

The co-operative bank as a socially responsible problem-solver by corporate mission

By Heidi Muthers-Haas & Helmut Muthers
(Network for Innovative Bank Development, Austria / Germany)

Tradition as a catalyst – not as insurance

An incomprehensible megalomania has broken out among the commercial and savings banks, which obviously seek prosperity and future security in the size of their balance sheet. Such a strategy, however, is hardly compatible with the often solemnly declared customer orientation. Even co-operative banks now increasingly direct themselves towards the “larger” rivals instead of exploiting their own opportunities and satisfying the needs and demands of their members and customers with tailor-made services in order to form their specific profile and secure their business in conformity with their social environment. Even here, shareholder value has largely pushed aside the human (Christian), social and society-reforming ideals of the pioneers of the last century. That is despite the fact that the pioneering spirit of then corresponded to an approach that we would characterise as a “win-win” strategy today.

The legal form of a co-operative was established exclusively to foster the activities and businesses of the members through mutual and joint operation. The philosophy of a co-operative is rooted in the service to its members. Thus, its natural function is *not* to increase the balance sheet and its profits, to expand on investment banking, to deepen market penetration with so-called modern standardised bank products etc., but to satisfy human needs and solve specific problems.

The co-operative idea of Friedrich Wilhelm Raiffeisen was a visionary concept to solve dire problems of a society in change – a characterisation that also fits into our turbulent times. Supporting the change from a materialistic society towards a humanisation also of economic activities - despite increasing anonymity and mass-markets - is as important today as it was at the end of the 19th century; if not even more urgent.

Today, the motivations of the founders should again offer orientation and be the drive behind the co-operative credit organisations in Europe:

- *Motivation for survival, i.e. the absolute will to secure a livelihood.* Mergers are contrary to this as mergers always imply deleting at least one business.

- *Motivation for help, i.e. the awareness to depend on mutual support in a positive sense, practising solidarity and providing help for self-help.* Today, science confirms that the capacity to co-operate is the most important ability of networked systems. However, it is a ruinous competition that is practised nowadays, which does not benefit any customer but will eventually damage the banks' own business.
- *Motivation for reforming society, i.e. the willingness to enter new ground, to change society, make it a more humane place and to base all actions on ethical and environmental values.* However, the majority of the current co-operative banks is seeking conformity with other credit institutions. The result is a deceptive security lacking courage for uniqueness in the devotion to solidarity.

Those who fight for profit only, earn nothing worth living for.

(Antoine de Saint-Exupéry)

To resuscitate the energy of the pioneer spirit and to promote a come-back of the credit co-operatives

In the competition with commercial and savings banks, a co-operative bank is more likely to succeed if it emphasises - in combination with the specific values of the legal form - its own identity and exploits its peculiarities and strengths of its staff for the benefit of its members and customers.

Following this objective, it is the small size and, resulting from it, the local knowledge and inclusion, the proximity to the market and the closeness to the people of the region that make innovation possible necessary for a secure subsistence. Among the various innovation opportunities, the problems and demands of the customers and members are the most reliable selection criteria for the bank, and, for the people in the region (society), the best way to eradicate bottlenecks in development.

We would like to provide the “modern” co-operative organisations with the following ethical imperatives:

- *Do it as professionals and entrepreneurs!* i.e. Contribute creatively to progress and innovation of the economic process, discover new economic opportunities, risk them and carry them out.
- *Do it for people!* i.e. Respect and protect the untouchable dignity of human beings and let them become more of a human being in and through your work.
- *Do it for society!* i.e. Find your purpose, your duty in the common responsibility and effort for a sustainable development of society.

A bank or an economy that does not look beyond itself does not fulfil its function, which is offering service to society. It will lose its livelihood, as would a heart that only supplies itself and not the organism, which it depends upon.

In you must be alight, what you want to enflame in others
(Augustinus)

During our consulting activities, we accompany banks and their staff in the attempt to revive - with enthusiasm and pioneer spirit - the co-operative duty in its benefit-driven form. The aim is the co-operative bank as "pace-maker of its region".

Solving imperative problems of members, customers and people of the region (the co-operative bank is strongly linked with the successful development of the region in which it is rooted) takes the following steps: The first three steps clarify the competence of each employee through concentrating on the personal strengths, concentrating on suitable fields of activity and business and concentrating on a promising and "appropriate" target group. In a fourth step, the need of the target group is defined by its most pressing problem. In the fifth step, all individual powers are concentrated on the solution of the target group's problem. Hurdles in the innovation process are eliminated through co-operation in a sixth step. The last step serves the stabilisation and securing of the position that the target group has reached. The aim is to realise inimitable top-results for a particular target group. The motivation of the bank employee does not, however, rise from an egoistic attitude: "How do I sell, e.g., as many investment products as possible?" but from the rather altruistic attitude: "Which bottleneck of the people in my target group must be eliminated in order to make them personally and economically more successful and independent?"

The following paragraphs describe four examples of co-operative bank practices that have been developed on the basis of strength profiles of

individual employees and need profiles of particular customer groups:

a. specialising in securing the standard of living for the aged

The *strength profile* of one of the younger employees of a co-operative bank revealed that he had a good inclination towards "old age services", which seemed to complement his existing tasks. His first test group were farmers. Through discussions it turned out that the difficulties linked to such services were bigger than expected, but also that the employee was emotionally not fit for this target group. A new target group was looked for: younger (aged up to 35 years), married executives who wish to buy property but whose old age provision does not match their present income. This time the "chemistry" was right. The discussions revealed problems such as too high tax burdens, lack of time, not knowing an appropriate financial advisor and no life planning. The strongest fear turned out to be the loss of social status and the loss of quality of life in the older age.

The employee concentrated his innovative output on the "preservation of the standard of living in old age": creation of a special appraisal concerning the amount of wealth at the presumed start of pension and alternative recommendations for safeguarding the standard of living during old age. The preparation of the contents of the service provision in interaction with the target group, including special training in financial mathematics to complement his existing knowledge, took a period of about two years and is being constantly deepened. To round it off, the employee co-operated in the course of the time with accountants, freelance insurance brokers and property companies.

What is special and inimitable in the employee's competence of today, is his reputation among his target group and the intellectual lead he has built up during the process of concentration in the last years. The service is recommended by word of mouth and requires no other form of advertising. All persons involved benefit from the employee's activities, which represent the much desired 3-winners-model: customer - employee - bank.

b. specialising in ecological housing

This innovation developed out of the personal life situation of one of the bank's young customer adviser, who had just built a house for his young family, respecting ecological criteria. Testing the "young family" target group, the wish for an home ownership emerged as a priority issue.

The people in his target group actually needed information and advice that went beyond the traditional way of conceiving building and living, a need which is actually there a long time before the question of financing arises. This encouraged him, in a first step, to carry out regular events on this subject and to establish an information fair, in which he provides e.g. lists of craft businesses, specialised magazines, books, catalogues, information on location and property offers. Joint fair visits and discussion circles rounded off the information service of the first phase. Since healthy living is a priority in this target group, the employee has now various partners he can address or co-operate with, such as doctors that take a holistic and preventive approach, feng-shui specialised architects, institutes for the measurement of electrical smog and other disturbing agents; even a divining rod professional belongs to this relations group. Thus, he gets slowly but surely more familiar with the needs of his target group and becomes the indispensable centre for their questions around this subject. Within the target group, who the partner for financing the property purchase or the building project should be is of no issue anymore thanks to the relationship that grew out of the preceding services.

c. specialising in the optimal financing of business investments

An astonishing and very effective innovation was achieved by a senior customer adviser with, among other things, an outstanding knowledge of various financing models. He not only knew the usual products of his bank but also, due to personal interest, creative financing instruments from the non-banking sector. Based on this, he developed an appealing service for his target group: successful self-employed people, who are too busy to take proper

care of their business finances. Together with his target group, this employee worked out a service which was soon to be known beyond the region. This was because he, as an expert, dealt with everything from access to credit to all paper formalities that saved his customers time and trouble.

His selection criteria regarding the right financing is based on strict product neutrality in the sense that he exclusively represents the personal interests of the entrepreneur. The comparison between different credits (bank, public funds, leasing, insurance etc.), including tax aspects, is his speciality. Using direct access to large data banks he finds out about the amount and kind of public funding that can be applied for. He combines different credit forms to different financing models in a way that distinguishes the combination with the least expenditure. The payment plans for each model show in a clear and understandable way the total expenditure, monthly payments and the remaining debt. For the model that is favoured by the customer, he searches the offers of many different finance institutions in order to find the best conditions on the market. His customer receives full support for all negotiations with the potential lender up to the signing of the contract. And: the customers pay the bank employee a fee for his service as only freelance financial advisers would be paid.

d. specialising in a good start into self-employment

This example disproves reservations some boards have in regard to the promotion of female employees. This well trained customer adviser who had grown up in a family of entrepreneurs, saw her life situation change when she became pregnant. As an activist in a women network she had already advised many female start-up entrepreneurs. Having experienced the transmitting of the carpentry family business from her parents to her brother she had also grown sensitive and knowledgeable about problems related to enterprise succession. This experience determined her target group: "young female business starters in handicraft and small and medium-sized enterprises".

The first target group discussions which she led during her pregnancy, revealed difficulties that she knew all too well: problems of co-ordination with the family or the partner, the inhibitions about taking up a loan and a critical need for self-confidence, which explains the wish for expert information as a solid planning base. The strongest concern was about having a good certainty in the planning in order to balance private life and business commitment.

Her innovation was at first based on setting-up an information pool: obtaining, evaluating and providing reliable information on the establishment or transfer of a medium-sized or crafts enterprise by or to a woman and a database on businesses that are looking for a "successor". The employee works today part-time from her home, to the benefit of all involved. She already supports the female business starters in the decision and planning phase and offers financing and insurance alternatives. She co-operates with several networks, associations, experienced practitioners, course services, lawyers and accountants.

All these service innovations have the characteristics of internal business creations, well described by the concept of "intra-preneurship". They are based on concentrating each employee on his / her strengths, which are the greatest productivity and output reserves in a bank. Development process as described above are realised with approximately ten people at the same time in order to achieve an reasonably broad effect. Only those innovations are developed that are tailor-made for actual target group problems and that can be realised from within the bank or through co-operation partners. The employee, who goes through this entrepreneurial step in the bank, needs an environment in which individual working and "learning at the pulse of the customer" is possible. The rewards for letting the employee mature for two or three years – with very low investment risks and development costs – are a new image and business fields with maximum added value, which through the outstanding profile of the particular "target group specialist" and his/her distinct knowledge also prevents the bank from being interchangeable with any other.

No one can be helped to succeed without discussing intensively his/her future

Taking societal responsibility seriously, the co-operative bank has to conform itself also with the following issues:

- ✓ What importance do we give to our societal mission?
- ✓ How can we support the home region of our members?
- ✓ Where are the bottlenecks at the level of the region, the town, the members together, each member?
- ✓ How well are our members prepared for future problems, challenges and opportunities?
- ✓ How do the enterprises in the region develop? Are jobs under threat?
- ✓ How can new jobs be created, which jobs would be most desirable?
- ✓ How do the surrounding towns and the hinterland develop?
- ✓ How does the population of the region and the town change (migration, immigration, commuters, age...)?
- ✓ What peculiarities has our town, our region?
- ✓ What is the quality of life, working, leisure?
- ✓ Which regional funds can already be utilised and which should be aimed for jointly?
- ✓ What alliances can we form?
- ✓ What values – not only cultural – exist, which of them should be developed further?
- ✓ How does the information exchange in the region work, about what should everybody be informed in order to build common awareness?
- ✓ What can we contribute, initiate?

Further benefit aspects in the context of the societal duty of a co-operative bank are at present being thought up, tested and realised in several organisations:

- Alternative profit distribution – part of the profit is used for objects of public interest, e.g. the preservation of a wetland.
- General information events.
- Projects to foster equal opportunities and equal rights for women in the business world.
- Support for community projects that serve local needs through private initiative.
- Funding opportunities in regard to the development of regional enterprises and jobs, quality of life and leisure.
- Organisation of flexible housing rights, which provide the member - according to his age - housing rights on different forms of housing on a property base to housing and nursing rights in an old peoples home

- Co-ordination of activities among the members themselves.
- Strengthening of communication in the region.
- Regional development through conferences on possible futures.

A co-operative bank, that innovates through solving problems in this way, develops almost naturally into an institution that helps to rid its environment of bottlenecks – it becomes a pacemaker for its region and a responsible force for society.