



Welcome to Bali!

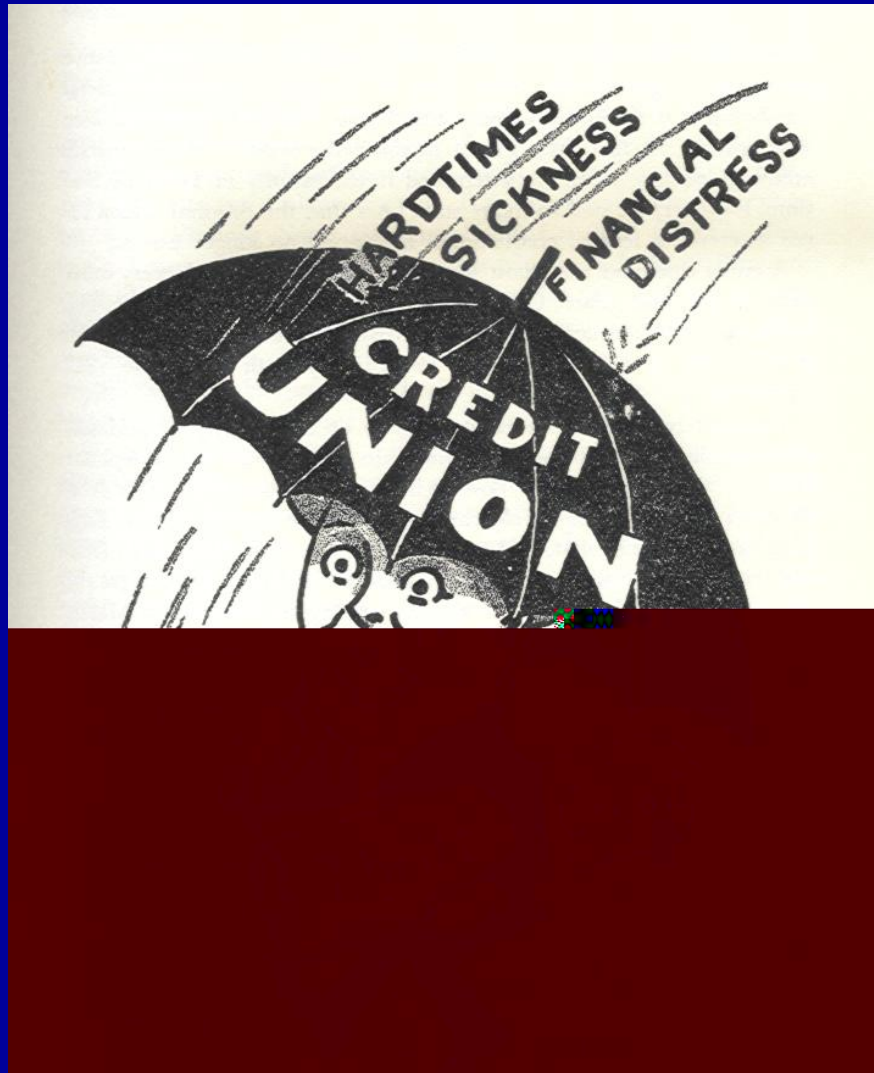
ASIAN CREDIT UNION FORUM 2007

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Building a Winning Organizational Culture

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Building a Winning Organizational Culture

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What is Culture?

Values, beliefs and norms
of the organization which
determine how people
think, behave and what
they believe is true

To create a culture is to acquire the expertise that is essential to protect one's autonomy and integrity.

The Key to Successful Cultural Change

Explicit alignment of organizational culture with business needs and objectives by the implementation of transparent and effective systems, supported by clear and constant communication on both the current status and expected result.

Organizations are:

- Increasingly differentiating themselves in terms of focus and strategic competencies, in addition to being known for specific products, services, or markets.
- Making decisions on structure, work design, culture and management processes as matters of strategy rather than matters of style, preference, or tradition.

Highly efficient enterprises with good performance has three characteristics:

- A winning enterprise culture
- The attitude of employees,
and
- Systematic management.

Implementation of long term strategies required a number of changes:

- Redirection of business
focus
- Organizational change
- Cultural change

Business Strategies include:

- Changing the culture of company
- Developing human resources to deliver strategies
- Protecting core business and expanding into China
- Creating a positive environment and structure

Successful organizational culture is based on clear values.

Values of a financial institute

- Service to members
- Value for money
- Safe and environmentally friendly
- Rewarding individual performance

The standards to which members of an organization are to hold themselves are usually expressed in a code of conduct, promulgated and enforced by the organization.

“A credit union is not an ordinary financial concern, seeking to enrich its members at the expense of the general public. Neither is it a loan company, seeking to make profit at the expense of unfortunates.....The credit union is nothing of the kind; it is the expression in the field of economics of a high social ideal.”

(Alphonse Desjardines)

Core values of Credit Unions in Australia

- Co-operation
- Moral integrity
- Trust
- Financial prudence
- Caring for members
- Social responsibility

The core values give rise to credit union ethical principles expressed in the code of ethics and duties to stakeholders including members, leagues, apex organizations, and the community at large.

Elements in a Code of Ethics

A code may include a statement of ideals, a set of disciplinary rules, a standard of professional etiquette.

The 5 characteristics of a viable and realistic code

- Convinces employees to voluntarily commit to standards of conduct integral to the organization's practices.
- Protects public interest and the interests of those served by the organization instead of catering to the convenience of the organization.
- Provides guidance to everyone in the organization on how to perform duties with the highest level of integrity and professionalism.
- Specific and honest
- Enforceable and policed

Code of ethics for credit unions in Australia

Credit Unions ought to recognise as paramount the interests of its members, including their right to determine major issues affecting their participation in the credit union.

- Be willing to support members in their search for solutions to their problems
- Encourage thrift amongst their members as an example to the general community
- Ensure that they educate their members and staff in relevant aspects of financial awareness
- Support the extension of credit union membership to all Australians
- Co-operate with each other
- Act with honesty and integrity
- Act lawfully and within the spirit of the law
- Act within the spirit of justice and equity
- Avoid unfair discrimination
- Conduct operations efficiently and effectively
- Strive to achieve an excellent quality of service
- Honour commitments made in good faith
- Engender a climate of mutual respect between themselves, members and other Movement participants
- Earn high levels of trust from members and other parts of the Movement and wider community
- Act in the best interests of the Movement

Compliance and Mechanism for Credit Unions in Australia

The Code of Ethics is a voluntary process managed by the individual Credit Union. All Credit Unions like Banks are regulated by the Australian Securities Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

- Members are kept informed of the compliance of code of ethics through the credit unions' quarterly Newsletter, the Annual General Meeting (AGM) and Annual Report.**
- Compliance is monitored by the Audit and Risk Management Committee. The committee is required by law and the Chair is one of the three positions elected by the Board of Directors following the AGM with the Chairman and Deputy Chairman of the Board of Directors.**

The Trends of Commercial Banks

- Diversified services based on global operation;
- Service charges constitute main income;
- Elderly customers possess a big portion of a bank's asset, new products must be created for elderly customers;
- Research more deeply into the need, preference and behaviour of customers;
- Creative products and sales models;
- Risk management;
- Global platform.

Let us ask what is the true and authentic trade mark, brand, characteristic, values by which credit unions are to be in the year 2010 and beyond.

Credit unions and credit cooperatives as instruments of development in developing countries are called into questions with three major arguments:

- Too small in membership and in size?
- Financially weak?
- Without qualified management?

Banks, finance companies, merchants and small loan houses lend more money to people than credit unions. A number of factors may account for such a situation. These factors include:

- Credit union services seem to be less desirable
- People simply do not know enough about credit union services to have a correct impression of them.

Studies had been made of what people like about the financial institutions which serve them. Such studies had listed people's expectations, and in the order in which they are "expected". The list is:

- Convenience
- Information
- Courtesy
- Friendliness
- Privacy
- Security
- Prestige
- Price

In last year's Credit Union Forum held in Sri Lanka, we discussed the role of credit unions in meeting the millennium development goal. The speaker, Professor David Hulm urged credit unions to ask themselves 3 questions:

- Why poor people cannot access our services?
- What products and services do poor people want?
- How can we provide these types of product on a sustainable basis?

Professor Hulm said that poor people particularly valued saving services, emergency loans and insurance as well as the micro enterprise loans that had been highlighted in the past. They wanted services that were simple, reliable and flexible. They expected to pay for services.

As the moderator, in concluding the discussion, I said that we, in credit unions, believe in the dynamic power of the principles of self-help, mutual aid, and democratic ownership and control.

Values, Beliefs and Norms of our Great Credit Union Leaders

- Invest in humanity
- Serving the poor and combating usury
- Trust
- Self-help
- Self-reliance
- Mutual help
- Love of neighbours and extending
brotherhood to others
- Service
- Co-operation

Credit unions can be effective as agents of social and economic change. However, credit unions are instruments for evolution not for revolution. Social change involves attitudinal change, i.e. changes of mentality of the person concerned and such change can only be achieved gradually and slowly.

“Rich” and “Poor”

For people who are really rich, for the affluent, the concept of credit union is of little relevance. However, credit union would mean a lot to those who are relatively rich.

- People who are relatively poor, living above the subsistence line
- People who are really poor, living at subsistence level
- The destitute living below subsistence level

Instead of being organization for the rich or for the poor, credit unions can be an effective instrument to widen the middle layer between the two extremes, to improve the economic and social well-being of the people.

Helping the poor is now considered an investment because with people moving above the poverty line, more needs are being created for the world. At the same time, the gap between the poor and the rich is a main factor for instability in the community. To reduce the gap would help society to be more harmonious and stabilized. Professor Muhammad Yunus of Bangladesh who created the Grameen Bank, was given the Nobel Peace Prize in 2006 and helping the poor is an important task of the UN.

According to the Consultative Group to Assist the Poor, there are over 600 micro-financing organizations in the world of which over 200 is run by retail banks or saving and loan companies. It is estimated that over 30 billion poor people in the world needs micro-financing services.

At the end of 2005, the Peoples' Bank of China launched a pilot initiative to create new, privately invested lending institutions in some of China's poorer areas. In a pilot scheme, planned in six provinces and regions – Hubei, Jilin, Sichuan, Qinghai, Gansu and Inner Mongolia, individuals are allowed to set up privately owned cooperatives and other types of financial firms.

In 2006, the China Banking Regulatory Commission announced measures to stimulate new “Village Banks” and financial cooperatives. At the same time, it started giving licence to the Postal Saving Bank to enter rural credit market.

The new law on Farmer Professional Cooperatives (農民專業合作法) passed in October 2006 and has taken effect on 1 July 2007 offers the chance to gain a clear identity as independent, voluntary and democratically administered organizations. The coops are registered under the Administration for Industry and Commerce (工商行政管理部門).

The International Committee for the Promotion of Industrial Cooperatives (中國工合國際委員會) is an NGO devoted to supporting cooperative working in China.

Previously, such organizations operated with a variety of different titles and registration arrangements. This diversity made it hard for all concerned to identify, regulate, collaborate with and parted in the organized.

Rural China is home to less than 1/6 of all bank branches, which accounted for 15% of the nation's combined deposits and loans as of late 2006.

Chinese cities get 10% more loans per head than the country side, where more than 60% of China's 1.4 billion people live.

How does a credit union measure its democratic nature, prove that it is real democratic and enhance its democratic characteristic? Is one member one vote sufficient to prove the democratic principle of a credit union?

The democratic nature of a credit union should be proven in a number of operational aspects, besides the general meeting of members.

- Open and voluntary membership;
- Non discrimination;
- Common bond of membership and the foundation to build greater solidarity;
- Members' participation;
- Only members can enjoy its service, the right to nominate and to elect leaders;
- Must have effective educational programme to conduct adult education and leadership training;
- Employees should also practice the democratic way of life;
- The term of office of officers, directors and committee members should be fixed to ensure more participation and perpetuate leadership;
- Supervisory committee should be elected by the members and must report to the membership meetings;
- Earnings can be declared by the board of directors but must be decided upon by the members;
- In a democratic credit union, officers and leaders should not have any privilege over an ordinary member;
- The membership meeting should have the supreme authority in a credit union;
- A credit union should be transparent and members must be able to provide feedbacks;
- Reports and information should be easily understood;
- Decisions should be made by the most important layer in a credit union – its members;
- Savings in form of shares to denote ownership.

Experts and technicians can only make recommendations and suggestions. It is the prerogative of the members to accept them or not.

Democracy does not mean
everyone has to agree but
means everyone must
participate.

- Edward C Lindeman.

Emphasis have to be placed on the help in credit unions / co-operatives as opposed to government assistance or altruistic help given by one person to another. Self help requires initiative. If the self help motivation is the characteristic feature of the credit union, members have to be prepared to develop initiative, to participate actively in the joint undertaking. Self help means the aim of the group and of each individual member of the group which is to meet the common need by joint action based on mutual assistance.

How to come up with a culture statement?

An effective means is to evaluate existing organizational culture systematically by comparing ideal culture with actual culture of the organization in areas such as getting results, cost consciousness, staffing, planning, control, co-ordination, critique, communications, managing conflicts, and creativity.

Preamble of the International Credit Union Operating Principles Approved in 1984

Credit unions are based on the values of mutual self help, democracy, equality, equity, self management and discipline, and solidarity.

Recognizing the varied practices in the implementation of credit union philosophy around the world, at the heart of these principles is the concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their community.

For a credit union organization to come up with a winning culture statement, actual culture may be compared with ideal culture in areas of democratic structure, democratic control, non-discrimination, service to members, distribution to members, building financial stability, on-going education, co-operation among co-operatives, and social responsibility.

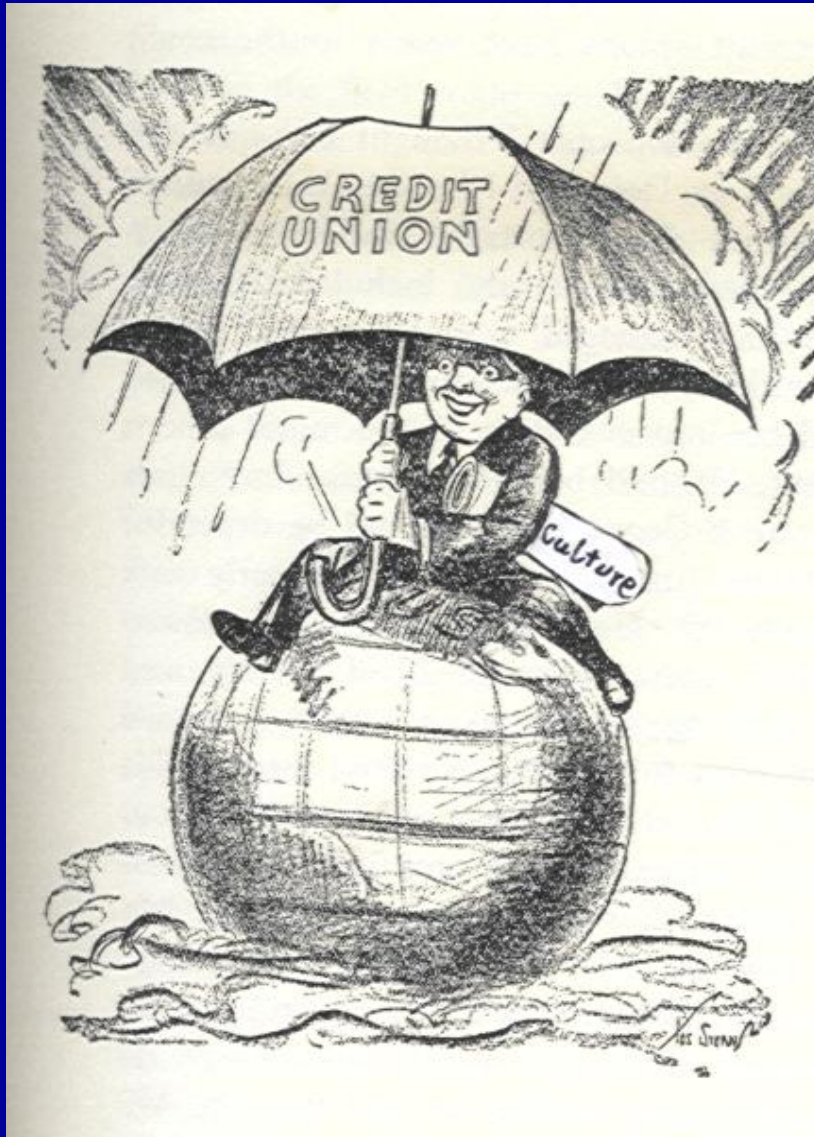
Culture Statement

Monitoring and
Compliance

A Media Plan / An Image Building Plan

The culture statement needs to be promulgated.

We have all heard at one time or another in the marketing field that “The Medium is the Message” and it is basically true.



With a
winning
culture,
credit union
can sit on
top of the
world