



Credit Union
Central of Canada

2008 Members' Forum – Summary Report

The National Young Leaders Committee organized and led the discussion at the Members' Forum held May 7 in Ottawa as part of the Canadian Conference of Credit Union Executives.

The topic of the session was – **Co-operative Principles: Do They Really Differentiate Us?** Before the conference the committee issued a report with the same title, which is available on the Canadian Central website at <http://www.cucentral.ca/MF07>. The report summarizes views that the committee received from meetings with young credit union leaders across the country. The top three principles identified as ones that credit unions should focus on to differentiate themselves from banks were: concern for community, member economic participation and education, training and information.

The Rochdale Principles, initially established in England in the 1840s, are a set of ideals for the operation of co-operatives. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

The co-operative principles are guidelines by which co-operatives and credit unions put their values into practice.

The session included video clips with the young leaders discussing the seven principles and what they had learned from their discussions with credit union staff.

The core of the session was discussion of the principles by participants. They discussed two questions in relation to each of the principles and at the end offered suggestions on what the credit union system should do to

Summary of Group Discussions

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Question 1: *Why is this principle not important to members?*

Many participants felt that the public and even many credit unions members do not understand the concept of credit unions and do not understand that they are owners, not customers.

The current marketplace with a wide variety of competitors and easy access to most services has undermined the importance of the principle as a protection against discrimination, many participants said.

Others said there is general apathy on this topic and one table noted “people don’t care about the democratic feature of credit unions.”

Members today are more interested in lower fees and better rates or products than they are in this principle, or any other, many participants said.

“We value this principle more than our members do,” one table noted.

One said: “Most people walk in as a client looking for a product, not looking to become a member.” While another agreed suggesting, “Membership is not perceived as a benefit, but as a barrier.” And a third table said: “Membership implies a responsibility that people don’t want.”

One table made the point that credit unions “may be open and voluntary, but we’re not really open and accessible, at least not technologically.” Other participants noted that the concept of membership has been devalued by organizations such as Costco and Amex, which use the term but don’t impose any responsibilities.

Question 2: *How can we better “live” the principle of Voluntary and Open Membership in a way that is relevant and meaningful to members?*

This question generated a wide variety of responses. Several participants suggested the term “credit union” has a negative connotation that is a barrier to presenting an image as open and accessible to all.

One table suggested: “The empowerment given a member needs to be promoted and it will resonate with youth.”

“Bring value to open membership by adding partners to tie in with credit union products,” was one suggestion.

One recommendation that was a recurring theme in the discussion of many principles was the need to market the system. “Market the credit union system as a whole. We are different, but afraid to say how we are different. “

A few tables suggested that following this principle should lead credit unions to reach out to the unbankable, the disenfranchised, or people with blemishes on their credit history.

2. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

Question 1: *Why is this principle not important to members?*

Many participants said that younger members are not interested in education or training on financial matters, they are focused on low costs, having all services available and getting the best deal. The fact that busy members lack the time for education was a related issue that was referred to by several participants.

The fact that there are many other sources of information, including other financial institutions and the Internet, was mentioned by several tables.

“People don’t want advice, especially if it means telling them they have too much debt,” one said.

“Some staff think that education takes too much time,” another participant suggested. Others said that many members do not think they need information but the “irony is that many young members are not financially sophisticated.”

“Wise use of credit” doesn’t cross the minds of some younger people. Credit is so easily available.” “Education levels are higher now, we can offend people by offering information.” But on the other hand, another participant said: “People are afraid to ask for information because they fear looking stupid.”

Question 2: *How can we better live the principle of Education, Training and Information in a way that is relevant and meaningful to members?*

Several participants suggested credit unions need to work with schools to encourage the teaching about the co-operative economic. Others suggested the system needs to produce material that can help young people develop financial literacy.

A national marketing strategy was suggested to educate members and the public about the co-operative principles. “Fragmentation dilutes the message. Need a strong national message,” one

table said. Another idea was to have more member training on credit union websites, but do it in a humorous way.

Several participants touched on the need to provide education and training for people who are turning to payday loans. We need to be accessible, storefront and non-judgmental, one said.

Credit unions should promote themselves as a coach who is able to provide financial help to people throughout their lives.

“Delivery of the message should not be preachy,” one said. To get that message across credit unions must use all media platforms, including the Internet and video, and adapt to changing ways of communication.

3: Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

Question 1: *Why is this principle not important to members?*

As with the other principles, several tables said this principle is not important to members, or potential members, because they are looking for low-cost services, not membership.

“We aren’t very creative about finding new ways to stimulate participation.”

A few participants noted that it is difficult to attract board members, while one noted that long board terms can discourage potential directors

Some members feel that there is nothing to complain about so they don’t get involved, it was suggested, while others may feel that simply voting at the AGM once a year is not engaging.

“No decisions to make, just a rubber stamp,” was the view of several participants.

“This is not real, or relevant to members. It just sounds like work.”

Several participants also mentioned there is a general apathy about taking part in credit union activities, unless there is a problem that sparks interest.

One suggested this is more of a problem in larger credit unions where it is more difficult for people to feel involved. The sense of community is diluted through geographic expansion and growth, another said.

Question 2: *How can we better live the principle Democratic Member Control in a way that is relevant and meaningful to members?*

Several changes were suggested to the way AGMs are held and votes taken, in an effort to make the processes more engaging and interesting. One suggestion was to restructure the AGM so that it includes a 30-minute think tank on key issues before the regular meeting on financial matters.

Several participants suggested community councils or branch councils to promote local democracy, particularly in credit unions that have grown to cover large geographic areas. Another suggestion was electronic voting or member referenda. A related idea was to bring more decisions before the general membership. Another said, "Expand the governance to include focus groups, peer groups."

"We only get complaints, not much contribution," one participant noted.

"Attending conventions like this reminds us of the principles of co-operation and helps us live them," another said.

We need to "promote the fact that we are a credit union. At times there seems to be a sense that don't want to promote that we are credit unions. "

4. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Question 1: *Why is this principle not important to members?*

Many participants felt this principle is not important because members are seeing the best price on rates and services and the relatively small amounts offered as patronage dividends are seen as being of little value. "People want better rates up front, not profit sharing," was a common refrain. "They want to see tangible benefits now, not at the end of the year," one participant said.

Many members do not understand capital and the need for a credit union to build a strong capital base, several participants said. A related factor is that many people move out of an area and no longer benefit from the capital that has built up in their credit union.

But not every table agreed with the suggestion that this principle is not important.

“We strongly disagree,” one group said. “It’s the distinguishing difference of credit unions. Give young people the option.”

Question 2: *How can we better live the principle of Member Economic Participation in a way that is relevant and meaningful to members?*

Several participants suggested credit unions need to be sure their staff are well trained on this issue in order to communicate it effectively.

Other recommended more publicity and advertising to ensure the message gets out that credit unions do offer financial rewards to their members and their communities. One suggestion was that credit unions make a substantial public donation to the community, instead of paying a patronage dividend that has little publicity value.

“If retained earnings do not go to better rates and services they must go into something visible,” one participant said. Another suggested: “Engage in community investment that raises the awareness of the credit union’s involvement in the community.”

One table suggested people join because of a credit union’s dedication to community. “Benefit for the community is a dividend for members.”

Two participants urged credit unions to communicate with their members to find out what form of economic participation is important to them and to build on that. Keep member participation top of mind all year long, another said.

5. *Autonomy and Independence*

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Question 1: *Why is this principle not important to members?*

The public and credit union members do not realize that credit unions are autonomous, so this principle has little interest to them, several participants said.

“This principle is far removed from members, who see themselves as customers, not members,” one participant said.

This concept is of little value to members, particularly younger members, or in urban areas.

In fact, several participants suggested it can be a detriment because it suggests that credit unions are small and do not have the products and services to meet all of a member's needs. Also, it can lead to turf protection, not co-operation between credit unions.

Question 2: How can we better live the principle of autonomy and independence in a way that is relevant and meaningful to members?

One participant suggested credit unions should look at changes in the Desjardins system. Local caisses populaires gave up autonomy to be interdependent, a change that permitted the entire system to flourish.

"What is our strength is also our weakness," one participant said. The local focus of credit unions permits them to serve members well, but it has slowed efforts to create a wider system that can compete with the banks in a mobile society.

Several participants urged credit unions to promote the fact that decisions are made locally, unlike the big banks.

The need for more effective communication to members and the public was mentioned by several participants.

6. Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Question 1: Why is this principle not important to members?

Several participants mentioned that many members do not understand that credit unions are co-operatives and are not aware of opportunities to join other co-operatives. Another noted there are negative connotations to the terms co-operative and credit union that we must overcome. There is also a perception that dealing with a co-operative will mean paying a higher price and that is rejected by most consumers.

Many mentioned that credit unions do not co-operate with each other, or other co-operatives. Other credit unions are often viewed as competition. One reason suggested for the lack of co-operation is that managers fear a loss of control.

Several participants suggested that members do not care about this principle so there is no pressure for credit unions to follow it.

Question 2: How can we better live the principle of Co-operation among Co-operatives in a way that is relevant and meaningful to members?

Several tables suggested creation of a loyalty program between co-operatives to encourage members to use the services of other co-ops.

Another suggested developing a day care or wellness centre in co-operation with other co-operatives. On the credit union front, several participants noted the need for coast-to-coast connectivity and ways for members to access their accounts. Also, credit unions should routinely refer members to other credit unions when the member is moving. One participant suggested Desjardins might be a role model in this area.

Credit unions and co-operatives should create informal networks that would encourage co-operation and sharing of resources. Forums such as the Canadian Conference were recommended.

A common brand, or theme, was suggested to identify co-operatives and credit unions and show that they are linked.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Question 1: Why is this principle not important to members?

Many participants stressed the need to communicate more effectively because many members are not aware of these contributions.

Others said that the fact many other organizations, including banks, are promoting their community activities means credit unions cannot use this to differentiate themselves from competitors. "Banks are better at promoting the money they spend on this. It's PR for the banks, not a value," one said.

One suggested this is important in smaller markets, but not in urban areas where credit unions cannot make large enough contributions to be noticed. Large credit unions that serve a wide geographic area may have difficulty identifying their communities.

Many participants said members want a better deal on services, not spending on community programs. They said members look at community programs and say, 'There is nothing in it for me.' Several noted that the idea of community has changed and for the younger generation it is global, not local. Many also said that people have less connection to their community because they are more mobile.

One participant took a different approach responding: “Refuse to answer, how *can't* it be important?”

Several people said that credit unions need to promote their activity and remind members and the public of their history of contributing to their communities.

One danger was noted by a participant: “Some might oppose the cause we are supporting in the community. “

Another participant said that a “hallmark of the credit union system is who we attract and those who are members do in fact appreciate our community involvement. “

Question 2: How can we better live the principle of Concern for Community in a way that is relevant and meaningful to members?

The top suggestion from many participants was the need to increase the visibility of credit union efforts in the community. Many said we need to do a better job of blowing our own horns to get the message out.

Several participants recommended turning to members to find out what projects they would like credit unions to support. One suggested using the AGM as a forum for members to discuss their preferences.

There was also strong support for the idea of working with other co-operatives on community projects.

Several people suggested a national initiative, similar to the Canadian Business Owners Strategy, to bring credit unions together and raise the profile of the system.

“This is one of the principles we live the best,” one participant said.

Final Question:

Where do we go from here? What can credit unions do to leverage the principles to gain a competitive advantage?

A large number of tables urged a national branding or advertising campaign to promote the fact that credit unions follow these principles. Some suggested focusing the campaign on just the top three principles.

The Canadian Business Owners Strategy was again identified as model that should be followed.

Another issue mentioned by several participants was the need for national connectivity to allow credit unions and their members to work together across the country. A common brand for ATMs from coast-to-coast was included in this suggestion by several participants.

Several participants recommended a single, national central to help the system work together. One suggested centrals need to take leadership and connect the success stories already in the system. For example, several participants suggested expanded the successful “Ding Free” program from BC across the country and promoting it widely.

Credit unions were urged to communicate the principles to their staff, members and potential members and to practise what we preach.

“Turn the principles into a competitive advantage – young people want to work for an organization that is concerned with more than the bottom line,” one participant said.

“Challenge each credit union to bring one of their own young leaders to next year’s conference to experience what we are all about. Canadian Central could offer slightly reduced rate,” one suggested.

A few tables said: “The system is an old boys club. This has to change to become more co-operative.”

One participant suggested giving a higher profile to directors to illustrate that we are democratic organizations. “This would live the democratic principles and differentiate us from the banks.”