Member General Conference: Collaboration and Communities

Manchester, 18 January 2019

Summary of Proceedings

CFCFE
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Collaboration and Communities

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The Centre for Community Finance Europe Ltd. is a not-for-profit research organisation incorporated in 2016 in Dublin, Ireland. Its mission is to undertake high quality research, to lead on ideas and innovations, and to explore tested solutions related to credit unions, co-operative banks and similar not-for-profit providers of community-based financial services in Europe.

CFCFE is rooted in values of co-operation, participation, social and financial inclusion, transparency, integrity, and excellence. Much of its work is done in collaboration with Liverpool John Moores University.

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Proceedings: Collaboration and Communities

1. Introduction

This is a summary of the presentations and panel discussions from the CFCFE Member General Conference, *Collaboration and Communities*, held on 18th January 2019 in the Co-op Group's Angel Square headquarters building in Manchester, UK.

The purpose of the conference was to share realistic, actionable guidance from credit union people who have successfully collaborated through joint efforts to improve services to members and who have contributed to strengthening the social fabric of the communities they serve. The event was organised as a constituent element of the EU-funded Erasmus+ Fincare project.[1]

It was attended by 100 delegates from dozens of credit unions, several trade associations, regulatory bodies and two universities – coming from England, Ireland, Northern Ireland, Romania and Scotland. An attendee list is available in the event programme, downloadable here.

This summary does not seek to repeat the presentations, which can be viewed here, but rather to draw out the main headlines from the speakers and the question and answer sessions. Speaker biographies can be found in the programme noted above.

2. **Welcome,** Dr Paul A. Jones, Reader in the Social Economy at Liverpool John Moores University and CFCFE

Paul welcomed everybody to the conference taking place in the prestigious surroundings of the Angel Square building, headquarters of the Co-operative Group and the base of the Co-operative Credit Union. He thanked the Group and the Credit Union for hosting the conference.

He set out the background and purpose of the conference as both the first members' conference of CFCFE and the multiplier event in the EU Erasmus+ Fincare project involving credit unions in Romania and the North West of England and co-operative banks in Italy.

The purpose was to allow credit unions and credit union support organisations to engage with one another and to explore collectively key issues in credit union

[1] More information on this project is available in the conference programme here

collaboration and in making a real difference in communities, socially as well as economically.

He said that he was particularly pleased that the conference welcomed participants from Ireland, both North and South, from England, from Scotland and from Romania. For those new to the region, he explained that we were in the co-operative heart of Manchester, only about eleven miles away from Rochdale, where our modern co-operative movement began.

Paul welcomed all the speakers and panel members and thanked the corporate sponsors of CFCFE, whose support is much appreciated.

3. Credit unions co-operating for business

Key questions: How to get started on collaboration? What are the key steps and challenges? How is collaboration organised and governed?

3.1. International Perspectives on Credit Union Collaboration, Ralph Swoboda, Chair, CFCFE

Ralph set the scene for the morning discussion by presenting some observations on the experience of credit union collaboration in the United States. Ralph was keen to emphasise:

- Even USA credit unions smaller than $50 million in assets compete effectively as full-service financial providers. They do so because they can tap into a rich ecosystem of support organisations that provide expertise and back-office operational scale. Many of those support organisations are credit union-owned companies.
- Some of those CUSOs (credit union service organisation) are very large, but 72% of multi-owner CUSOs (174 out of 243) have 2-10 credit union owners.
- Their key strategy is to operate using professional staff of their own and, in many cases, partnering on a group purchase basis with specialised vendors of the particular functions needed.
- There is great benefit in having multiple CUSOs offering the same services, since competition keeps them sharp and diversification mitigates the risk of any single provider failing.

3.2. **Credit unions co-operating for business,** Kevin Johnson, CEO, Solution Centre

Kevin spoke to delegates from the experience gained by the Solution Centre, which was established in Ireland in 2016 to incubate and create new products and services to support the growth of its credit union members. Kevin identified the following points:

- It is critical that all parties have agreed the business benefits that they are expecting and have embedded these in their individual organizational strategy – if a potential partner has not, then they may not be ready to collaborate.
- The owners or customers of an initiative may have to accept a loss of control if a project is to have some autonomy in achieving objectives.
- The services of skilled professionals are essential, both as staff for the Centre and also as contract consultants and advisors.
- Typically, Centre initiatives required finding and contracting with a specialist outside vendor to conduct actual operations.
- The collaboration needs to work to pre-agreed milestones and be brave enough to close down wayward initiatives before it's too late.
- Participating credit union staff should be involved in the design of a new product or service in order to get their commitment to implementation.
- Understanding change management is recommended for people businesses such as credit unions to collaborate effectively.
- One size – of legal, governance or commercial arrangements – does not fit all; the needs of the initiative will require different approaches.

3.3. **Collaboration: is it worth it?** Carol McHarg, CEO, 1st Alliance Credit Union

Carol summarised some lessons from the experience of the Credit Union Consortium, where five innovative Scottish credit unions are working together in a partnership with the Carnegie UK Trust to help workers in Scotland benefit from credit union membership via their employer. The main takeaways from Carol were:

- While the funding and support from the Carnegie Trust were necessary pre-conditions for the project, it was led and enabled by the five partnering credit unions.
- The consortium hired a representative to attract payroll deduction and other support from employers in the credit union's fields of membership.
- To make that employment work for both the individual and the partners, organisational egos had to be put to one side to achieve the practical benefits of having one of the credit unions serve as the representative's legal employer.
- The partners have had to have trust in each other to avoid micro-managing the

employee.

- The management meetings of the consortium have become useful forums for sharing good ideas on other subjects, as positive relationships have been built.

3.4. **Creating the Future through collaboration: The Payac Story,** Seamus Newcombe, CEO, Payac

Payac is a company established by Irish credit unions to provide current accounts, debit cards and related services to credit union members, so Seamus was able to talk from direct experience about collaboration, with these key messages:

- The initial focus of the sector was on debit cards, however it became clear that the solution was current account services.
- The founding credit unions were clear on what they wanted from Payac (current accounts) and have continued to keep their eyes on that prize.
- There has to be a commercial rationale and decisions must be made on a commercial basis – this is not inconsistent with a mutual ethos.
- Partners should have an exit strategy in case the project is not successful, e.g. to manage member expectations. Seamus reiterated Kevin's point that collaborators must be prepared to close the project if necessary, and should not be deceived by a short-term 'dead cat bounce'.
- Organisations with different values will not work well together.

3.5. **CU*f*GM: Credit Unions for Greater Manchester,** Christine Moore, CEO, Manchester Credit Union

Christine introduced the consortium known as Credit Unions for Greater Manchester (CUfGM), which had begun as a way to speak with a single voice to a new executive mayor for the region but had developed into other initiatives such as collaborative marketing. Christine noted that:

- The consortium was immediately more influential as a collective than the individual credit unions had been previously.
- The partners had several objectives and ambitions, but there was some way to go in formalising and documenting their plans.
- In addition to having a voice with policymakers – and other sector consortia such as housing associations – CUfGM conducted region-wide marketing to raise awareness of credit unions, e.g. adverts displayed on the tram system.
- The consortium intended to incorporate as a co-operative in due course, inspired and informed by a recent visit to Trentino co-operatives in Italy.

3.6. Panel discussion

The speakers, together with Ralph as moderator, took questions and discussed the issues raised. It was noted that:

- Like every entrepreneurial venture, credit union collaborations must accept the risk of failure.
- Trade associations have a role in informing, exploring and facilitating for credit unions and in advocating with policy-makers. However, they should not try to control credit union collaborations.
- The challenge of meeting millennials' requirements for digital services is made more difficult by long-term relationships with existing IT providers, meaning change is profound, hard and expensive. But banks have poor IT so they have the same problem.
- It is crucial that providing digital solutions is balanced with the desire of many members to retain face-to-face contact with their credit union.
- Sometimes boards and CEOs have a different focus – they need to be working together effectively before collaboration with external partners can succeed.
- Dedicated, paid staff are essential for collaboration involving any real degree of complexity and long-term operational functions.
- It is critically important that when credit union CEOs serve as the board of a collaborative venture they give the venture's staff clear goals, put appropriate policies in place and avoid micromanagement.

4. **A regulatory perspective on collaboration,** Roger Marsh, formerly Prudential Regulatory Authority, Bank of England

Roger shared some perspectives on collaboration in the sector, primarily in relation to the UK but with applicability to Ireland in many cases, based on his years of experience as a senior regulator and observer of credit unions. He suggested that collaboration was essential if the movement was to ensure relevance in a rapidly-evolving market, noting also that:

- The core requirements of current British legislation date from the early days of credit unions in GB, and the sector has developed far beyond the scale and scope of its individual pioneers. Reform is needed if the legislation is to allow further development and the realisation of the potential that exists in the sector.

- The sector must agree on a clear identity and a common vision of what it wants to be and do. Credit unions are now very diverse but there is no reason why the sector could not embrace a broad range of business models within an overall framework acceptable to all.
- The sector must be able to articulate this common purpose to extremely busy policy-makers who have many high-priority calls on their time and who need genuine clarity in detail from the sector on its vision before committing scarce resources to changes. Personal and organisation animosities must be put aside if a compelling argument for change is to be made and gain their attention.
- There is a key role for the trade associations in helping their members develop a clear proposition.
- Regulators understand that change entails risk – what worries them is if they can see (as is often obvious) that it has not been recognised and thought through by a credit union which argues that it is a "special case". Regulators will always consider a credit union board's (and this is a board responsibility) properly constructed and risk-assessed argument for temporarily modifying the effect of a rule in specific circumstances.
- Don't shoot the regulator – you need facts, figures and a business case to be persuasive of a case for change in policy. You also need to understand that the test for allowing some changes, such as rule waivers, are written in law and regulators are bound to test proposals exactly as laid down in the Act.

5. Credit unions expressing co-operative values

Key questions: how do credit unions express the co-operative principle of concern for the community?

5.1. Credit unions and co-operative values, Ed Mayo, Secretary General, Co- operatives UK

Ed spoke about the role of values in a commercial context; his reflection on values are set out at more length in his book *Values: How to Bring Values to Life in Your Business*. At the conference, Ed highlighted that:

- Values drive us to co-operate – but also to conflict.
- Intrinsic values, such as fairness, are more powerful than extrinsic ones, such as status, so it's vital for organisations to address the intrinsic values of their colleagues and members.
- Focusing on intrinsic values allows an approach that goes beyond the standard 'carrot and stick' methods of motivation, which are externally imposed on

people, to a 'rose', something that draws people to act because they already care for it because of its positive (in this case, beautiful) properties.
- New starters are very good at 'taking the temperature' of organisational values, as they see the organisation with an outsider's eyes.

5.2. **Investing in the community: a strategic approach,** Louise Shields, Risk & Compliance Manager, St Anthony's & Claddagh Credit Union (SACU)

Louise spoke to her passion, which is her credit union's engagement with its community in Galway. Louise explained that:

- SACU could see challenges in competing simply on price with other providers, so it sought a non-financial rationale for building member loyalty; the credit union needed to "lock them in emotionally".
- Short term sponsorships and donations are necessary 'bread and butter' activities which SACU has long engaged in. They generate substantial goodwill.
- However, SACU chose to augment these by funding long-term projects with partners in each of five sectors: the arts, education, sport, community development and international development. The key value to partners was the confidence provided by funding that SACU committed over a period of years, rather than being a one-off. This allowed them to plan and seek matching funding.
- In addition to community projects, SACU has set up a discount scheme for members with a large number of local businesses (through the 'Connect Card'), with mutual benefits to members, the local economy and SACU.
- SACU's business performance has materially improved since its community partner investment strategy was implemented. While direct, causal lines cannot be drawn, SACU believes there is certainly a link.

5.3. **Community partnerships,** Billy Doyle, CEO, & Paddy Donnelly, chair, Dundalk Credit Union (DCU)

Paddy introduced the credit union and provided the context for its community engagement activity, noting that DCU had decided that a more strategic and integrated approach to its community investment was required to get the most impact and value from it. Billy presented on the activities themselves, highlighting that:

- Research showed DCU was seen by residents as the organisation that most embodied the community.

- To consolidate this, DCU had established meaningful 'community partnerships' with the organisations ranked second, third and fourth by the research as representing the community (Dundalk Institute of Technology, Dundalk Football Club and the Gaelic Athletic Association).
- In addition, the credit union had launched a community support fund to support a range of local voluntary, community, and economic initiatives.
- DCU's business performance has improved, and the credit union strongly believes that the community investment programme has contributed to its own growth and sustainability, as well as that of the community.

5.4. Measuring social impact – or, the credit union difference, Nick Money, Director of Development, CFCFE

Nick introduced a project being led by Small Change Ltd and CFCFE to develop a methodology ('toolkit') for credit unions to measure their impact on their members and their community. He drew attention in particular to:

- The need for credit unions to be able to articulate their difference from banks, beyond pricing.
- The importance of robust data to provide evidence.
- Credit unions should remind themselves of their mission, and consider what metrics would enable them to see how they are performing.
- This process was not simply about reporting, but through a 'Theory of Change' providing the basis for internal re-engineering to better meet member and community needs.

5.5. Panel discussion

Nick facilitated a Q&A session with the speakers where the following points were made:

- It doesn't matter how small the community budget is, there are always opportunities to do something worthwhile and reap benefits. It's not just about the money – the relationship is also important.
- There is a risk of spurious science around social impact measurement, and the toolkit will caution credit unions about stretching evidence too far.
- Excellent and substantial community engagement should complement not replace the need for credit unions to remain competitive and relevant in their core business by delivering a positive member experience in terms of product, price and technology.

6. **Summary and conclusions,** Dr Paul A. Jones

Bringing the conference to a close, Paul identified a number of key points that had emerged from the day. Given the time constraints, he was not able to note all the key themes, practical insights and learning outcomes of the day.

In relation to collaboration, he stressed the importance of:

- Clarity about business outcomes
- Clarity about what the credit unions want to achieve
- Good and effective governance – and the role of the board in driving collaboration
- Commitment
- Coping with the loss of autonomy
- Developing an organisational culture that focuses on collaboration
- Recognising that there is not one sole path to collaboration – there are multiple models and approaches
- Identifying success factors and quick wins
- Legislative and regulatory consideration and approval
- Developing relationships based on trust.

In relation to ensuring the social and economic difference of credit unions, he stressed the importance of:

- Ensuring a culture clearly based on co-operative values and principles
- Communicating those values and principles to the membership and the community
- Making sure values and principles characterise all business practices
- Realising co-operative values through practical engagement with and commitment to the community.

Paul ended by thanking all participants for coming to the conference and making the day such a success. Go raibh míle maith agaibh! Mulţumesc mult!

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Founding Members provided the initial funding required to launch CFCFE in 2017.

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