as the risks, pushbacks and frustrations. The Working Group also undertook an analysis of the Cultivate and CUDA (digital marketing project) against Clause 8 (operating Lifecycle) of ISO44001. The analysis of the PAYAC case study review was based on "12 Principles for Successful Collaborative Business Relationship Management" proposed by the Institute for Collaborative Working. The 3 Case Studies are included at Appendix 2. The commentary and analysis on the Case Studies is provided in **Section 4** of the paper.

Section 5 reports the conclusions and recommendations of the Working Group which are also included below.

Concluding Observations

While credit unions and their CEOs recognize the need to collaborate to protect the sustainability of the credit union movement, to provide contemporary services to members and to compete with other financial service providers the 'how to' methodology for achieving this aspiration is not included in credit unions' strategies. A view, which was noted among credit unions, that a formal route to collaboration is difficult needs to be dispelled.

A dedicated resource is needed to take a leadership role in fostering a collaborative culture among credit unions and to support the consistent interpretation and implementation of collaborative frameworks.

As a result of these findings the Working Group will seek to establish a central resource dedicated to research, training and promotion of collaboration ventures among credit unions in Ireland. This Central Resource/ Co-ordinator will be a key initiative to emerge from the Collaboration Workstream of the CEO Forum.

Recommendations

1. A formal approach to collaboration should be adopted to improve success for credit unions working together to deliver successful business model development. The Working Group recommends ISO 44001 to provide a roadmap for credit unions interested in formal collaboration to progress their business model development.

2. Credit Unions should work together to build a collaborative community for Credit Unions. Credit unions should seek to identify like-minded partners with whom to collaborate.

3. A culture of collaboration should be fostered among credit unions, this culture should be underpinned by
    a. Embedding the Culture of Collaboration within each Credit Union.
    b. Following through to working together when Collaborative opportunities are identified, and
    c. Follow up and audit measure performance and seek to continuously improve the Collaborative Culture.

All guided by a central collaboration resource.

4. A Collaboration Central Resource/Co-ordinator should be established by the CEO Forum, whose role will be shaped by an early phase and a more mature phase. The early focus of the Central Resource will be concentrated on
    - the promotion of a collaborative culture as supported by a structured framework
    - providing and co-ordinating collaboration training
    - engagement with stakeholders to foster strategic collaboration

    The second phase of the Central Resource's role will continue to include the promotion of structured collaboration but is also expected to evolve the capacity to support delivery of certain initiatives, including provision of project management advice and legal supports, potentially through a CUSO / CUSP dedicated to a collaborative culture among credit unions.

5. Awareness of and familiarity with the chosen standard framework should be promoted to support a collaborative culture.

1. Introduction

The Working Group is committed to supporting the development of credit unions and is of the opinion that this is best achieved through dialogue and the collaboration of like-minded stakeholders who have an understanding of the challenging issues at hand.

Collaboration is the process of two or more people or organizations working together to complete a task or achieve a goal.[3] It is a process which at times will face difficulty. The famous quote "*coming together is a beginning, staying together is progress, and working together is success*", attributed to Henry Ford (1863-1947), captures the essence of the evolving relationship. It is also the case that in most settings business relationships are often given lower priority than processes and systems, on the assumption that individuals already have the right characteristics for developing and sustaining good relationships, (Hawkins, 2017).[4] Collaboration comes in many forms and has equally as many names. These include consortium, alliance, collaborative network, extended enterprise, joint venture, cluster, partnering programme, business eco-system, and outsourcing.[5] Each require different approaches, but all can be pursued successfully, minimising risk, with appropriate tools.

Having assessed the various definitions of collaboration the Working Group adopted the following definition for its simplicity and precision,

> "*Collaboration is a purposeful relationship in which all parties strategically choose to cooperate in order to accomplish a shared outcome*" (Rubin, 2009)[6]

There is some evidence and support (in literature reviewed by the Working Group) for unstructured approaches to collaboration. However, it is also acknowledged that a high proportion of collaborative initiatives fail. One reason put forward for this is "*that collaboration frequently failed because it was not fully considered until organisations had*

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[3] Marinez-Moyano, I. J. Exploring the Dynamics of Collaboration in Interorganizational Settings, Ch. 4, p. 83, in Schuman (Editor). Creating a Culture of Collaboration. Jossey-bass, 2006. ISBN 0-7879-8116-8.

[4] Hawkins, D. E. (2017). Raising the Standard for International Collaboration. Ely: Melrose Books

[5] Source, Institute of Collaborative Working https://www.instituteforcollaborativeworking.com/

[6] Rubin, H., (2009). Collaborative leadership : developing effective partnerships for communities and schools (2nd ed.). Thousand Oaks, Calif. ISBN 978-1299395657. OCLC 842851754

largely progressed to contract. Rather than appreciating that successful collaboration requires a more fundamental understanding of the benefits and potential risk long before looking to engage partners by building a systemic approach to collaboration to ensure sustainable relationships with the right cultures and behaviours."[7]

The Working Group concluded that to reduce failure a **structured approach** to collaboration was required. A structured framework would also provide the necessary "how-to" which the Working Group found was missing from credit union strategies. In this context, the Working Group observed that experts on relationship management (collaborative working) advocated the benefits of ISO 44001.[8] This standard provides a robust framework for collaborative working to ensure a sustainable business. It does not advocate a one-size fits all solution but rather provides a framework that can be scaled and adapted to meet particular business needs.

Hawkins (2017) states that ISO 44001 is unique in that when organisations come together to collaborate it has an eight stage Life Cycle element for the strategic development, engagement and management of business relationships from concept through to disengagement. The eight stages of the Life Cycle element are: operational awareness, knowledge, internal assessment, partner selection, working together, value creation, staying together, and exit strategy activation. The Working Group are also aware that an alternative version of the International Standard tailored specifically to the needs of Micro, Small and Medium size Enterprises (MSME) (and making it more suitable for credit unions) has been formulated and will soon be released (ISO 44003).

The eight-stage Life-Cycle approach is detailed in Figure 2, while Appendix 1 provides a more detailed description of the eight stages of the Life-Cycle.

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[7] https://www.instituteforcollaborativeworking.com/resources/Documents/iso_44001/insight_into_iso44001_new_final.pdf

[8] See Lynch, R. P. (2017) What you need to Know About ISO 44001 Standards of Practice 2017. Hawkins, D. E. (2017), Raising the Standard for International Collaboration. Ely: Melrose Books

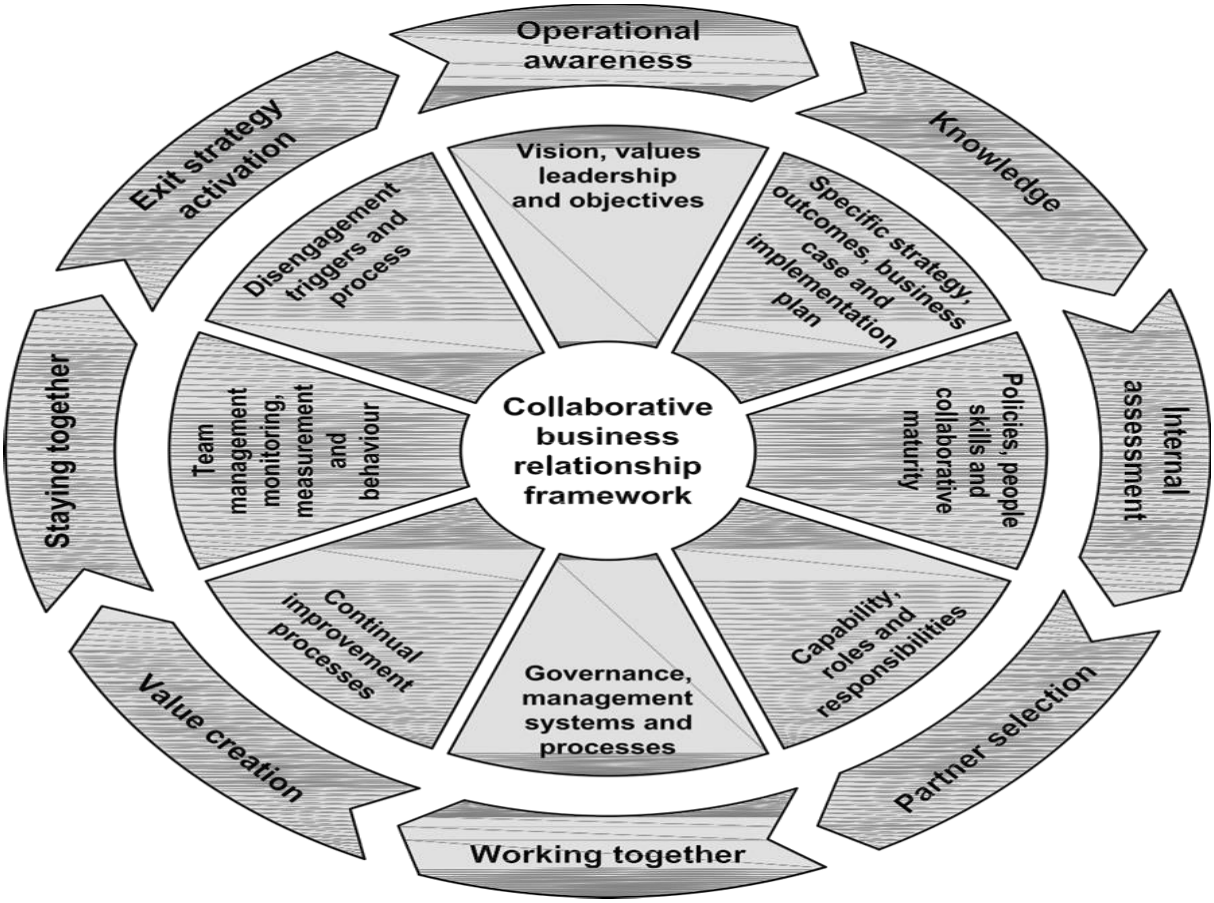

Figure 2. The eight stage operational life cycle

Clause 8 "Operation" outlines the eight stage journey and what organisations need to do throughout the relationship together.

Collaborative business relationships have been shown to deliver a wide range of benefits, which enhance competitiveness and performance while adding value to organisations of all sizes. Hawkins (2017) indicates that the benefits include a 20% reduction in operating costs, improved risk management, 15% savings through supply chain aggregation and improved delivery performance. ISO44001 represents a new generation of International standard with a focus on behaviours, organisational culture and management processes. It provides a common platform to underpin sustainable business relationships and harness the benefits of collaborative working. ISO 44001 does not enforce a single rigid approach but focuses on providing a framework that complements existing approaches, where these are already in place. For those organisations with well-established processes the framework provides a common language that can aid implementation and engagement.

For those starting out on the (collaboration) journey, the framework creates a roadmap for development. The structured approach of ISO 44001 facilitates integration of collaborative working within operational procedures, processes and systems. Thus ISO 44001 establishes more effective governance. It also speeds the development of a baseline to support resource development and training, which increases an organisation's collaborative capability to enhance the skills and ability of personnel, (Hawkins, 2017).

The Working Group found that ISO 44001 provides a framework which could be used to support successful credit union collaboration as it lays out in clear terms an approach which is transparent, easily understood and has clear objectives.

Credit unions may adopt the collaboration framework as detailed in ISO 44001 and use the standard as a tool to effective collaboration without the need to obtain ISO certification. However, the option of achieving and maintaining an ISO certification is an option available to individual credit unions who wish to pursue it.

1.1 Benefits to Irish credit unions of effective and structured collaboration

Having conducted extensive research and with the support of stakeholders and the wider CEO Forum the Working Group believes that collaboration among credit unions using a clear and flexible framework can help sustainability and crucial business model development in the sector. The case studies, provided in Appendix 2, of collaborative projects undertaken by Irish credit unions highlight some of the many benefits of a formal approach to collaborative working for credit unions.

For instance, the case studies show how important it was to the success of the individual projects that the project partners were committed to the venture and enthusiastic about it. The fact that the collaboration was a common journey was acknowledged and accepted. The case studies demonstrate how a **culture of collaboration** is an essential foundation for successful collaborative working. Successful collaborators recognise that

collaboration is about relationships rather than transactions. The strategic importance of managing collaborative relationships must be understood at all levels of the credit union to ensure that any collaborations are set up to succeed. The case studies also highlight that challenges and difficulties should be anticipated and worked through together. The Cultivate Case Study reports that [it is] "*Important to keep things on an even keel during the project – not getting too euphoric or frustrated at any one time*" and the CUDA Digital Marketing case study reports that "*Gaining awareness of the challenges in collaborating is critical to be set up for success; it demands long-term commitment and trust*".

ISO 44001 includes guidance on the **selection of appropriate collaborative partners** from before the project is commenced. The case studies each reference the importance of having like-minded, supportive partners. The Standard reminds credit unions of the necessity to comply with legal and regulatory requirements in selecting partners and cautions that negotiation style at this stage can have a lasting impact on trust between partners.

An obvious benefit of collaboration, and one which is particularly relevant to credit unions, is that it can provide **economies of scale**. The MPCAS Case Study reports that "*Funding to the tune of €4m was provided by credit unions to PAYAC to develop and implement the service*" from the group of circa 34 credit unions. Such investment on a shared basis enables credit unions compete with larger financial institutions in Ireland in a way which is simply not possible for an individual credit union. Collaboration also provides an effective vehicle for technical expertise to be shared across credit unions. This point was highlighted in the CUDA Digital Marketing case study, in the statement that "*A group of credit unions working together would offer many advantages and provide better credit solutions than working individually.*"

Having a **structured approach** to collaboration and collaborative ventures saves time and effort. When a formal approach is in place a credit union can learn from each successive collaboration, they can easily identify what worked well and not so well and they can adapt their processes. Without structure there are no processes to adapt or build on in the first place. The Cultivate project team state that

"*While the Cultivate project process has evolved with the addition of new groups, all the key elements that made the Galway project successful (as outlined) have been retained. The number of meetings of the project team have been drastically reduced. For example, there were only seven meetings of the most recent project team, the Kerry Cork Project*."

Clear communication and a common understanding of the scope of the project was mentioned in the three case studies. A formal approach to collaboration requires that roles and scope are agreed and documented. Cultivate bemoaned the high number of meetings which were required, especially initially, and the Working Group believes that a formal approach from the outset would reduce the number of meetings required.

A formal approach to collaboration should incorporate a **governance structure** for the collaboration. The ISO44001 framework includes a process to establish a governance structure to "develop a robust joint approach where each party accepts the collective responsibility for managing for the collaboration". The CUDA Digital Marketing team advised the following "*do it systematically, for example the digital marketing service is contractually based with clearly defined roles, responsibilities and termination*…"

A formal approach to collaboration should give credit unions the confidence and tool-kit to get started on collaborative ventures. It also provides guidance and a framework to completion, Cultivate learned from experience that "*The launch of Cultivate should have been seen as a step, not the end of the project.*" A formal approach provides a process for when the engagement ends and a happy engagement fosters trust and an on-going collaborative culture.

2. Engagement with Credit Union Stakeholders

The Working Group met with the Irish League of Credit Unions (ILCU), Credit Union Development Association (CUDA), National Supervisors Forum (NSF), Credit Union Managers Association (CUMA), Centre for Community Finance Europe (CCFE) and Credit Union Advisory Committee (CUAC) to confidentially explore their views on collaboration amongst credit unions. All stakeholders went to considerable lengths to discuss various issues pertaining to collaboration and their concerns, with the Working Group. They were all extremely receptive and supportive and gave their time freely. This element of the paper consolidates and details the main concerns and observations of the stakeholders.

A total of 16 concerns/observations were identified. These are detailed in Table 1, although not in order of priority.

Table 1

Stakeholder Views: Concerns and Observations

	Concerns and Observations
1.	Collaboration is the key to survival for small and large credit unions in order to manage and reduce risk by sharing.
2.	There is limited knowledge or experience of formal structured approaches to collaboration within the credit union sector.
3.	Collaboration can assist critical mass for large scale initiatives.
4.	Formal (legal) arrangements should be put in place for shared service collaborations.
5.	The credit union sector epitomises and embraces co-operation and a graduation to collaboration should be achievable.
6.	Due diligence should be carried out in all serious collaborations.
7.	There is very little formal relationship management practiced in credit unions except in the context of suppliers and outsourcing.

8.	It is recognised that collaboration is a significant feature of credit unions in more mature markets.
9.	CUSO's (or CUSP's) are a good example of collaborative mechanisms.
10.	Many credit union executives have the skills necessary to collaborate informally.
11.	The first part of collaboration is understanding the needs of members and delivering services in the most effective and efficient way possible.
12.	The cost of providing on-line services is prohibitive. The answer is collaboration and cost sharing.
13.	Credit unions see themselves as complete 'stand-alone' units.
14.	Collaboration will not happen without informed leadership.
15.	Not all collaborations require a formal project management.
16.	Collaboration requires 'giving up something' whereas co-operation does not.

2.1 Commentary on Stakeholder Conversations

Consensus

There is a broad consensus within the credit union sector that collaboration is advisable and necessary to ensure the continuing viability of credit unions in Ireland. The view is held that credit unions could benefit enormously from collaborative initiatives by encouraging innovation, producing economies and scale and protecting against competitors. Representative bodies are reaching out more to their memberships but they are facing a challenge how to do this in a way which is seen as a collaborative process as the existing organisational structures do not readily accommodate the collaborative philosophy.

Knowledge Lacking

While there is not much evidence of familiarity with a formal structured approach to business relationship management, stakeholders are very receptive to the development or adaption of processes and protocols that would ensure the competitiveness of credit unions to the advantage of members. There is a recognition of a need to find a pathway to educate

Board members on the benefits of collaboration. What is lacking is communication "how" this could be achieved and to dispel the fears that transfers of engagement are the only option.

Barrier to Innovation

There is wide recognition that credit unions see themselves as stand-alone organisations and, possibly due to common-bond and control issues, they lack the impetus for serious collaborative ventures. Further, not all stakeholders advocate a formal structured approach and there is a view that the innate collaborative talents within some credit unions are sufficient to drive collaboration efforts. Concerns were raised that a structured approach would act as a deterrent to business model development and that small groups of like-minded credit unions, potentially engaging third parties would be preferable.

Relationship Risk

There is recognition that most collaborations fail (over 80%) so relationship risk assessment is essential, poor relationship management being the primary cause of the failure of most collaborations. There is a noticeable absence of relationship management plans within credit unions. This is probably due to a lack of understanding of the implications of working successfully within collaborative ventures in credit unions. Credit Unions are accustomed to working independently and within their own communities. Training and educating credit union leaders in the benefits and attributes of successful collaborative processes would greatly advantage the sector. The process of creating relationships fosters a shared sense of values and positive behaviours which help to develop effective leadership.

Showcase of Success Stories

There is good feedback on and knowledge of some examples of contemporary collaborative projects in Ireland. These examples are cited as a way forward for credit unions to gain competitive advantage.

Exit Strategy

Strategies, including exit strategies, must be embedded in the collaborative process. We see this a providing clarity and re-assurance to stakeholders from the outset.

Level of Collaboration will vary

Business model development within credit unions can only be achieved with at least some degree of collaboration (with other credit unions, suppliers, outsource providers).

Education

While innate collaborative characteristics are evident in credit union leaders these are not sufficient to deliver a full 'start to end' collaborative process. Other supports are necessary. There is good feedback on and knowledge of some examples of contemporary collaborative projects in Ireland. These examples are cited as a way forward for credit unions to gain competitive advantage.

3. Collaborative Capacity Self-assessment Survey

CEOs on the Steering Group and other stakeholders were given a specific Collaborative Capability Self-assessment Survey, provided courtesy by the Institute of Collaborative Working, to complete.[9] This self-assessment survey is used to identify strengths and weaknesses of respondent credit unions in embarking upon collaborative initiatives and to gauge how well their existing business and collaboration processes might support effective collaboration.

These CEOs were asked to undertake the Collaborative Capability Self-assessment Survey from the perspective of their credit union. Although not all participating CEOs completed and returned the Survey, sufficient returns were made to make a reasonable assessment of the status of collaborative capacity in credit unions. The participating CEOs represented credit unions from different asset classes, different common bond types (industrial, community) and from rural and urban areas. It is therefore reasonable to assume that the results that emerged give a relatively balanced overview of collaborative capacity within the sector.

Rather than report results for individual credit unions the decision was taken to present findings for a notional 'average credit union'. Each of the 77 questions in the survey were ranked on a five point scale from A (most favourable) to E (least favourable). An average score was then calculated for the participating credit unions for each of the 77 questions, which represents the score for the average credit union.

3.1 Application of the Collaborative Capacity Self-assessment Survey

The results for the 'average credit union' are reported in Table 2. These are the survey results under categories of requirements for collaborative business relationship

[9] We acknowledge the support of the Institute for Collaborative Working in providing the Collaborative Capability Self-assessment Survey free of charge to the CEO Forum. https://instituteforcollaborativeworking.com/

management- Context, Leadership, Planning, Support, Operational Lifecycle (each of 8 stages), Performance Evaluation and Improvement. A further (15th) piece of output is provided in the form of an 'Overall Assessment'. Column 1, Table 2 details the various relationship management requirements in each category under consideration while the second column documents the commentary from the Collaborative Capability Self-assessment Survey based on the score identified for the 'average credit union', the third column gives the ranking from A to E assigned in relation to each category.

Table 2

Detailed Assessment Output: 'Average Credit Union'

Column 1	**Column 2**	**Survey Score**
The Standard (ISO 44001)	**Survey Findings**	
Context of the Credit Union • Collaborative Strategies Roles and Responsibilities identified • Governance structure in place Identified vision, values and behaviour (Team Charter)	Collaborative working is mainly a **reactive** position where it is seen as necessary to **meet specific needs.**	C
Leadership • Leadership & Commitment • Policy • Roles & Responsibilities Management Governance Structure Senior Executive Responsible	Collaborative working is **encouraged**, but **a strategy is only partially deployed**. There is senior support but **no consistent approach.**	C
Planning • Opportunity & Risk evaluation Collaborative objective & plan to achieve them Define potential benefits that might be realized	When **threats and opportunities with collaborative working** arise, they will be addressed.	C

Support Resources Recognise necessary competency & behaviour • Awareness of Collaboration Strategies & policy Recognise need for good communication • Documented Information	There is a **reactive focus** towards poor behaviours.	D
Operational Lifecycle		D
Awareness (Stage 1)	Collaborative working is addressed **reactively** - i.e. only when requested by other parties or on an ad hoc basis	D
Knowledge (Stage 2)	Collaborative working approaches are **not planned**, but some activity is undertaken reactively or ad hoc.	D
Internal Assessment (Stage 3)	There is some **limited evidence** of assessing strengths and weaknesses on ad hoc or reactive basis	D
Partner Selection (Stage 4)	There is some **limited evidence** of assessing strengths and weaknesses on an ad hoc or reactive basis	D
Working Together (Stage 5)	Appropriate relationship assessment and improvement activities are **partially deployed** across the business	C
Value Creation (Stage 6)	There is some evidence of **reacting to requests from other parties** to participate in value-adding activities	D
Staying Together (Stage 7)	Involvement in relationship improvement is **when requested, or on an ad hoc basis.**	D
Exit Strategy (Stage 8)	Exit strategy is **only considered in isolated cases** and in a reactive way (i.e. to relationship ending).	D

Performance Evaluation	As with any Management Systems approach it must be **effectively maintained**, audited and reviewed to ensure its continued appropriateness.	D
Improvement	No system is absolute, nor will it remain constant, Continual **improvement** is a key aspect of any management system and where collaboration is involved it can significantly benefit from the	D
Overall Assessment Summary	The Current inputs would suggest that the Credit Union only considers collaborative working as a **reactive approach** . Where collaboration is an aim, this position may place the credit union at a disadvantage; not only may existing internal processes and procedures constrain collaborative effectiveness,	D

3.1.1 Results Analysis and Observations

The Working Group examined the findings reported in Table 2 for the 'average credit union' in more detail and provides a gap analysis below to explain the shortfalls identified and where improvements could be made. To ease the flow of this part of the analysis, the survey findings detailed in Table 2 are repeated with some additional information also provided on the category under consideration.

1. **Context**: This section sets the overarching rationale for the adoption of a collaborative business relationship approach. This includes understanding the expectations of stakeholders, where value can be created through adoption, where in generic terms the scope of collaboration and the system requirements which will be followed.

Survey Findings: *Collaborative working is mainly a reactive position where it is seen as necessary to meet specific needs.*

Gap Analysis: *The Survey finding would suggest that the 'average credit union' falls short of the standard, as it has not:*

- *determined relevance of Collaboration in achieving its intended outcomes*
- *identified key stakeholders and their requirements as part of Business Relationship*

Management System (BRMS)[10]

- *developed the scope (boundaries) of BRMS*
- *developed BRMS*
- *determined the value-added opportunities that can be achieved by BRMS*

2. Leadership: This section outlines the key requirements for the executive level and leadership to identify the objectives for collaboration, develop and implement policies and processes, allocation of resources, ensure effective communication, assign a Senior Executive Responsible (SER) for overseeing the collaborative working and establishing a robust internal governance structure to ensure effective operations.

Survey Findings: *Collaborative working is encouraged, but a strategy is only partially deployed. There is senior support but no consistent approach.*

Gap Analysis: *The 'average credit union' has not:*

- *adopted a Collaboration Policy*
- *built Collaboration into its business processes*
- *allocated resources*
- *promoted continued improvement in collaboration*
- *assigned relevant roles for Collaboration*
- *established governance structure to support Collaboration*

Planning: Planning focuses on ensuring that effective risk and opportunity management is in place aligned to the its operational objectives and identify where these may be supported or enhanced through the adoption of collaborative working approaches, or where additional external partners may be required in order to achieve targeted outcomes.

[10] Business Relationship Management Systems like other management systems are a set of policies, processes and procedures used by an organization to ensure it can fulfil the tasks required to achieve its objectives in this case Collaboration.

Survey Findings: *When threats and opportunities with collaborative working arise, they will be addressed.*

Gap Analysis: *The 'average credit union' has not:*

- *established actions to address risk & opportunities in Collaboration*
- *established Collaborative Business Relationship objectives and plans to achieve them*
- *identified and prioritised Collaborative Business Relationships*

Support: Establishes the platform to ensure the appropriate allocation of resources with the right competence and behaviours together with reinforcing the awareness of personnel of the policies and processes to be adopted and that these are fully documented and maintained.

Survey Findings: *There is a reactive focus towards poor behaviours.*

Gap Analysis: *The 'average credit union' has not:*

- *determined and provided resources needed to support Business Relationship Management System*
- *identified the necessary competence & behaviours necessary (training needs)*
- *determined the need for internal & external communication*
- *established the necessary documented information needed*

Operational Lifecycle: In a collaborative relationship effective operation relies on specific mutually agreed joint interfaces, processes, roles and responsibilities. Here the aim is to harmonise management systems through a series of key management requirements. This part of ISO 44001 focuses on how Business Relationship Management Systems (BRMS) work in 8 stages. See Fig 2 above for the eight-stage collaborative life-cycle elements.

Survey Findings: These varied from **Awareness** "*Collaborative working is addressed reactively i.e. only when requested by other parties or on an ad hoc basis*" to **Exit Strategy**

"Exit strategy is only considered in isolated cases and in a reactive way (i.e. to relationship ending)"

Gap Analysis: The Gap Analysis falls out of not having the Context, Leadership, Planning and Support elements in practice / recognised in Credit Union

- Stage 1. CU Operational Awareness of Business Relationship Management System
- Senior Executive responsible for leadership throughout the lifecycle.
- Stage 2. CU Knowledge of BRMS and defined process for developing strategy and business case for Collaboration opportunity
- Stage 3. CU Internal Assessment Policies / SWOT / Partner Selection
- Stage 4. CU Partner Evaluation & Selection
- Stage 5. CU's working together / CU's shall establish and agree a documented formal foundation for joint working
- Stage 6. CU's collaborating should establish value creation processes / improve and set targets
- Stage 7. Staying together senior executive responsible provide oversight of collaborative relationships
- Stage 8. Exit Strategy - Disengagement / Business Continuity & evaluation of relationship i.e. lessons learned

Performance Evaluation: As with any Management Systems approach it must be effectively maintained, audited and reviewed to ensure its continued appropriateness.

Improvement: No system is absolute, nor will it remain constant, Continual improvement is a key aspect of any management system and where collaboration is involved it can significantly benefit from the knowledge and experiences of the partners.

Gap Analysis:

If Credit Unions do not have Context, Leadership, Planning and Support elements established it follows through in the survey as no evidence of Performance Evaluation or Improvement.

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Overall Assessment: The results of the self-assessment survey would suggest that the 'average credit union' only considers collaborative working as a reactive approach to member-initiated opportunities. Where collaboration is an aim, this position may place the credit union at a disadvantage; not only may existing internal processes and procedures constrain collaborative effectiveness, but they also may be evaluated by other credit unions as a weakness.

3.2 Workstream Commentary on the Collaborative Capacity Self-assessment Survey

The survey focusses on all of the steps required for an organisation to become proficient in the collaboration process. In our analysis we have chosen to average the results across all credit unions completing the survey. We expect that the "average credit union" represents a broadly true profile of structured collaboration across most credit unions in Ireland.

To set the stage for structured collaboration a number of background processes need to be completed. These are identified in the survey at a high-level and focus around (1) the capacity of the Credit Union, in its current format, to exploit collaboration propositions i.e. Context, Leadership, Planning, Support, Performance Evaluation, Improvement (2) the eight-stage collaboration Operational Lifecycle and (3) an Overall Assessment Summary.

The 'average credit union' does not score highly in the survey, which is not surprising, considering that a formal structured approach is not the norm. However, there is evidence of some strong attributes within the 'average credit union' which, although innate, contribute to a sense that collaboration may not be too far removed from the co-operation ethos practiced in credit unions generally.

Many of the answers provided by the 'average credit union' indicate that internal procedures are already there, albeit not with a formal collaborative emphasis. Much of the evidence suggests a reactive position, where procedures are designed to cater for an immediate requirement. The survey indicates a degree of capacity, and with some

modification and training, the 'average credit union' could certainly up its game to a more structured approach. The Working Group contends that this would lead to more successful collaborations.

Many of the components in the Gap Analyses (3.1.1) are the 'average credit union' specific outcomes of lack of familiarity with the structured collaborative approach, and as such could be quickly remedied with training and support.

The surveys were completed by competent credit union CEOs, all of whom have strategic plans and aspirations to improve and develop their business models. The exercise was carried out to ascertain the status of collaborative capacity, with the knowledge that none of the participants had previously adopted a formal structured collaborative approach. The Working Group is confident that with the correct supports all of the participating credit unions would significantly improve their ratings and increase the likelihood of successful collaborations.

4. Case Studies

The Working Group now reports on three case studies (Cultivate, CUDA (digital marketing project) and Member Personal Current Account Services (PAYAC)), all of which involved extensive collaboration between credit unions. In each instance a commentary is provided on the collaborative initiative from concept formulation to final outcome. The commentaries are provided by those involved in the respective projects and their articulation offers rich and informative resources for those considering (or embarking upon) a collaborative venture. The Working Group also undertook its own analysis of the three collaborative projects. The Cultivate and the CUDA (digital marketing) projects were assessed in terms of the Operational Lifecycle element of ISO 44001. For the PAYAC case study the Working Group benchmarked the project in terms of the 'principles for successful collaborative business relationship management' involved in adhering to ISO 44001.
Full and detailed case studies of the three collaborative projects have been compiled by the Working Group with input from and assistance of the project owners, which is greatly appreciated. The full case studies are provided in Appendix 2.

4.1 Cultivate

Cultivate is an initiative of 4 Galway credit unions that provides short to medium term loan opportunities built specifically around the growing needs of their farming members.

4.1.2 Cultivate - Alignment with Operational Lifecycle Stage (ISO 44001)

The Working Group undertook an analysis of the Cultivate case study by benchmarking it in terms of the Operational Lifecycle component of ISO 44001. This information is documented in Table 3. Further details of eight stages involved in the Operational Lifecycle stage are provided in Appendix 1.

Table 3

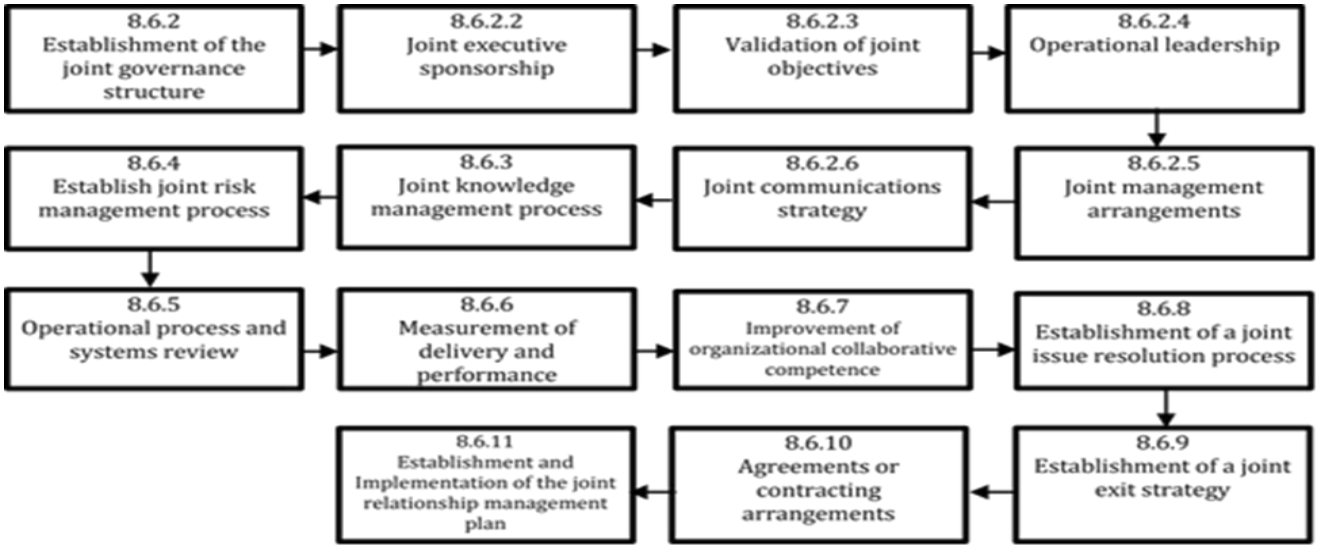
Detailed Assessment Output (Operational Life Cycle): Cultivate

Clause #	ISO 44001 Clause Reference	Cultivate – Examples of Alignment with ISO 44001
8.1	Operation Planning & Control	Credit unions planned and controlled the process throughout
8.2	**Operational Awareness (Stage 1)**	
8.2.2	Duties of SER	CEO's and other staff showed leadership
8.2.3	Application and validation of Governance structure	Boards empowered CEO's to explore the potential value of Collaboration
8.2.4	Identification of operational objective & value	CU's and boards established that Strategic objectives would be enhanced by collaborative working approach / CU's board agreed and signed off on agreed mandate for the collaboration
8.2.5	Establishment of value analysis process	CU's identified and documented the value added in the collaborative approach
8.2.6.2	Planning for operational collaboration	CU's produced a plan when they considered collaborating, e.g. Objectives, Identify risk, market analysis;
8.2.8	Initial risk assessment	CU's identified the risk associated with collaboration
8.3	**Knowledge (Stage 2)**	
8.3.2	Strategy & Business Case	CU's developed strategy & Business case for the collaboration.
8.3.2.2	Identification of specific relationship objectives	Mountbellew Agri college.
8.3.2.4	Identification of potential collaborative partner organisations	Key stakeholders, Mountbellew Agri College, Visualyse software Strategic fit
8.3.3	Identification of key individuals' competence and behavior	Market research CU's Business Development Officers.
8.3.6	Implementation of risk management process	CU's reviewed risk register regularly.
8.3.6.3	Risk Ownership and mitigation	Cultivate Risk Register identified risk owners and possible mitigants.
8.4	**Internal Assessment (Stage 3)**	
8.4.3	Assessment of strengths & Weaknesses	CU's identified weaknesses from market research and stakeholder meetings
8.5	**Partner Selection (Stage 4)**	
8.5.2	Nomination of potential partners	CU's identified that geographical CU's in Galway gave potential partners
8.5.6	Assessment of Joint objectives	CU's agreed structured appraisal of the mutual objectives by all boards signing same mandate;
8.5.8	Selection of preferred partners	As above sign off agreed mandate
8.6	**Working Together (Stage 5)**	
8.6.1	General	See below Fig 3
8.6.2.2	Joint Executive sponsorship	CU's identified CEO's who ensured mutual agreement to support the collaborative approach.

8.6.2.3	Validation of joint objectives	CEO's validated key objectives and core principles (Charter) which were to govern the development of the collaboration project
8.6.2.4	Operational leadership	CEO's assessed and appointed SME to deliver desired outcomes.
8.6.2.5	Joint management arrangements	Joint management team was established, comprised of CEO's.
8.6.2.6	Joint Communication strategy	CU's recognised that good communication to internal and external partners was critical.
8.6.4	Establish joint risk management process	CU's established and recorded the process to be used for risk management within the processes. CU's appointed competent person.
8.6.5	Operational process and systems review	CU's identified that Loans officers needed specific training in this area;
8.6.6	Measurement of delivery and performance	CU's audited themselves against policy.
8.6.7	Improvement of organisational collaborative competence	Lesson learned - could have done more in this space.
8.6.8	Establish of a joint issue resolution process	CU's agreed dispute resolution process.
8.7	**Value Creation**	
8.7.2	Establishment of the Value creation process	CU's business case
8.7.4	Use of learning from experience	CU's Cultivate lending officers meet regularly.
8.8	**Staying Together (Stage 7)**	
8.8.2	Oversight by the SER	CEO's oversaw the project to ensure stayed on track
8.8.3	Management of the joint relationship	CU's management team ensured each CU operated their part of the agreed governance process.
8.9	**Exit Strategy Activation (Stage 8)**	

The Green shaded area above signifies the point at which the four founding credit unions commenced working together as a Collaborative Project – see Figure 3 recommended pathway below

Figure 3 Working Together Pathway © Institute for Collaborative Working



4.1.3 Workstream Commentary on Cultivate Case Study

The Working Group assessed the Cultivate project in terms of the Operational Lifecycle stage of ISO 44001. The objective was to see how closely the Cultivate project aligned to this stage of the standard. This is not a critique of the project or its participants but an attempt to gather empirical evidence to support, or otherwise, the contention that a structured approach to collaborative working is beneficial to the credit unions.

In the ***Operational Awareness*** (Stage 1) element the Cultivate project participants had a close alignment to the recommended actions in the Standard. Good cohesion is identified as the various boards mandated to collaborate with each other. The comments from the group on their formative efforts are revealing and suggest a good working relationship.

The interaction with stakeholders is exemplified in ***Knowledge*** (Stage 2) where the Cultivate project broadened its horizons. The credit unions seemed to have a very good grasp of the importance of knowing their market and the choice of reliable partners.

The ***Internal Assessment*** (Stage 3) alignment is less prevalent and this is more than likely due to the more formal methods contained in the Standard. Nevertheless the market research and stakeholder meetings contributed to the mitigation of identified weaknesses.

The ***Partner Selection*** (Stage 4) element indicates good practice by all participating credit union boards agreeing mutual objectives.

The ***Working Together*** (Stage 5) element is perhaps the most revealing aspect of the alignment exercise. Excellent (albeit) innate adherence to the standard is noticed with practical application of the standard featured in a number of actions e.g. a Charter, appointment of SME to deliver outcomes, joint risk management practices and agreed dispute resolution process. It is interesting that in the Improvement of Organisational Collaborative Competence Element the Cultivate project team maturely observe - "*lesson learned – could have done more in this space*" identifying that a structured review or audit of the collaboration would possibly have resulted in further Collaborative projects.

In the ***Value Creation*** (Stage 6) element some adherence to the standard is suggested, with the Business Case and follow up meetings evidenced.

The ***Staying Together*** (Stage 7) element also exhibits some adherence with oversight and management of the joint relationship described.

The Cultivate Team had a high natural disposition towards collaboration which worked well in many aspects. A good alignment with the standard was displayed especially in the Working Together element. The Working Group commend the efforts of those involved and it is revealing how close to the standard in many aspects the project was. The hindsight observations above, by the project, are frank and reflective and pose the question that if there had been more close alignment with the standard would there have been less frustration in the process? Nevertheless, as the project team suggests "*Cultivate has been a great success in Galway with total farm loans increasing from €3 million in 2016 to over €9.3 million today. The Galway pilot project has provided the example for other credit union groups to follow.*"

4.2 CUDA Digital Marketing - Alignment with Operational Lifecycle

The Working Group undertook an analysis of the CUDA Digital Marketing case study by benchmarking it in terms of the Operational Lifecycle component of ISO 44001. This information is documented in Table 4. Further details of the eight stages involved in the Operational Lifecycle stage are provided in Appendix 1

Table 4

Detailed Assessment Output (Operational Life Cycle) – CUDA Digital Marketing

Clause #	ISO 44001 Clause Reference	Digital Marketing- Examples of Alignment with ISO 44001
8.1	**Operation Planning & Control**	Steering committee responsibility
8.2	**Operational Awareness (Stage 1)**	
8.2.1	General	Agreed to collaborate for specific project
8.2.2	Duties of SER	CEO's or their designated key personnel
8.2.3	Application and validation of Governance structure	CEO's acting on board mandates

8.2.4	Identification of operational objective & value	CEO's reporting concept back to boards which endorsed involvement
8.2.5	Establishment of value analysis process	CU's identified and documented the value added in the collaborative approach
8.2.6.1	Verification of collaborative approach	Endorsement by respective boards
8.2.6.2	Planning for operational collaboration	Participating CU's planned to include this collaboration in their operations
8.2.8	Initial risk assessment	CU's recognised the risks and decided to get on with growing business opportunities
8.3	**Knowledge (Stage 2)**	
8.3.1	General	CU's saw that some members, especially younger members, wanted to engage with their credit union online and that market leading technology is a fundamental requirement for credit unions to provide accessible credit into the future
8.3.2	Strategy & Business Case	The strategy included understanding best practice
8.3.2.1	Define process for developing strategy and business case	Steps to proceed with the project were agreed
8.3.2.2	Identification of specific relationship objectives	Solution Centre acted as the conduit in the relationships
8.3.2.3	Implementation of the value analysis for a specific opportunity	Single version of loan process developed by the CU's
8.3.2.4	Identification of potential collaborative partner organisations	iReach, Google, Facebook, Instagram, and later Microsoft, IDPal
8.3.2.5	Development of initial exit strategy	Contractually based
8.3.3	Identification of key individuals' competence and behavior	CEO's informed of key resource credentials in advance of each stage
8.3.5	Supply chain and extended enterprise risks and opportunities	The project research led to the development of the Affordability Calculator
8.3.6	Implementation of risk management process	At each stage the risks were assessed
8.3.6.3	Risk Ownership and mitigation	Risk ownership rested with the participating CU's. Mitigation rested with Solution Centre.
8.4	**Internal Assessment (Stage 3)**	
8.4.2	Capability and environment for collaboration	While the project was facilitated by Solution Centre, the appetite for development came from the participating CU's, especially the CEO's
8.4.5	Appointment of collaborative leadership	The SER function was carried out by participating CEO's or designated personnel
8.5	**Partner Selection (Stage 4)**	
8.5.2	Nomination of potential partners	Initial partner selection was via like-minded participating CU's
8.5.4	Development of engagement and negotiation strategy for collaboration	Facilitated by Solution Centre
8.5.5	Initial engagement with potential Partners	Expert resources were recruited to establish a Digital Marketing Shared Service facility. This expertise identified potential partners.
8.5.6	Assessment of Joint objectives	Each stage was communicated back to the individual CU's for agreement to further participate
8.5.8	Selection of preferred partners	Via expert referrals
8.6	**Working Together (Stage 5)**	

8.6.1	General	The participating CU's, facilitated by the Solution Centre, were committed to the development of a contemporary loan process
8.6.2	Establishment of the joint governance structure	Steering Committee arrangement
8.6.2.2	Joint Executive sponsorship	Voluntary participation in the project assumed mutual agreement to support the collaborative approach.
8.6.2.3	Validation of joint objectives	Mutually agreed objectives were proposed and validated.
8.6.2.4	Operational leadership	Solution Centre arranged resources with the agreement and endorsement of the CU representatives
8.6.2.5	Joint management arrangements	Steering committee
8.6.2.6	Joint Communication strategy	Channeled via Steering Committee
8.6.3	Joint knowledge management process	Sharing of developments and initiatives was a fundamental component of the collaboration
8.6.4	Establish joint risk management process	Risk ownership rested with the participating CU's. Risk Identification and Mitigation rested with Solution Centre. Compliance and risk were critical components.
8.6.5	Operational process and systems review	The digital marketing service is contractually based with clearly defined roles and responsibilities.
8.6.6	Measurement of delivery and performance	Pre-implementation success was measured by achievement of agreed project milestones. Post-implementation performance was gauged on metrics of participating CU's loan books.
8.6.7	Improvement of organisational collaborative competence	The experience from this project is to take a phased approach.
8.6.8	Establish of a joint issue resolution process	The service was contractually based
8.6.9	Establishment of a joint exit Strategy	Termination was included in the contractual Obligations
8.6.9.4	Management of staff	Solution Centre was responsible to the steering committee for resource allocation and terms.
8.6.10	Agreement or contracting arrangements	Solution Centre was responsible to the steering committee for resource allocation and terms.
8.7	**Value Creation**	
8.7.1	General	By working together the participating credit unions now had alternatives to entice the consumers heretofore being lost to credit unions.
8.7.2	Establishment of the Value creation process	It was agreed to engage with a Company experienced in innovating, prototyping, testing and measuring the value.
8.7.3	Identification of improvement and setting of targets	Post-implementation performance was gauged on metrics of participating CU's loan books. Experience from the project led to further initiatives
8.7.4	Use of learning from experience	Experience from the project led to further initiatives e.g. Affordability Calculator, Tablet channel, FinTech white papers.
8.8	**Staying Together (Stage 7)**	

8.8.1	General	As the initiative was developed by a group of like-minded credit unions which had similar developmental ideals it was believed that the agreed contractual arrangements would lead to a cohesive project.
8.8.2	Oversight by the SER	The steering committee oversaw the project
8.8.3	Management of the joint relationship	CU representatives on the steering committee managed the relationship with the Solution Centre.
8.8.5	Continual value creation	Experience from the project led to further initiatives e.g. Affordability Calculator, Tablet channel, FinTech white paper
8.8.6	Delivery of joint objectives	The achieved objectives were to the mutual benefits of any participating credit union.
8.8.7	Analysis of results	The results are reflected in the increase in the participants' loan books and the metrics are transparent and available.
8.8.9	Maintenance of joint exit strategy	Termination was included in the contractual obligations
8.9	**Exit Strategy Activation (Stage 8)**	
8.9.1	General	Termination was included in the contractual obligations.
8.9.3	Business continuity	The business continuity responsibility rests with the Solution Centre
8.9.5	Future opportunities	Various projects have emanated from the digital marketing initiative including a Digital Transformation Roadmap which has led to further digital collaborative initiatives.

The Green shaded area above signifies the point at which the four founding credit unions commenced working together as a Collaborative Project – see Figure 3 recommended pathway above

4.2.1 Workstream Commentary on CUDA Digital Marketing Case Study

The Working Group assessed the Digital Marketing initiative ("the initiative") using the criteria of the Operational Lifecycle. The objective was to see how closely the initiative could be aligned to the ISO 44001 Standard in terms of the eight stages of the Operational Lifecycle and to draw conclusions. This is not a critique of the initiative or its participants but an attempt to gather empirical evidence to support, or otherwise, the contention that a structured approach to collaborative working is beneficial to the credit unions.

From Table 4 it is evident that a close alignment is displayed in the ***Operational Awareness*** (Stage 1) element. Participating credit unions mandated staff or designates to represent

them on the initiative. This initiative had a specific purpose i.e. to explore innovative approaches to service delivery or member experience. Defining the outcome rested with the initiative's participants.

For this initiative to succeed the ***Knowledge (***Stage 2) element played a crucial role. The essence of the initiative was to create concepts. From the case study it is evidenced that many of the Stage 2 steps were incorporated into the initiative e.g. single version of loan process, extended opportunity recognition etc.
The initiative, fortuitously, already had an environment for collaboration, fostered by the participants and encouraged by the Solution Centre. This led to achievement of some of the features of Stage 3 – ***Internal Assessment***.

Most of the ***Partner Selection*** (Stage 4) element features were achieved which indicates a relatively good fit with the standard. The engagement of experts to propose prospective partners worked well.

In the ***Working Together*** (Stage 5) element the initiative achieved a very close alignment with the standard. This element is hugely important as it formalises the ongoing relationships. The contractual obligations helped here as did the formal structure and reporting.

The ***Value Creation*** (Stage 6) element was demonstrated by the achievement of several features of the standard notably "Establishment of the Value creation process" and "Use of learning from experience".

Staying Together (Stage 7) is an important element where the initiative demonstrated cohesion and as termination was included in the contractual obligations ***Exit Strategy Activation*** (Stage 8) was closely aligned.

The Digital Marketing Initiative participants were willing to collaborate from the start. This was a major advantage. The group exhibited a natural leaning towards a collective outcome and, facilitated by the Solution Centre, managed (although unaware) to achieve a close alignment with the Operational Lifecycle (ISO 44001 – Clause 8). The Working Group noted the hard work which went into this initiative and the spin-off effect

which it created by further developments i.e. Digital Transformation Roadmap, FinTech White Papers etc.

4.3 Member Personal Current Account Services (MPCAS) Case Study

6 credit unions established PAYAC Services CLG ('PAYAC') as a legal entity in February 2016 to provide current accounts, debit cards and related services to credit union members. The company assists credit unions in obtaining regulatory approval and developing, implementing and providing ongoing support for payment account services. This includes setting policies, procedures, operating standards and negotiating third-party services and outsourcing arrangements on behalf of participating credit unions.

4.3.1 MPCAS Case Study - Workstream Commentary

The capacity for collaborative partnerships to deliver intricate projects that involve multiple stakeholders continues to gain increased recognition. Collaboration is an essential part of the ongoing provision of MPCAS and the project to establish PAYAC. Participating credit unions must ensure operational standardization of MPCAS in collaboration with other approved credit unions which shall be arranged through a shared service arrangement. Collaborative competence among credit unions is a prerequisite to the successful management of comprehensive current accounts projects. In this case analysis, PAYAC's compliance with ISO 44001 is examined to determine how well it has established collaborative working with credit unions. The PAYAC case study provided a relatively rare opportunity of assessing a formalised collaborative structure through the prism of the 12 Principles for Successful Collaborative Business Relationship Management proposed by the Institute for Collaborative Working (ICW) (2019), see Table 5. This is why the Working Group decided to use a different methodology in reviewing and assessing this case study.

TABLE 5 Principles for successful collaborative business relationship management

ISO have published ISO 44000 to provide high level guidance to the implementation of ISO 44001 identifying the key principles which thread through the management standard and link clauses across the life cycle of relationships:

1	Relationship management	Identifying and maintain a focus on those relationships which will enhance performance through collaboration
2	Visions and values	Understanding the importance of aligning internal values and culture with those of external partners
3	Business objectives	Building, developing and implementing collaborative strategies which have clear goals and business case
4	Collaborative leadership	Developing appropriate leadership approaches that will support collaborative ventures
5	Governance and process	Implement internal processes to support collaborative working and appropriate management structures with partners
6	Collaborative competence and behaviours	Developing collaborative skills, identifying and managing behaviours across the collaborative partnerships
7	Trust and commitment to mutual benefit	Maintaining an environment which builds trust and encourages a joint focus on mutual benefit
8	Value creation	Implement approaches which encourage continual improvement and the creation of added value
9	Information and knowledge sharing	Implement and maintain processes to identify effective knowledge management which supports desired outcomes
10	Risk management	Establish and share effective joint risk management approaches which include the impacts of relationships
11	Relationship measurement and optimization	Implement and agree appropriate measurement processes that allow joint monitoring of behaviours and performance
12	Exit strategy	Evaluate long term implications of collaborative relationship and incorporate those of the partners

Courtesy of The Institute for Collaborative Working

Relationship management

ISO 44001 guarantees high-level principles designed to enable partnering firms to identify and focus on relationships that can improve performance through collaboration. PAYAC has developed effective standards for relationship management. In effect, PAYAC appears to appreciate the significance of standardising processes in how the partnering credit union should relate with each other, in this collaborative relationship. Under PAYAC's standardisation rules that are anchored in the Member Personal Current Account Services (MPCAS) approval, all partnering credit unions are expected to work closely and to cooperate optimally with other credit unions while implementing MPCAS. This makes sure that there is a shared consensus on how each partnering credit union should implement operational standardisation. Ultimately, shared consensus can maximize collaboration and improve performance through collaboration.

Visions and values

At the centre of collaborative work is ensuring the alignment of internal cultures and values across the partnering firms. The significance of aligning the internal cultures and values of credit unions is not evident in the case study. Hence, this part of ISO 44001 appears to have not been adequately addressed. PAYAC concentrated on the shared business goals of the credit unions and focused on attaining successful financial relationships. This seems to have been the approach that the six credit unions used in 2016 when they came together to identify an opportunity for collaboration. Ultimately, the six articulated their visions and values in the statement: "The real value and nucleus of the financial relationship with members pivots around the current account relationship, came together to explore the possibility of offering full-service current accounts to credit union members" (PAYAC Services, 2010).

Business objectives

Developing business objectives is critical for project management, as it allows partnering firms to develop and execute their collaborative strategies based on shared goals and in anticipation of shared business experiences. PAYAC's capacity to develop shared visions and values for partnering credit unions made it possible to derive shared business objectives. Indeed, PAYAC seeks to ensure that current account services become feasible for partnering credit unions. Additionally, partnering credit unions should cooperate and execute "strategic outsourcing arrangements" to cut costs, attain economies of scale, and provide "competitive standardized services to customers." On this basis, PAYAC aims to offer several services, such as card fraud monitoring, card activation, card deactivation, card ordering, stand-in processing, handling stolen and lost cards, and plastic issuance.

Collaborative leadership

Leadership is critical to ensure that all the partnering firms are influenced and adequately motivated to attain a preconceived vision or the bigger picture. The CEO of PAYAC Services, seeks to ensure collaborative leadership by putting collaborative ventures at the centre of PAYAC's business model. The model encourages partnering entities to embrace the vision of credit union collaboration. By supporting and mentoring approved credit unions to embrace collaborative leadership, the CEO has managed to create and sustain the ethos of collaboration at PAYAC. In this way, the CEO seeks to ensure a

successful collaborative implementation of MPCAS and a consequent resilience, reliability, and stability of the MPCAS.

Governance and process

ISO 44001 requires that there have to be sufficient internal mechanisms for supporting collaborative working. At the same time, there has to be relevant internal management that is specifically designed to ensure that the partnering firms and all other stakeholders are aware of the reporting mechanism or protocol. PAYAC has a predefined governance structure that provides a reporting mechanism for all partnering credit unions. It has a Membership Agreement and a Constitution that governs how PAYAC should relate with the partnering credit unions. For instance, the Constitution specifies the number of votes each credit union should have. PAYAC's Board is made up of seven Directors, whereby six of them are elected by partnering credit unions. The organisational structure begins with the CEO, who reports to the Board. It is also made up of a team of managers and administrative staff, who report to the CEO.

Collaborative competence and behaviour

The ISO 44001 requires that for a collaborative relationship to be effective, all partnering firms should invest in relevant collaborative skills, identify the requisite skills needed for a project, and manage members' behaviours to ensure alignment with shared project goals. PAYAC has sought the intervention of CBI to develop a structure that regulates the services it offers to ensure quality services. It has also developed processes for approving credit unions to ensure that they hire competent staff and ensure quality services, under Section 48 of the Credit Union Act. There is, however, no indication in the case study as to how the collaborative skills within the partners are measured.

Trust and commitment to mutual benefit

ISO 44001 also requires participating organizations or firms to create and maintain trusting relationships and an environment where they can jointly focus on attaining mutual rewards or benefits. At the heart of PAYAC's operation is ensuring trust and commitment through joint management as a panacea to increasing the performance of a collaborative partnership and create value for all approved credit unions.

PAYAC seeks to promote this through its operating principles relating to shared services, by ensuring that partnering credit unions provide direct funding in ways that are equitable, transparent, and fair. It also requires that all participating credit unions comply with the MPCAS standardisation process to ensure shared input and output.

Value creation

Value creation is also a critical factor for a successful collaborative partnership. ISO 44001 requires partnering organizations to develop and apply approaches that can guarantee continuous improvement and consistent value-addition to all members. PAYAC seeks to create value for all partnering credit unions. PAYAC continually supports and monitors innovation and continual improvement to ensure value creation through collaboration. It frequently undertakes market research to determine the value of its innovative services, and to improve the services based on customer demands. For instance, it hired Orchard Agency and Amárach Research to investigate consumer attitudes towards a credit union's current account and their usage behaviours. Such studies enabled it to diversify participating credit union's income streams.

Information and knowledge-sharing

Partnering firms should also apply and sustain processes for ensuring efficient knowledge management to ensure that all partnering firms are equipped with relevant information. This can ensure consistency in knowledge shared and focus on attaining predetermined goals. In the case of PAYAC, the issue of information sharing, and knowledge-sharing is addressed through a reporting system that ensures that partnering credit unions are equipped with relevant information regarding how PAYAC performs. There are no other formal structures such as "Account Management, Account Services, Interfaces and Reporting" that have been put in place to ensure information-sharing so that all partnering credit unions exploit joint knowledge.

Risk Management

The partnering firms should also develop and share risk management approaches that will be used across the multi-stakeholders' projects, including risks associated with collaborative workings. PAYAC handles risk management through MPCAS Business Model Risk, which is expected to mitigate several risks related to collaboration with other

approved credit unions. It defines and seeks to put into practice a common risk management framework that is anchored in the standards needed for effective business practice. It is also expected to handle service viability risks as well as to mitigate the risks of losses that may come with partnering with credit unions.

Relationship measurement and optimisation

ISO 44001 requires that partnering firms should develop and agree on relevant measurement processes that could ensure that performance and behaviours are monitored jointly. At PAYAC, collaborative relationships are sustained through effective joint management at the operational level. For instance, PAYAC requires that participating credit unions function as the primary providers of everyday financial services to their customers. It also requires that the credit unions "own the member front-end experience." This is crucial, as it ensures that participating credit unions provide sustained support and focus, and that the relationship is continually dynamic.

Exit strategy

ISO 44001 requires partnering firms also to assess the continuing effects of collaborative partnerships and integrate those of all the partnering firms. PAYAC undertakes security and scalability assessment of its credit unions to determine gaps in their systems of operation that can trigger a fall-out or disengagement and addresses them jointly with other members. PAYAC understands that a lack of trust can trigger an exit. To prevent likely exit of any credit union, PAYAC concentrates on building trust among members based on "mutual benefit and equitable reward." Accrued losses are another reason for the exit. Hence, PAYAC encourages compliance with MPCAS standardization to mitigate the risk of losses.

Conclusion

PAYAC has relied on a collaborative partnership to develop a shared services facility capable of supporting credit unions in the delivery of current account services and facilitation of collaboration among partnering credit unions firms. PAYAC has developed effective standards for relationship management. In effect, PAYAC appears to appreciate the significance of standardising processes in how the partnering credit union should relate. Overall, it has adequately complied with many of the 12 stages that the ISO 44001 recommends for a successful collaborative relationship.

In summary, the Collaboration Workstream members recognise that the standardisation of the collaborative working relationships and the mitigation of Relationship Risk between the PAYAC owner members is at a sophisticated level. It is but a short distance away from compliance with the ISO 44001 Standard. Therefore the Working Group would respectfully recommend that the PAYAC credit unions might consider aiming to achieve full ISO 44001 Standard certification.

5. Workstream Conclusions & Recommendations

5.1 Concluding Observations

While credit unions and their CEOs recognize the need to collaborate to protect the sustainability of the credit union movement, to provide contemporary services to members and to compete with other financial service providers the 'how to' methodology for achieving this aspiration is not included in credit unions' strategies. A view, which was noted among credit unions, that a formal route to collaboration is difficult, needs to be dispelled.

A dedicated resource is needed to take a leadership role in fostering a collaborative culture among credit unions and to support the consistent interpretation and implementation of collaborative frameworks.

As a result of these findings the Working Group will seek to establish a central resource dedicated to research, training and promotion of collaboration ventures among credit unions in Ireland. This Central Resource/ Co-ordinator will be a key initiative to emerge from the Collaboration Workstream of the CEO Forum.

5.2 Role of the Central Resource/Co-ordinator

The Standard needs to be supported through the creation of a central resource to support its consistent interpretation and implementation. It is expected that the nature, structure and role of the Central Resource will evolve over time and subject to the needs and demands of the credit union community. The early focus of the Central Resource would however be concentrated on the promotion of the Standard, by providing and co-ordinating training and through engagement with stakeholders to foster a culture of strategic collaboration.

For example, Phase II of the Central Resource's role is expected to continue to champion collaboration but could involve the creation of a CUSP like structure, to support delivery of certain initiatives, including provision of project management advice and legal supports. It is acknowledged that the Central Resource will need access to a network for support and to a platform from which to operate. The role could potentially be fulfilled in partnership with CUMA as it aligns to CEO led nature of the initiative and builds on the Meitheal approach of

credit unions supporting each other. The Central Resource would be charged with seeking to resource itself as appropriate as it develops and the method of funding will be determined down the line.

Some of the functions to be performed by or through the Central Resource are:

- Define the mission and vision for collaboration
- Provide education on the Standard as the chosen structured approach
- Coordination of training and its delivery, including electronically, across the sector
- Promote structured credit union collaboration
- Provide a forum to share knowledge & experience
- Develop a roadmap for creating a Collaboration Community
- Identify a Pilot Project
- Source Funding & resourcing for a Collaboration Community
- Facilitate cross-sharing by setting up a Strategic Partnership Database
- Support the consistent application and interpretation of the Standard

For example, as an initial task it is proposed that the Central Resource will contact credit unions, individually, to provide them with the final paper prepared as part of the work of the Collaboration Workstream. This paper sets out the extensive research conducted by the Working Group together with their findings and conclusions. The Central Resource will also seek feedback from all credit unions, perhaps using a questionnaire or survey, to gain an understanding of how open each credit union is to collaboration and to developing collaborative business relationships. The feedback provided could be used to form the basis of a collaboration database maintained by the Central Resource of all collaborative efforts existing or underway by credit unions. The Central Resource can use this information for:-

1) Identification of similar initiatives should assist in avoiding fragmentation
2) As a point of referral to similar initiatives to aid in sharing of information and effort
3) To provide advice and practical support as necessary

5.3 Recommendations

1. A formal approach to collaboration should be adopted to improve success for credit unions working together to deliver successful business model development. The Working Group recommends ISO 44001 to provide a roadmap for credit unions interested in formal collaboration to progress their business model development.

2. Credit Unions should work together to build a collaborative community. Credit unions should seek to identify like-minded partners with whom to collaborate.

3. A culture of collaboration should be fostered among credit unions, this culture should be underpinned by
   a. Embedding the Culture of Collaboration within each Credit Union,
   b. Following through to working together when Collaborative opportunities are identified, and
   c. Follow up and audit measure performance and seek to continuously improve the Collaborative Culture

   All guided by a central collaboration resource.

4. A Collaboration Central Resource/Co-ordinator should be established by the CEO Forum, whose role will be shaped by an early phase and a more mature phase. The early focus of the Central Resource will be concentrated on
   - the promotion of a collaborative culture as supported by a structured framework
   - providing and co-ordinating collaboration training
   - engagement with stakeholders to foster strategic collaboration

   The second phase of the Central Resource's role will continue to include the promotion of structured collaboration but is also expected to evolve the capacity to support delivery of certain initiatives, including provision of project management advice and legal supports and potentially through a CUSO / CUSP dedicated to a collaborative culture among credit unions.

5. Awareness of and familiarity with the chosen standard framework should be promoted to support a collaborative culture.

Appendix 1

Collaboration Operational Lifecycle Stages as per ISO44001

Stage 1 - Operational Awareness

The initial stage of the collaborative business relationship lifecycle focuses on the executives within the initiating organization and the establishment of policies for collaborative approaches when appropriate. This ensures that the rationale for adoption is clearly defined and consistent with the operation's overall business objectives while raising internal awareness to the benefits collaborative working can offer. This may require additional investment for the development and implementation, including allocation and focusing of available resources to provide maximum benefit and outcomes, or where additional external partners may be required in order to achieve targeted outcomes.

The organization may also recognize that in some cases, the adoption of collaborative approaches might not be necessary to achieve business objectives, or it may not be appropriate. Organisations may consider whether it is appropriate to proceed with the investment of resources.

To ensure that collaborative business relationships are successful they should be clearly aligned to and consistent with the organization's business objectives.

Stage 2 - Knowledge

General

During this second stage, the organization establishes a body of knowledge on which to develop specific strategies and approaches to address any identified collaborative opportunities. The aim of this stage is to fully explore the opportunities for collaboration within the context of a business case where investment and risk can be balanced against beneficial outcomes. This business case evaluation may include issues which could influence the overall strategy related to competencies, training and development, knowledge management, risk management, value analysis and initial exit strategy conditions. At this point, organizations might decide that a collaborative approach is not appropriate for the opportunity being considered.

Competence and behaviour

It is expected that each organization will have its own established competency frameworks. However, in many cases these do not embrace the skills and experience for working in a collaborative environment. Working in an integrated collaborative environment with external parties requires additional competencies that might not be part of existing experience. It is unlikely that everyone will have these skills and thus individual or group development might be necessary.

Capture, creation and sharing of knowledge

Effective collaborative relationships help organizations, both internally and externally, to create environments that encourage the sharing of knowledge and the creation of new thinking for mutual benefit.

Risk assessment

Risk management in respect to relationship management should be integrated into the overall risk management processes. The advantage that can be derived from a collaborative relationship is that many risks occur at the interfaces between organizations and once subjected to a joint assessment; the risk profile can often be optimized. The risk management processes should have appropriate resources allocated with relevant skills and experience.

Internal review

A benefit of an open collaborative approach is that the partners can share their views of risk and jointly assess which areas should be addressed.

The selection of collaborative partners might be influenced by business continuity and sustainability considerations, because an integrated relationship could transfer roles and responsibilities to third parties and impact overall compliance with values and standards.

Risk ownership and mitigation

In complex ventures, risks are often found at the interfaces between various operations, whether these are internal processes or across boundaries with external organizations. The greater the number of interdependent operations involved, the more difficult it tends to be

to manage the risk profile. Risk profiling is a multi-layered activity and should be analyzed from every practical viewpoint by the organization before taking action. In order to establish an effective risk strategy, the identification and evaluation should be completed prior to establishing an agreement.

Evaluations of the business case

The drivers for adopting collaboration will vary by organization and opportunity but should be linked to optimizing performance to deliver business objectives. Implementing collaborative programmes can impact operational practices and challenge individuals within the organization. It is therefore important to have clear focus on the rationale and benefits. The output of this strategy development stage should be incorporated into the specific business case and, where appropriate, the Relationship Management Plan should be adjusted to incorporate the specific issues relating to each opportunity.

The purpose is to provide a structured framework for the strategic development process. Areas which should be considered where appropriate include market propositions, sectors of the business activity, customer types (e.g. public or private) and geographic segments. Each specific business case should address the following items, as appropriate:

Incorporation into the Relationship Management Plan

Where no specific Relationship Management Plan has been established, this should be completed. In either case, the required approvals to proceed should be obtained and the contents communicated as appropriate across the organization.

Stage 3 - Internal assessment

General

This third stage is focused on the organization evaluating its readiness to support a collaborative approach. In developing any collaborative relationship, it is important to understand internal capabilities before defining the expectation of any external party. Acknowledging internal strengths and weaknesses ensures that the collaboration is not established with a bias towards the performance of the external partner and recognizes the mutuality of joint performance in delivering objectives.

Assessment of strengths and weaknesses

Assessment should start at the Senior Executive Responsibility (SER) level to ensure that support can be effectively cascaded through the organization. In order to build on the strengths of the organization, the level of knowledge and skills that exist within the organization need to be identified and any shortfalls need to be addressed by suitable staff development or recruitment.

Assessing whether an organization is ready for collaboration is crucial to ensuring success by determining complementary partner capabilities and internal development requirements.

Operating within a collaborative environment might not be within the experience of staff. It is important to understand the required competencies and skills in the context of the organization and its objectives and ensure that development programmes are available.

Assessment of collaborative profile

The collaborative profile can be defined as addressing the attributes, ability and attitude of the organization. This enables an organization to assess its internal development needs and present its capabilities to prospective collaborative partners.

The reputation of an organization can be significantly impacted by its approach to its supply chain and can be an influence when existing suppliers are to be considered as part of the proposed collaboration.

Appointment of collaborative leadership

Effective leadership is important to every venture. In the context of managing a collaborative relationship, the role of the collaborative leader(s) is vital. This is particularly crucial when key individuals move on or where circumstances may cause approaches to change as such competencies and skills should be periodically reassessed.

Stage 4 - Partner selection

General

This stage addresses the initiating organization's processes for identifying and selecting appropriate collaborative partners or developing, more traditional, relationships. It can

apply to external organizations or to internal groups within an organization which want to work more effectively together, i.e. not seeking external collaborative partners. It not only assesses the performance aspects of each collaborative partner, but also evaluates the way in which two or more organizations can work together with a more integrated approach for mutual benefit including meeting the objectives of each party. The organization may encourage the potential partner organizations to adopt the principles of collaborative working within their own organizations, particularly where the requirements of the framework have been identified through market engagement process. It is important to recognize during this process the need to align with and satisfy national and/or international regulations and legislation.

Development of negotiation strategy for collaboration

The nature and style of negotiation between organizations can have a lasting impact on their ability to build an open and trusting relationship. The approach to negotiation should take into account the longer-term stability of the relationships and not focus solely on short-term opportunism.

Stage 5 - Working together

General

From this stage onwards the aim is to establish a governance structure that with the selected or potential partner(s), provides a transparent management approach which will deliver the desired outcomes and foster an environment that will sustain the collaboration and drive the appropriate culture and behavior. The success of a collaborative programmer is built on the ability of two or more organizations to develop a robust joint approach where each party accepts the collective responsibility for managing an integrated delivery process and harnesses the capabilities of the partners to achieve mutually agreed objectives. A crucial aspect of this stage is the clear commitment from the leadership on all sides that will underpin the behaviour of their own people and their individual organizations in the way the partners will work together, while ensuring that any contractual arrangements are compatible with the desired approach and joint objectives. It is an integral part of the relationship that each accepts the need to support the other's objectives.

Joint communication strategy

This should include the messages for the key stakeholders (including all collaborative parties), the vision, the objectives behind the collaboration, performance, progress and how concerns will be addressed.

Joint knowledge management process

Effective sharing of information and transparency will support appropriate collaborative behaviour (including approved access to intellectual property rights, proprietary data) and the process of sharing knowledge may be used as a monitor of collaborative performance.

Establish joint risk management process

It is likely that the collaborating organizations will have their own approaches to risk management; it should therefore be established and agreed what approach will be used within the relationship.

It is important to have defined responsibility for managing the execution of the risk management process within the relationship. This person can come from either organization. The risk manager should manage the agreed joint risk management process. The term "joint" implies that each partner makes a contribution to all of the risk management activities.

The joint risk register is a key factor in integrating one or more organizations. It should capture both joint risks associated with meeting the objectives of the collaboration and those of the individual organizations. An effective collaboration is one where the parties share responsibility as far as is practical in supporting the individual risk of the partners.

The process in mitigating risks and enabling opportunities may be used as a monitor of collaborative performance.

Agreements or contracting arrangements

A joint Relationship Management Plan may be established and annexed to contractual arrangements to formalize the overall management of the collaborative relationship and

encompass the principles of collaborative behaviour. This approach may also be used to establish a common understanding across multiple contracts.

Stage 6 - Value creation

This stage addresses the need to establish processes for creating additional value through collaboration and enhanced alignment between organizations. The importance of continual improvement and innovation is established within all collaborative relationships. This is achieved by building an environment where those involved are encouraged to contribute new ideas enabling the organizations to harness the full potential of their relationship. At the same time these activities underpin a focus for working together for mutual benefit and providing one of the key indicators that measures the strength, maturity and value of the relationship.

Stage 7 - Staying together

General

This stage is focused on ensuring that the sustainability and value of the relationship is effectively maintained through the joint management of activities and performance, with critical attention to a culture of building trust through managing the behaviour of the participants. Joint management is achieved through mutually agreed measures to monitor the relationship, and appropriate action is taken to maximize effectiveness, including performance measurement, risk management, operational changes, continual improvement and, where necessary, effective use of issue resolution processes. The progress in resolving issues may be used as a monitor of collaborative performance. The progress in resolving issues can be used as a monitor of collaborative performance.

Continual value creation

The joint management team should ensure that as the relationship matures, it regularly challenges the existing state of affairs to generate fresh ideas and revitalize the relationship.

Stage 8 - Exit strategy activation

The application of joint exit strategy has helped to define the parameters of engagement and the performance measures required to meet the objectives of the parties in the collaboration. During the life of the relationship, it has ensured that knowledge sharing is not constrained by lack of clarity. By clearly defining the rules of disengagement, organizations have helped to engender a culture of openness and honesty, which recognizes changing market dynamics over time. At the end of any specific collaborative arrangement, the joint exit strategy ensures disengagement is mutually respectful and considers potential future development re-engagement where appropriate.

The joint exit strategy is a living document that is maintained throughout the collaboration. The last step in the lifecycle of a collaborative relationship is the activation of the joint exit strategy.

Appendix 2

CASE STUDIES

Case Study 1: Cultivate and Galway Credit Unions Pilot Initiative

Case Study 1: Cultivate and Galway Credit Unions Pilot Initiative

Background

In summer of 2016, a number of credit union CEOs in County Galway began informal discussions on the feasibility of developing a farm loan offering to members. The primary motivating factor for this initiative was the need for credit unions to grow their loan book. The group recognised that despite their current financial strength, credit unions must substantially change how they do business, or their long-term future is in doubt.

Demand for credit union loans had dropped in recent years. Farming was seen as a sector with potential for new members and new loans. Farming is very important in County Galway. Although many farmers were members of the participating credit unions, they did not associate credit unions with offering farm loans.

Collaboration

"*The Central Bank welcomes well-considered proposals to develop products and services to enable the credit union sector to compete and thrive into the future*" (CBI 2016).[11] Collaboration of credit unions has long been mooted as the way forward for the credit union movement. Internationally, the benefits of credit union collaboration are tangible. Collaboration generates economies of scale, enables technical expertise to be shared across credit unions, supports a wider range of products and services for small as well as larger credit unions, and offers greater stability and security within the sector. The benefits of collaboration on this project became obvious as the discussions progressed. A group of credit unions working together would offer many advantages and provide better credit solutions than working individually. The Central Bank and Registry of Credit Unions were kept informed on the initiative as it developed.

The group were enthusiastic about collaboration. They saw this particular project as providing a collaborative platform in a common loan offering. Collaboration in other products and services would follow in the future.

[11] https://centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/reports/cuac-submission-june-2016.pdf?sfvrsn=6

Commissioning of the Project

In Autumn 2016, soundings were made with other credit unions in County Galway with a view to getting the project underway. Four credit unions were involved initially – Gort, Naomh Breandain, Loughrea, St Columba's Mervue and St Jarlath's Tuam. A meeting of the group was held on August 2016 where an outline of the project was agreed. The project was then presented to the Boards of each of the credit unions which gave commitment that Agri lending and collaboration was key to the individual credit unions' strategies. They formally agreed to go ahead with the project. Ballinasloe Credit Union joined the project later. Each participating credit union agreed to contribute €5,000 to kick-start the project. The asset size of the participating credit unions ranged from the smallest credit union, Gort Credit Union, with €25m to the biggest, St Jarlath's, Tuam with €190m asset size. Outside of the €5,000 commitment fee which was common to all, costs of the project were divided and based on asset size.

Project Team

A project team comprising of the CEO's of the participating credit unions, together with marketing officers from St Brendan's and St Jarlath's made up the team. The group secured the services of an experienced former Teagasc Regional Manager who acted as facilitator and Agricultural Adviser to the team. The team were enthusiastic about the project and felt there was "massive potential" in it. As this was very much a pilot project, the process of clarifying and co-creating the project was continuous over the 7 months of the project.

Business Case

The Business Case was key. The document sets out to demonstrate the justification and expected benefits of the project. As pointed out, this initiative was seen by the group as Phase One of collaboration and that it would provide a template for collaboration in offering other products and services. The financial projections are front loaded in the document. A cost benefit analysis was carried out. Detailed research was conducted into the farming statistics and the farming business in the common bond areas. Market research was carried out. Competition in the farm lending marketplace was looked at. A

special Agri Lending Policy and Agri Loan Management Policy documents were commissioned and agreed. The group agreed on the Loan amounts up to €50,000 unsecured, interest rate of 6.75 % Apr with a loan term up to 7 years. It included a detailed Risk Assessment Policy. The Business case was presented to each credit union board for approval. Four of the five credit unions participating approved the business case. St Columba's Credit Union whose common bond is largely urban did not have enough farmers to justify their participation and withdrew from the project at this stage.

Engaging

Engaging with the key stakeholders was critical to the success of the project. Key stakeholders such as the Irish Farmers Association (IFA), Teagasc, IFAC, Mountbellew Agricultural College. Livestock Marts got enthusiastically involved. Credit unions have a particular high standing in the community, but it would be difficult for individual credit unions to get serious engagement with stakeholders. The IFA were particularly supportive. They have a vested interest in providing competition in the marketplace for their farmer members and they welcomed this initiative. They convened a meeting of a farmer focus group to give feedback on what they would see as an attractive farm credit offering. Those meetings with the stakeholders were also a great learning opportunity for credit union staff and board members. They got a great awareness of the farming business, the seasonality of farming and what was important.

Training and Up Skilling of Staff

"Credit union staff know nothing about farming "– this was the stark feedback from the farmer focus group. The project team addressed the staff training requirement as a matter of urgency. A five-day bespoke training course for credit union loan officers was organised with Teagasc in association with Mountbellew Agricultural College. The course involved interactive modules and provided the background knowledge of farming, farm enterprises and systems. This "Farm and Finance" training course provided Cultivate loan officers with the requisite knowledge to make informed farm credit decisions.

Underwriting

The group identified a suitable software application from Graphical Financial Analysis called Visualyse. This is essentially a decision support tool for credit assessment. It is designed to help loan officers make informed credit decisions. Graphic Financial Analysis provided comprehensive training for loan officers on the application.

Marketing and Branding

A marketing subcommittee took responsibility for this important element. They engaged IMS Marketing on brand design and the marketing plan. *Cultivate* was the brand name selected. In hindsight it was an inspired choice. The marketing subcommittee implemented the marketing plan. A key element of the plan was the Launch Evening. This event was attended by over 200 people which included credit union boards and staff and key stakeholders. It was a huge success.

Evaluation of the Project

The project team met weekly early on in the project. Some 20 meetings of the project team were held. This required a huge commitment from everybody on the team. Thankfully, the energy and positivity of the group prevailed. At the start, there was some resistance to loss of control, but this is normal part of team development. The group have

evolved through the four stages of team development – Forming, Storming, Norming and Performing

Comments at the evaluation meeting at the end of the project

"We learned a lot about ourselves" in coming together as a group of credit unions sharing resources, ideas, and marketing

"I learned a lot about working in a team – you won't always get your own way"

"I learned to be a better listener and have more patience"

"We were at our best at the beginning and at the end of the project - the stakeholder engagement was crucial, and the launch was massively successful"

"The participation of the full project team in the 5 Day Training Course said a lot about the commitment of the project team"

"The Marketing subgroup worked very well "

What could be improved?

Important to keep things on an even keel during the project – not getting too euphoric or frustrated at any one time

Too many meetings – huge commitment

Decisions made at meetings – some back-tracking at the next meeting wasted time and caused frustration

Work between meetings – people were slow in doing what they committed to do

With the wisdom of hindsight, the project team should have continued in existence after the launch. Completing this pilot initiative took a lot of time and energy. The launch of Cultivate should have been seen as a step, not the end of the project. Having the project team meeting regularly to discuss Cultivate issues and share best practice was necessary. Collaboration on offering other products and services has not yet materialised.

Cultivate has been a great success in Galway with total farm loans increasing from €3 Million in 2016 to over €9.3 million today. The Galway pilot project has provided the example for other credit union groups to follow. During 2018 and 2019, four additional groups of credit unions, following the same approach as the Galway group have successfully developed their projects;

- Clare West Limerick group of 5 credit unions

- North Cork group of four credit unions
- Midlands group of seven credit unions
- Kerry Cork group of six credit unions

This brings the total of credit unions offering Cultivate to 26. Much has been learned from the experience of the Galway project. While the Cultivate project process has evolved with the addition of new groups, all the key elements that made the Galway project successful (as outlined) have been retained. The number of meetings of the project team have been drastically reduced. For example, there were only seven meetings of the most recent project team, the Kerry Cork Project.

Case Study 2: CUDA, Digital Marketing Initiative

Case Study 2: CUDA, Digital Marketing Initiative

Establishing a Shared Vision

A group of like-minded credit unions, determined to deliver greater value for their respective members by delivering consumer-led services through a collaborative approach formed The Solution Centre, which is managed by CUDA. The Solution Centre was based on a concept conceived by a small group of credit union CEOs from British Columbia, Canada. The group was concerned about the ongoing viability of their respective credit union, and their credit union movement in general, due to competitive pressures and diminishing margins. Their vision was of organised and strategic collaboration, and when they launched in June 2010 they had twenty-four small and mid-sized B.C. credit unions. Today their Solution Centre is comprised of thirty-one B.C. credit unions representing all asset sizes with combined assets in excess of Cn$38billion and is being expanded across Canada.

In the 1950s, faced with massive youth unemployment, a group of people formed together around the idea that the solution to that crisis was co-operative self-employment; but there was no money with which to start and grow businesses. Speaking in 1982, Nora Herlihy, one of the principal founders of the credit union movement in Ireland said "*[the] object in promoting the Credit Union idea was to show the people how to accumulate that money from their own savings and resources*". In other words cooperate and collaborate.

So what do we mean when we talk of '[Large-scale] credit union collaboration'? – The CUDA Solution Centre group of credit unions defined it as multiple credit unions cooperating to drive scale, efficiency, and performance in core back- and front-office activities. They agreed on the following key points:

1. The traditional business model had weakened: Income was under pressure while operating expenses were increasing;
2. Competition was fierce: Credit unions' share of the reported consumer credit market was flat, while new unreported providers, e.g. PCP players, were creating a new market that was eating way at credit union core business;

3. The next generation of borrowers were not flocking to the credit union as it once did.

We witnessed new strategic trends with new entrants, new technologies, and new forms or relationship with customers altering the idea of how banking is done.

"Our busiest branch in 2014 is the 7:01 from Reading to Paddington - over 167,000 of our customers use our Mobile Banking app between 7am and 8am on their commute to work every day". Ross McEwan, CEO, Royal Bank of Scotland

The Solution Centre recognised that this required fresh thinking to identify, develop and implement new possibilities, ideas previously not seen or explored in credit unions, like innovative approaches to service delivery or member experience. It was agreed to engage with a Company experienced in innovating, prototyping, testing and measuring the value. It was agreed to partner with people with solid backgrounds in engineering, product marketing, and research and design. A steering Committee was formed. Interestingly, many CEOs empowered senior team members to take on this role. Having investigating member life stages and financial needs within each stage, and the preferred engagement medium it was agreed that energy was best expended pursuing lending initiatives aligned with the consumer preferred digital juggernaut. The vision was simple, it was *to enable Credit Unions to be the first-choice provider of fair and accessible credit.* Like all traditional financial institutions, credit unions had the added complexity of legacy core banking systems which did not immediately lend itself to enable a seamless Omni channel approach. However, the member experience took precedent and while not full end to end, the opportunity to engage more effectively, and efficiently, with the members and prospective members was seized. In other words, the group decided to get on with growing business opportunities rather than waiting until they had a 'perfect' solution. They saw that some members, especially younger members, wanted to engage with their credit union online and that market leading technology is a fundamental requirement for credit unions to provide accessible credit into the future.

Validating the Need

A nationwide survey conducted by iReach, on behalf of the Solution Centre, found that 57% of people would prefer not to meet the bank or credit union employee who will ultimately assess them for a loan, preferring instead to utilize the lender's website, phone line or the increasingly popular Smartphone App.

With a clear goal of immediate increase in lending each credit union understood which segments offered the best opportunity to successfully sell loans via digital process, they benchmarked existing solutions (e.g., AIB in Ireland, others abroad) to understand the then best practice. They then created a single version of the loan process, from the borrower's perspective, that created the earliest possible opportunity for communicating full loan approval while meeting all necessary compliance and risk safeguards were factored in. The team then defined the range, from minimum to maximum, of supports needed to implement the loan process including technical features set out in a roadmap and operations features to understand how this will fit in with credit union operations, e.g. are additional supports required to convert the leads generated?

To identify the optimal solution, recognising the degree of diversity that existed between credit unions, the team identified a business model mechanism that facilitated desk-based prototyping of initiatives to improve the design thinking of ideas – this was Osterwalder's business model canvass.[12]

The development process used a *Design Thinking* approach to validate the needs and desires or prospective users.[13] The team researched the types and number of information which will be requested and used a series of focused and un-focused groups to prove the content, format, sequencing and operational logic required to address the needs of consumers and staff. The starting point was to support the existing marketing function within credit unions by delivering highly specialised supports that would be too expensive

[12] Alexander Osterwalder (born 1974) is a Swiss business theorist, author, speaker, consultant, and entrepreneur, known for his work on business modelling and the development of the Business Model Canvas.

[13] Design thinking is a process for creative problem solving. Design thinking has a human-centred core. It encourages organisations to focus on the people they're creating for, which leads to better products, services, and internal processes.

for credit unions to introduce on an individual basis. Primarily this work related to web and technical development work and data analytics relating to the performance of digital marketing campaigns.

Evolution of Implementation

Working initially with a third party it became apparent that this would be an ongoing essential part of credit union advertising and further benefits could be achieved by establishing a Digital Marketing Shared Service facility, and expert resources were duly recruited. Managed campaigns from the Shared Service were initially on Facebook, and soon became multi- channel and participating credit unions have the option to advertise on platforms including Facebook, Instagram and Google. Services like bulk emails are procured so that participating credit unions can avail of high-volume discounts by buying collectively. Figures 6 and 7 are examples of some of the early campaigns delivered, these were customised with each credit unions branding and pricing.

Figure 6: Example of Car Loan Campaign

The project identified that, like all initiatives in the credit union business, compliance and risk were critical components. The need to reengineer the loan policy and processes arose as, for example, the traditional model of saving before borrowing was not appropriate, and however, the affordability assessment was a critical risk to be managed. This led to another development, the **Affordability Calculator**, which was designed based on a sound understanding of behavioural economics.

The thorough research of user (both members and staff) needs meant that the first phase of development delivered the first suite of features and these were further tested in market. This provided real feature performance results and not subjective opinion on which to base further development work.

Adding Value

By working together these credit unions now had alternatives to entice the consumers heretofore being lost to credit unions, some existing but dormant members while others could start to see the credit union as relevant to them. Participating credit unions can now serve a much broader demographic of people with loans applications through digital channels now accounting **for up to 25% of all loan enquiries for some credit unions**. Furthermore, as well as increasing the volume of enquiries, the other key dimensions of growing the loan book have been quite dramatic with a 23% increase in loan amount applied for and average loan duration increasing to four years.

It's a Journey not an Event

More recently the technology developed has been optimised for use on tablets to allow for an additional channel in local retailers like car showrooms and travel agents. This project also inspired the production of a series of FinTech white papers, titled "HAPPY MEMBERS; SUSTAINABLE CREDIT UNIONS", which in turn was the cornerstone of the Solution Centre's business case for the "Digital Transformation Roadmap". The Solution Centre continues to follow that roadmap, selecting to partner with Microsoft for a shared CRM platform, called *Hive*, and partnering with ID Pal for KYC requirements. The functionality and agility of *Hive* has already seen the rollout of streamlined loan lead management, i.e. enquiries from all channels can now be managed effectively ensuring greater potential to convert into

loans that members want and can afford. This is further complemented with a shared contact centre arrangement now in place.

Key Insights Obtained

While there were numerous benefits and rewards achieved from this collaboration, it engages credit unions in a long journey with many bumps in the road, pushbacks and frustration. Gaining awareness of the challenges in collaborating is critical to be set up for success; it demands long-term commitment and trust - it's not a spectator sport; it certainly requires exchanging some level of autonomy for greater certainty and letting go of any "we do it best" attitude; and it may have big impacts on existing staff and service level, especially during transition – so have patience, do it systematically, for example the digital marketing service is contractually based with clearly defined roles, responsibilities and termination.

On the people front, be conscious they do not always …. do what you think they do; do what you tell them to do; do what they think they do or do what they say they do. The experience from this project is to take a phased approach, for example, define the credit union readiness for collaboration, find the right partner(s) and get acquainted, lead early negotiations to develop the concept, develop the business case, review legal options and draft legal agreements and then implement and sustain.

Continuously Learning

"Prediction is very difficult, especially if it's about the future." - Niels Bohr. Strategy in times of uncertainty is not just a matter of planning, but also of readiness.[14] To remain relevant in an uncertain future, we need knowledge about the changing needs, expectations and practices of members, and how credit unions can meet them by augmenting their differential assets and abilities with technology and design.

[14] Niels Bohr [1885-1962] was a Danish physicist who made foundational contributions to understanding atomic structure and quantum theory, for which he received the Nobel Prize in Physics in 1922. Bohr was also a philosopher and a promoter of scientific research.

Figure 7: Example of Home Imp Loan Campaign

If you would like to know more about digital market services, or any of the other supports, the Solution Centre please email info@solutioncentre.ie

Case Study 3: PAYAC Member Personal Current Account Services (MPCAS)

Case Study 3: PAYAC Member Personal Current Account Services (MPCAS)

Why was the company formed?

In February 2014 the advent of SEPA IBAN designations and the replacement of the domestic Laser debit card scheme by MasterCard and VISA created the opportunity for credit unions to offer a viable current account service. In 2015, a group of 6 credit unions, having identified this opportunity; and recognising that the real value and nucleus of the financial relationship with members pivots around the current account relationship, came together to explore the possibility of offering full service current accounts to credit union members. This, in time became member Personal Current Account Services ('MPCAS').

Following several meetings with various stakeholders including the Central Bank of Ireland ('CBI'), it was established that adding debit cards to the existing share and deposit accounts being provided by credit unions would not meet the CBI's risk management expectations. Another consideration was that Building Societies had previously attempted to offer debit cards on Share accounts, which had caused significant difficulties for them. The 6 credit unions acknowledged that in order to make the additional service a reality they needed to develop a current account infrastructure and regulatory framework to underpin the offering and meet the CBI's risk management expectations. Armed with a single focus of making the current account service a reality, the 6 credit unions established PAYAC Services CLG ('PAYAC') as a legal entity in February 2016. All 6 founding credit unions funded an initial project scoping out the regulatory requirements, and the formal establishment of PAYAC.

The next step required PAYAC to define the service. By October 2016 PAYAC had the service defined and credit unions obtained regulatory approval from the CBI to offer the additional service. PAYAC recognising that "to make current account services a reality for credit union members, credit unions with regulatory approval must collaborate and enter strategic outsourcing arrangements to achieve economies of scale, recover costs and offer a competitive standardised service to consumers" set this as their primary objective. PAYAC was established as a shared services facility to develop, implement and provide ongoing support for current account services. PAYAC is a vehicle for collective bargaining with third parties and achieving economies of scale. PAYAC also develops, implements

and provides ongoing support for current account services PAYAC's operating principles concerning shared services are:

1. Direct funding from participating credit unions on a fair, transparent and equitable basis
2. Pass through of third-party costs and revenue to credit unions
3. Shared services justified on the basis of:

(a) economies of scale (costs / expertise)

(b) compliance and risk management

Background to existing credit union business model

Many credit unions had strategic plans which included objectives relating to the introduction of emerging payments; and the provision of current accounts. The range of services offered by credit unions began to expand in the 1990s with the introduction of foreign exchange and general insurances under agency arrangements. The first ATM services were introduced in 1996, the same year as Irish banks launched LASER, the national debit card scheme. While the majority of credit union ATM cards operated on standalone ATMs, some gained access to bank networks but it was expensive and card use was restricted relative to bank issued cards including the fact most were restricted to being ATM only cards, i.e. could not be used for Point-of-Sale ("POS") payment options. Card scheme rules, credit union size and scale, technology and cost considerations were the key barriers to credit unions adopting LASER. All of these barriers would later be addressed by PAYAC, through collaboration.

Developments in the Financial Services Sector and the opportunities they presented to credit unions when developing the current account service

Regulations in 2004 and 2007 identified exempted additional services operating in credit unions including ATM and EFT services. In 2007, credit unions began providing incoming and outgoing EFT services to members following clarification from the Irish Payment Services Organisation ("IPSO") on credit union access to the clearing system. This resulted from a recommendation contained in a 2005 Report on Competition in Banking from the Competition Authority.

The advent of the Single European Payments Area ("SEPA") and the emergence of EMV standards ("Europay, MasterCard, VISA") for cards has led to the replacement of national schemes by international schemes. These developments provide credit unions with opportunities to:

- Gain access to international payment schemes
- Look beyond Ireland for payment services partners
- Avail of economies of scale from established payment scheme participants

Credit unions embraced EFT services with more than 190 credit unions offering incoming and outgoing direct debits, standing order and credit transfers covering the receipt of salaries, payroll deductions, pensions, benefits and regular payments in respect of utilities, mortgages and other commitments.

The missing component for credit unions and members was an approved full-service current account with a debit card providing national and international access to ATM and POS services, overdraft facility and a comprehensive schedule of fees and charges. It became very clear from the outset that current accounts were the gateway from which other services (such as overdraft) and payment instruments (such as debit card) could stem from.

Independent Research was conducted by PAYAC into member and non-member attitude to daily banking with credit unions and there was a demonstrable appetite for the current account service. MPCAS provides the platform for credit unions to embrace and engage in the digital banking revolution. Payments statistics from the BPFI illustrate the challenges facing the credit union sector.

- Digital banking (credit transfers initiated via personal online or mobile banking) grew by 12.6% year-on-year to 48.1 million in H2 2018. Volumes had increased by almost 50% since H2 2014.
- BPFI estimates indicate that mobile banking volumes (payments made via mobile and tablet banking apps) exceeded online banking volumes during the first half of 2018.
- By H2 2018, some 59% of digital payments were made through mobile banking.
- Digital banking accounted for approximately one-third of domestic credit transfers in H2 2018.
- Domestic credit transfer volumes, which include digital banking transfers, grew by 8.1% year-on-year, while domestic direct debit volumes rose by 3.9%.

- Less than 0.3% of credit transfers were initiated using paper forms in 2018.
- Cheque usage continued to fall in 2018, with volumes falling by 13.4% year-on-year in H2 2018.
- By the end of 2018, almost 4.6 million debit cards and 1.3 million credit cards in issue had contactless payment functionality. In H2 2018, contactless payments grew by about 59% year on-year in volume terms and 58% in value terms to 195 million payments valued at €2.5 billion.
- On average, debit cardholders made almost 43 contactless payments per card in the second half of 2018 and spent more than €512 per card. Credit cardholders spent almost €117 on average per card in the same period

The business case for credit unions offering current accounts

The provision of a current account service to credit union members will diversify a credit union's income streams and provide a much-needed offset against ever decreasing investment income. The sources of income from the current account are varied and include direct income such as maintenance fees, FX income, interchange, and out of order fees. In addition, as the account is a full-service current account, credit unions will benefit from overdraft income in the form of facility fees (on both drawn and undrawn overdraft facilities) and interest income on drawn overdrafts.

However, and notwithstanding the contribution of the aforementioned potential income stream to credit unions, the importance of the current account is far greater than this. A current account can be considered as a "gateway" product — the product through which financial institutions can gain ownership of the customer relationship.

Member Personal Current Account Services (MPCAS)

Credit Union Current Account	
Target	Adults 18+
Features & Benefits	• Full EFT Services • Contactless Debit Card • Overdraft facility up to €5,000 • Online, Mobile App & Telephone Banking • Compatible with ATMs in Ireland & internationally • Retail & POS transactions • e-Statement and e-Fee Advice Notices
Fees & Charges	• Schedule of Fees & Charges • Maximum Fees & Charges with concessions • Transparent consumer charging structure for Current Account • Overdraft Facility & Renewal Fees

Bundled Debit Card

- Available on MPCAS only
- Single design for brand recognition and scale
- Contactless Payments
- Available worldwide where Mastercard is accepted.

Features			
Contactless	Yes	3D Secure	Yes
Annual Card Fee	No	Embossing	Yes
Overseas Usage	Yes	24 Customer Service	Yes
FX Fee	Yes	24 Fraud Monitoring	Yes

The provision of the current account allows credit unions to become the main provider of daily financial services to their members – to own the member front-end experience, to acquire valuable data, to deepen the member relationship and ultimately to encourage and facilitate the provision of income generating products and additional services, as well as faster approval of loans.

Current accounts as a driver and source of revenue can be readily identified in the business models of FinTechs and neo-banks such as Revolut, Monzo, N26 etc. While the fee structures of these entities may differ, their business models are all predicated on the pre-eminence of the current account (or current account type product) and the ownership of the customer relationship through this means. In order to acquire customer bases, these entities offer loss-leading current account or current account type products, often through "freemium" pricing propositions, in the hope of capturing sufficient market share. As their customer base increases, so too does their product offering to include unsecured and secured lending, credit cards and other revenue generating products. So, while the current account will itself generate fee and other income directly, it is important to recognise the potential indirect benefits that can be achieved by credit unions, such as loan book growth and the consequent increase in interest income.

CURRENT ACCOUNT MARKET RESEARCH

Quantitative Research

PAYAC commissioned Amárach Research to undertake quantitative market research on current account usage and consumer attitudes towards a credit union current account. The research was undertaken in February 2018. A total sample of 1,000 adults nationwide were interviewed with quotas set on gender, age, social class and region to achieve a sample aligned with the national population. 62% of respondents are credit union members with one-third (33%) using the service frequently. A further 11% are lapsed members and 27% have never been members of a credit union.

The key findings from a credit union perspective are:

- 63% of respondents state they hold their main daily banking current account with AIB (32%) and Bank of Ireland (31%). This rises to 75% for the 18 – 24 age group. PTSB has 17%, Ulster Bank 11%, credit unions 3% and KBC 2%.
- Online banking (78%) is the service used most frequently, followed by ATM cash withdrawals (69%), internet purchases (52%), contactless payments (46%). Mobile App (38%) is becoming increasingly popular, particularly with under 25s (48%). The figure for counter transactions is 30%.
- The majority of customers are satisfied with their existing current account provider. Only 4% are very dissatisfied with a further 9% dissatisfied. In contrast 17% are very satisfied and a further 45% satisfied. Satisfaction is lowest among the 25 – 54 age groups.
- 16% of customers pay no fees with a further 34% claiming to pay less than €20 per quarter. 12% pay €20 - €29, 6% pay €30 - €39 and 9% pay €40 or more per quarter.
- One in four (24%) do not know how much they pay in fees and charges, and even though charges vary significantly, there is not a sense of underlying dissatisfaction.
- 50% expressed a preference for a fixed quarterly charge, 22% for a charge per transaction and 28% don't know.
- There is an appetite for a credit union current account product. One in three say that they would be likely to switch or are open to switching their current account to a credit union current account, but just one in ten say that that it would be very likely.

- 13% in the 18 – 24 years age group would be likely / very likely to switch their main current account to a credit union. This compares with 39% in the age 35 – 44 and 42% in age 45 to 54 age bracket.
- All things being equal 40% say they would prefer to have their main daily banking account with a credit union, 38% with a bank,12% no opinion and 10% don't know.

Qualitative Research

PAYAC commissioned Orchard Agency to undertake qualitative market research on current account usage and consumer attitudes towards a credit union current account. The research was undertaken in September 2018. The research focused on both internal and external audiences. It consisted of four in depth interviews with credit union employees at the coal face of the relationship with credit union members and 6 focus groups with seven participants in each. There was a spread of consumers based on a mixture of member and non-member groups, urban and rural / regional, industrial and community credit unions. The aim of the focus groups was to:

- Understand what the credit union stands for in consumers' minds and hearts, and what makes it different.
- Understand the category of day-to-day banking and how consumers engage with it.
- Understand the landscape, context and mind-set in which changing a current account is made.
- Explore and build a compelling positioning for the new current account service, understanding how it can optimally connect with consumers.

Findings from the qualitative research

- Credit union members are more likely to join a credit union if a family member is already a member. It is routine rather than disinterest which causes inertia - breaking their money rituals needs strong persuasion.
- The banks failed people during the crash. As a result, most people trust banks way less.

- This migration of relationship augers well for credit unions: consumers are interested in switching if it is easy and competitive. A glaring exception to this is the student segment, who do not harbour resentment of the banks as the crash impacted their parents and not them.
- The changing behaviours of the banks (machines, robots, less people) is balanced with increased transparency and access to money. Consumers feel small in the face of banks. They moan, groan and stay – because of habit, ease, and lack of differentiated choices.
- The credit union is a loved, trusted and sensible provider of money services. At the heart of credit unions is their humanity – they are known to treat people with respect and fairness, to listen and to remain flexible. Credit unions are famous for savings. Savings are about the future, and make people feel good about themselves. This positive halo permeates the credit union.
- Few people are happy to pay fees even though most (not students) accept their reality.
- Fees feel counter-intuitive to ordinary people: why should I pay the bank to store my money. Importantly, many claim that if fees are lower than the banks, it makes switching a 'no brainer' i.e. they need to make the move away from banks. Fees need to be transparent and lower than the banks.
- Even though the credit union will enhance its services and become modern, its ethos and tone are what makes it different and this should not change.
- This new service has the ability to reframe the credit union as a modern financial service provider that is stepping up as an alternative to banks. Although it is not innovation (as everyone has a current account), this service will make the credit union more relevant to people, more often.
- Non-members see current account services as credit unions simply catching up – services in line with modern living. This is not a reason to switch 'but a reason to consider credit unions'. In order to switch, the explanation needs to go to the heart of why credit unions are different to banks (not why they are the same).

Key takeaways from the qualitative research

- The target market is aged 25-50.
- Promotion of the service should be simple and straightforward.
- Existing members are more likely to open a current account with the credit union, as they are already familiar with the credit union and trust the credit union.
- New customer onboarding needs to be easy.
- Fees should be transparent and better than banks – people need the certainty of fees and their preference is fixed fee model.
- The new service enhances and modernises the credit union but does not change its essence or commitment to savings and loans (i.e. credit unions are most assuredly not becoming banks).

REGULATORY FRAMEWORK

One of the biggest challenges facing credit unions wishing to provide current accounts was the lack of a regulatory framework from which credit unions could seek approval. PAYAC engaged with the CBI from a very early stage to discuss how best to create a structure under which the service could be regulated, and a process from which credit unions could seek approval for the service, in accordance with Section 48 of the Credit Union Act. The output from the PAYAC engagement with the CBI was the creation of a defined service – Member Personal Current Account Services ('MPCAS'). Credit unions approved to provide MPCAS can offer current account services to members, along with an approved overdraft facility. As credit unions in Ireland are relatively small in comparison with other Financial Institutions, they lack the scale, skills and resources to implement current account services as single entities and hence the offering of the service necessitates collaboration.

The MPCAS approval from the CBI requires collaboration through a shared service entity. As at August 2019, there were 246 credit unions with €18bn in assets operating in the Republic of Ireland. Credit unions with assets in excess of €75m are currently eligible to apply to the CBI to offer MPCAS. Presently, this amounts to circa 75 credit unions with an estimated combined assets of €12bn and 2m members or 67% of the sector

membership. As of the date of publishing, PAYAC has a membership which represents over half of all MPCAS eligible credit union membership and credit union asset size.
Standardisation is a key feature of current account services and is embodied in MPCAS approval conditions and the CBI's risk management expectations. The credit union must ensure operational standardization of member personal current account services in collaboration with other approved credit unions which shall be arranged through a shared service arrangement whose objectives include the provision of standardisation services.[15]

The credit union is expected to work in close cooperation with other credit unions in the execution of the implementation of MPCAS to ensure agreement on and implementation of operational standardisation. The credit union should ensure MPCAS operational standardisation in collaboration with other approved credit unions and their shared service facility.

Such standardisation should cover inter alia; outsource arrangements, service agreements, product specification and functionality, core processes, procedures, systems of controls and reporting systems. The credit union is to ensure that its ITSP is obligated to provide one standardised product, functionality suite, processes, monitoring and reporting systems to credit unions approved for MPCAS.
CBI approval places further obligations on each credit union in respect of the impact of current account services on its business model.

MPCAS BUSINESS MODEL RISK

In the interests of ensuring successful MPCAS implementation and ongoing MPCAS stability, reliability and resilience, the credit union is required to ensure operational standardisation in collaboration with other approved credit unions and their shared service facility.

[15] MPCAS Application Form, Central Bank of Ireland, November 2016 p.8. Operational Standardisation is where those credit unions approved for member personal current account services collectively ensure that the member personal current account and payment service specifications, functionality, processes and procedures are standardised.

A credit union should take account of the necessity for economies of scale, robust alliances with third party service providers and operational standardisation to assure the service is established on a viable and sustainable basis.

Risk management expectations

A credit union working in collaboration with other approved credit unions and their shared service facility is expected to;

- Define and implement a standardised, fully documented MPCAS operational model.
- Define and implement a standardised personal current account having standardised specifications, functionality, processes and procedures.
- Define and implement a common risk management framework based on standards of sound business practice and the Bank's expectations.
- Define and implement a common compliance management framework incorporating all applicable financial service legal and regulatory obligations
- Contractually obligate ITSP's to provide one standard Member Personal Current Account having standardised functionality and standardised payment services to enable the delivery of an MPCAS.
- Ensure that third party service providers (and their agents) are entities; of sound financial standing, having strong established business operations and reputation, that have the capacity and capability to assure service continuity.

MPCAS standardisation is essential to:

- support credit unions with regulatory compliance and risk management for what are complex and highly regulated services.
- collectively promote and advertise a credit union alternative to bank current accounts (e.g. single current account and card brand and inclusion on comparison websites for current account features and pricing)
- manage service viability and mitigate the risk of losses to credit unions by providing an operating model that benefits consumers while recovering costs Key components of MPCAS standardisation are:

- outsourcing arrangements with third party payment service providers (S76J Credit Union Act)
- common branding, features and pricing of the current account and ancillary services, including the debit card.
- adherence to standard policies and procedures (including service terms and conditions)
- to manage compliance and risks.

In practical terms, standardisation involves PAYAC:

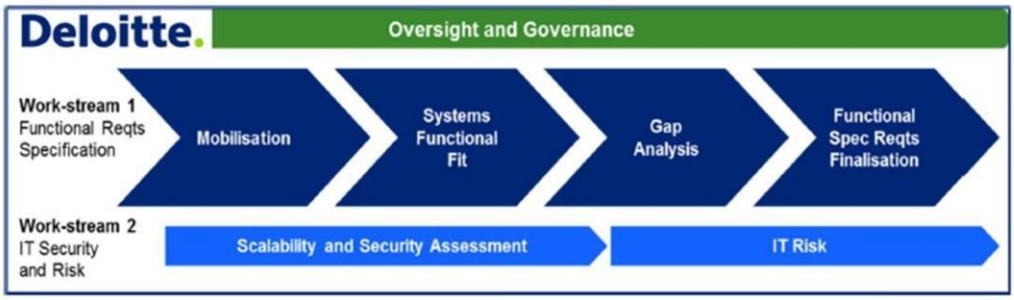
- evaluating, selecting and negotiating with third party service providers who will contract with PAYAC and/or individual credit unions.
- setting and maintaining operating standards for credit unions, including policies, procedures, compliance plans and risk registers.
- maintaining and centrally reviewing service terms and conditions for ongoing compliance with financial services legislation.
- establishing and maintaining revenue and cost models to manage the MPCAS service including the aggregation and allocation of costs to credit unions and a common charging structure for core transaction services.

PAYAC has independently set standards and ensures that its MPCAS approved credit unions have the collective scale to manage business model risks. MPCAS standardisation is envisaged for the credit union sector as a whole and not just for a specific group of credit unions or individual service providers to the sector.

Security and scalability assessment

In early 2016, PAYAC instructed Deloitte to complete a security & scalability assessment of the credit union ITSPS systems, and to identify any gaps within the IT systems. This assessment comprised of a combination of security questionnaires, informal workshops, and interviews with key personnel within the main ITSPs. The outcome of this assessment was that Deloitte viewed the development effort required by the ITSPs to be within their competence and resources to develop. The following functional areas were identified for

development: Channels, Account Management, Account Services, Interfaces & Reporting.



Security & Scalability Assessment Workstream

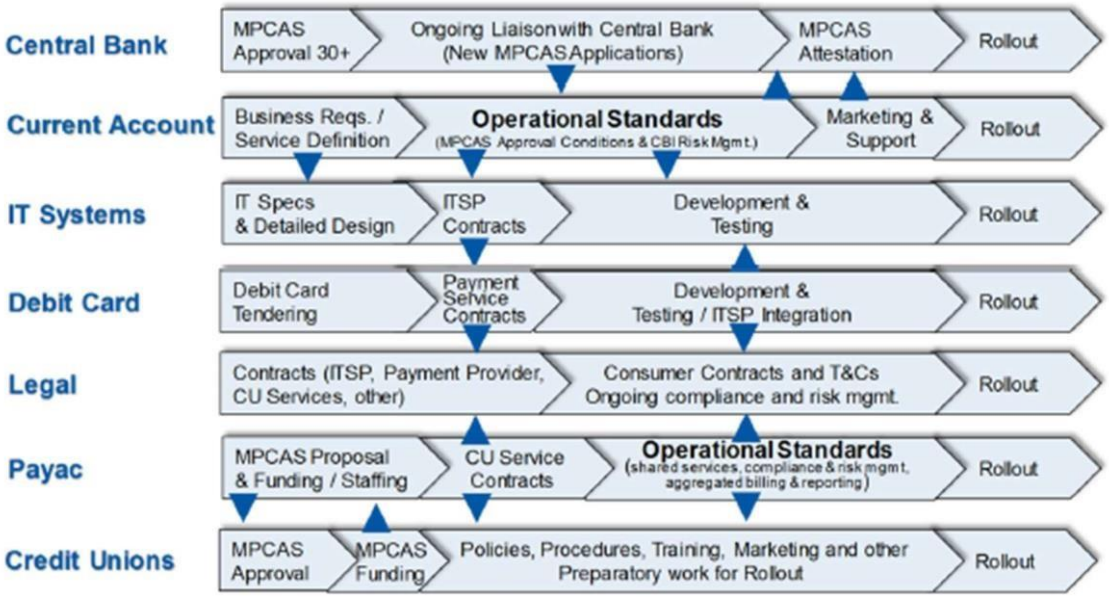
MPCAS IT Development & Testing

In September 2017, PAYAC commenced workshops with credit unions IT Service Providers. This consisted of 15 workshops, attended by all the ITSPs serving PAYAC member credit unions. In addition, PAYAC Directors, banking subject matter experts and credit union personnel attended. The output from the workshops was a standardised specification for MPCAS and an MPCAS Functional Requirements Document.

This was an important aspect of this collaborative effort, in that the ITSPs, who compete with each other ordinarily, collaborated with each other and PAYAC to agree a common development roadmap and development schedule, from which they would integrate PAYAC's MPCAS functionality requirements. The process was led by independent facilitators, who documented the forms, processes, business rules and reporting requirements for development and testing.

While IT pricing was a matter for each ITSP and its customers, PAYAC entered into a separate Memorandum of Understanding with each ITSP to oversee development and testing and to ensure a standardised development to be attested. Whilst development was scheduled to take 9 months, it did in fact take an additional 3 months, owning to some project creep, additional development requirements, and other development commitments by the ITSPs, namely in relation to PSD2 & GDPR. A model office was established for testing and training in PAYAC's offices in Park West. User Acceptance Testing was conducted in advance of the attestation of the service. The first current

account was opened on the 6th April 2019 and the first card transaction was processed on the 18th April 2019 at the M4 toll plaza in Co Kildare.



MPCAS Development Workstream

Vendor Selection Process

PAYAC contracted with Accenture to conduct a vendor selection process. This included coverage of the functional & technical requirements, flexibility and ease of IT integration, program management and governance, resource profile, product offerings, innovation & value-added services, credentials & references and commercial terms. Due diligence in line with Section 76J of the Credit Union Act was conducted on all third parties, including Card Processor, Card Issuer and Card Manufacturer.

Funding and growing PAYAC membership

Once the initial 6 credit unions had established PAYAC, the company commenced engagement with all other MPCAS eligible credit unions. During the course of 2017, an additional 28 credit unions joined PAYAC. In November 2017 PAYAC issued a funding request document and held a meeting with all PAYAC credit unions to outline the costs of development and implementation. Funding to the tune of €4m was provided by credit unions to PAYAC to develop and implement the service.

Governance Structure

PAYAC members

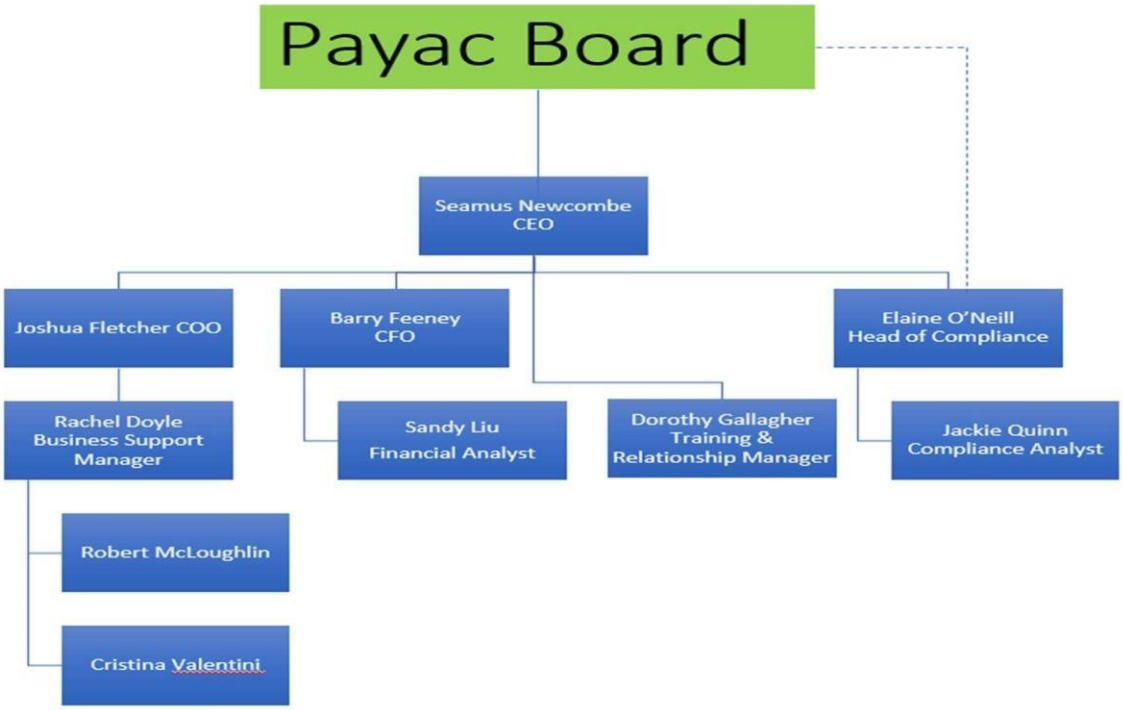
PAYAC has a Constitution and a Membership Agreement governing relationships between PAYAC and participating credit unions and with one another. Each PAYAC credit union has one vote with additional weighted voting rights based on the credit union's number of active current accounts. PAYAC have a Services Agreement with each credit union for the provision of support services - the Current Account Services Agreement.

PAYAC Board

PAYAC has a Board of 7 Directors. Six Directors are elected by the PAYAC member credit unions and these Directors appoint an independent non-executive Chair. Directors are appointed for three-year terms. The initial Directors were appointed in 2016 and the first election to fill vacancies was held at the PAYAC 2019 AGM.

PAYAC Organisation Structure

PAYAC has a CEO (reporting to the Board), a Management Team and administrative staff.



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Shared Services Matrix

PAYAC's function as a shared services facility is to support credit unions in delivering current account services and facilitate collaboration and collective arrangements between participating credit unions and third-party service providers. PAYAC and its contractual partners provide the following services:

- KYC/Customer DD/PEP Screening
- AML Monitoring
- Card Ordering
- Card Activation
- Card Deactivation
- Plastic Issuance
- Pin Mailer
- Pin Change
- Lost & Stolen Cards
- Fraud Monitoring
- Transaction Processing
- Stand-In Processing
- Disputes & Chargeback
- MIS Reporting
- Reconciliation
- Billing
- Scheme Settlement
- Marketing & Promotion
- Public Relations / Media

Brand Identity

PAYAC worked with its creative agency to develop a brand which reflected the service offering and respected the credit union as the deliverer of the service. The brand identity represents the current account brand values and positioning ambitions. The brand identity

has been developed to represent the accessible, caring and friendly nature of credit unions.

The font type chosen for the brand identity is simple, transparent, soft and friendly, a principle which is also applied to the use of lowercase on all letter in the name 'current account'. This is to reflect the contrast of services provided by credit unions with services provided by banks. Within the logo design, the 'cu' in 'current' is highlighted through contrast within the logo to subtly, yet cleverly, reference the credit union acronym (see image below).

National Launch

On Wednesday, 16th October 2019, the eve of International Credit Union Day, in the Mansion House in Dublin, PAYAC hosted, with TV Presenter Mary Kennedy as Master of Ceremonies, representatives of credit unions and other community leaders to celebrate the milestone achievement of current accounts being delivered by credit unions. Speaking at the event Michael Ring, Minister for Rural and Community Development, congratulated credit unions on this initiative, as well as thanking them for their commitment to communities, both rural and urban.

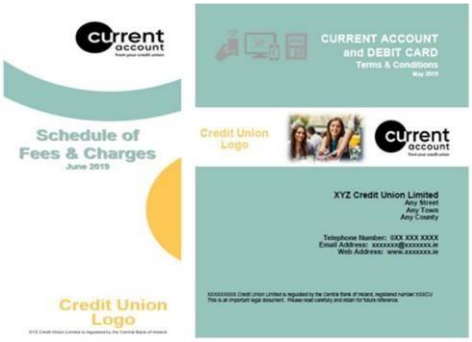
RTEs Mary Kennedy promoting the current account at PAYAC's official launch

The news that current accounts are now available from credit unions throughout the country was widely covered by national, local and online media. The announcement featured on RTÉ's 9 O'clock News as well as national radio stations such as Newstalk, and the national daily papers. Throughout the country, local publications welcomed the news, featuring the roll-out of current account in credit union branches. The launch of current account has been positively received, particularly as it represents an important new player in the market and challenger to the banks.

Sample of Press Coverage of current account launch – 17th October 2019

What were the key lessons learned by PAYAC (to date)?

- Be clear as to what the scope of the project is – in our case it was current account and not just debit card.
- Good Communication is essential -Communicate the solution and call to action – required lots of resources and time to gain credit unions confidence
- Engage with wider sector stakeholders
- Engage professionals as early as possible for credibility
- Remember to make commercial decisions – critical to development of sustainable solution
- Choose partners that are trusted, strong, flexible and subject matter experts.
- Engage with the Regulator from the start – keep them informed and demonstrate to them that collaboration is the solution and the advantages of the collaboration – (risk mitigation, reduced cost, stronger partners, better pricing etc.)
- Remain non-partisan
- Call it early if it's not working- don't be afraid to accept some decisions once further explored are no longer suitable.
- Think Equity not Equality
- Always have an exit strategy
- Don't try to solve every problem, prioritise the key problems – there is no silver bullet
- Don't try to replicate what's already working – this causes fragmentation. If it's not broken why fix it?
- Don't get bogged down with the finer detail too early in the process
- Don't underestimate the cultural challenge of collaboration – credit unions need to understand that they are not losing autonomy as a result of the collaboration, rather they are gaining.



Prepared by: Seamus Newcombe, CEO PAYAC Services (6th February 2020)

CEO Business Model Development Forum