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# Recognising the Need for a Context Sensitive Decision Making Framework for Cosourcing - A Case Study in the Financial Service Sector

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# RECOGNISING THE NEED FOR A CONTEXT SENSITIVE DECISION MAKING FRAMEWORK FOR COSOURCING – A CASE STUDY IN THE FINANCIAL SERVICE SECTOR

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## Abstract

*The incidence of cosourcing – or the provision of standardised services to a group of organisations – appears to be on the increase. Based upon economies of scale, and resource based and resource dependency theories this paper presents a decision making framework to help organisations understand why, and for what, cosourcing is appropriate. A case study of the Australian financial services industry was conducted to test that framework. The case study suggested that there are more potential benefits to cosourcing than first envisaged and that these will vary across organisations. Furthermore it was discovered that multiple forms, or flavours, of cosourcing have emerged for the same activity in the same industry influenced by, and accommodating, the differing contexts and capabilities of organisations. Finally the case study highlighted that while the existence of multiple cosourcing arrangements helps mediate dependency on suppliers, dependencies and tensions may develop between the organisations involved in cosourcing themselves – particularly if there is a divide in the roles played with, for example, some, and only some, serving as shareholders in the venture as well as customers of it. In conclusion it would appear that it is necessary to move beyond a focus on universal motivators and shapers of the cosourcing decision to consider in more detail the specifics of the organisations involved and the cosourcing arrangement planned . The range of benefits and variety of cosourcing arrangements available however also suggest that the potential for cosourcing may be greater than first thought if the tensions can be minimised.*

*Keywords: Cosourcing, Financial services, Hosting, Organisational context.*

## 1 INTRODUCTION

Brown (2005) has suggested that outsourcing will increasingly extend into the realm of cosourcing, defined as *the provision of standardised services to a group of organisations*, for selected business processes between 2007 and 2010. Already there are numerous examples of the phenomena. Exigen, Warner Music and Universal Music have come together to provide a joint automated royalty payment service (Edwards and Tornbohm, 2005). Three UK banks have formed a joint venture with Unisys for cheque processing (Roberts, 2004) and German and Australian banks have moved in a similar direction (Buhl et al, 2005; Howarth, 2006). More broadly the UK's Department of Health has entered into a joint venture with Xansa to provide centralised finance, accounting and other back-office services (Edwards and Tornbohm, 2005).

A review of the academic literature however suggests that little research has been conducted on cosourcing<sup>1</sup>. The current paper seeks to start to address this shortcoming by examining questions regarding *why* cosource and *what* to cosource and comprises two sections. The first outlines a multi-perspective approach to the cosourcing decision. The second assesses that approach through an empirical study of IT services hosting in the financial services sector. Hosting – or the provision of data centre services by computer bureaux – has been identified by Da Rold et al (2005) as one of the least complex cosourcing opportunities and hence likely to be one of the earliest to be adopted extensively. As such it may serve as an early pathfinder or guide for other cosourcing decisions.

The paper contributes to the literature in two principal ways. Firstly it extends outsourcing research to a cosourcing context and identifies factors that motivate and shape the decision. Secondly, it highlights that within a particular context a variety of alternative decisions and structures may be possible.

## 2 THE COSOURCING DECISION

The most frequently cited reason for outsourcing is the reduction of operational costs (Bathelmeij et al, 2000; Lacity and Willcocks, 1998). It is proposed here therefore that the principal motivation for cosourcing will be to realise economies of scale and reduce costs that cannot be realised by organisations individually due to their lack of scale – see Figure 1. As such cosourcing may be an appropriate mechanism for extending the benefits of outsourcing to a broader audience. The issue then becomes one of choosing which activities cosourcing is appropriate for. Two theoretical perspectives have been identified as being particularly relevant with regard to determining what to outsource from a strategic perspective – resource based theory and resource dependency theory (Dibbern et al, 2004)<sup>2</sup> – and are potentially extensible to a cosourcing context. The resource based and resource dependency theories both view a firm's resources as being the foundation for its strategy and do not inherently conflict with each other (Duncan, 2002) but rather can be seen as complementary (and have previously been combined, for example by Grover et al, 1994). As Barringer and Harrison (2000) suggest the principal focus of the resource based theory is internal to the firm while that of the resource dependency is external. Here the approaches are synthesised so that the decision regarding what areas to enter into cosourcing arrangements for takes into account both the strategic contribution of an activity to an organisation – resource based theory – and the relationship with the supplier – resource dependency theory. Compared to an outsourcing context however, it is likely that cosourcing will be more constrained. In the first instance it is necessary to identify an activity that sits outside the core

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<sup>1</sup> While Gallivan and Oh (1999) recognise cosourcing as a class of outsourcing the most notable exception is the work of the efinance lab in Germany (see for example Beimbom (2006))

<sup>2</sup> Clearly there is also an underlying requirement that an activity is, or can be, standardised across the participating organisations. (McCarthy, 2003)

capabilities of all the organisations involved – rather than just a single one. In the second it may be difficult to align the interests of all those organisations vis-à-vis that of the service provider

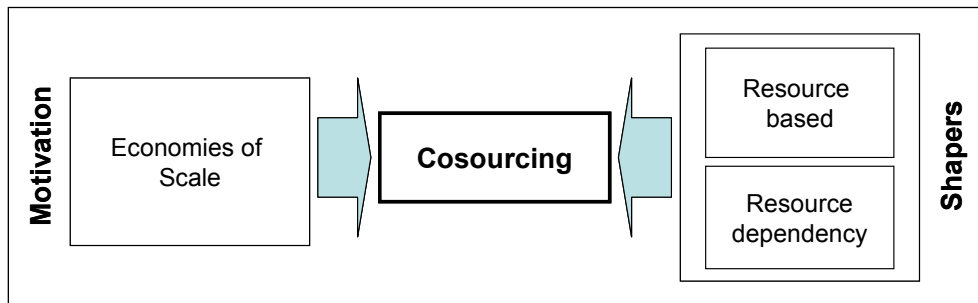


Figure 1. Motivators and shapers of the cosourcing decision

## 2.1 Economies of scale

Economies of scale refer to production and distribution efficiencies which come with larger size (Chandler, 1990). From a supply side perspective the benefits have long been recognised as a motivation for outsourcing in circumstances where in-house production does not achieve the minimum efficient scale (Venkatesan, 1992). Cosourcing introduces a demand side dimension. As a group of organisations aggregate their demand a potential supplier should become better placed to realise economies of scale in meeting it.

## 2.2 Resource based theory

Resource based theory suggests that firms secure success by utilising their unique resources comprised of intangible and tangible assets that are tied semi-permanently to the firm (Wernerfelt, 1984). From the resource based perspective, success is maximised where organisations focus their attention on those areas where their distinctive capabilities lie (Hagel and Seely Brown, 2001) and rely on others for the provision of ancillary activities. According to Barney (1991) the potential of a resource to generate sustained competitive advantage is governed by the confluence of four characteristics: value, rareness, imitability and substitutability. While enabling an organisation to focus on its core capabilities is an oft cited component of the rationale given for outsourcing (Bloch and Spang, 2003; Prahalad and Hamel, 1990) resource based theory also suggests that outsourcing will be limited to non-core activities. One of the limiters to cosourcing therefore will be the need to identify activities that are non-core for all participants.

## 2.3 Resource dependency theory

Resource dependency states that organisations need to adopt appropriate management strategies to manage their relationships with external parties to mitigate dependencies and ensure those relationships work in their favour (Pfeffer and Salancik, 1978; Tillquist et al, 2002; Scott, 1998). According to Teng et al (1995) the extent of any dependency is determined by a combination of the importance of the resource, the number of potential suppliers available and the cost of switching suppliers. From the perspective of this paper managing dependency provides the key as to whether organisations can prevent economy of scale benefits being appropriated by the supplier. As Katz (1987) suggested it is not enough for organisations to group together to amass scale – they also have to be able to present a credible threat that they can switch suppliers if they are to reap the benefits of that scale.

### 3 METHODOLOGY

The financial services sector was selected as the broad domain for the empirical work as it has been identified as being well suited to outsourcing due to the repetitive nature of many processes and their information intensive nature (Winter, 2002). The focus was on credit unions which are member owned financial institutions that provide a comprehensive range of retail banking products and services. Around 180 credit unions currently operate in Australia with 3.6 million members and more than \$29 billion in assets. The unit of analysis was the IT services that support the core banking system of credit unions. Given that little research has been conducted to understand the phenomenon of cosourcing a qualitative – case study based – approach was determined to be appropriate (Benbasat et al., 1987; Strauss and Corbin, 1990). The research was primarily outcome rather than process oriented – seeking to identify the factors that influence cosourcing decisions rather than the process of making those decisions (Patton, 2002).

In determining the research approach it was recognised that there was a requirement to balance internal and external validity such that the research extends beyond an in depth analysis of a single organisation but also represents an analysis that is more than superficial<sup>3</sup>. It was also thought that the onset of theoretical saturation (Glaser and Strauss, 1967), whereby incremental learning becomes negligible, could be best delayed by focusing interviewing on an extended range of organisations – both credit unions and their service providers – rather than seeking multiple interviews within a restricted range. That decision was also guided by the nature of the research which was to examine cosourcing from a strategic perspective. As such interviews needed to be conducted with members of the senior management directly involved in the cosourcing decision. However given the size of credit unions and their service providers the senior decision making management body often comprised the CEO or General Manager alone. It was therefore decided that the primary locus of triangulation would be between different organisations (Yin, 1984). Of course, where possible and appropriate multiple interviews were conducted within a credit union to provide internal triangulation. While not ideal such a situation is not unique and there are numerous instances of other research (for example Applegate and Elam, 1992; Martin, 2003; Watts and Henderson, 2006) where it has not been possible, or has been nonsensical, to conduct interviews with multiple actors within an organisation. Furthermore in all cases it was possible to achieve a degree of internal triangulation through the review of documentation – primarily annual reports and board papers. Table 1 provides the details of the organisations interviewed<sup>4</sup>.

Interviews were between one and two hours in duration and a semi-structured interview protocol was followed. While the underlying rationale was purposeful, to collect data pertinent to the theoretical lenses it was deliberately non-directive so as not to preclude the emergence of concepts not previously considered (Patton, 2002). As such it is in line with the methodology presented by Eisenhardt (1989).

With regard to analysis, data was first reviewed and coded in terms of its relationship to economies of scale and the resource based and resource dependency theories. Descriptive codes were used and interview transcripts coded in sentence or multi-sentence chunks. As suggested by Miles and Huberman (1994) the data was then collated into conceptually clustered data displays in order to make it readily accessible. Where interview data did not code to the concepts identified a priori as of interest it was further assessed to determine if additional motivating or shaping factors could be identified.

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<sup>3</sup> Such a tradeoff between depth and breadth is acknowledged by Patton (2002)

<sup>4</sup> The research reported here forms a component of a broader study embracing business process outsourcing, cosourcing and shared services

Organisation	Total assets	Interviewees
CU-A	\$100-\$500m	CEO; IT Manager
CU-B	>\$500m	General Manager; Finance Manager
CU-C	< \$100m	General Manager
CU-D	\$100-\$500m	CEO
CU-E	> \$500m	CEO
CU-F	\$100-\$500m	CEO
CU-G	> \$500m	Manager IT; Manager Finance
CU-H	\$100-\$500m	CEO
S-A	N/A	Managing Director; Financial Controller
S-B	N/A	General Manager
S-C	N/A	Managing Director

Table 1. Organisations interviewed

## 4 RESULTS

As shown in Figure 2<sup>5</sup>, the interviews suggest that economies of scale and the resultant cost savings were an important, but not the only, motivator for cosourcing the hosting of IT services. Hosting was also widely – but not unanimously – perceived to be non-core activity. Where it was not it was retained inhouse. The value of managing dependency was also recognised – from the perspective of both the credit union and their service provider.

The research also found that various forms of cosourcing have emerged – differing along dimensions such as the depth of cooperation. Potentially one of the most important areas of difference may be whether there is a single class of user or differentiation between those who are shareholders and customers and those who are just customers. The research also suggests that there are inhibitors to changing a cosourcing arrangement once it is in place.

IT services cosourcing		
<p><b><u>Motivation</u></b></p> <p><b>Economies of scale</b></p> <ul style="list-style-type: none"> <li>• Cost savings</li> </ul> <p><b>Also</b></p> <ul style="list-style-type: none"> <li>• Voice / access to suppliers</li> <li>• Management &amp; technical capabilities</li> <li>• Revenue</li> </ul>	<p><b><u>Factors shaping</u></b></p> <p><b>Resource based</b></p> <ul style="list-style-type: none"> <li>• Non core</li> </ul> <p><b>But</b></p> <ul style="list-style-type: none"> <li>• Flexibility tradeoff</li> </ul> <p><b>Resource dependency</b></p> <ul style="list-style-type: none"> <li>• Competitive sector</li> </ul> <p><b>But</b></p> <ul style="list-style-type: none"> <li>• Cost of change</li> <li>• Dependency on partners</li> <li>• Supplier dependency on credit unions</li> </ul>	<p><b><u>Cosourcing alternatives</u></b></p> <p><b>Primary difference:</b></p> <ul style="list-style-type: none"> <li>• Depth of cooperation</li> </ul> <p><b>Also</b></p> <ul style="list-style-type: none"> <li>• Ability to attain critical mass</li> <li>• Credit unions as shareholders and/or customers</li> </ul>

Figure 2. Motivators, shaping factors and alternatives for cosourcing by credit unions

<sup>5</sup> See the Appendix for a supporting data display table

## 4.1 Motivation

IT services were seen by the majority of interviewees as areas where credit unions had similar needs and could benefit from coming together to secure cost savings through economies of scale<sup>6</sup>.

*“We are a medium sized credit union and we want access to those services, we rely on some of those large credit unions to get that aggregated purchasing power so that we get a reasonable price” CU-F*

*“They can do it [on their own], it just depends on how much money they want to spend to do it. This is where the volume gets in, on an ordinary scale, we can run 20% of the industry on 30 people” S-C*

Additional advantages of cosourcing though were also suggested, especially for small and medium sized credit unions – including access to managerial capabilities, piggybacked access to new services and voice, or the ability to get on the radar screen of suppliers.

*“The big credit unions have expertise and they have the skills on that to assist and to work with and to actually sit on the [management] committees where we don’t.” CU-F*

*“We actually took over their own staff. They now believe we are managing them far better than they managed them themselves because the staff are now being managed by IT people” S-A*

*“This is going to sound crazy, but the little ones get a greater benefit, pound for buck. The big ones will come up with a scenario or a need, they’ll spend the money to get it done. The little guys couldn’t see a need for it .. they’re further down the food chain. So what happens is the big guys generate some need and when they’ve grown to realise they actually need it, it’s almost there .. at an [affordable] price level” S-C*

*“From our point of view, I suppose the advantage is we don’t have to deal with 55 separate entities so we’re talking to one.. There are credit unions that would be too small for us” S-A*

It was also suggested that owning the cosourcing arrangement can be a source of revenue

*“I’ll make probably a million or two pre-tax profit .. That goes back to the shareholders needless to say .. In effect their dividends almost paid for their IT” S-C*

## 4.2 Factors shaping

The majority of credit unions saw IT services as critical but not core with core capabilities lying elsewhere – in areas ranging from personal service to having the best savings and loans products available in the market.

*“it’s opaque, it’s chugging away, and it has no bearing on the business.” CU-A*

*“What we basically said is, as an organization, we didn’t have the competencies to bring it in house nor did we want to bring it in house because it was not part of our core direction that we had. It was not a critical function that we felt that we needed to manage in house” CU-B*

However there was one instance where IT services were seen as core and retained inhouse.

*“we have our most powerful asset on site and we control it and that is our data.. you don’t sell your most important asset and you don’t let other people manage it.. And I think that’s really important to this business, particularly with online channels to day” CU-G*

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<sup>6</sup> None of the credit unions felt that they were of a sufficient scale to outsource individually

Another credit union while recognising the non-core nature of the IT services concerned did not see the trade-off of flexibility required to access the cost savings of cosourcing as worthwhile.

*“Why did we remain in-house? .. It gives us flexibility.. If we want to run reports today, two days time, right this minute or whatever, we have that flexibility to run reports. Whereas if you’re with an IDPC<sup>7</sup>, you have to put in a request for work, explain why, give some priority to it. So we don’t quite have the flexibility” CU-H*

The benefit of having multiple alternative suppliers – thus mitigating the risk of dependency – was generally recognised.

*“they’re negotiating agreements and if we don’t like it we can find another bureau” CU-F*

*“[having lost their largest credit union customer] Needless to say, they are desperately trying to get us across from [S-A] because our contract is up soon .. we are very happy, very happy.” CU-A*

However a number of interviewees were of the view that once the decision had been made it is seldom revisited – let alone changed because of the cost, effort and risk of making that change.

*“ We’ve tried to attract other credit unions .. but it’s very hard work. There’s a lot of inertia” S-B*

*“One of the first questions we ask ourselves is if we have no relationship what’s the chance of winning any business?” S-A*

*“do not revisit the decision often because it is such a major task to change” CU-H*

It was also recognised that an additional dimension to dependency is introduced with cosourcing – with other credit unions. In structuring cosourcing arrangements interviewees suggested that one of the most difficult tasks was managing the balance between the individual credit union and the group as a whole.

*“I think there is always strength in numbers, but it is also making sure that the people who are then agreeing to the development, there is a common understanding and agreement of what needs to be done ... making sure that everybody is on the right page and agreeing to the right direction and looking at it from, not only their self interest point of view, but the benefit of all parties involved.” CU-B*

*“[S-C has] the largest credit union on Australia and from what we understand 40% of their transactions will go [if that credit union leaves<sup>8</sup>]. Now that’s a lot. One of the beauties of S-B is that all of our institutions are relatively small, so we don’t carry bulk risk as such” CU-C*

Furthermore suppliers realised they were dependent upon credit unions – especially given the rapid consolidation occurring in the sector – and were seeking both to diversify and make changing suppliers as easy as possible.

*“My biggest risk of exposure is the market for credit unions at the moment. I’ve got to diversify” S-C*

*“If they’ve got forward commitments with their existing bureau provider one of the typical things we do is we define a transitional period, which is effectively where they start using us up until the time that their forward commitment would be incumbent provider, and we are more than happy to do something so that they don’t incur dual costs...otherwise it’s not going to happen” S-B*

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<sup>7</sup> IDPC – Independent Data Processing Centre. The common term for the cosourced computer bureaus used by credit unions

<sup>8</sup> At the time of the interview the credit union was in the process of leaving



### 4.3 Cosourcing alternatives

A variety of cosourcing structures have emerged in the sector as illustrated by Figure 3<sup>9</sup>.

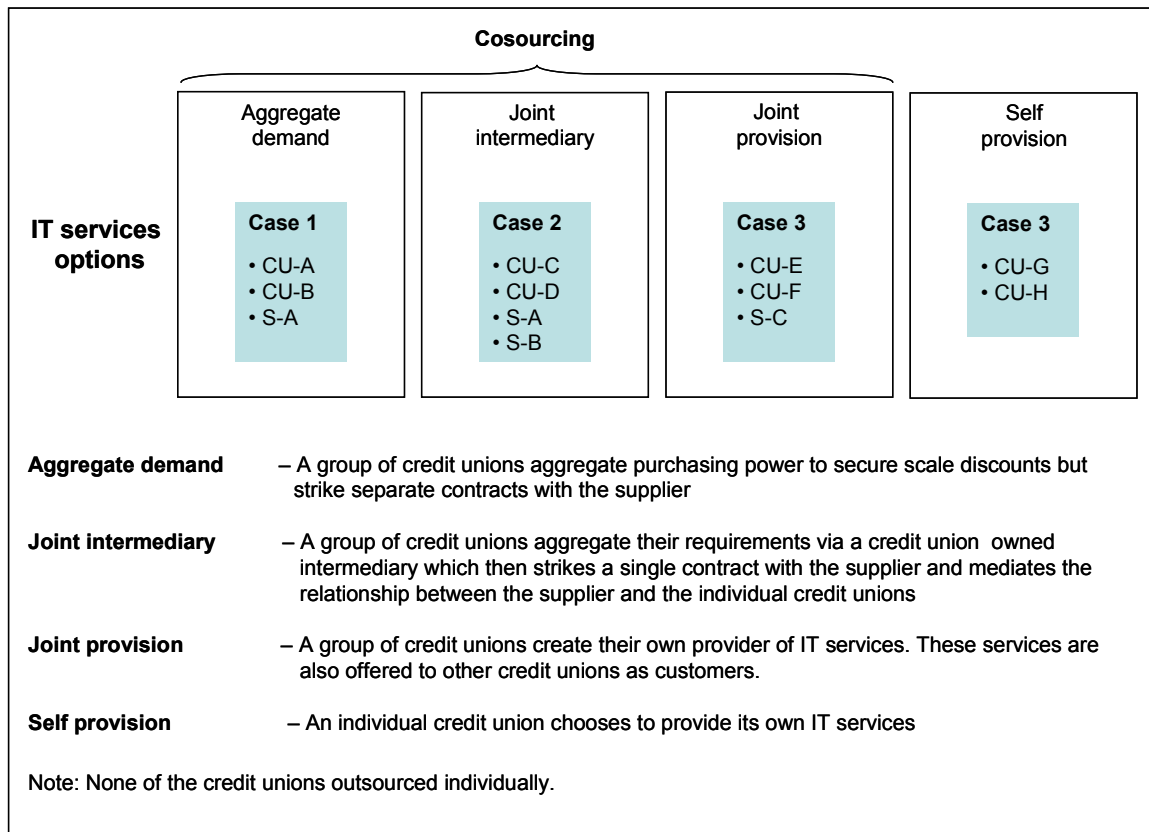


Figure 3. IT services options

The main dimension along which the cosourcing options varies appears to be the depth of cooperation – ranging from aggregating demand to maximise volume discounts (Case 1) to creating a joint entity to actually provide services (Case 3).

*“Effectively what we’ve done at [S-B] is we’ve put a middle man in there to look after our interests.. they manage the relationship with [S-A]. It suits [S-A] to deal with one entity and one contract” CU-D*

*“[It] is just purchasing power.. What we’re trying to do is to get as much of the cost benefit without selling your soul. We think we’ve got a half way house. So why go that extra step if you don’t have to..” CU-A*

With Case 2 a key factor in determining the cosourcing structure was the inability – even combined – of the credit unions involved to attain the necessary critical mass for self provision.

<sup>9</sup> While there would appear to be the potential for conflict between supplier A and supplier B when competing for new business both argued that business practices negated it

*“we actually have a policy we don’t buy business. Every client must be a profitable stand alone entity.. so the chance of our pricing being different to [S-B] there’s a very small chance of that happening. The only difference would be if we actually offered a different solution” S-A*

*“The sort of skill-sets that we get access to at Hansen, well employing those individuals within our company and then having to wear 100 cents in the dollar, doesn't make a lot of sense” S-B*

A further difference between the cases was whether the user base had a common status. With Case 1 all credit unions users are customers, while with Case 2 all are both customers and shareholders and with Case 3 there is a mix of those who are both customers and shareholders and those who are only customers. The choice may impact the nature of the user-supplier relationships and, as mentioned earlier, the interests of shareholders and customers may diverge.

*“because we're way in front, way, way in front of our surplus forecast for this year we're not going to charge any of our credit unions for June. We're going to give them one month free, which is effectively \$300,000 plus worth of gross revenue” S-B*

*“As a shareholder I gain in the success of a... any success of the company I gain in the form of a dividend on my capital” CU-G*

## 5 DISCUSSION

The motivators and shapers outlined – derived from economies of scale, resource based theory and resource dependency theory – appear to have some merit with regard to a *general* understanding of the cosourcing decision but clearly need to be extended. In particular it would appear that dependency concerns extend beyond the expected dependency of credit unions on suppliers to also incorporate the relationships between credit unions and even supplier dependency on credit unions. It is also noteworthy that the benefits of cosourcing may not be “cost free” with a number of credit unions suggesting that there is a trade-off between cost savings and flexibility.

Perhaps most interesting however is the finding that cosourcing is neither universal nor takes a single form – even for the same activity in the same industry. The research suggests that one explanation for this may be the varied starting positions of the individual credit unions – their capabilities, and perceived opportunities and challenges. For example, regarding the choice between being a shareholder and customer or merely a customer the decision is likely to depend upon factors such as the perceived cost of being a shareholder relative to the benefits. Furthermore the existence of a variety of cosourcing structures suggest that credit unions’ assessment of whether hosting is core or non-core may not be a simple dichotomy but rather a continuum of more or less core.

The variety of cosourcing arrangements suggest that the potential for cosourcing may be greater than first thought – in that it should be less constrained by the need to ensure core capabilities are not impinged upon. However there is also some evidence that not all options will be available to all credit unions. This would seem to be particularly true for the smallest credit unions. Furthermore the choice of structure may have ongoing implications and introduce complexity into the management of supplier dependency. This is likely to be especially the case where there is a mix of shareholders and customers – as with Case 3 – and interests could diverge. One group may want the best price, another the best return. In such circumstances a second level of aggregation might arise as those users that are customers only seek to promote their interests vis-à-vis those who are also shareholders. The significance of the initial choice then should not be understated – especially as the cases also suggest there is considerable inertia to change once that choice has been made.

In terms of future research it would be useful to examine in more detail the individual contexts of the credit unions to determine whether and how they differ to gain a greater insight into the impact of context on the cosourcing choice. It might be possible for example to compare them along dimensions such as structure, processes, skills and technology (Newell et al, 2001; Burke and Litwin, 1992 and Scott-Morton, 1991).

It would also be useful to look at the cosourcing structures themselves in more detail. For each alternative, for example, is there an optimum number of participants beyond which the incremental transaction costs of managing the cosourcing arrangement outweigh the incremental scale benefits (see

for example the work of Hancock et al, 1999 regarding diseconomies of scale). Are there preferred compositions – for example that avoid or embrace the inclusion of a partner that is of a significantly larger scale than the other participants. Additionally how much variation in users requirements can be effectively accommodated within a single structure.

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## APPENDIX: SUMMARY DATA DISPLAY TABLE

	Economies of scale	Resource based theory	Resource dependency theory
CU-A	<ul style="list-style-type: none"> <li>• Cost savings &amp; sharing</li> <li>• Voice</li> <li>• Access skills &amp; capabilities</li> <li>• Not all credit unions have the same needs</li> </ul>	<ul style="list-style-type: none"> <li>• Front end IT enables differentiation but not back end</li> <li>• Trusted advisor as core capability</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial partners more responsive than CU owned ones</li> <li>• Problems when large credit unions move off a solution</li> <li>• Solutions all comparable</li> <li>• Need for, &amp; problems in achieving, compromise</li> <li>• Largest credit unions have the greatest say</li> <li>• Long term supplier relationships – infrequent change</li> <li>• Aggregated purchasing power often sufficient</li> </ul>
CU-B	<ul style="list-style-type: none"> <li>• Small gain access to technology &amp; suppliers</li> <li>• Access to management resources</li> <li>• Cost savings &amp; sharing</li> <li>• Voice</li> </ul>	<ul style="list-style-type: none"> <li>• Customer relationships ( Trusted advisor) core</li> <li>• Retain IT strategy capability</li> <li>• Back office – does not touch the customer</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of change of ownership of supplier</li> <li>• Importance of due diligence &amp; contract (long term pricing, SLA)</li> <li>• Cost of change</li> <li>• Importance of compatible, non-competing partners</li> </ul>
CU-C	<ul style="list-style-type: none"> <li>• Cost savings</li> <li>• Free up management resources</li> <li>• Larger credit unions get the bulk of the savings</li> <li>• Power</li> </ul>	<ul style="list-style-type: none"> <li>• Key differentiator is the market niche targeted</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial cosourcing provider seeks to maximise profit</li> <li>• Largest credit unions have the greatest say</li> <li>• Commercial partners more responsive than CU owned ones</li> <li>• Group of small credit unions – limits bulk risk</li> <li>• CUs edging towards open competition</li> </ul>
CU-D	<ul style="list-style-type: none"> <li>• Cost savings</li> <li>• Voice</li> <li>• Frees up management resources</li> </ul>	<ul style="list-style-type: none"> <li>• Branch network as core capability</li> <li>• Trusted advisor as core capability</li> </ul>	<ul style="list-style-type: none"> <li>• Dependency on performance of other credit unions</li> <li>• Risk of large players pulling out</li> <li>• Commercial cosourcing provider seeks to maximise profit</li> <li>• Commercial cosourcing provider more responsive</li> </ul>
CU-E	<ul style="list-style-type: none"> <li>• Access to services for small</li> </ul>	<ul style="list-style-type: none"> <li>• Key differentiator is the market niche targeted</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of large players pulling out</li> <li>• Need for, &amp; problems in achieving, compromise</li> <li>• Largest credit unions have the greatest say</li> <li>• Commercial partners more responsive than CU owned ones</li> <li>• Cost of breaking contracts</li> </ul>
CU-F	<ul style="list-style-type: none"> <li>• Cost savings &amp; sharing</li> <li>• Voice</li> <li>• Access / frees up management resources</li> <li>• Many alternatives reduces aggregation benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Product offering as core capability</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced sector cooperation</li> </ul>
CU-G	<ul style="list-style-type: none"> <li>• Control of own destiny</li> <li>• Flexibility of inhouse IT</li> <li>• Small benefit from cost savings, large can realise savings themselves</li> </ul>	<ul style="list-style-type: none"> <li>• Control data</li> <li>• Services and branding as core capability</li> </ul>	<ul style="list-style-type: none"> <li>• Danger if stray too far from the standard implementation</li> <li>• Lack of voice as customer base increases</li> <li>• Importance of compatible, non-competing partners</li> <li>• CU consolidation &amp; supplier diversification risks marginalisation</li> </ul>
CU-H	<ul style="list-style-type: none"> <li>• Flexibility of inhouse IT outweighs potential cost saving</li> </ul>	<ul style="list-style-type: none"> <li>• Product offering as core capability</li> <li>• Perception of security</li> </ul>	<ul style="list-style-type: none"> <li>• Need for universal solutions</li> <li>• Commercial partners more responsive than CU owned ones</li> <li>• Cost of change / breaking contracts</li> <li>• CUs edging towards open competition</li> </ul>
S-A	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• Cost savings</li> <li>• Access to skills</li> <li>• Countrywide footprint</li> <li>• Variable not capital costs</li> </ul>	<ul style="list-style-type: none"> <li>• Provides infrastructure – generic “box” provider</li> </ul>	<ul style="list-style-type: none"> <li>• Customers other than CUs reduces risk</li> <li>• Assist with changeover (in and out)</li> </ul>
S-B	<ul style="list-style-type: none"> <li>• Aggregator – provides access to suppliers</li> <li>• Economies of scale</li> <li>• Variable not capital costs (also spreads/reduces risk)</li> <li>• Frees up management</li> </ul>	<ul style="list-style-type: none"> <li>• “Commodity service: provider</li> <li>• Critical (not core) &amp; reduces dependency on internal resources</li> </ul>	<ul style="list-style-type: none"> <li>• Stasis &amp; stability</li> <li>• Rationalisation of CUs risk to provider (&amp; to CUs with small service providers)</li> <li>• Back-to-back contracts</li> <li>• Manage forward commitments to encourage change in</li> <li>• Reputation &amp; CU knowledge acts as a barrier to entrants</li> </ul>
S-C	<ul style="list-style-type: none"> <li>• Quality commercial product</li> <li>• Flexibility</li> <li>• Cost savings</li> <li>• Access to technology</li> <li>• Variable not capital costs</li> </ul>	<ul style="list-style-type: none"> <li>• Non-core but expensive</li> <li>• Provides infrastructure and architecture that CUs plug applications into</li> </ul>	<ul style="list-style-type: none"> <li>• Assist with changeover (in and out)</li> <li>• Infrastructure focus makes change easier</li> <li>• Rationalisation of CUs risk to provider</li> </ul>