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# Communicating the Co-operative Message:

## A Case Study of the Irish Credit Union Movement

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by Olive McCarthy and Michael Ward\*



We live in the age of the sound bite and the spin doctor, when communicating for public relations and image can often take precedence over communicating substance and truth. In the early 1980s, Briscoe et al (1982:50) pointed out that *“many organisations conduct their activities in a covert fashion. They are cloaked in a veil of secrecy. Accessibility to the organisation and the availability of information regarding its operations and their effects*

*are confined to a select few”*. These observations are still relevant today. PR consultants earn hefty sums as large amounts of money are invested by organisations in communicating carefully edited snippets of information, neatly packaged and aimed towards building brands, image and loyalty within the conventional political and economic spheres.

Communication for co-operatives, we hope, is something much different. It emphasises honesty, integrity and openness. The co-operative reports regularly and openly to the members on its activities, its financial

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operations, its benefit to the members, its democratic spirit, its co-operation with other co-operatives and its contribution to the community. It seeks to educate its members on the co-operative philosophy and on getting the maximum benefit from its services and facilities.

Co-operatives deliver truth to their members and to the wider community and have the courage to admit mistakes if they are made. Members can easily measure the performance of their co-operative on both economic and social criteria because of the wealth of information available to them.

But wouldn't the co-operative world be a very unexciting place if things were that easy in practice? Naturally, problems can and do arise. This paper examines some of the communication issues in co-operatives using the Irish credit union movement as a case study.

### **Communicate or Stagnate**

Why is communication important for co-operatives? Parnell (1999) 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 include<sup>1</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 (1994) 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**

In Ireland almost every local community, both urban and rural, 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% of the population (including Northern Ireland). Irish credit unions 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.

## **Communicating the Co-operative Message**

The Irish credit union movement is currently experiencing a very exciting although somewhat turbulent period. 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.

One issue, in particular, 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.

A fair-minded individual would expect that there might be some return to these credit unions above and beyond the satisfaction of making a worthwhile contribution to the local community. It might 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 (2000) 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.

### **Member Communication**

Recent research by the authors<sup>2</sup> explores the issue of communications within individual credit unions throughout Ireland. For the purposes of this paper we will confine the discussion to our findings on communication between credit unions and their general membership and illustrate some of the opinions of the 143 members who were interviewed. We will then draw some general conclusions for the credit union and co-operative movements as a whole.

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. 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% of the members interviewed for our research 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 (Murray, 1979). 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 (Hind, 1997). 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% 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 individual directors and members. Less than 3% of members interviewed mentioned the directors 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 directors are and may only see them once a year at the AGM, if they ever attend the AGM.

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% of members said there was no communication between them. Interestingly, 6% 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.

Over 70% 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.

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 (Bowen et al, 1999). 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 (Taylor, 2000).

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.

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, as people-based co-operative organisations, on-going face-to-face communication with members is still a valuable strength of credit unions and must continue to be built on. 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.

## **The Challenge for Credit Unions and Other Co-ops**

Some conclusions can be drawn 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 are 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.



Co-operatives that advertise 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 com-

petitive 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.

## NOTES

1. Partly based on Smith & Guiton, *Communications in Co-operatives*, CCAHC, UK, 1976.
2. McCarthy O., O Fathaigh M. & Ward M., *Credit Union Communications*, Centre for Co-operative Studies, UCC. Forthcoming 2001.

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