

# Credit Union Values: Five steps to a co-operative culture

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**CFCFE**

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**Credit Union Values**  
**Five steps to a co-operative culture**

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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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## 1. Values and Success

What is the most overlooked quality of the world's most successful credit unions?  
Answer: their values.

They are not overlooked because values are seen as unimportant in credit unions. Quite the opposite is true; it is the values that typically explain why people are involved. Values are neglected in many credit unions precisely because they are assumed and taken for granted, rather than nurtured and put to work.

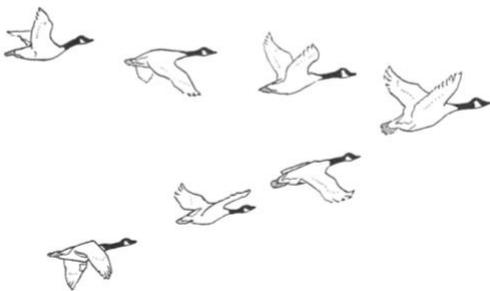
It is as if a gifted up and coming footballer were encouraged to train and focus on their image rights and sponsorship deals, rather than their free kicks, their passing and their goals.

As a result:

- Many a credit union has to look over their shoulder at the regulator, but regulators will never ask for an account of their performance against values.
- Many a credit union has lost the art of giving an account to their members on how they live out their values, falling back on warm words or pointing to good causes on the side rather than the core of what the co-operative does for its members.

Successful financial co-operatives use values differently - as a way to build alignment. Values create for them a powerful shared sense of direction that takes the credit union

values can create  
**ALIGNMENT**



forward and connects to the motivation of all involved.

This phenomenon, of having the right culture, is recognised more and more in mainstream business commentary. Business schools and the business pages of the media the world over are now full of talk about the benefit of purpose in a business. The good news is that credit unions have a natural advantage.

Making money for investors is never going to be a noble goal. With a co-operative, there can be an authentic richness of purpose in responding to people's needs.

As an aside, even the name, credit union, points to underlying values. 'Credit' has its origins as a word in the Latin *credere*, to trust, while 'union' suggests that benefits

come when people are joined together.

So, this briefing is an introduction, designed to encourage you to make the most of your values. It is only a taster, drawing on our contact with co-operatives large and small through our programme of services on co-operative culture. We start by asking what values are in a credit union and move on to five steps when building a culture based on values.

We'd love to hear what you make of it, and how values can help you to be different and to make a difference.

## **2. What are values?**

### **Values defined**

Values are what motivate people. The dictionary definition is that values are *"principles or standards of behaviour; one's judgement about what is important in life."*

These go wider than ethical values. A business that doesn't talk about its values still has values. They may just be the wrong ones. Status, power and success are values, but have no moral claim.

In an open and deliberative culture, ethical values tend to emerge as the most powerful shared values, precisely because they make a shared claim on everyone. And as the philosopher Michael Sandel writes, ethical values like generosity and solidarity are *"like muscles that develop and grow stronger with exercise."*<sup>1</sup>

### **What are credit union values?**

There is an old saying that if you have seen one co-operative... you have seen one co-operative. Member-owned co-ops such as credit unions are extraordinarily varied.

Around the world, 85,000 credit unions in 118 countries improve the lives and communities of 274 million members.<sup>2</sup> They have different characters, different personalities. They operate in radically different contexts.

And yet there is also an underlying family connection that follows from being owned by members to meet their needs rather than being owned by investors to make a profit. Reflected in international law, through the work of the United Nations and International Labour Organisation, credit unions adhere to a single global set of values and principles, shared with a wider range of co-operative enterprises. As codified by

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<sup>1</sup> Sandel, Michael J. (2012), *What Money Can't Buy: The Moral Limits of Markets*, New York, p113

<sup>2</sup> [https://www.woccu.org/about/credit\\_unions](https://www.woccu.org/about/credit_unions), December 2019

the International Co-operative Alliance, the Statement of Co-operative Identity is built into international guidelines and, in many countries, into national law.

**Statement of Co-operative Identity<sup>3</sup>**

The framework includes seven principles – three on how co-operative ownership should be structured (such as ensuring that ownership is for those that participate in the business, rather than more distant investors), three on co-operative culture (such as a commitment to education) and one on the independence of the business as a democratic enterprise.

Alongside this is a wider set of ten values – six co-operative values and four ethical values. The co-operative values – self-help, self-responsibility, democracy, equality, equity, solidarity – describe the design of the business. The ethical values – honesty, openness, social responsibility, caring for others – describe the operation of the business.

On values, these are a reference point rather than a restriction. As we will come on to see below, values tend to cluster so what matters is the cluster rather than the individual words. There may also be other points of reference for individual credit unions – such as the work of the Global Alliance for Banking on Values, with its Kathmandu Pledge, or the United Nations 2030 Sustainable Development Goals.

In the words of Professor Ian MacPherson these global lists of values do not *“induce tidy uniformity...the application of ‘honesty’ can vary across different cultures and kinds of co-operatives...They are also not prescriptive, but guides for action – seen as open-ended, therefore allowing for a deepening of practice over time.*

*Even with a single statement of values, the co-operative identity therefore has multiple personalities.”<sup>4</sup>*

**Do values make a difference?**

In many countries, ethical values are core to the brand values of co-ops and credit unions. In France, co-ops are now required to conduct an independent audit for members at least once every five years to assess their co-operative difference.

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<sup>3</sup> <https://www.ica.coop/en/cooperatives/cooperative-identity>, December 2019

<sup>4</sup> MacPherson, I. (1996), Co-operative Principles for the Twenty First Century, Geneva

The impact of co-operative enterprises having a global set of values is hard to test, but there is some evidence to suggest that it makes a difference. The consumer research magazine Ethical Consumer, drawing on an extensive database of ethical screening, states that around the world, co-operative businesses are in the top third of ethical performers in 80% of the markets that they surveyed, and are the top performers in 23% of markets.

### **3. Five steps to create a co-operative culture**

#### **1. Refresh your core values**

If you don't have a set of values for your credit union, or if you haven't used them for a while, then it might be time to engage people in a conversation about what really matters.

Start by exploring what the co-operative means to those who are involved with it. That may mean telling stories or perhaps picking out pictures from magazines that bring the organisation as a whole to life. It may mean looking at the longer list of international co-operative values and deciding which are the priority for you. But feel free to choose your words in ways that fit and that talk to those involved rather than sticking to pre-set formulas. Be as concrete as you can, such as values that can guide how to behave in your credit union.

Think too about how you want your credit union to be different in the world you operate in. Values should be the right fit with your commercial and strategic context rather than sitting apart from it.

The most common values selected by commercial banks are honesty and integrity, but as PR consultant Steve Marinker cautions *"most people will consider these to be universally desirable behaviours rather than distinctive and informative glimpses into corporate culture. It is rather like introducing yourself at a party as someone who has never once kicked a dog or stolen from the elderly and expecting a round of applause."*

<sup>5</sup>

#### **2. Recognise difference**

Your core values are what you use to run the credit union. But be aware that your core values may not be the same values as those of stakeholders around you.

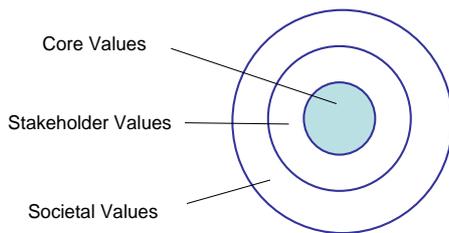
There is a need in short to recognise many perspectives not one. The significance of this is profound. If you collapse views on how an organisation performs into one single

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<sup>5</sup> Marinker, Steve (2015), The values most valued by UK plc, London, p8

perspective (or even one set of numbers), you can't then assess how successfully the organisation mediates between the needs of different groups.

**Values – a three tier approach**



At a simple level, for example, research suggests that credit unions can have a 'saver bias' or a 'borrower bias' at different times, depending for example on the interest rates charged. These are democratic decisions made ultimately by the members, but it helps the quality of that decision-making if the trade-offs are in plain sight.

Stakeholders are wider than members of course. They might include people in a local community, people in financial exclusion or credit union networks, regulators and policy-makers. They might also include competitors. Co-operatives can shift in an unexpected way if the values of outside stakeholders dominate. Again, research has a term for this, which is 'isomorphism', a form of shape shifting in which larger financial co-operatives can come to resemble the banks that they are competing against.

One way to recognise difference is to keep in mind a three tier approach, of core values, stakeholder values and societal values.

**3. Be imaginative**

Values should set the tone for the credit union - to motivate staff and volunteers, to guide what people do and attract new members. So, if values are about motivation, then don't be dull.

One great example of being imaginative, outside of the co-operative world, is the educational company Build-A-Bear.<sup>6</sup> Their six core values, which are used internally in the workplace include Colla-bear-ate and Cele-bear-ate. "Di-bear-sity," the last value to be added, was named through a company-wide contest. The company, which has a majority of women at staff, manager and executive level, has been named one of the top ten business employers on diversity in the USA. In line with the bear stuffing that children do in the Build-A-Bear workshops, the company says, "the good stuff is the stuff inside."

The moral is to communicate your values, rather than leave them as a poster on the

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<sup>6</sup> [www.buildabear.co.uk](http://www.buildabear.co.uk)

wall. As Alan Williams of the values agency Service Brand says, “values should be illuminated not laminated.”<sup>7</sup>

Stories are powerful ways to transmit values as they engage people at an emotional level. Values are often about instinct and feeling, more than logic and reasoning. Your role is to bring this to the surface, by helping to create a shared vocabulary for learning around your core values.

### **How to measure your values**

How do you measure something like trust, fairness, or courage?

The easiest option is to embed questions on values in existing surveys of members or of staff. So if your values are ones of trust and honesty, you might for example ask whether people agree that:

- I trust people in our credit union; or
- members and/or employees are honest in their dealings with the credit union.

To be more systematic, you could use a proprietary specialist values survey, such as the Values Inventory developed by Minesence Co-operative.

But surveys assess perceptions, so they can't tell the whole story. Information on outcomes are a way to check what surveys tell you. You will already be collecting a lot of information that is relevant to your values – progress reporting on projects, media coverage, preparing articles for newsletters, member feedback, complaints, preparing reports to any external partners, staff appraisal... Just as financial accounts draw on book-keeping throughout the year, so you can operate a social accounting book-keeping system by recognising what information comes your way on values over time.

The most rigorous way to assess and learn about how you are doing is through third party evaluation, such as accreditation against quality standards. There is not shortage of options when it comes to values, from Stonewall and Employers Forum on Disability through to the Fair Tax Mark, an ethical standard pioneered by UK co-operatives and social enterprise.

## **4. Live your values**

The easiest way to destroy a positive culture is when the leaders behave in ways that undermine it. Values have to be on the agenda for the governance and leadership of

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<sup>7</sup> Williams, Alan (2013), *The 31 Practices: Release the Power of Your Organisation's Values Every Day*, London

your credit union.

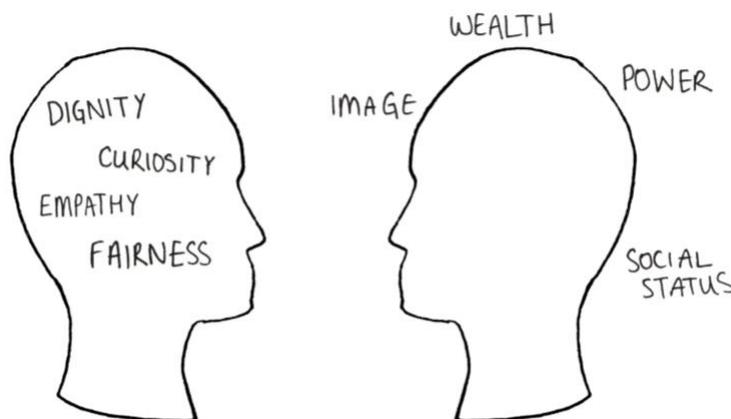
This can start around the boardroom table. A code of conduct for board members now tends to be standard, and is a good place to include values guides on expected behaviours. Board members need to distinguish between their personal values and the core values set for the business as a whole.

A good place to build in values is the framework of internal policies signed off by the Board. If you are a larger credit union, there may be an internal audit function to check compliance. Slowly, slowly, regulators are beginning to understand that what underpins the best systems of compliance is having the right culture rather than having the right bureaucracy. That all starts with good governance.<sup>8</sup>

Staff should expect that a values test will be applied to recommendations that come to the Board. But starting with the Board doesn't mean that values should be top down. The best form of governance is enabling rather than controlling. So, if you are making a list of expertise you want on your Board, then an understanding of organisational culture is good to include.

### 5. Talk your values

A range of membership organisations, from the Tate in London to the National Trust across the UK, have boosted membership by focusing on how they use values in their communication and marketing.



To explain this, we need to introduce a distinction from psychological theory between two groups of values. The first are 'intrinsic' values, which are inner-directed and more personal, and the second are 'extrinsic' values such as outer-

directed concerns about wealth, social status or image. Intrinsic values do tend to

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<sup>8</sup> For more discussion of culture and governance, see Jones, P.A, Money, N. and Swoboda, R. (2017), Credit Union Strategic Governance, Liverpool, Chpt. 5

favour co-operation, with motives such as fairness, empathy and sustainability, while extrinsic values are more influenced by competition, such as wealth, power or influence.

Armed with this distinction, take a look at your marketing and what you tell the world about your credit union. If you talk to people in the language of *extrinsic* values, with marketing such as 'pay less', 'get ahead' or 'be cool', you tend to switch off their *intrinsic* values. There is a slew of research studies in which participants who are temporarily more aware of money, image or status show lower levels of social concern. The risk is that you will be competing with other financial providers on their terms and not on yours.

Conversely, if you engage people by prompting one of their intrinsic values, such as fairness, they are more likely to respond in relation to other similar values as well. These values tend to reinforce one another, as well as reflect the purpose of a credit union. In the phrase of business writer, Simon Sinek, most business marketing concentrates on the 'what' but great marketing always starts with the 'why'.<sup>9</sup>

#### **Case Study - Diversity, Equity and Inclusion in credit unions**

People of colour accounted for 61% of growth in US credit union membership in the past five years, according to CUNA Mutual Group, presenting both a challenge and an opportunity for credit unions. Credit unions have the chance to stand out and distinguish themselves from other financial service providers.

Samira Salem from CUNA sets out three key values for credit unions to pursue:

- Diversity is how individuals differ from one another. This may include race, ethnicity, gender, gender identity, veteran status, religion, and marital status.
- An inclusive workplace is one in which diversity is valued, and people feel a sense of belonging.
- Equity for credit unions related to financial inclusion and how credit unions reach and serve diverse and often underserved populations.

## **4. Conclusion**

Financial services are complex. An offer of savings or credit is not like a toaster. It is not always easy for a customer to know what they are getting. That is why we have regulation but it is also why credit unions matter, because with imperfect information

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<sup>9</sup> Sinek, Simon (2009), *Start With Why: How Great Leaders Inspire Everyone To Take Action*, New York

and money at stake, trust is at a premium.

There are three ways for enterprises to try to build trust. You can *claim* it – but then who believes you? You can *borrow* it by getting celebrity backing or by sponsoring good causes – but then who knows really what is going on? Or you can *earn* it, by having the values that mean that you will put members and their needs first.

The best credit unions earn the trust of their members. They know their values as well as they know their interest rates. And like good savings or good loans, it all pays in the end.

### **A co-operative culture?**

Whatever your needs, Co-ops UK can help.

*“We can support you embed a culture where success is paramount, whilst also creating a diverse, inclusive, healthy environment where everyone can grow and be successful.”* Jenny Holsgrove, Head of Culture and Performance

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\* Denotes Founding Member - these organisations supported the inauguration of CFCFE in 2017

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