CASE STUDY: LEADING EDGE CREDIT UNION
A GUIDE FOR LEVERAGING THE CO-OPERATIVE ADVANTAGE

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ABSTRACT

This paper uses Leading Edge Credit Union as a case study to explore the co-operative challenge of remaining aligned to co-operative principles over time, and implementing tools to realign LECU (and co-operatives more generally) with co-operative principles, in order to allow the organization to capitalize on the co-operative advantage. The significance of the co-operative advantage is explored, along with the concepts of co-operative identity crisis and co-operative cohesiveness. This paper then provides concrete recommendations within the context of LECU by applying the Balanced Scorecard and Strategy Map tools, in addition to suggestions for marketing the co-operative advantage, to solidify the transformational change needed at LECU for it to rediscover the co-operative advantage.

KEYWORDS

Leading Edge Credit Union (LECU), Co-operative Advantage, Balanced Scorecard

About the Author:

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INTRODUCTION

According to a report completed by the Filene Research Institute, most credit unions do not link their strategic initiatives to the seven co-operative principles (Rixon, 2013). The report also acknowledged a diminishing awareness of the co-operative principles more generally. Similarly, in Co-operative Business: The Role of Co-operative Principles and Values, Novkovic (2005) presents survey findings indicating that only 50% of respondents believe that co-op members are only vaguely familiar with the values and principles of co-operatives (Novkovic, 2005). The realities of having to remain financially competitive often adversely impact the ability of co-operatives to simultaneously maintain the association side of the co-operative equilibrium. This not only results in co-operatives failing to embody their co-operative principles and communicating these principles to members, but also prevents co-operatives from capitalizing on the co-operative advantage and values that are becoming increasingly appealing to mainstream consumers. By using Leading Edge Credit Union (LECU) to ground analysis and prescriptive recommendations in a real-world example, this paper explores strategies for co-operatives to reorient their operations towards co-operative principles, reconnect with their members, and capitalize on the co-operative advantage. This is achieved by providing a contextual background on LECU, establishing the meaning of the co-operative advantage, exploring the causes of a co-operative identity crisis, and discussing the importance of co-operative cohesiveness. This paper then provides concrete recommendations to course-correct within the context of LECU by conducting a co-operative audit, revisiting LECU’s vision, mission, values, and principles, implementing a Balanced Scorecard and Strategy Map, and discussing marketing the co-operative advantage. Finally, this paper concludes by summarizing key lessons learned for LECU and co-operatives in general moving forward.

METHODOLOGY

In order to better understand how co-operatives can leverage the co-operative advantage, this paper focuses on devising a strategy for Leading Edge Credit Union to bring about transformational change that supports co-operativism.

The strategy development culminates in the use of a Balanced Scorecard and Strategy Map, as designed by Kaplan and Norton (2005). The goal being to integrate the co-operative principles within the Balanced Scorecard and Strategy Map to transition Leading Edge Credit Union into a financial institution with a co-operative advantage.
LEADING EDGE CREDIT UNION

Leading Edge Credit Union (LECU) is the by-product of several credit unions that were established in the 1940s in rural Newfoundland and Labrador. The primary focus of the establishment of the kitchen table credit unions was to provide lending and deposit services to community members in a structured capacity. The value gained from this exercise was that members themselves improved their socio-economic status while the community benefited from the enhancement of its citizens. Individuals that supported the credit union and became members identified it as a community asset, instrumental to the success and well-being of the community. The decision to engage in solidarity was not an option, it was a necessity. The credit union concept was introduced through teachings by students of Moses Coady. Coady, a leader in the Antigonish co-operative movement, sought to make the co-operative model widespread (Dutcher, 2005). LECU’s founding members understood, witnessed, and therefore supported the co-operative concept. They were educated on the model, lived the model, and felt its significance.

Over time, as membership growth clouded the co-operative identity and the organization failed to promote its co-operative advantage, LECU fell victim to over-emphasizing the enterprise side of the co-operative equilibrium at the expense of its association side. In focusing primarily on being a financial service provider, LECU membership started to blur the lines between their credit union and its competitors. This has remained a challenge up until today, hence the need to establish a strategy to reconnect LECU with the co-operative advantage.

LECU currently operates in a region with a challenging economic outlook. High unemployment rates, an aging and declining population, and a slowing economy in the province of Newfoundland and Labrador (Government of Newfoundland and Labrador, 2017), may impact LECU’s ability to grow its lending portfolio and the enterprise side of its equilibrium.

Internally, LECU will continue to be a part of tremendous change in the co-operative financial sector. Consolidation of national trade associations and partners will assist the system in gaining efficiencies. In the Atlantic region, LECU will learn more about a proposed linked-HUB back office service, as well as work with marketing programs aimed at bringing attention to the co-operative advantage. In response to pressure from consumers, new technologies are being developed nationally with local rollout expectations. LECU will need to prepare for this changing environment and be financially capable of supporting new developments.

In addressing member expectations and financial stability, LECU will need to re-evaluate its service offering. The current service platform was developed and modified over many years, but the changing pace of consumer demands will require transformational change. A review of member expectations and preferred service delivery methods must take into consideration the changing consumer behaviors and technologies.
UNDERSTANDING THE CO-OPERATIVE ADVANTAGE

The uniqueness of the co-operative model stems from the co-operative values that form its foundation. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. The co-operative principles are guidelines by which co-operatives put their values into practice. Pieced together, the co-operative model, utilizing these values and principles, can be easily distinguished from an investor-owned enterprise. It is important to break down exactly what is meant by the co-operative advantage in order to understand its significance.

In his article, *The Co-operative Advantage*, Spear (2000) articulates the co-operative advantage through six key features (Figure 1).

**FIGURE 1: THE CO-OPERATIVE ADVANTAGE**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response to market failures or state crisis</td>
<td>Co-operatives have been formed to produce services where the market or state has fallen short. Ex. Co-operative utility companies or co-operative medical facilities.</td>
</tr>
<tr>
<td>Trust advantage</td>
<td>Co-operatives built on the theory that they are less likely to engage in opportunistic behavior will build more trust with the consumer, when this is recognized.</td>
</tr>
<tr>
<td>Self-help advantage</td>
<td>When individuals have a strong sense to improve themselves the co-operative model is designed to advance this progression.</td>
</tr>
<tr>
<td>Social capital advantage</td>
<td>Co-operatives focus on building solidarity within communities through building social capital. This win-win relationship allows co-operatives to further build trust and appeal to those concerned about their community.</td>
</tr>
<tr>
<td>Co-op values and principles advantage</td>
<td>Co-operatives are guided by the principles and values which focus on member and community best interest.</td>
</tr>
<tr>
<td>Social efficiency advantage</td>
<td>Co-operatives have a social conscience and are effective in delivering positive social benefits to the communities in which they operate.</td>
</tr>
</tbody>
</table>

*SOURCE: (SPEAR, 2000)*

The co-operative model can be a value differentiator. In contrast to traditional organizational structures, the distribution of profit in co-operatives is much different because the member-owners share in the success. The unique structure of a co-operative also provides a mechanism for its member-owners to influence the organization’s strategic direction. Members have a say in how the co-operative operates and the option to vote on significant matters. This form of engagement
further solidifies the relationship of member-owner versus shareholder and customer in a traditional organization.

The co-operative model consists of two core components known as the ‘enterprise’ and the ‘association.’ The enterprise consists of the products and services that members of the co-operative expect to receive. The association component is the fabric of what the co-operative considers as its guiding principles. The association is the true identifier of how a co-operative operates within its respective industry. A balance between the enterprise and the association is essential to ensure that a co-operative remains relevant to its membership and also to the industry in which it operates.

Recently, LECU has shifted to a more balanced approach in response to identified shortfalls on the association side of the model. LECU’s board and management chose to focus on strengthening the co-operative model of LECU through strategic efforts under each category (detailed in Figure 2).

**FIGURE 2: LECU’S NEW APPROACH**

<table>
<thead>
<tr>
<th>Association</th>
<th>Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>LECU will partner with other co-ops to strengthen the co-op movement and bring stronger member value. (Co-operation among Co-ops)</td>
<td>LECU will remain financially stable by maintaining competitiveness on all products and services.</td>
</tr>
<tr>
<td>LECU will assist in the creation of additional co-ops where the co-op model could make a difference in the community. (Concern for community, Co-operation among Co-ops)</td>
<td>LECU will become early adopters of technological product and service enhancements for the betterment of members.</td>
</tr>
<tr>
<td>LECU will provide co-operative education to its members, staff, and public to ensure a deeper understanding of the co-operative model. (Education, Training, and Information)</td>
<td>LECU will seek efficiencies on delivery models through amalgamation, collaboration, or co-operation with other system partners.</td>
</tr>
<tr>
<td>LECU seeks members who share our co-operative values. (Voluntary and Open Membership)</td>
<td>LECU will continue to grow our business to ensure members receive financial stability and the credit union remains sustainable.</td>
</tr>
</tbody>
</table>

For LECU, rebranding its co-operative purpose will further support both sides of the co-operative equilibrium. A renewed focus on the association side will assist LECU in showcasing their co-operative advantage. This will aid in attracting individuals who believe in what the co-operative model represents. Conversely, over-emphasizing the enterprise side of the equilibrium will further support the blurred lines between LECU and its competitors. Although profit is important for key benchmarks such as efficiency ratios, association related activities that reduce efficiency ratios, such as dividend payments and co-operative development spending, are necessary to support the co-operative advantage.
UNDERSTANDING THE CO-OPERATIVE IDENTITY CRISIS

In the paper, *Co-operative Holdings Company*, Côté (2001) highlights three situations in which members lose understanding of the co-operative identity:

1. Members lose sight of co-operativism and focus on individualism. When members focus simply on what is in it for them, they lose sight of the original purpose of a co-operative which extends beyond servicing its members.

2. Membership growth creates a disconnect between the co-operative and its membership because it becomes more challenging to engage and involve members, which is a fundamental co-operative difference.

3. Members view and measure their co-operative against its competitors and only place value on the products and services, not the additional value a co-operative brings.

The members may not always be at fault in these situations. The co-operative itself may not do an adequate job of communicating its co-operative purpose because it focuses solely on its enterprise side of the equilibrium. The danger here is that if consumers only view the competitive environment on the basis of product, price, and service, without understanding the co-operative advantage, then co-operatives will have difficulty remaining sustainable or relevant.

The above scenario is the one in which LECU had found itself. LECU is a small financial co-operative operating within a big financial services arena, which must manage a significant number of external threats (economic outlook, regulations, technology, changing consumer needs). The focus of management and the board of directors has been on strategizing to counteract these threats. Therefore, the majority of LECU’s strategies only addressed the enterprise side of the co-operative model. In other words, members are being treated only as customers. Members pay a share subscription and roughly 4% of them participate in the election of their board, but that is where LECU’s co-operative behaviour ends. As a result, LECU was heading towards a co-operative identity crisis. Free-riders, as outlined by Côté (2001), consume the majority of LECU’s membership as members focus on individualism. Membership growth with no attention to co-operative education only added fuel to this fire. The decision to join or leave LECU was based purely on competitive price points, which is contrary to the original founder’s views.

As demonstrated by Figure 3 below, there are four co-operative profiles that can emerge depending on the intensity of co-operative and market rules that relate to a co-operative either thriving in its principles or heading towards an identity crisis. Throughout its inception and during its foundational years, LECU operated within quadrant one, identified as (A). This was due to the lack of competition and the founding members’ attention to the co-operative model when it was originally formed. Over time, as the intensity of the market increased due to technology and accessibility of competition, as well as the inability of LECU to focus on the co-operative principles, it moved into quadrant three, identified as (B). LECU did not move into quadrant four (C) because it had lowered its adherence to co-operative rules as membership growth unfolded without co-operative education. The end result was that LECU was competing with other banks in a highly demanding marketplace and struggling to gain a foothold in market share. The shift from
(A) to (B) placed LECU under threat of eventually falling to (D), which could potentially result in LECU’s collapse, leaving members without banking services and a strong community partner. Appendix A can be referenced for a further breakdown of the characteristics associated with each quadrant.

**FIGURE 3: CO-OPERATIVE PROFILES**

![Co-operative Profiles Diagram](source: (CÔTÉ, 2004))

Ultimately, co-operatives want to be operating in the quadrant where the intensity of co-operative rules is strong, and members are engaged with a strong sense of value and purpose. LECU is currently making attempts to shift its way through the specific structural profiles. A rejuvenated effort is underway to shift from a quadrant III to a quadrant IV profile. Recognizing that there is a high intensity of market rules and that the erosion of co-operative practices in the organization is present, strategies are required to intensify a strong associative structure.

**UNDERSTANDING CO-OPERATIVE COHESIVENESS**

As another key factor within the ability for co-operatives to leverage the co-operative advantage, co-operative cohesiveness is a theoretical framework stating that cohesiveness must be broadened beyond business matters to also include member matters. This is due to the fact that a co-operative is an association of people who come together democratically to address a common need (Côté, 2001). It is important to preserve cohesiveness within the co-operative to capitalize on loyalty and to protect the co-operative model. A credit union which fails to manage cohesiveness within its organization contributes to its failure to capitalize on the co-operative advantage.

The co-operative cohesiveness framework considers three types of cohesiveness:

1. **Cohesiveness within the association**: The way in which the co-operative has cohesiveness among members.
2. **Cohesiveness between the association and the enterprise**: the value and purpose of the enterprise balanced with benefits members receive as a result of belonging to an association.

3. **Cohesiveness between the co-operative enterprise and its competitive environment**: ensuring the co-operative remains competitive in its business operations and economic viability.

Members of LECU came together because farmers and fishermen, who operated their respective business lines on different annual schedules, needed the support of one another to finance their operations. LECU flourished as members became actively engaged in their organization at a governance and operational level. Cohesion was the catalyst which brought member value to the organization. Over time, this level of cohesion diminished to the point that the only active engagement of members was through the election process. Member pride and the sense of ownership had eroded to the point where members viewed the co-operative as simply a place to do financial transactions. The ability to impact the strategic direction of the organization had been placed in the hands of a few directors, rather than a community. The co-operative principle of ‘democratic member control’ lost much of its original value. Members identified with the value they received from products and services but paid less attention to what the co-operative represented as a social-economic driver. While the organization was continuously striving to strengthen its strategic fit or competitive position within the industry, profitability became the most prominent strategic consideration for the board. Stability and economic viability is important, however it should not be the only form of cohesion in which management invests. A renewed effort is required to build member cohesion and allow members to feel a sense of pride and ownership once again.

**CO-OPERATIVE STRATEGY**

The co-operative model provides an opportunity to separate a co-operative from other traditional organizations in its industry. The co-operative model’s unique structure is established by the people, for the people, which aligns with an emerging public appetite for ethical and transparent business practices. A strong understanding of this core purpose ensures that co-operative practices remain relevant. There is a strong tie to the community and members must understand that their participation in the co-op is creating a more sustainable community. It is therefore vital for the future of co-operatives that leaders within co-operatives build a strategic plan based on living the co-operative model. Co-operatives must demonstrate the co-operative advantage to all stakeholders.

**CO-OPERATIVE AUDIT AND STRATEGIC PLAN**

In order to inform a strategic plan for LECU, and recognizing the significant value that can be capitalized on by pursuing an enhanced co-operative rules environment, a co-operative audit (Figure 4) is required to understand LECU’s current co-operative state. A co-operative audit entails an in-depth review of how the co-operative principles are being demonstrated. Such a review will assist in measuring the gap between the current state and the desired state. To fill the gap, initiatives
will need to be implemented and key performance indicators (KPI) established to determine whether the initiatives made a tangible difference toward reaching the desired state.

**FIGURE 4: LECU CO-OPERATIVE AUDIT**

<table>
<thead>
<tr>
<th>Co-operative Principle</th>
<th>Current State/ Past Initiatives</th>
<th>Future Desired State</th>
</tr>
</thead>
</table>
| Voluntary and Open Membership | • Share price reduced to $5.00 to remove financial burden.  
• No indication of discriminatory practices. | This current principle does not require any future changes. |
| Democratic Member Control | • Election process includes the opportunity for all members to vote. | • Enhance member participation to showcase that members in fact control the organization. |
| Member Economic Participation | • Members have been receiving dividends/patronage rebates and price discounted services. | • The current activity is unknown to a member which is lowering the impact of understanding the co-operative advantage. More communication and education is required to highlight this principle.  
• Members need to be more engaged. A new process must be designed to enhance the members’ participation in making decisions and setting policies. |
| Autonomy and Independence | • Established strong relationships with system partners while remaining autonomous. | • Several future Atlantic initiatives may challenge this principle. Therefore, the board and management requires education on the importance of practicing this principle and ensuring independence. The removal of critical decision items from LECU could degrade this principle. |
| Education, Training and Information | • Training program for staff and board is well defined and invested in.  
• Lack of education on the co-operative model for stakeholders.  
• Community education is not well defined or strategized. | • Stakeholders would have improved understanding of the co-operative model.  
• Where community presentations are relevant to the needs of the community and the participants can gain an enhanced awareness of the presentation topic. |
| Co-operation among Co-operatives | • LECU has limited relationships with other co-operatives. The majority of relationships are with system partners. | • Create additional co-operatives in the communities in which LECU operates.  
• Develop a working relationship with the co-operatives in LECU’s |
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<table>
<thead>
<tr>
<th>Co-operative Principle</th>
<th>Current State/ Past Initiatives</th>
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</tr>
</thead>
</table>
|                        | • Over time, LECU has evolved from an organization that made frequent, small community donations to taking a stronger position in assisting with community capacity building initiatives.  
• The way in which staff can play a role in showcasing concern for community has also been enhanced with staff members being strongly supported and encouraged to contribute to their communities both during and outside of work hours.  
• There is little evidence of LECU utilizing its capital position to enhance social-economic issues.                                                                                                                                                                                                 | • Ideally, LECU would leverage its operational capacity as a financial institution to bring about real social and economic change in the communities in which it operates.  
• LECU needs to play a larger role in the protection of the environment. There are currently no environmental best practices in place.                                                                                                           |

This co-operative audit for LECU represents a significant change in strategic direction for the credit union. As established, the strategic focus in the past centered on product development, financial performance, and member acquisition. To accomplish such a significant change in strategic direction, LECU has to revisit its stated purpose. Stakeholders currently identify LECU’s purpose as providing financial products and services while being a good community corporate citizen. To address the shift in critical thinking, LECU needs to instill its co-operative purpose into all operational functions. The challenge is to highlight to stakeholders that LECU is a driver of social and economic development within communities and it accomplishes this by leveraging its ability to provide financial services. Staff need to understand that their job profile requires them to perform the job functions that support the association side of the co-operative equilibrium with equal importance as the functions that support the enterprise side. Performing loans must be seen as equally important as volunteering in the community. This is in stark contrast to the current mindset that growth is only measured by financial benchmarks.

**VISION, MISSION, VALUES, AND PRINCIPLES**

In order to develop action plans and benchmarks to measure the success of strategies, an organization needs a clear understanding of its vision, mission, values, and principles. LECU must revisit its vision and mission statements to ensure the co-operative model is part of the strategic direction of the organization.
The Vision

LECU’s current vision statement is as follows:

To be the financial service provider of choice for members who are empowered by ownership and community commitment.

This vision focuses on being the preferred choice for people seeking financial services, while qualifying the statement by including those people who value community development and the co-operative model. The reference to ownership and community incorporates the co-operative principles of ‘voluntary and open membership’ and ‘concern for community.’

If an organization were to achieve all of its strategic goals, what would it look like? This is the question that must be answered by a vision statement. A vision statement describes what an organization should look like once it is successful. The following three points must be considered when drafting LECU’s new vision statement:

1. Define what we do as an output. This is quite simple; LECU provides financial services and advice to improve the quality of life for its members and their communities. The other output that LECU wants to enhance is stimulating community social and economic development.

2. Define the unique twist your organization brings to the above output. LECU performs financial services with a focus on the member first; all decisions are made with the best interest of the member in mind. Unlike other organizations that may make decisions based on maximizing profit, LECU balances profit with ensuring the members’ best interests are adhered to.

3. Apply some high-level quantification. Originally, financial co-operatives were formed so their memberships would not be gouged, could get advice in their best interest, and could have access to financial services that would improve their lives. When members make smart financial decisions their quality of life improves, as does the quality of life for those around them. Assisting members in reaching their financial goals is an outcome that LECU would want to achieve.

Considering the points above, a revised vision statement for LECU could be:

At Leading Edge Credit Union, we strive to assist all our members to meet their financial goals by providing advice and services with a focus on the members’ best interests.

In this case, the vision statement creates an image of the future state that the organization wishes to achieve. Stakeholders can identify that the purpose of LECU is to assist members to achieve a goal. Placing the members’ best interests first is the result of the co-operative model. The co-operative principles of ‘voluntary and open membership, democratic member control, and member economic participation,’ are also better demonstrated in this vision, as are the co-operative values of honesty, openness, and caring for others.
This new vision statement ensures that LECU’s strategies going forward will be vetted through the ‘member first’ consideration, which will assist in demonstrating the co-operative advantage. The key message of ‘member first’ must be continuously reiterated when outlining strategies to stakeholders. The desired outcome is that stakeholders will have the ‘member first’ concept top of mind when making decisions within the organization.

The Mission

A mission statement supports the vision and serves to communicate purpose and direction to employees, customers, vendors, and other stakeholders. The mission can change to reflect the organization’s priorities and methods to accomplish the vision (Fernandes, 2017). The original mission of LECU was as follows:

*Leading Edge Credit Union provides quality financial services to members and their communities through education and co-operation.*

In LECU’s new vision statement, there is an emphasis on assisting the members with achieving their financial goals, while the current mission highlights that this will be done through quality financial services for members and their communities. The fact that those quality financial services will be delivered through education and co-operation makes sense, however, it is not clear enough. The mission statement should not be ambiguous; it should be definitive on the commitment to the organization. Therefore, the vision change requires a closer examination of the mission statement to ensure it captures the full essence of the vision.

A revised mission statement could be as follows:

*To be the financial institution of choice by providing quality financial products and offering exceptional member value through knowledgeable and professional staff, while adhering to the co-operative principles and values.*

The focus for LECU becomes clearer when a mission supports the vision. Strategies should support the organization’s move towards the ascertainment of the mission. In other words, how the strategy plans to accomplish the pursuit of the vision.

Values

LECU has adopted the International Co-operative Alliance’s (2017) co-operative values, which have been historically linked to the co-operative model. As previously outlined, these values are self-help, self-responsibility, democracy, equity, equality, and solidarity. Co-operatives also have the ethical values of honesty, openness, social responsibility, and caring for others.

While highlighting strategies to strive towards the mission and vision, it is important to consider co-operative and ethical values. These values are not negotiable and are considered to be the ideological core that truly defines the timeless character of the organization. It is critical that all stakeholders within LECU understand the values and their significance as they should be represented in all actions.
Principles

The co-operative principles provide the following basic rules for co-operatives:

- **Voluntary and Open Membership.** LECU will not discriminate against those who want to be a member; members are expected to live up to their responsibilities.

- **Democratic Member Control.** Ultimately, the members democratically control LECU. They partake in decision-making and a ‘one member, one vote’ position is enforced.

- **Member Economic Participation.** Members contribute equally and democratically control the capital of LECU. Members sometimes receive dividends or patronage but can forfeit these to strengthen the organization.

- **Autonomy and Independence.** Credit unions always maintain their autonomy, independence, and control of the credit union, and are cognizant of this as they enter into agreements with other organizations.

- **Education, Training, and Development.** LECU will provide education and training to stakeholders to ensure the effective development of the co-operative. They should also inform the general public on the value of co-operatives.

- **Co-operation among Co-operatives.** LECU will seek opportunities to foster co-operative development through working with new and existing co-operatives.

- **Concern for Community.** LECU will work for the sustainable development of communities.

The proposed new vision statement for LECU will guide all stakeholders towards understanding the focus on members’ interest first. The new mission statement highlights three pillars to support a member focus: products and services, knowledgeable and professional staff, and adherence to co-operative principles and values. The goal is for stakeholders to fully understand that what they do impacts the organization. A staff member who becomes familiar with a new product builds that particular knowledge to support a member in reaching a financial goal. A staff member developing an environmental project within their community assists in making the community a better place, which supports the vision of looking out for the members’ best interest. In devising strategies for the organization, the vision, the mission, and the co-operative values and principles must all be considered.

**THE BALANCED SCORECARD**

By way of packaging all of the lessons learned for LECU and ensuring they can be translated into day-to-day operational realities, we turn to the Balanced Scorecard. A Balanced Scorecard is used for measuring business performance in a manner that combines both financial and non-financial measures. It is important that non-financial measures be included to assist in completing strategic objectives that will provide a sustainable competitive advantage (Kaplan & Norton, 2005). The purpose of adopting the Balanced Scorecard is to assist leaders in communicating the strategy of
the organization, and to help align the organization’s initiatives to achieve a common goal that is linked to the long-term strategy of the organization.

Kaplan and Norton (2005) highlight the following four components of key performance measures:

1. **Financial Perspective**
2. **Member Perspective**
3. **Internal Perspective**
4. **Learning and Growth**

The *financial perspective* represents the long-term financial objectives of the organization. In a co-operative, specific measurements under this scorecard category would assist in the demonstration that co-operatives can generate distinct financial results that are of value to members (Côté, 2001). The *member perspective* of the scorecard identifies the customer and market segments in which the organization will set strategic targets that align with its corporate vision. The *internal perspective* identifies critical internal business processes in which the organization must excel to support its vision (Kaplan & Norton, 2005). Lastly, *learning and growth* represents how an organization will sustain its ability to change and improve over time.

**LECU BALANCED SCORECARD IMPLEMENTATION**

LECU must integrate the Balanced Scorecard into the organization to measure its performance in ascertaining the co-operative equilibrium. Each of the four categories of the Balanced Scorecard will have key performance indicators to measure the success of both the enterprise and association sides. Measuring LECU’s progress in demonstrating the co-operative advantage will assist in highlighting the advantage to current and prospective members. Figure 5 below details the goals and objectives of each Balanced Scorecard category.

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**FIGURE 5: LECU BALANCED SCORECARD**

<table>
<thead>
<tr>
<th>Goals and Objectives</th>
<th>Enterprise</th>
<th>Association</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Perspective</strong></td>
<td>In order to continue to assist members to reach their financial goals, LECU will need to remain financially strong to deliver low cost, high quality products and services through knowledgeable and talented employees.</td>
<td>LECU will invest in initiatives to improve the lives of our members, which will potentially impact the profitability of the credit union.</td>
</tr>
<tr>
<td><strong>Member Perspective</strong></td>
<td>LECU will need to further understand its member base in order to effectively understand if members of LECU are receiving optimal value.</td>
<td>LECU will implement initiatives and measure member understanding of how being a member impacts the vision and mission of the credit union.</td>
</tr>
</tbody>
</table>
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Goals and Objectives | Enterprise | Association
--- | --- | ---
**Internal Perspective** | LECU will review and modify the critical internal processes in which the organization must excel to deliver its promise that members will have access to exceptional products and services as well as highly trained individuals. | LECU will understand what internal processes are hindering the implementation of the co-operative model and devise key performance indicators to measure change.

**Learning and Growth** | LECU will focus on three principal sources - people, systems, and procedures - to identify what changes are required to ensure members receive high quality advice and the appropriate products and services. | LECU will devise key performance indicators to measure strategies that will enhance co-operative understanding amongst stakeholders.

**BALANCED SCORECARD STRATEGY MAP**

The Balanced Scorecard is a new concept for LECU and the implementation will be consistently evolving. To assist LECU in linking strategies to desired results, it is recommended that LECU also incorporate a Balanced Scorecard Strategy Map (see Appendix B). The Strategy Map is a tool to visually represent the components of the Balanced Scorecard and helps to demonstrate how to create and improve value for members. The goal is to bring the strategy to life with the unmistakable clarity necessary for everyone in the organization to act on it each and every day (Niven, 2006). Similar to the Balanced Scorecard, the Strategy Map will require adjustments over time to accommodate changing organizational needs.

When drafting the Strategy Map, it is sometimes helpful to start with the process section in order to derive the final outcome. For LECU, the beginning process could be co-operative education. This will get stakeholders thinking of ways to be more co-operative. An understanding of what it means to be a co-operative is critical before co-operative initiatives can be developed or supported. Board members considering budget allocations for co-operative initiatives need to understand the significance of the expenditure and staff need to understand why they are being asked to do community work. Members will derive value when they can understand that their support of the credit union contributes to co-operative activities. The ownership concept will become more real and loyalty will follow. With loyalty comes more business, and with more business comes the financial ability to support more co-operative initiatives.

**THE STRATEGY MAP CATEGORIES**

The following breakdown will focus on the association side of the Balanced Scorecard Strategy Map, as that is where LECU is most lacking. Kaplan and Norton (2005) present the Strategy Map in four categories to highlight how goals are intertwined. Unlike benchmarks which traditionally focus on financial results, this model showcases how to achieve results in linked perspective categories. The ability to measure and see functional areas within the operation is where the true value of this model is realized.
**FINANCIAL PERSPECTIVE**

Kaplan and Norton (2005) acknowledge that the financial performance metrics define the long-term objectives of the business unit, but do not necessarily need to emphasize profitability objectives. The enterprise side of the Balanced Scorecard for LECU would focus on some profitability measures as it is important to have a sustainable co-operative in order to do the work on the association side of the scorecard. It would be difficult to direct funds to social causes without the relevant financial capacity.

Considering that this is LECU’s first attempt at implementing a Balanced Scorecard and Strategy Map, the objectives (Figure 6) will remain simple and easy to understand with the expectation that they will mature over time.

*Financial Perspective: what are the stakeholders’ expectations for the financial performance of their co-operative?*

**FIGURE 6: FINANCIAL PERSPECTIVE**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Return to the members</th>
</tr>
</thead>
</table>
| **Indicators** | Value gained by availing of LECU products and services  
• Community contributions  
• Patronage and dividends received |
| **Targets** | Forfeited revenue as a percentage of revenue. Current 3.7% Target 4%  
• Community contributions as a percentage of profit. Current 0.5% Target 0.6%  
• Patronage and dividend distributed to members as a percentage of profit. Current 0.53% Target 0.5% |
| **Initiatives** | Design a pricing strategy reflecting lower prices than competition  
• Offer free services to most financially vulnerable members  
• Get board approval on an assigned percentage of profit to allocate to community development  
• Assign a cap on retained earnings so that all surpluses beyond this cap will be returned to members |

**MEMBER PERSPECTIVE**

How does LECU wish to be perceived by its members? How can LECU create meaningful value for members to achieve their financial goals? Members will have value under the enterprise side of the Balanced Scorecard when they receive quality service and affordable products and services. Measuring value in this area could be captured by member satisfaction ratings and the number of products utilized by members. Through a co-operative lens, value will be measured (Figure 7) by members understanding how they influence or impact the organization through dealing with LECU.
**FIGURE 7: MEMBER PERSPECTIVE**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Members understanding the impact they produce through dealing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicators</strong></td>
<td>• Measure of credit union difference as compared to a bank</td>
</tr>
<tr>
<td></td>
<td>• Measure of trust</td>
</tr>
<tr>
<td></td>
<td>• Credit Union Support understanding</td>
</tr>
<tr>
<td></td>
<td>• Member impact through engagement</td>
</tr>
<tr>
<td><strong>Targets</strong></td>
<td>• % of members that view LECU differently than a bank:</td>
</tr>
<tr>
<td></td>
<td>Current 81% Target 90%</td>
</tr>
<tr>
<td></td>
<td>• % of members that feel that LECU balances the best</td>
</tr>
<tr>
<td></td>
<td>interests of the member, community, and credit union:</td>
</tr>
<tr>
<td></td>
<td>Current 61% Target 75%</td>
</tr>
<tr>
<td></td>
<td>• Ranking of members who understand that supporting the</td>
</tr>
<tr>
<td></td>
<td>credit union is supporting communities: Current 3.97</td>
</tr>
<tr>
<td></td>
<td>Target 4.2</td>
</tr>
<tr>
<td></td>
<td>• % of suggested operational and community initiatives by</td>
</tr>
<tr>
<td></td>
<td>members that were auctioned: Current 66% Target 75%</td>
</tr>
<tr>
<td><strong>Initiatives</strong></td>
<td>• Complete annual member survey to capture data</td>
</tr>
<tr>
<td></td>
<td>• Host member engagement sessions in all 5 locations.</td>
</tr>
<tr>
<td></td>
<td>Publish the results of the sessions as well as items</td>
</tr>
<tr>
<td></td>
<td>actioned.</td>
</tr>
<tr>
<td></td>
<td>• Effectively market initiatives to showcase that it is not</td>
</tr>
<tr>
<td></td>
<td>LECU doing the work, but its members with LECU support</td>
</tr>
</tbody>
</table>

**INTERNAL PERSPECTIVE**

In order to drive member value, LECU will need to implement several internal processes (Figure 8). Member value increases when members recognize that through supporting LECU they are making tangible differences in their communities. In order for members to understand this concept, LECU must implement initiatives to showcase the co-operative advantage.
FIGURE 8: INTERNAL PERSPECTIVE

<table>
<thead>
<tr>
<th>Objective</th>
<th>Recognizing the co-operative audit results, devise processes to drive the co-operative advantage</th>
</tr>
</thead>
</table>
| Indicators | • Member economic participation: conduct member engagement sessions  
• Co-operation among co-operatives: proactively partner with co-operatives  
• Concern for community: devise activities that showcase the concern for community |
| Targets   | • # of member engagement sessions held. Target 5  
• # of co-operative relationships outside of financial co-ops. Target 2  
• CSR Related KPI  
  o # of children participated in financial literacy program. Current 106, Target 120  
  o # of volunteer hours performed by staff. Current 592, Target 600  
  o # of trees saved with recycling program. N/A |
| Initiatives | • Create member engagement sessions with an opportunity for all members to participate  
• Redesign the current CSR tracking program to ensure accuracy and consistency  
• Develop a social grant through which a percentage of profit can be distributed to applicants to support social initiative(s) |

LEARNING AND GROWTH

To effectively enable the pursuit of living the co-operative advantage, those responsible for its development will have to understand what it means to be a co-operative. The current organizational mindset at LECU is that activities to support the co-operative advantage are task-orientated requests. The goal is for all stakeholders to understand the co-operative model and also see the alignment of their personal values with the co-operative values. Ideally, stakeholders will be passionate enough about the co-operative model to spearhead activities that promote it, such as the following (Figure 9).
FIGURE 9: LEARNING AND GROWTH

<table>
<thead>
<tr>
<th>Objective</th>
<th>In order to fully embrace the co-operative model, stakeholders will have to develop the necessary co-operative understanding</th>
</tr>
</thead>
</table>
| Indicators | • The completion of co-operative training programs  
• Staff involvement in co-operative initiatives |
| Targets   | • % of staff completing the Credit Union System Course offered by CCUA. Target 100%  
• % of board completing the Director’s Co-operative Understanding Program. Target 100%  
• 100% of all public sessions will have a small piece on the co-operative difference  
• Deliver 8 ‘each one teach one’ programs  
• % of staff involved in internal CSR programs. Target 100%  
• Increase staff co-operative understanding from a current level 8 to a level 9.5 |
| Initiatives | • Train at least 4 individuals on the ‘each one teach one’ program to effectively deliver the program to the remaining staff  
• Ensure the budget for training can support the education requirements  
• Develop a training roadmap to ensure that co-operative education training happens consistently  
• Implement a new staff award around co-operative development behaviours  
• Have a piece on the co-operative model at the all staff session in 2017 |

By organizing the necessary transformational change into the Balanced Scorecard and Strategy Map, it ensures that key lessons learned and organizational strategies are accessible to all employees in the organization. It similarly ensures that organizational goals are not without corresponding metrics, and allows the organization to remain accountable to the strategic path that it sets out for itself over time.

MARKETING THE CO-OPERATIVE ADVANTAGE

Evidently, all of the above internal strategies must additionally be expressed through marketing endeavours that relay the co-operative advantage to the general public. However, marketing the co-operative advantage can pose a significant challenge. Many co-operative organizations have no mention of the co-operative concept in their vision or mission statements, so it is only natural that marketing the co-operative advantage is absent in their strategy. Building a brand to support the co-operative advantage requires a consistent delivery experience and a solid communications plan.
This requires time, capital, and the support of all stakeholders. The structure of the co-operative model makes this difficult for several reasons:

1. Differentiating member interests. A co-operative formed on creating a collaborative advantage will also experience challenges when marketing as the interests of members may potentially be unbalanced. A difference of opinions or variation in member interest can stifle the development of brand-building.

2. The political nature of each board leads to a short-term focus on prices and returns versus long-term sustainability. Brand-building requires a long-term strategy and maintenance is often neglected due to the short-sightedness of collaborative co-operative groups.

3. A lack of a shared governance model to support a collaborative group of different sizes and interests. Decision-making, funding, and ownership of the marketing efforts need to be decided in advance.

4. Limited access to the capital necessary to invest in long-term, sustainable brand campaigns (Hardesty, 2005). Co-operative members choose to under-invest in advertising and development of new business due to a lack of funds and potential return on investment.

5. The user control principle as highlighted by Hardesty (2005) acknowledges that most co-operative boards lack the expertise to understand marketing and oversee the co-operative’s brand-building strategy.

Based on the article, *Bringing Customers into the Boardroom* by McGovern, Court, Quelch, and Crawford (2004), LECU is an example of marketing that is poorly linked to strategy. LECU’s marketing is performed without any direct links back to metrics or benchmarks. When it comes to marketing the co-operative advantage, almost no consideration is given to determining its success.

There have been numerous studies completed to acknowledge that if price and quality is at least equal, consumers will choose a business that is grounded in human values (Webb, Benander, Cirillo, & Lagier, 2006). Co-operatives need to recognize that the co-operative advantage is a different value proposition. The core purpose built on the co-operative values and principles will resonate with people. Co-operatives should incorporate a commitment to further demonstrate their core purpose and build it into their vision and mission statements. Strategic actions to support the vision and mission statements should be measured for effectiveness to ensure the image translates into an acceptable brand. The governance structure of the co-operative must devise a long-term commitment to supporting the brand through the appropriate communication and marketing activities. This process will allow the co-operative to share the co-operative advantage with its membership, build deeper relationships, and encourage membership growth.

Building strong relationships with consumers is becoming a critical business success factor in growing operations and market penetration. Consumer-company relationships become the strongest when consumers identify with a company that helps them satisfy one or more key self-definitional needs (Bhattacharya & Sen, 2003). Co-operatives are designed to fulfill a particular consumer need under the umbrella of the co-operative model. To fully engage the co-operative
advantage requires a co-operative to look into a mirror and evaluate the identity and image they are portraying to determine if they are actually living the co-operative advantage.

In the article, *Making the Most of Our Co-operative Advantage*, Webb et al. (2006) identify three steps to making the most of the co-operative advantage:

1. *Define it.* Identify your cooperative advantage, the way in which your co-operative is different because it is member-owned. The Balanced Scorecard being suggested for LECU aids in defining items that showcase the co-operative advantage.

2. *Deliver it.* Embed your co-operative advantage in every aspect of your co-operative. It is crucial for LECU to ‘walk the talk.’ Stakeholders need to experience their credit union delivering on the co-operative advantage.

3. *Track it.* Another advantage of the Balanced Scorecard is the ability to track the results of co-operative based actions long-term (Webb et al., 2006).

With these points considered, building a strong marketing and branding strategy based on the co-operative advantage must be a primary strategic focus of LECU within its goal to grow and prosper.

**CONCLUSION**
Examine the Leading Edge Credit Union within the context of leveraging the co-operative advantage has provided an excellent opportunity to both explore the general co-operative challenge of remaining aligned to the co-operative principles over time, as well as to ground the implementation of specific tools that LECU and co-operatives in general can use to course-correct. By articulating the co-operative advantage, discussing the co-operative identity crisis, and highlighting the importance of co-operative cohesiveness, this paper laid the theoretical backdrop for applying the co-operative audit and Balanced Scorecard and Strategy Map tools as remedies for LECU’s fundamental alignment shortfalls. If there is a key message to be taken from this paper for LECU and others, it is that now more than ever before, the co-operative advantage is a competitive advantage. Investing in strategies to ensure your co-operative continues to live and breathe the co-operative principles long-term, and instilling these principles into all internal and external engagements, is an investment in the long-term sustainability and financial viability of your co-operative. It is hoped that the lessons learned from leveraging LECU’s co-operative advantage provide a starting point for rejuvenating the co-operative advantage sector-wide.
REFERENCES


**APPENDIX A – CO-OPERATIVE PROFILE QUADRANTS**

<table>
<thead>
<tr>
<th>Quadrant</th>
<th>Member</th>
<th>Manager/Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quadrant 1: high intensity of co-operative rules; low intensity of market rules</td>
<td>Members bond with a common interest, usually in a position to commence a co-operative to fill a gap where there is lack of competitive forces. Strong understanding of the co-operative identity and how the co-operative model is best suited for their development.</td>
<td>The development of a co-operative; probably working closely with the membership. Limited autonomy as the membership is fully engaged in the operation.</td>
</tr>
<tr>
<td>Quadrant 2: low intensity of co-operative rules; low intensity of market rules</td>
<td>Members have limited understanding of the co-operative identity; they simply use the co-op for products and services, usually due to a lack of competitive forces.</td>
<td>The manager is operating the coop like any other business, setting the prices on products and services. Little is done to promote the co-operative advantage.</td>
</tr>
<tr>
<td>Quadrant 3: high intensity of market rules; low intensity of co-operative rules</td>
<td>Members compare the co-op to other competitive enterprises within the area to identify the best deal. There is limited loyalty and understanding of how the co-operative assists in social development within the community.</td>
<td>Manager is focused on remaining competitive and treating the co-op similar to a traditional organization. There is a lack of democratic control as the autonomy lies in the hands of management. There is great fear that the co-op could be in jeopardy as management seeks any profit-centric opportunity to demutualize the co-op for their best interest.</td>
</tr>
<tr>
<td>Quadrant 4: high intensity of co-operative rules; high intensity of market rules</td>
<td>Members have a growing understanding of the co-operative advantage. Loyalty is built, democracy is strong, and co-operative practices are evident. There is a strong tie to the community and members understand that their participation in the co-op is creating a more sustainable community.</td>
<td>Management is focused on enhancing the co-operative purpose and educating the membership on the co-operative advantage, while balancing the co-operative equilibrium.</td>
</tr>
</tbody>
</table>
APPENDIX B – LECU BALANCED SCORECARD STRATEGY MAP

BALANCED SCORECARD STRATEGY MAP

**Vision**
At Leading Edge Credit Union we strive to assist all our members to meet their financial goals by providing advice and services with a focus on our members’ best interests.

**Mission**
To be the financial institution of choice by providing quality financial products and offering exceptional member value through knowledgeable and professional staff while adhering to the co-operative principles and values.

**Financial**
How do we create or improve value for our shareholders

**Member Perspective**
How will we create/improve member value

**Internal Perspective**
To satisfy our members which business processes must we excel at

**Lending and Growth**
To excel on our processes, what knowledge and learning must our organization have and improve

**Enterprise**

- Sustainable

**Association**

- Return to Members

- Quality Service

- Affordable Product and Services

- Consistent Service Model

- Pricing Matrix

- Confident Motivated Staff

- Adopt new Product and Services

- Member Engagement

- Other Stakeholder Engagement

- Co-operation amongst Co-operatives

- CSR Development

- Staff Service Training

- Staff Product Training

- Member/Staff/Board Co-operative Education

- Increase CSR Understanding