

Ethical Standards Create The Credit Union Differentiation

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ETHICS, CULTURE & PROFESSIONALISM

Ethics in credit union is not entirely different from ethics in any other area of human activities: Ethics is integral to a credit union. A credit union acts with integrity and lives up to its responsibilities by compelling all those within it to assume moral responsibilities for their actions. Moreover, moral responsibilities must be self-imposed and self-accepted. To be truly effective, ethics must be an integrated part of the credit union culture rather than an appendage grafted onto the management system. When made a part of the credit union culture, good ethical practices would help prevent problems before they occur and resolve issues with professionalism when they arise, an idea which guides this break out session of the 2010 Asian Credit Union Forum.

First, let us review three important elements in relation to ethical standards.

1) Professionalism 2) Culture 3) Code of Ethics.

1) Professionalism is education, experience and ethics that basically mean putting the interest of others above our own. Professionalism requires the pursuit of excellence by being diligent, perseverant, reliable, careful, prepared and informed as well as continually seeking to develop knowledge, skills and ethical analysis necessary to making an ethical decisions. In an ethical analysis, we ought to look into the moral point of view, taking into consideration four avenues, i.e. virtue-based, interest-based, duty-based and right-based.

2) Culture is the values, beliefs and norms of an organization that 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. A culture change has five prerequisites, i.e. strong business focus and emphasis on performance; staff energy focused on and aligned with organizational strategy; greater focus on relations with customer, employees, suppliers and partners; a learning organization where people are accountable and challenged; and willingness to change. A successful cultural change requires explicit alignment of the 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.

3) The standards to which members of an industry are to hold themselves are usually

expressed in a voluntary code of conduct, promulgated and enforced by the industry's organization. A code may include a statement of ideals, a set of disciplinary rules, and a standard of professional etiquette. There are 5 characteristics of a viable and realistic professional code: a) It convinces employees to voluntarily commit to standards of conduct integral to the profession's practices; b) It protects public interest and the interests of those served by the profession instead of catering to the convenience of the profession; c) It provides guidance to everyone in the profession on how to perform duties with the highest level of integrity and professionalism; d) It must be specific and honest; and e) It should be enforceable and policed. Above all, a code must have a compliance mechanism.

CREDIT UNION PHILOSOPHY & CODE OF CONDUCT

The core values of the Credit Union Movement are: Cooperation, Moral integrity, Trust, Financial prudence, Caring for members and Social Responsibility. Right from the very beginning credit unions have tried to express our values and beliefs as statements of philosophy, uniting theory and practice in the conviction that there is nothing as practical as good applied philosophy. Such an expression of the philosophy and uniqueness of credit unions is offered in the hope that it will refine and restate the heritage we share in common, and that in the process, further understanding and commitment will result. The foundation of credit union philosophy is people helping people. A thorough understanding and application of philosophy is essential to any successful credit union. Any measurement of performance needs to be made against the backdrop of the mission of service to members who are the heart of the credit union and the reason for the credit union's existence. The Statement of Credit Union Operating Principles approved by the World Council of Credit Unions in 1984 has this statement: "These Credit Union Operating Principles are founded in the philosophy of cooperation and its central values of equality, equity and mutual help. 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."

In the past decade, like other business institutions, a lot of efforts are being made by credit unions to improve their ethical standards. Ethics management programmes are set up and ethical codes of conduct that are economically efficient and socially viable are being developed and implemented. Seminars, workshops and conferences are organized to show how large or small credit union can make real improvements in their ethical standards without jeopardizing their competitiveness in the marketplace. Methods are taught to create and implementing voluntary codes of conduct that are

credible and believable, both is what they proclaim and in what they actually achieve.

WALK TO TALK

In a people movement such as credit unions, it is of utmost importance to bridge the gap between theory and practice, between what is said and what is done. Sometimes, we can get so used to our own rhetoric that we mistake words, statement and good intention for action. Here I would like to share with this session a few good examples with practical tools and information on how credit union people walk to talk about philosophy and ethics.

(1) Shortly after the World Council of Credit Unions approved the International Credit Union Operating Principles, a “Credit Union Uniqueness Committee “was set up charged to design and recommend a comprehensive programme for broadening movement –wide understanding of the uniqueness of credit unions and the importance of basic credit union philosophy to the future of the credit union movement. In its October 1988 report, among other recommendations, there was an recommendation on “Uniqueness Recognition” that said “ a) In coordination with leagues, the national organizations should develop a uniqueness recognition programme to recognize credit unions that best exemplify putting credit union philosophy into practice. This programme might use a philosophy audit with guidelines and a checklist to indicate norms or standards of performance.... b) The national organizations should develop and sponsor a national award for recognizing those credit unions that best illustrate the practical application of credit union philosophy.... and c) Credit unions, leagues and the national organizations should develop incentives and recognition for leadership and staff personnel who apply credit union philosophy in their daily operations....”

(2 In the 90’s, estimating about the amount of money credit unions have been losing each year to mutual funds offered by financial institutions, credit unions in Canada developed a product known as “ Ethical Funds” by bringing five mutual funds under one umbrella, i.e. Ethical Growth Fund; Ethical Money Market Fund; Ethical Balance Fund; Ethical North American Equity Fund and creating a national marketing force for them. It combines high ideals with good business performance. Its slogan is “Invest with a clear conscience.” All companies credit union members invest in through Ethical Funds are carefully screened, to ensure they act responsibly concerning health, environment and human issues and social principles.

The Social Audit Task Force of the Co-operative Union of Canada produced in 1985 a Social Auditing Manual for Co-operative Organizations for use by their directors, managers and staff to guide them in planning and conducting a social audit. A social audit is a process of evaluation and reporting which is similar to a financial audit but

focuses on social responsibility rather than financial performance.

(3) Responding to the “Differentiation Project-Values Survey” launched by the Credit Union Services Corporation in Australia, The WAW Credit Union of which the late Bill Field, beloved friend and educator of ACCU, was chairman, gave these comments on the value of Social Responsibility: “ As a registered “Authorized Deposit Taking Financial Institution”, our adoption of the International (Credit Union) Operating Principles ensures a continued focus on true co-operative objectives of people helping people.” At the same time, she gave the following statement:” a) The WAW Credit Union Vision Statement is “Helping you take control of your finances”. This vision focus that members are critical and need assistance in managing their financial affairs; b) The WAW Credit Union Mission Statement is “To operate a responsive, values-driven, co-operative financial and clearly shows a link between financial and community benefits; c) WAW Credit Union has adopted a Triple Bottom Line approach to business that places an emphasis and balance between economic, social and environmental responsibilities in the engagement and involvement of the community; d)WAW Credit Union operates a Special Care account for members who are disadvantaged. In addition, WAW Credit Union provides a framework and administrative support for the regional hospital fundraising activity, Latipsoh Day; e) WAW Credit Union does not discriminate on grounds of race, gender or age in relation to access to financial services, with the only exception being lending. WAW Credit Union does not expose a person below 18 years of age to lending; f) WAW Credit Union issues three Member Newslink newsletters every year. The content is based on education and information; and g) WAW Credit Union promotes its Triple Bottom Line and its role in both domestic and international credit union issues.”

(4) Credit unions in Asia are recognized by the Beijing based ”Center for International Business Ethics “and the Hong Kong based “Association for International Business Ethics” as unique financial institutions that have been faithfully committed to values, business ethics and corporate social responsibility. The two business ethics associations share the common objectives of promoting business ethics and corporate social responsibility in the Chinese context. The Asian Confederation of Credit Unions has authorized the Center for International Business Ethics to translate and published its Training Manual on Micro-finance Innovation for Credit Unions (CUMI) into Chinese. A book launching ceremony was held in Beijing on 21st July 2010 followed by an introductory workshop on CUMI attended by university students and people interested in or engaging in micro-finance or cooperatives in China. This is an example of ACCU ‘s effort to promote credit union philosophy and bring credit union services to more people.

CREATING THE CREDIT UNION DIFFERENTIATION IN ASIA

To create the credit union differentiation, the Asian Credit Union Movement, at all levels, needs to take a more serious, systemic approach toward communicating and educating all elements of the movement and all related audiences on the ethical standards, philosophy, heritage, and uniqueness of credit unions. We should clearly indicate the importance of credit union philosophy, ethical standards and uniqueness to the successful operating of a credit union and to the future of the credit union movement in Asia.