

TRANSFORMATION OF LEADERSHIP IN CREDIT UNIONS

PRESENTED BY BILL FIELD, JP, DE, ALMI.

CHAIRMAN: WAW CREDIT UNION

Good Afternoon Credit Union Friends and Colleagues.

Today my session is to be focused on the transformation of leadership in credit unions. My Oxford Dictionary tells me that Transformation means to change the nature or character. So we are examining change in the nature and character of Credit Union leaders. Why is this necessary?

This is an important question and I invite you to participate, so please raise your hand if you wish to contribute.

I have to say that in my short life I have found that “Nothing stays the same” and in my Credit Union life this has certainly been the case.

During my thirty years plus of credit union involvement there has been continual change which our leaders have had to adjust to and this continues with ever increasing momentum.

Rather than talk about my personal experience, I thought that I would involve the story of a very dear friend of mine who has similar if not greater experience than I and has managed to adapt to change in his quest to meet the needs and expectations of his members.

Allow me to introduce Jim Muller – Credit Union Director, Chairman, Leader and Pioneer of Australian Credit Unions.

My friend Jim lives in the Provincial City of Ballarat in the State of Victoria.

In 1958 St Alipius Co-Operative Credit Society Limited was established in Ballarat and was quickly followed by a further ten newly established Credit Unions, some Parish, some Industrial and some Community.

Jim was instrumental in establishing M. B. John Co-Op a local engineering company and was elected Chairman when employees of that engineering company met and decided to establish their own credit union.

That was the beginning.

I would now like to walk with you through the transformation of Jim as a Credit Union leader from the early 1960s to his recent retirement as a Director of Regional One Credit union as it represents a valuable lesson in the requirements of change through the life of a credit union.

In those early days Member Service began with volunteers collecting deposits at work on paydays or after Mass on Sundays. Loans applications were approved the Credit Committee which met each weekend to consider all loan applications and often there were insufficient fund available to cover the loan applications.

So the Credit Union was formed by a meeting of interested people, an election was held and Directors elected who accepted the responsibility for the safety and future sustainability of their Credit Union.

Regulation was minimal in those early times loans were small and much depended on the honesty, trust and commitment of Jim and his fellow Directors, likewise peer pressure was a major factor in ensuring the repayment of loans.

Now, from then on through the evolution of Credit Unions, what change or transformation of leadership was required?

The City of Ballarat and district was blessed with eleven small Credit Unions, all operated by volunteers who readily accepted the responsibilities associated with savings and loans but as the membership and the need for additional services grew it was recognised that some consolidation was required.

This was made easier through the Ballarat Chapter, which organized monthly meetings where people could meet, listen to a guest speaker and discuss their challenges, problems and of-course successes. It was a valuable form of networking among the eleven credit unions.

The need for Amalgamation became imperative and through a number of General meetings amalgamation of the small entities eventually became Goldcredit Co-operative Limited.

This of-course led to a completely different level of commitment for those Directors who formed the original volunteers.

Through amalgamation:

- Increased resources were available to employ staff.
- Premises could be purchased to establish an office.
- Greater strength was perceived by the public.
- Sustainability was enhanced.

From then until his recent retirement Jim had to continually change in order to fulfill his responsibilities as a Director, in other words he had to continually transform his leadership.

Let us look at the areas involved in my friend Jim's transformation:

STRATEGIC PLANNING

If Goldcredit was to be sustainable Jim and his Board had to think about the future direction in other words they had work with their employees on Strategic Planning. This involved annual workshops to discuss and arrive at Goldcredit's:

Vision – Goldcredit's desired future.

Mission – It's current business activities.

Goals – What was it going to do achieve its goals and when?

Strategy – How was it going to achieve those goals?

This annual exercise involved considerable research and knowledge especially about the activities of other credit unions and financial institutions which would provide indicators on how the Goldcredit could maintain its services to members.

POLICIES

As the credit union grew the employment of staff and eventually Management created a new challenge. How to reach an understanding between Directors and Staff about who had the responsibilities associated with day to day operations.

This is a question which to this day creates tensions between Boards and Management.

It is of-course resolved by putting in place Policies which clearly set out in writing the roles and responsibilities of Directors and Management.

E.g. Board of Directors Policies
Human Resources Policy
Marketing Policy

Audit Policy etc.

COMPETITION

With the increasing strength of Credit Unions their range of services increased to Housing Loans, Credit Cards, Debit Cards, Insurance, they started to come into competition with the Banks, Hire Purchase Companies, Building Societies and other Money Lenders. There became the need to monitor the performance and services of the opposition to ensure the credit union was keeping pace.

PRODUCTS AND SERVICES

With the passing of time the Goldcredit Board of Directors had to consider a wide range of products and services so Jim as Chairman needed to familiarise himself with each of them before they were adopted.

These included:

Housing Loans

Debit, Credit Cards

Insurance

Internet Banking

Telephone Banking

Business Lending

Financial/Wealth Planning

Merchant Facilities

Remember that with the efflux of time those ordinary people who volunteered for the Board were face with a massive learning curve which involved great responsibility.

SUSTAINABILITY

All of these challenges to Jim as a Director and Chairman were focused on one main expectation of the members:

To lead a responsive, respected and sustainable Credit Union in a very competitive environment and we all know that sustainability is the dominant requirement of all Credit Unions and Co-operatives.

It was with this in mind that Jim and his Board kept a close eye on any areas of risk which may have arisen and today Risk Management is a very important part of any Credit Union's operations and of special concern to the regulators. What are the major areas of major risk Jim was concerned with?

Market Risk – Risk of loss from movements in interest rates

Liquidity Risk – Risk of being unable to meet cash flow obligations when they fall due

Credit Risk – Risk of loss from another party failing to meet its obligations

Operational Risk – Risk of loss resulting from inadequate or failed internal processes.

How were Jim and his fellow Directors initially qualified to respond to these challenges?

To be honest they were not.

They were ordinary everyday working men and women who had raised their hands to accept the responsibilities associated with member representation.

So how did Jim respond to this?

He participated in:

CONTINUING PROFESSIONAL DEVELOPMENT

By attending seminars, conferences taking advantage of Training Programs made available by the Institute of Credit Union Directors e.g.

Director Development Course

Diploma of Financial Services
Development Education Program
Board Appraisal Process etc.

These were made available by the Institute in a rapidly expanding Credit Union Movement just like ACCU is providing training for Asian Credit Unions.

CHAPTER MEETINGS

Have always been a valuable networking opportunity and Jim used these and encouraged them to update his knowledge of the finance industry and other Credit Unions.

In fact Jim became so aware of the need for others that he became President of the Institute of Credit Union Directors and a leading advocate of Director Development.

BOARD APPRAISAL

During the forty plus years of Jim's involvement as a Chairman he was at all times concerned with his Directors' accountability to members.

What better way for Directors to demonstrate their performance and accountability than an annual appraisal process?

Working through the Institute Jim helped to introduce Board Appraisal to Goldcredit – an assessment process in which the Directors examined the performance of:

- The Board as a responsible body
- Their own performance as a Director
- The performance of the Chair
- The performance of each other

Through this process Directors were able to demonstrate their effectiveness to each other and the members reassured with the knowledge that their Directors are conscious of performance.

REGULATION

In the beginning Jim encountered minimum regulation because the credit union was small with limited funds and membership. But as membership increased and services expanded the Government recognised the need for increased regulation of all financial institutions.

This was further accelerated by the failure of several financial institutions, although through Credit Unions through their own Credit Union Support Scheme collectively ensured that no member ever lost money through their credit union and in recent times many of the weaker credit unions have been strengthened through further amalgamation.

Increased regulation was welcomed; it demonstrated to the public that Credit Unions were safe, that they came under the same regulatory requirements as the Banks. There has been considerable cost associated with the extensive training requirements of staff and expectations placed on Directors and Management e.g.

Governance: Regulations requiring strict observance of governance standards by Boards of Directors.

Fit and Proper: Standards which require strict observance regarding the suitability of people in Director or Senior Management positions.

Risk Management: As discussed before.

Eventually the changing scene in Victorian Credit Unions resulted in Goldcredit amalgamating with another regional credit union in a city called Bendigo and the new entity is now called RegionalOne Credit Union. So on his retirement Jim had a wonderful story to tell,

Jim had seen his credit union develop from the very basics with volunteers performing the services of Deposits and loan management,

Jim had seen the first stage of strengthening through amalgamation,

Jim had recognised the absolute necessity of continuing development of his knowledge as a Director and Chairman, he had encouraged and supported Regulation as reassurance to members,

But most of all Jim Muller had devoted much of his life to the welfare to his members.

THE FUTURE

I have attempted to illustrate through the story of my friend Jim Muller how the continually changing scene in which Credit Unions operate demands constant transformation by those who assume the role of leadership and the reasons why Leadership must continually change.

If I may use myself as an example, having been a Director for eighteen years and Chairman for twelve years I found it necessary to complete 168 hours of Continuing Professional Development in the last financial year. This is not an ego statement but recognition that if our credit unions are to go forward and retain the respect of our members, our leaders must maintain their commitment to change in their responsibilities and capabilities.

In other words transform according to the needs of the times.

We are all involved in Credit Unions at some stage of their development and whether Management of Board the issue of Transformation continually arises:

CONCLUSION

To recap the issues:

- Strategic Planning
- Policies
- Competition
- Products and Services
- Sustainability
- Risk Management
- Board Appraisal
- Regulation

Being a Director or Manager of a Credit Union or Co-operative involves great responsibility and commitment.

ACCU has worked hard to provide the means of acquiring the knowledge and capacity required through the Credit Union Director's Competency Course and the Credit Union Managers Competency Course.

I recommend these courses to any person who feels the need to update his or her knowledge.

I put it to you that in today's world no one can ignore the necessity of a continuing transformation of their ability to respond to the expectations of members.

Thank you