

# Opportunities and Challenges in Communications for Irish Credit Unions

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*Effective communication is one critical key to the success of a co-operative. It gives life to the co-operative and is crucial in decision-making. Communication is also a vital marketing tool and is essential for continued growth and development.*

*Despite its importance, the issue of communication is often viewed as a throw-away subject, a process that is much neglected and often allowed to take care of itself. Yet there are few co-operatives that do not complain of poor communications, few co-operative members and personnel who feel fully informed about issues relating to the co-operative that affect them.*

*The communications process is a complex one and one that must be nurtured and cultivated. Developing an effective system of communications in co-operatives for the future has particular relevance in securing more active member participation and commitment, and in reminding key stakeholders of the unique character of the co-operative message. Fully embracing communications technology is essential.*

*This article addresses the issue of communications in Irish credit unions, exploring some of the findings of a recent comprehensive study of the issue. It also examines the current status of credit union communications, delves into the opportunities and challenges and suggests possible improvements for the future.*

Communication in co-operatives should emphasise honesty, integrity and openness. Co-operatives should report regularly and openly to the members on their activities, financial operations, benefit to the members, democratic spirit, co-operation with other co-operatives and contribution to the community. They should educate the members on the co-operative philosophy and on getting the maximum benefit from the services and facilities offered. Co-operatives should deliver truth to the members and to the wider community and have the courage to admit mistakes if they are made. Members should be easily able to measure the performance of their co-operative on both economic and social criteria because of the wealth of information available to them.

But communication in co-operatives is never that easy. Naturally, problems can and do arise. This article examines the issue of communication in some detail, placing its emphasis on Irish credit unions. It begins by briefly discussing the importance of communications for co-operatives. It then gives an outline of the credit union movement in Ireland and demonstrates some of the

issues that illustrate the types of communication issues that can arise on a macro level for co-operative movements such as the Irish credit union movement. It continues by exploring some of the findings of a recent research study on a micro level into the communications processes within individual credit unions in Ireland. The article concludes with a general discussion on communications for co-operatives, including credit unions, for the future.

## The oil of communication

Why is communication important for co-operatives? Parnell<sup>1</sup> states that the task of communicating is vital to the success of any co-operative enterprise. The very essence of co-operation lies in effective communication. While the co-operative principles may say absolutely nothing about communication, they rely entirely on effective communication to make them work. Co-operatives can best serve their members if members communicate their needs to the co-operative and the co-operative informs members of the services available and how member needs are met.

Some of the reasons why credit unions might need communication are shown in Table One. While this should by no means be considered an exhaustive list of why credit unions need communication, it illustrates the widespread need for the flow of information within credit unions and between credit unions and their environment.

*Table One: Why credit unions need communication<sup>2</sup>*

1	To keep the objectives, benefits and successes of credit unions clearly to the fore in the minds of members, employees, and all those actively involved in the credit union
2	To remind members, employees and all those actively involved in the credit union of their responsibilities and duties within the credit union
3	To retain the commitment and interest of members and to encourage them to actively participate in their credit union
4	To inform members of the services available and new services being introduced
5	To ensure that all members of the credit union are aware of the credit union's policies, progress, problems, and developments
6	To facilitate meaningful participation by all members in decision-making
7	To remind government, legislators, banking institutions and other key stakeholders of the objectives and uniqueness of credit unions
8	To educate and re-educate all members in co-operative ways and principles
9	To facilitate co-operation between credit unions

Sherry<sup>3</sup> makes an interesting analogy that helps to explain the importance of communication in credit unions. He describes credit unions as *engines*, lubricated by the *oil of communications*. Although the oil is not part of the engine itself, it is vital to its smooth and efficient operation. One would imagine that were the oil to be withdrawn, the engine would come to a grinding halt. Thus communication may be considered to be the lifeblood of any credit union or co-operative.

### **The Irish credit union movement**

Almost every local community, both urban and rural, in Ireland is served by a credit union. There are over 550 credit unions with a total membership of over 2 million people, representing a penetration of about 50 per cent of the population (including Northern Ireland). Total assets of the movement are in the region of US\$4.4 billion, savings are US\$3.8 billion, while total lending is US\$2.7 billion. Although credit unions vary greatly in size, the average Irish credit union has 4,000 members, US\$8 million in assets, US\$7 million in savings, and US\$5 million lent to its members. Each credit union member in Ireland has an average of US\$1,750 saved with their credit union and US\$1,250 borrowed from their credit union. Credit unions offer other services to their members such as foreign exchange, money management accounts, various insurances and junior credit unions. A limited number of credit unions provide ATM services. However, although the Credit Union Act 1997 broadened the scope for the provision of a wider range of services, credit unions do not yet offer credit card services, cheque book facilities, internet banking, laser cards or other electronic funds transfer services.

Most Irish credit unions have either a work-based or community-based common bond and are largely managed by volunteers. The boards of directors are entirely voluntary and are responsible for the strategic management of the credit union. Responsibility for day-to-day operations is usually delegated to a salaried manager and staff. There are still many opportunities for members to participate on a voluntary basis in the credit union at board level, sub-committee level, or even as a teller. The general membership can participate in discussion and decision-making at the Annual General Meeting.

The Irish League of Credit Unions acts as the national umbrella body for most Irish credit unions, providing some central services, lobbying on behalf of credit unions and recommending policy for the movement. A regional network of credit unions is facilitated through the grouping of credit unions by geographical Chapter, enabling contact and co-operation between credit unions on a more local basis.

## Communications within the Irish credit union movement

The Irish credit union movement is experiencing a very exciting although somewhat turbulent period at present. Within the past three years, the introduction of more comprehensive legislation, the changeover to the Euro currency, moves towards inclusion under a Single Regulatory Authority and legal challenges from the banking and building society sectors have resulted in many long days and long nights for credit union activists in Ireland.

One issue that has been a real thorn in the side of the movement so far has been the attempts to introduce a central computer system for all credit unions affiliated to the Irish League of Credit Unions, first mooted in 1997, and given a projected cost of US\$50 million. A voluntary committee, comprised of credit union activists from throughout the country was established to oversee and control the development of the system. Outside consultants were employed to draw up plans and costings for the new system. Once proposals were in place in early 1999, each credit union was asked to pay a levy per member to cover the development costs.

Finances committed by credit unions to the development of the system are not refundable. However, almost 60 per cent of credit unions, recognising the necessity to develop such a system for the movement, paid the required levy. Some credit unions refused to subscribe, expressing severe reservations at the way the system was being funded, while others decided to adopt a *wait and see* approach. In the Spring of 2000, a 70 per cent over-run in the projected development costs was announced at the League's AGM, bringing the total costs to over US\$80 million and subscribed credit unions were asked to contribute the necessary additional funds.

At that point, the reasons for the over-run were not clearly explained. Confusion was the order of the day and many feared that the development of the system would collapse and the investment would be lost. Rumours were rife within the movement and even the media partook in detailed analysis and speculation.

In the Summer of 2000, a Special General Meeting of the Irish League of Credit Unions was called to decide the fate of the proposed system. The over-runs were detailed and after much deliberation, a motion was passed to spend a further \$2.4 million of League funds reviewing the system before another SGM in October 2000 would make a final decision on the implementation of the system. However, this SGM was postponed following a decision at League level to develop an amended proposal for the system. The SGM was rescheduled for the Spring of 2001, where it was agreed that the system, as proposed, could not be developed and the

investment by credit unions would have to be written off. It was agreed that service delivery by electronic means remained a necessary element of the future development of the movement and it was decided that further investigation should take place into alternative systems. A vote of no confidence in the League Board was rejected.

The process of developing a central system has been long and turbulent. In one sense, it has portrayed an image of the Irish credit union movement as being disjointed, disorganised and almost secretive in its dealings. It has not demonstrated a healthy spirit of co-operation or communication. The resulting publicity from the debate over the issue has confused the general membership and has led to splits within the movement. On the other hand, if a system is finally implemented, all credit unions will benefit and a more cohesive movement in terms of service provision should result.

Another topical issue within the movement is also worth discussing as it demonstrates a valuable lesson in communications for all co-operatives. A number of credit unions have been involved in some interesting local initiatives aimed at creating local employment and providing economical local housing. These initiatives are normally undertaken outside of the core activities of the credit union and involve the commitment of some of the credit union's financial and human resources. Involvement in these initiatives began in the late 1980s and early 1990s, when unemployment was running high in Ireland. A number of credit unions began to facilitate the establishment of loan venture funds, enterprise centres and other initiatives aimed at creating jobs within the local community. The shortage of affordable housing in Ireland since the late 1990s has been the inspiration for a small number of credit unions to become involved in local housing initiatives.

A fair-minded individual would expect that there would be some return to these credit unions above and beyond the satisfaction of making a worthwhile contribution to the local community. It would be expected that the credit union would be held in higher esteem by its community, expressed in terms of increased membership, increased use of its services and even a greater desire to participate in the operations of the credit union. Loyalty towards the credit union from the community would be built up.

Byrne<sup>4</sup> examines some of those credit unions that have become involved in these initiatives in Ireland and measures the extent to which their involvement has had any type of impact on the credit union members in terms of numbers, commitment, participation, expectations and image. No impact of any significance was

uncovered. Furthermore, credit union members did not appear to be even aware of their credit union's involvement in these initiatives.

It appears that credit unions have not communicated their involvement in these initiatives to their communities and have missed a valuable opportunity for the promotion and marketing of the credit union idea. Conventional banks regularly promote their ethical investment policies and their care for the community. The marketing and promotional value in such activities has been clearly recognised by the banks. Credit unions, *by their very nature*, appear to engage in such activities for the benefit of the community, and while this is most honourable in itself, they appear to have almost disregarded the opportunity presented for growing the credit union and the wider movement and for communicating the co-operative difference. It seems many Irish credit unions have failed to recognise the intertwining nature of marketing and communication and have lost valuable opportunities to promote themselves to their communities.

### *Communications within credit unions*

A recent research report<sup>5</sup> explores the issue of communications within individual credit unions throughout Ireland. The report examines communications at and between a number of different organisational levels in credit unions, primarily the board of directors, the staff and the general membership. Communications between credit unions and the Irish League of Credit Unions and between credit unions and their local Chapter are also explored. The report examines the means of communication used, the problems arising in communications, possible solutions to these problems, and the uses of communications technology at and between each of these organisational levels. Over five hundred credit union members and personnel were interviewed.

For the purposes of this article, we will confine our discussion to the report's findings on communication between credit unions and their general membership and illustrate some of the opinions of the one hundred and forty three members who were interviewed. We will then draw some general conclusions for the credit union and co-operative movements as a whole.

### *Communication between credit unions and their members*

Knapp<sup>6</sup> drew some interesting conclusions from his examination of Irish agricultural co-operatives in relation to member communications. Although his work was published many years ago,

many of his observations are relevant to Irish credit unions today. Knapp noted that

members have little direct means of connection or communication with their societies, and managers and committeemen have little direct relationship with their members. The annual reports generally do not provide information adequate to perform this function. The members do not have a strong feeling of identification with their societies<sup>7</sup>.

Traditionally, credit unions have not been strong in communicating with their members. As credit unions grow, it becomes more and more difficult to maintain regular communications with members due to limitations on resources and time. However, it becomes increasingly important to ensure that all members are informed about the unique service of credit unions, particularly in a competitive financial environment.

One might argue that no credit union should have to spend money persuading members and non-members that using credit union services will be of benefit to them. However, it is generally acknowledged that members do not know enough about their credit union and credit unions do not know enough about their members. All credit union members have rights and responsibilities. One right of the members is to be informed on matters concerning the credit union. One responsibility is to give all necessary information to the credit union, for example, information relating to their needs. Communication with members must be a two-way process.

Members need detailed information relating to services on a very frequent basis. Credit union personnel need only think of the regularity with which conventional banks give their members information to realise the level of competition in services that they face. Credit unions have not been strong in the area of communicating with their members. The Lansdowne Report highlights the fact that

awareness of products or services offered by the credit union is at a low ebb ... The most remarkable finding here is that a high level of lack of knowledge exists<sup>8</sup>.

The report also recommends a widespread informational campaign to educate both members and non-members about credit unions and the services offered. Some credit union personnel, however, complain that members *are* supplied with all of the information they need on a regular basis but do not absorb it.

However, it is pointless to blame the intended recipient of the message. What matters is that communication has not taken place.

Credit unions must aim to communicate with their members as much as is practical. The number of members in a credit union can often dictate the frequency with which information is communicated to them. In general, community-based credit unions may find it easier to provide their members with information on a notice board in the office or by advertisement. Work-based credit unions may find it necessary to send information by post on a more regular basis.

As would be expected, perhaps, staff are a very important means of communication of information for members. Staff are often the first point of contact for members and need to be well-trained and to present a good image of the credit union. Staff must also know how to *really listen* to the members and to bring information in the form of complaints, requests and feedback back to the board of directors. Of course, boards must not rely solely on staff members and should employ a variety of techniques to stay in touch with their members' needs and expectations.

Interestingly, only 4 per cent of the members interviewed mentioned the credit union's annual report as a source of information for them. One member went so far as to say that:

I get an annual report but the financial statements are quite hard to understand. Any information I get on services that the credit union provides I get from people I know who are also members.

The quality of information in annual reports can vary greatly across credit unions and many credit unions go to great expense and trouble in producing a glossy report.

The annual report is considered to be one of the principal formal written documents used in organisational communications and over time has evolved to play a valuable public relations role, besides simply presenting financial data<sup>9</sup>. In fact, it is argued that the chairperson's statement in the annual report, as well as being relatively easy to understand, may reveal more about the development of the organisation than the published financial data<sup>10</sup>. Credit unions would do well to remember that it is essential for their annual report to be well-structured and that it can be an instrument for delivering clear information to the members.

The Annual General Meeting is also an essential element in member communications in credit unions, yet only 7.7 per cent of members mentioned it as a means by which information flowed to them. AGM attendance is poor in most Irish credit unions. However, credit unions can take some comfort in the fact that the problem is not unique to them as many other voluntary and political

organisations are experiencing similar difficulties.

It is probably to be expected that there would be low levels of communication between credit union directors and members. Less than 3 per cent of members interviewed mentioned board members as a means by which they receive information from the credit union. Indeed, it is true to say that in some credit unions, members are not even aware of who the board members are and may only see them once a year at the AGM, if they ever attend the AGM. In some work-based credit unions in Ireland, however, directors play a key role, albeit in an informal manner, in facilitating communications between credit unions and their members. Because the credit union directors have the same employer, they usually work in the same office or building as other members of the credit union, and are often an invaluable point of first contact and a vital source of information for members on services, opening hours and other credit union business. Community-based credit unions might consider ways in which this forum for communication might be replicated.

Members were also asked how information flowed between them as members of a common co-operative organisation. Word of mouth is clearly important in the flow of information between credit union members, which may be potentially worrying if accurate information is not being transmitted. It would not be expected that much formal exchange of information exists between members. This is reflected in the fact that over 22 per cent of members said there was no communication between them. Interestingly, 6 per cent of respondents named the AGM as a means for the flow of information between them as credit union members. This is probably the only formal means through which members can meet as members although they meet informally in the credit union office. It may indicate that formal meetings of members may be a useful mechanism for communication between members.

There are numerous examples of different types of initiatives in co-operatives worldwide that bring members together outside of the formal AGM to exchange information and which give members a greater sense of ownership of and identity with their co-operative. Coop Emilia Veneto<sup>11</sup>, a consumer co-operative in northern Italy, has a number of area committees giving members the opportunity to engage in activities such as choosing the products on sale to them and conducting member satisfaction surveys. This benefits the members and the co-operative in many ways, not least because it opens up formal lines of communication between the members and their co-operative. Indeed, Briscoe<sup>12</sup> argues that co-operatives could create useful networks between their members, designed to show how the co-operative approach can be used to meet many different types of needs.

Over two thirds (70 per cent) of members who were interviewed were either satisfied or very satisfied with the access they had to information, and recognised the role of staff in providing it. However, concerns were expressed that members have to ask for any information they need. This is in sharp contrast to the amount of unsolicited information sent to banking customers. While it is positive that a majority of members are satisfied with credit union information, it is also significant that almost one third (30 per cent) of members were less than satisfied. Clearly, a more proactive system of communicating with members is necessary.

Some of the Irish credit union Chapters have undertaken joint marketing initiatives whereby ideas and finances are pooled in conducting credit union marketing initiatives. Many of the credit unions involved are reporting large increases in lending. However, the obligation on credit unions to educate their members means that they must go beyond advertising and promotion when communicating with members. Information relating to the rights and obligations of being a member of a co-operative must be communicated. This is particularly important so that members may understand the unique nature of credit unions and be able to differentiate them from mainstream banks. A clearer understanding by members of the co-operative difference will help to protect credit unions against the threat of demutualisation and from unsuitable legislative and taxation provisions. Indeed, instilling in the member a greater sense of being part of a movement and giving them a co-operative identity will help to build their loyalty and commitment.

The present role of technology in member communications was perceived by members to be minimal. This is not surprising, as credit unions provide a very personal service to their members and are valued for doing so. However, they have also been slow to adopt banking and other communications' technologies due to small size, limited common bonds, the size of the required financial outlay and, possibly, lack of foresight and knowledge. Additionally, members may have lacked the necessary equipment to receive information in a technology-based format.

However, times are changing. The general public, including credit union members, is becoming more conversant with technology, and credit unions are being forced to adapt accordingly. The growing popularity of and demands for Internet-based communication has led many credit unions to develop their own website and email address for communication with members. This has been one of the key technologies to be adopted almost globally and is becoming a more and more acceptable means of

communication. In fact, many experts in the United States agree that some level of Internet presence is essential for the continued survival of credit unions<sup>13</sup>.

The Irish League of Credit Unions has launched its own website in the past two years with links to credit unions throughout the country. A number of individual credit unions also maintain a website, albeit purely for informational purposes, as services are not yet offered by credit unions through the Internet. In the United States, many credit unions do offer services through their websites. In Canada, credit unions use the Internet, interactive television and interactive touch screens to allow their members to access their accounts<sup>14</sup>.

Growth in access to the Internet in Ireland is increasing and opportunities do exist for credit unions to use it as a means to communicate with their members. However, this growth in access has also resulted in the entrance of a number of Internet banks into the financial services sector, which have bypassed the normal banking system completely. Therefore, one could argue that even if the movement is successful in introducing a standard computer system, the system is already obsolete!

However, credit unions need not panic. As people based, co-operative organisations, on-going face-to-face communications with members is a valuable strength of credit unions and must continue to be built on. A valuable lesson can be learned from the recent experiences of Barclay's Bank in the UK, which closed a large number of its local branches and forced customers to avail of its Internet banking services. A number of customers accidentally accessed other customers' accounts and the entire operation had to be shut down.

While technology can bring many benefits to credit unions, it will be important to ensure that it does not exclude those members who, for one reason or another, do not have access to such technologies. Maintaining the 'personal touch' while also adopting new communications technologies may give credit unions a competitive edge over more conventional financial institutions.

Furthermore, Williamson<sup>15</sup> warns, that

What the Internet is NOT and probably never will be, though, is some special, unique and somehow magical wonder of our modern age that will somehow make all other forms of communication and ways of doing business suddenly obsolete. In appropriate circumstances it will certainly be invaluable, both as a business marketing tool and a sales medium. But for goodness' sake, let's keep things in proportion.

## **The challenge for credit unions and other co-operatives**

Some conclusions can be drawn from the foregoing discussion that are relevant both to credit unions and to other types of co-operative. Firstly, it is imperative that co-operatives communicate their activities to their stakeholders. This is essential in strengthening co-operative identity and in differentiating the co-operative from conventional organisations. Conventional communications channels need to be used, the most obvious of which is the advertising media. Secondly, co-operatives do not advertise or promote themselves enough. Many co-operatives think it a waste of members' money to advertise. This is a mistaken attitude. In advertising, co-operatives should attempt to build on the co-operative message, rather than advertising services and products alone. If members fully understand the co-operative message they will want to use the services and products of the co-operative. Thirdly, co-operation between co-operatives in communicating the message of mutuality can serve as a competitive advantage. Attacks on mutuality must be defended and the message of mutualism must be communicated in both words and deeds. Finally, the role of communication technologies must be recognised and investigated more fully. However, co-operatives should be careful to continue to build on their personal touch so valued by their members.

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