

# CONNECTED



AN ELECTRONIC REPORT FROM THE CUNA TECHNOLOGY COUNCIL

## A TECHNOLOGY CUSO, TO BE OR NOT TO BE—PART II

*By: Alan L. Darbe, VP Information Services, State Employees Credit Union, Lansing, Michigan*

In the last issue of *Connected*, I reviewed the first five research results that were extracted from a survey conducted by Doeren Mayhew on developing a technology CUSO. In this issue, the final five results are reviewed.

6. With the CUSO, the long-term strategic plan is focused around the technology required to support the needs of the CUSO and the customers. This means it may be independent of any strategic plan developed by the customer organizations. The CUSO plan needs to deal with the products and services that will be profitable to the CUSO. Any given product may not be profitable but the pricing model requires that each individual customer have a profitable relationship.

The CU's strategic plan must be centered on the needs and desires of its membership. While the cost of individual services is definitely a factor, it may not be the deciding factor. In fact, most CUs have many members who are a net drain on the CU's overall resources.

7. A CUSO requires a business culture that can rapidly expand to meet customers' growing needs, and likewise be able to shrink if a major customer is lost. This translates into the need for the CUSO to be able to manage the size of the staff just as any for-profit organization does. This can frequently be accomplished through the use of outside contractors and consultants, which can be acquired and released fairly easily.

In a CU, staff stability is preferred, especially in areas where staffing is a major concern. The CU business culture is generally one in which rapid expansion or contraction is resisted.

In addition, the in-house service unit needs to be consistent with the overall organization.

8. The need for a CUSO to maintain certain volatility in the size of the workforce can require it to pay what would seem to be very high salaries relative to the market place. The use of a CUSO can also be a mechanism for a CU to pay the current higher level of salaries that is required for IS staff.

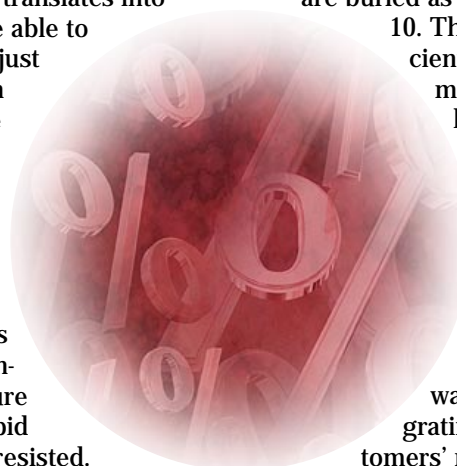
The security, stability and benefit packages are part of the attraction for many people who work at a CU. In many cases, salaries may actually be below market and not have an adverse impact on the staff.

9. Project management skills are very important to the CUSO. A CUSO must have formalized methods for controlling the infamous "scope creep" where the project gradually changes from one goal to another. The billing or refusal for these changes may have a direct impact on the CUSO and its relationship to its customers. Being able to manage this is crucial.

To an in-house provider it can be much more difficult to say "no" to the increase or change in scope. There is generally no separate billing for this and as a result the increased costs for "scope creep" generally are buried as part of operating expense.

10. The CUSO needs to be as efficient as possible. The management of the CUSO is being held accountable to the resulting profit and its effect on the bottom line. As a result, work perceived to be inefficient is viewed as undesirable and refused or priced to make it uneconomical.

The in-house operation wants to take the role of integrating all of the internal customers' needs. This could be viewed



as more important than the need for specialized services and expertise. Work perceived as inefficient is still undertaken since it needs to be done and there is no one else to do it.

As these two articles have attested, the whole concept of establishing a technology CUSO must be carefully analyzed in terms of purpose, function, staff, and resulting impact

on the CU. Many CUs have established or partnered in very successful CUSOs. The purpose of these articles is to convey the results of the research by Doeren Mayhew and provided to SECU by Robin Hoag. They willingly allowed me to use their research in this article. ♦

<b>Profit Center Model</b>	<b>Center Model</b>
6. Long term strategic focus can be internally developed. Can be very clear.	Due to the fact that in-house provider must respond to a captive customer/master, no separate strategic focus is possible.
7. Requires business culture that can rapidly expand staff size if required to meet customers' growing needs, and likewise, that can shrink staff size when a major customer is lost; perpetual turmoil is expected.	Requires a business culture in which rapid expansion and contraction are resisted; in-house service unit's culture needs to be consistent with that of the overall organization; paternal business culture; stability and job security are value expected.
8. Reputation for volatility in workforce size often requires having to over-pay relative to market to attract and keep good employees and contract staff; salaries may be higher, but benefits may be lower in companies that must add or shrink staff to handle volume fluctuations.	Job security, stability, and benefit package counts for a great deal among employee types attracted to an in-house service organization. Salary is less of overall package, meaning salaries can be below market levels set by commercial companies.
9. Project management skills are critical to keep projects within budget and on time.	Internal communication skills can be more critical than project management skills.
10. Need for profitability necessitates efficiency; this can lead to specialization; work perceived to be inefficient is viewed as undesirable and is refused or deliberately priced too high.	Willingness to take role of integrating all internal customers' needs is viewed as more important than specialization and specific expertise; work perceived as inefficient still taken on because it needs to be done and no one else is there to do them.

*For additional information, you may also contact Doeren Mayhew, 2300 Top of Troy, 755 West Big Beaver Road, Troy, MI 48084-0231, (248) 244-3000*

## **E-COMMERCE DOMINATES CONFERENCE AGENDA**

“Possibilities.org: Strategic Partnership in the New Millennium” is the theme of this year’s CUNA Technology Council CU Technology Summit. The fifth annual conference convenes August 9-12 at the beautiful Colorado Springs (Colo.) Wyndham Hotel.

This year the theme is e-commerce and all its ramifications. The legal issues surrounding electronic services, Web strategies, bill presentation and a look at post Y2K technologies

will dominate the agenda. There also will be sessions devoted to developing the leadership roles of IT professionals. The traditional roundtables have given way to sessions called “Interactives,” which showcase the best practices technology of participating credit unions.

The whole thing comes together at the foot of the gorgeous Colorado Rockies. Minutes from the hotel, attendees can enjoy majestic Pike’s Peak and take the incline railway to the

top of Colorado's most famous mountain. They can also hike through the Garden of the Gods, with its stunning red rock formations, and Cheyenne National Forest. A side trip to the United States Airforce Academy and tour of its impressive campus is also a must for visitors.

Mark your calendar now and plan to combine business with pleasure at this year's CTC CU Technology Summit. Learn about the latest in credit union technology while vacationing in one of the country's most scenic areas. It's an opportunity you won't want to miss. ♦

## THE NET WORTH OF IT

*By John Bock, Community CU, Plano, Texas*

Is Information Technology worth it? Every IT executive has to answer that question at some point. Boards of directors are placing increasing emphasis on justifying the investment in technology. How do you measure and demonstrate your worth to the organization? Here are some ideas.

One of the essential things is to align yourself to the business. Every credit union builds a business plan. It establishes the direction and goals for at least the next year. We, at Community Credit Union, have developed a comprehensive technology plan that is linked to the business plan. Nothing goes in the technology plan unless there is a specific link to the needs of the credit union. This helps us focus our efforts toward projects and initiatives that have material value. This serves a couple of purposes. First, it helps reduce technology for technology's sake. Second, it makes the technology staff think about how the efforts they undertake support the business units.

We also support both our internal and external customers. This is a critical difference. The word "customer" brings with it an attitude and a relationship that puts IT in the right perspective. It's essential that we treat the people that operate the business as customers. If we're to prove our worth, if we're going to demonstrate value to the business, then we must think of the line and staff organizations that we support as our customers. They're the reason we're here. It's amazing how this simple change in focus can transform the attitudes within IT as well as the way our customers look at IT.

Another aspect that has proven effective is to visit your customers. Spend a day in their

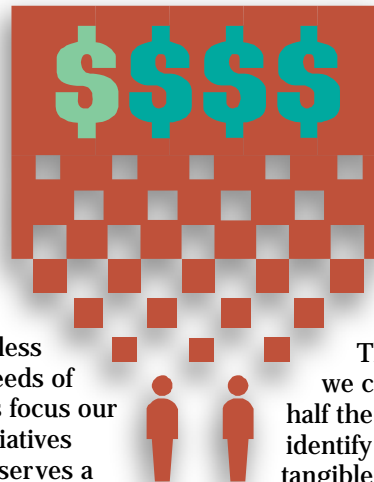
shoes. Try to understand what it's like for them to stare at a member when the system has just crashed. I make it a habit to periodically visit each of my peers in the organization and their direct reports. During my walkabouts I tell everyone what we've done, what we're planning to do, and, most importantly, ask them what we can do better to support them. This opens the door to IT and lets them know that we really care about the level of service that we provide.

In addition to the subjective measures already mentioned, there are some objective measures that can show the value of IT and the return on the technology investment. The first step is to know your costs. We carefully consider all the resources that are needed to successfully complete a project before we begin.

This gives us a base against which we can execute. The costs are only half the equation. We need to be able to identify the benefits and describe them in tangible business terms. The first thing that we do is categorize the projects.

Everything that we work on is broken into one of three prioritized categories; Member Profitability, Employee Productivity, and Infrastructure Refinement (this relates to a lot of the IT items that are needed to provide a foundation to support the higher priorities.) Once categorized, we work with the customer to estimate the benefits. We now have both parts of the equation and can start to measure the return on the technology investment.

The ability to articulate and demonstrate a profitable return on technology is an issue that affects all of us. Without a profitable return, what good is IT to your organization? We all inherently know the value of IT, but it must be proven. What comes to mind is the old Missouri saying, "Show Me." I hope this gives you some ideas on how you can "show" your organization and board the value and return IT provides. ♦



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## CUNA TECHNOLOGY COUNCIL TIDBITS

### Call for Dan Riley Scholarship Nominees

The CTC is now accepting nominees for the Dan Riley Scholarship program. This scholarship allows the candidate to attend the annual CTC Summit this year in Colorado Springs, CO, August 9-12, 2000. The candidate must complete an application and return it to the Nomination Chair.

One scholarship is offered for up to \$1500.00 in travel and related expenses. A Summit registration is also provided. The candidate does not have to be a current CTC member; however, a CTC member must recommend a non-member. If you or someone one you know can't attend, and this scholarship would facilitate attendance, please forward that person's name, credit union name, address and phone number to Mike Pytlik, Communications Family Credit Union, Box 3285, Saginaw, MI 48605. You may also send it via E-mail to: MikeP@commfamily.org. An application form will be sent to the candidate. ♦

### A New Mission for The CUNA Technology Council

*By: Mike Pytlik, CTC Chair, Communications Family Credit Union, Saginaw, Michigan*

Given the state of our ever-changing industry it probably comes as no surprise that the CTC should have some difficulty defining its role for today's IT professional. In fact, defining our role is something that the CTC has been working on for a few years. Our new mission statement is as follows:

**“The CUNA Technology Council shapes the advancement of credit union technology by leveraging collective peer strength through sharing information and fostering professional development”**

There is a lot embedded in our mission statement. It's no mere statement, either: it's our call to action and it defines our council.

We have taken a bold step to announce that we intend to “shape the advancement of credit union technology”. That is only part of the statement, to which I will return shortly. Shaping the advancement means several things but most clearly it means that we want to be more directive of our relationships with vendors and the choices we are offered as IT

professionals. We intend to be more aggressive in setting standards and not be only reactive to trends. This is a large task. Let's read more of the statement: “...by leveraging collective peer strength.” We are a council of peers, a group of individuals. When we harness our collective ideas, talents, and even resources, we are much more able to direct and shape which options are open to us and how the systems and tools we use will benefit us.

We have decided to recognize our strength and begin to act on it. Obviously, this does not occur in a vacuum. We need each other and we need reliable methods of communication and sharing our knowledge to reach our goals.

The last portion of the statement is about each of us and our professional journey. If we don't share information, we stand to lose momentum and we all suffer. Knowledge sharing is probably our biggest asset and we can do better to disseminate it, and we will. Professional development is another piece of the puzzle. If we don't engage our personal development we won't have the credibility we need to lead at our own credit union or to shape the profession as a whole. You will see that we have begun this process.

Last year's CTC Technology Summit was the beginning of a series of professional development sessions and it will continue in Colorado Springs this coming August. Other exciting things are in the works. We have partnered with CUNA's Center for Professional Development by providing speakers, setting agendas for some of CUNA's technology-related schools and by helping with the proofing and topic selections for training guides.

What does this mean for you, our members? It means that this is the time to watch the CTC take off and soar. It means that we intend to set the stage more than be stagehands. We can do it together and only together. There has never been a more exciting time for IT professionals. Look to us for guidance, for support and for direction; but you must be involved. This is an organization of volunteers and we need you and your talents more than ever. It's going to be an exciting new beginning! ♦

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## CTC Thankful for the Service of Mike Grommesh, Golden 1, CA.

Mike Grommesh has resigned his position on the Executive Committee in February. Mike's many professional obligations left him little time to serve as much as he would have liked on the CTC Executive Committee. Mike has served on the executive committee for four years, most recently as co-chair of the membership committee. We wish to thank him for his contributions to the CTC and for his work. ♦

## Data Validation and Reporting Consolidation—A Must Before Conversion from a Legacy System

*By: Jerry Rau, Information Services Manager, 66 Federal Credit Union, Bartlesville, Oklahoma*

Y2K has come and gone. While we were successful in facing that challenge, it reinforced an ongoing problem in database management: data quality is directly linked to the quality of input controls. This is particularly true if the credit union has been on a core system for a lengthy period of time. Controls over data entry and validation were much weaker on legacy systems in years past.

As our vendors increase the diligence of their software to catch errors before entry (invalid birth dates, open dates, closed dates, etc), we still must address the quality of older data already in the database. There are two aspects to this. This first involves data during a conversion from a legacy system to a more modern GUI type system. The second is the effects on reporting if data has become dirty over time. The third involves reporting data from multiple systems if a credit union uses

more than a single vendor.

The first issue can cause problems since most modern front ends do much more thorough checks in terms of data types. Date data types are the most common culprits here. Individual user parameters could be corrupt causing a data type mismatch in the new front end. An example would be an invalid code in a user switch causing an invalid value error in the new front end. The solution to this is thorough testing of data before any conversion. Data can be cleaned up on the old system before it is converted.

The second issue can cause a variety of problems. An extreme cause would be member or accounting problems. Most dirty data involves simple reporting errors - over or under stating the number of accounts due to inaccurate date fields. Another possibility is a free share draft flag not being cleared when an account is closed. If the account is re-opened and the share draft record is re-used, the flag may still exist even if the account should be charged. As with the first issue, reports of potential invalid codes, dates, or switches can assist in cleanup up the data.

A third and final issue concerning data validation relates to reporting from both a legacy core system and other systems. Perhaps the credit union maintains credit cards on an out-source database. Reporting involves linking that data to the core system. Depending on the types of systems involved, your IT staff can become splintered over time into a legacy and PC camp, even though both report different data from parts of the "big picture" database.

The solution here is re-designing your database reporting tools into one seamless standard. This can be a daunting task. Reports in place will need to be converted. People will need to be re-trained. Although a tough process to go through, it will pay off once your entire staff talks the same language. ♦



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