

SASKATCHEWAN CREDIT UNION
LEADERSHIP FOR THE FUTURE

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2001

**SASKATCHEWAN CREDIT UNION LEADERSHIP
FOR THE FUTURE**

**A Thesis Submitted to the College
of Graduate Studies and Research
in Partial Fulfillment of the Requirements
for the Degree of Masters of Business Administration
in the Department of Industrial Relations and Organizational Behavior
College of Commerce
University of Saskatchewan
Saskatoon**

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Spring 2001**

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Abstract

Saskatchewan credit unions, important institutions for both rural and urban communities since their beginnings in the 1930s, face structural changes at the turn of the new century caused by increased competition in the financial services sector, technology, and the rural-urban shift in population. At the same time, the leaders of these institutions, both elected and appointed, are of a demographic profile to move into retirement.

This research, through the use of a questionnaire distributed to Saskatchewan credit union leaders:

- Supports the evidence of demographic trends shown by previous research;

- Estimates the likely retirement rate of board members and managers by 2005;

- Measures the knowledge of this change in leadership and changes in the financial services industry by current leaders, and the extent of planning undertaken to prepare of future leadership needs.

ACKNOWLEDGEMENTS

The writer wishes to acknowledge assistance given in the completion of this work by the following people: Rosemary Venne, Department of Industrial Relations and Organizational Behaviour, thesis supervisor; Fred Oster, Department of Industrial Relations and Organizational Behaviour, committee member; Lou Hammond Ketilson, Associate Dean, College of Commerce, committee member; Christine de Clercy, Department of Political Science, external examiner; Brenda Machin, Research Department, Credit Union Central of Saskatchewan; and Maria Swarbrick, Resource Centre, Credit Union Central of Saskatchewan.

Financial support for this research in the amount of \$5,000 was given by Credit Union Central of Saskatchewan, along with \$500 from the Credit Union Managers Association. The Norm Bromberger Research Bursary for 1999 of \$2,000 from the Canadian Co-operative Association was also awarded in support of this project.

A thank you is extended to the Saskatchewan credit union managers and board members who assisted by completing the questionnaire which forms the survey portion of this work.

Thanks also go to the board of directors of Prince Albert Credit Union; my employer and colleagues at the Prince Albert Daily Herald; and most of all, my family, for their encouragement and support.

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List of Abbreviations

CEO - Chief Executive Officer

CUCS - Credit Union Central of Saskatchewan

CUDA - Credit Union Director Achievement

CUDGC- Credit Union Deposit Guarantee Corporation

CUIC - Credit Union Institute of Canada

NSE - National Services Entity

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1. Introduction

For more than 60 years, credit unions have been a significant economic force in Saskatchewan. Formed in the aftermath of the Great Depression, as bank credit was non-existent and the co-operative movement was gaining strength, credit unions were a means to meet a basic business function -- that of extending credit and offering investment opportunities -- while at the same time supporting the local economy and people. From the beginning, these two aspects of credit unions were acknowledged: the business side, demonstrated in function and in stated aims such as sustainability and sound practices; and the co-operative side, shown through the underlying principles of democratic governance, belief in human potential and concern for community.

As the years have passed, however, the balance between these two sides has shifted, particularly for the largest credit unions and co-operatives. The issues of today for a credit union manager are very much the same as those faced by the bank manager down the street. Succeeding as a business enterprise, whether corporate or co-operative, requires similar management and staff expertise, investment in technology, day-to-day monitoring, and long-term planning. In short, business leadership is needed by credit unions, just as it is for businesses. Today's credit union in Saskatchewan, whether small or large, is far different from those of the earliest days. While still meeting a need that chartered banks are unwilling to meet, as evidenced by the recent withdrawal of chartered

(Kouzes, 1995). Both of these ideas are attributed to the same person, Warren Bennis. A common theme, though, throughout much of the literature on leadership is the ability to effect change through inspiring a shared vision of the future and encouraging followers to move toward that state (Kouzes, 1995; Kotter, 1999).

Leadership can also be defined in terms of its origin, whether given to an individual from an outside source or developed from within. This writing looks at leaders in the context of assigned leadership, rather than emergent: leadership based on occupying a position within an organization, not on particular individual traits or characteristics (Northouse, 1997). For the purposes of this study, those assigned positions are that of credit union elected director, serving as a board president, vice president, board member, delegate to the central organization or on the board of the central; or a general manager/chief executive officer appointed by a credit union board of directors. These are the people who are responsible for the direction-setting decisions within the credit unions of Saskatchewan. The “followers” in this context are the members of the credit union, who are led by the boards of directors, and credit union staff who are led by the managers.

While assigned leadership is the focus of this study, the aspects of emergent leadership cannot be ignored.

1.2 Need for Leadership

The definition of business leadership may have many variations, but the call for it is a constant through the literature. The effect of strong leadership in business organizations has been demonstrated by many studies and anecdotes collected for research. From Lee

Iacocca and Jack Welch at the helms of the largest North American corporations, to the nameless manager who improves productivity or reduces rejection rates on a shop floor, the ability of a skilled leader to inspire confidence, instill willingness to give extra effort, and move an organization forward, is well documented.

Conversely, lack of leadership is a frequent cry not only in business literature, but in political and social spheres as well, as people look for someone to offer solutions and inspire confidence in those choices. It has been said that “most U.S. corporations today are overmanaged and underled.” Yet it is also held that “strong leadership with weak management is no better, and is sometimes actually worse, than the reverse. The real challenge is to combine strong leadership and strong management and use each to balance the other” (Kotter, 1990).

It is not the purpose of this study to evaluate the strength of leadership within Saskatchewan credit unions according to individual traits, but only to study those in leadership/decision-making positions by demographic characteristics including age, gender and education level. Nevertheless, the emphasis given by many writers to the importance of leadership, and the importance of leadership traits in effecting change, must be noted.

1.3 The Credit Union Leadership Challenge

On a day-to-day basis, most of the decisions facing both board members and managers are of a managerial nature such as setting budgets, planning for the next year, staffing and controlling costs. At times, however, questions arise that call for leadership: envisioning a long-term direction for the organization, aligning followers to that vision,

and inspiring them to continue in that direction (Kotter, 1999). In recent years, Saskatchewan credit union leaders have been faced with the second set of circumstances on at least two occasions.

Saskatchewan credit unions have faced many changes in the past few years. Increasing computerization and the Year 2000 computer threat have forced both managers and board members to understand, to some degree, technology. Changing population distribution within the province has pushed them to re-examine the viability of small, rural-based credit unions. The rush to mutual funds has moved traditional savings out of the credit unions. The loan base has declined as the population ages. And the banks, ever pressing for greater efficiency, had left credit unions with the conundrum of trying to compete with banks' interest rates while maintaining branches in communities which the banks have abandoned as unprofitable.

Facing these challenges, a resolution to the 1997 annual meeting of Credit Union Central of Saskatchewan called for delegates and local boards to consider a regional approach to service delivery, a radical departure from the traditionally small-community based, autonomous credit union. Under this plan, credit unions would be grouped on a geographic basis to create economies of scale that could cut costs and extend services from the largest credit unions to the members in smaller communities. Extensive research on the concept was done, and consultation meetings were held throughout the province before a vote was taken in December 1998 at a special meeting of delegates. In the end, discomfort with the concept, due primarily to a sense that credit unions would be giving up their cherished local autonomy for a new form in which the benefits were uncertain,

led to Resolution 97-05 being defeated by a substantial margin. The ideas behind it, however, continued to be discussed.

In June 1999, more than 250 Saskatchewan credit union directors, delegates and managers gathered in Saskatoon for a special meeting, to consider another proposal. This time, the idea was that of a national services entity (NSE) which would be service sharing on an even-larger scale than that proposed under Resolution 97-05. Only six months later, here was a similar idea on an even broader scale, asking credit union leaders to look at an still bigger picture.

The NSE would provide services that cannot be provided locally to credit unions across Canada, including product research, advertising and image building on a broad scale, credit card services, and interconnections between accounts. It would be a co-operative bank of sorts, and credit unions could either join as affiliates or simply purchase services from the new entity.

The June 1999 meeting was not a point of signing on the line; it was still a discussion. The ideas were presented, the credit union leaders present were given time to talk about them and at the end of the day, they were asked to take what they had learned home to discuss with their constituents. As the discussions went on among managers, board presidents and delegates during the two-day session, the questions separated into two sections.

The first group was the practical and workaday: “will we have to get a computer connection to be a part of this,” or “will we have to change the name over the door of the branch?” These questions could be categorized as managerial.

survey information on these demographics to past research, what similarities or differences can be observed?

2. Is the present leadership preparing itself for the demands of the new century, through general education and specific credit union training?

3. Is the present leadership preparing for the future beyond its own tenure through planning and action to ensure succession?

4. What is the level of willingness to look at nontraditional options for managerial leadership?

5. What are the concerns of today's leadership for the future?

In examining these questions, the following sections are proposed:

Co-operative and credit union history: this section offers a brief overview of co-operative principles, the history of co-operatives and credit unions in Canada and in Saskatchewan, and a discussion of how co-operative principles and business objectives mesh within credit unions.

Elected leadership: a key co-operative principle is that of democratic election of local boards from among the members. This section looks at the demographic profile of the elected leadership, as shown in past surveys, and how this profile fits with both business objectives and co-operative principles; the history of training for credit union directors; and how the demographic profile of credit union elected leadership compares to that of Canadian corporate board directors.

Managerial leadership: this chapter reviews the historical development of credit union management structures in Saskatchewan, past efforts to provide training and

support to managers, and the role of the Credit Union Deposit Guarantee Corporation in ensuring good management.

Current situation of Saskatchewan credit unions: the market trends affecting Saskatchewan credit unions, on both a national and provincial scale, as well as demographic trends in Saskatchewan with an impact on credit unions, are reviewed in this chapter.

Survey of Saskatchewan credit union leadership: the basis of the current survey is explained, using Conference Board of Canada benchmarking on executive development and succession planning. The survey process is outlined, and the results of the survey are discussed.

Recommendations and conclusion: The current survey is compared to past surveys of credit union leadership and new results highlighted. Limitations of this survey and aspects which could be studied further are discussed. Recommended actions to alleviate the identified weaknesses in the current situation are listed.

2. Co-operative and Credit Union History

2.1 Co-operative and Credit Union Beginnings

The co-operative movement can be traced back to the upheaval of the Industrial Revolution and the wish of both ordinary workers and their benevolent economic betters to improve the social situation.

A co-operative has been defined as “... an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (MacPherson, 1995).

The first co-operative is traced to Rochdale, England, where 28 weavers joined together to open a grocery store in 1844 (Clements, 1965). They pooled resources to secure a location and purchase basic goods for resale to their members. Today’s co-operatives, while often far different in size and scope, retain the basic principles behind that early effort, as the 1995 definition shows.

2.2 Co-operatives in Saskatchewan

The co-operative movement in Canada has been closely tied to agriculture, beginning in Eastern Canada with farmer-owned creameries. In Western Canada, farmers banded together to find ways to store, sell and transport grain co-operatively rather than relying on private interests. The legacy of these efforts in the early part of the 1900s can

still be seen today as Saskatchewan Wheat Pool is the largest business in the province (Saskatchewan Business, 1999) and the pre-eminent handler of grains in Canada (Pool, 1999).

The difficult economic times of the 1930s spurred co-operative growth and saw the beginning of credit union formation in this province. Then as North American moved into more prosperous times following the Second World War, co-operatives continued to grow in numbers and in members, although the focus of economic self help was lessened.

The long-term success of Saskatchewan co-operatives is shown in the 1999 list of Top 100 Businesses in Saskatchewan: Saskatchewan Wheat Pool was first, Federated Co-operatives Ltd. third, Credit Union Central in 21st spot, and 18 other member-owned or co-operative-owned enterprises were part of the list (Saskatchewan Business, 1999).

Unquestionably, co-operatives are big business within Saskatchewan. As one author noted in a review of the interaction between the co-operative movement and populist prairie political philosophy, "In Saskatchewan, large co-operatives have arguably become part of 'the establishment'" (Laycock, 1985).

2.3 Saskatchewan Credit Union History

The Saskatchewan credit union system is an offspring of those in other places and countries. The model advocated by Alphonse Desjardin in Quebec and that of Edward Filene in the United States, along with earlier movements in Europe, influenced Saskatchewan people looking for a way to overcome problems of obtaining service and financing through the bank system (Schroeder, 1983).

The services of Canada's chartered banks proved particularly inadequate in meeting the needs of Saskatchewan people during the 1930s. As the economy remained in the depths of depression, bank branches were closed. Credit for farmers was non-existent; without some financing, it was impossible to begin rebuilding a healthy farm economy. The search for a solution led to the formation of credit unions as a means of providing service in a region the banks saw as unprofitable, and as a way to provide financing in the community through the investment of local funds.

From the beginning, the Saskatchewan credit union system acknowledged this businesslike purpose, rather than focusing solely on social movement motives in the manner of some co-operatives begun in other places and at other times. As Bromberger writes:

The combination of the three traditions (of credit union formation) in Saskatchewan includes major factors from each. It is out of this mixture that the Saskatchewan credit unions emphasize savings and loans as a means to make the individual self-sufficient, and in this way, meet the ideal of developing a better way of life for the individual.

Credit unions generally have tended to emphasize co-operative effort for increasing economic effectiveness. Yet in Saskatchewan credit unions, with the emphasis on services, on member needs and the ideals of mutuality, there seems to be an equally strong emphasis on social reform. This dualism rose out of the traditions which were adapted to the needs of Saskatchewan people. (Bromberger, 1973).

The Credit Union Act was passed in the Saskatchewan legislature in 1937. The first credit unions were formed that year, beginning with Regina Hebrew and the first rural credit union in Lafleche. The 10 years after the Act saw 188 credit unions formed in Saskatchewan, with 31,000 members and \$5 million in assets. The support of other co-

operatives meant that some of these credit unions were operated off the corner of a Wheat Pool elevator manager's desk or in facilities owned by the retail co-operative store. The loans were generally very small.

In the 1950s-60s, the credit union movement bloomed. The number of credit unions peaked at 301 in 1965. Membership grew to cover one-third of Saskatchewan's population by 1969. While the number of separate credit unions began to decline in the latter half of the 1960s, the membership and asset base of individual credit unions grew (Schroeder, 1983). Since 1965, the number of credit union outlets, or total branches, has remained relatively stable, but the number of credit unions has declined as smaller, often weaker, credit unions have amalgamated with others. As of June 1999, there were 143 credit unions in Saskatchewan, with approximately 340 outlets. In 130 communities, the credit union is the only financial institution. Credit unions in Saskatchewan have assets in excess of \$6.6 billion, employ 2,830 people with a payroll of approximately \$200 million a year, and have 551,000 memberships (CUCS, 1999).

2.4 Co-operative Principles and Business Objectives

It is important to note that the intent of the major Saskatchewan co-operatives, from the beginning, recognized both economic and social needs, reflecting goals that any business might undertake, but set within the context of co-operative principles. Turner describes this dual purpose:

Co-operatives are associations and business enterprises. They are associations in that they are representative of the community that supports them and business enterprises in that they must operate efficiently to survive. They can be

differentiated from investor-owned firms by the following attributes: membership in co-operatives is open to all persons who wish to use their services and benefit from membership; they are owned by their users; each member has one vote, creating democratic control; members control co-operative capital through their participation; co-operatives are autonomous, self-help organizations that provide education, training and information to their members on co-operative ideals and benefits, and co-operatives work with other co-operatives to benefit their members and provide sustainable development for their communities” (Turner, 1997).

It is the co-operative principles and values that set co-operatives apart from investor-owned businesses. Those principles have been defined as:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community (MacPherson, 1995).

These principles, endorsed at the International Co-operative Alliance in 1995, remain true in spirit to previous sets of principles dating back to the Rochdale Pioneers. The 1995 principles, however, reflect present-day business influences on co-operatives, allowing greater freedom in business-related decisions.

The change in focus from strictly co-operative to a more business-oriented operation developed over time. During the 1920s and 1930s, when many Saskatchewan co-operatives began, seeking help from neighbours was often the only option available for

survival. The co-operatives offered another manner of pooling resources to get through these difficult times. As the economy improved, however, co-operatives took on another role.

When the war ended the world breathed a sigh of relief. It seemed that democracy and freedom were finally safe from the forces of fascism. This was followed by an economic upswing in North America. People were very optimistic about the future. Class and regional issues faded into the background. From the 1950s through the 1970s, economic times were good and people forgot why co-operatives had been formed in the first place. Co-operatives could not attract new members with the promise of making their lives better because they were already so good. As prosperity increased, individualism became the new religion as there appeared to be less need for mutual self-help. Co-operatives had to follow society into an age of pragmatism. This crystallized the duality of purpose that existed within co-operatives. They have an economic purpose to survive and prosper as businesses but they still have a social purpose to try to improve the lives of their members and generally make the world a better place (Turner, 1997).

Today, credit unions are clearly both co-operatives and businesses. They embrace value statements that include the international co-operative principles. Leadership comes from democratically elected boards of directors, drawn from the membership. There is a strong emphasis on encouraging promotion of managers from within, in keeping with principles regarding human and community development. Because of this decision-making process, and the membership being close at hand, there is an expectation of continued local service, regardless of the economic situation. Yet the vision and mission statements often contain the language of business with words such as “profit” and “sustainability” and the issues facing these homegrown leaders are much like those facing the directors of large corporations. The reasons why a chartered bank would close a small-town branch, for example, are no different from the reasons why a credit union would consider the same

possibility. It is the co-operative underpinnings of the credit union, however, that result in a different choice often being made.

The need for increased leadership skills in today's world of change is certainly not limited to credit unions, as commentary on corporate board governance clearly shows (Leighton, 1997). Indeed, there appears to be a convergence between the corporate and co-operative board in respect to leadership needs. Co-operative boards must deal with business realities, just as corporate boards do: continuance of the enterprise, sound business practices and adaptation to change. Increasingly, at the same time, corporate boards are facing issues that have always been a part of the co-operative structure. No longer is economic performance the sole gauge of a corporation's success; there is an acknowledgement that the board, while responsible to shareholders for profits, is also responsible on a larger scale for societal goals, and that meeting these goals can be good for the bottom line as well. (Demb, 1992).

Additionally, corporate boards are under increasing scrutiny from shareholders and the media for the overall actions of the enterprise, not just the profits generated.

... Boards will continue to play an important and central role in corporate governance, but that role will need to change as we move toward the twenty-first century. The board will have more to handle, a bigger portfolio and there will be a need to shift emphasis more toward the conduct area.

The matter of the economic performance of a company will remain the largest part of the portfolio, if only by a slim margin. As a consequence of the developments we foresee, we expect that the involvement of board members within the overall corporate governance system will intensify intellectually, emotionally, and physically. This increased intensity will in turn have many repercussions on boards and board members and on the role, selection, qualifications and continuing education of board members (Demb, 1992).

This compares to the words used to describe the needs of Canadian credit unions:

Governance has always been important to financial institutions. Just as financial services have undergone a revolution in service delivery mechanisms, modes of governance and methods of director communication are poised for significant changes in the coming years ... the growing complexity of business is making it increasingly necessary to ensure boards and other advisory groups are composed of a mix of business leaders and professionals with specialized expertise (Stratton, 1999).

The net result is that the obligations of the credit union leader today, whether elected or appointed, become not only those imposed by co-operative ideals and member wishes, but those imposed by the business realities of the 21st century.

3. Elected Leadership

A key principle of co-operatives is democratic governance. Each co-operative is governed by a board of directors elected from the membership. Any member has both the right to vote and the right to run for office. Credit unions are no exception to this principle. Each of Saskatchewan's credit unions has a board of directors that is answerable to the membership and liable under law for the good governance of the institution. Elections are held on an annual basis, either by ballots cast at the annual meeting or via in-branch balloting, with a portion of the board elected each year. Many credit unions divide board membership according to urban and rural areas served or by branches.

A nomination for the board requires the signatures of a small number of other members and that the nominee be "a member in good standing" without delinquent loans or bad debt, a Canadian citizen and of legal voting age. Nominees are generally not allowed to campaign for office through the media, although some credit unions will offer brochures or other published material to members with biographical information on the nominees. The term of office may vary by credit union, with some credit unions imposing a limit on the number of years that can be served without an absence from the board or on the length of time a director may serve as president.

The role of directors is summarized in course material prepared for the Credit Union Director Achievement program in this way:

The board of directors hires/appoints a manager to operate the credit union and acts as a liason between staff and members. They form and implement policies to meet objectives. They elect officers from among their members. Because it is accountable to the membership, the board of directors establishes policy, approves plans and provides direction and supervision of the activities of the manager (CUDA, 1993).

Among the directors of each credit union, the president takes a leadership role, acting as the chairman of board meetings, presenting an annual report to the membership.

His role is described in this manner:

The president acts as a discussion leader, a parliamentarian, a problem solver, summarizer, observer and listener. His or her aim is to stimulate the board's participation in the discussion of problems so that collectively they may arrive at a decision (CUDA, 1993).

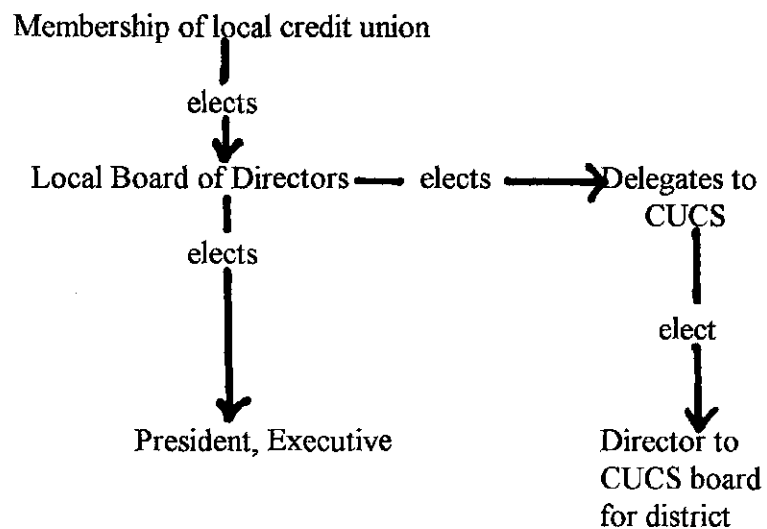
Other writers put the role of director into more abstract terms: "A directorship is truly a position of honour, responsibility and trust. It is a position reserved for leaders," write Garoyan and Mohn (Garoyan, 1976).

The notion of board leadership in co-operatives must be tied to the co-operative values of equity, equality and mutual self help. Even though directors are empowered by legislation to manage the affairs of the organization, they cannot simply exercise power through the general manager or cloister themselves from their constituency. Unlike directorships in the corporate, private sector, co-operative boards must lead and direct with the continuing consent of the membership. (Chapman, 1986).

From the board or from the membership, representatives to the second-tier co-operative, Credit Union Central of Saskatchewan, are elected. Delegates are selected for 10 districts in Saskatchewan, with the number of delegates varying by the size of credit unions represented. From each district, a director to the board of CUCS is elected. These directors are responsible to the individual credit unions within their district and carry out responsibilities for the governance of the central organization in a similar manner to

directors of a local credit union. Through this structure, the member has the opportunity to elect not only a director to the local board, but ultimately to help choose the leadership of the central organization as well.

Chart 3-1: Credit Union Elected Leadership Structure



3.1 History of Elected Leadership

Past studies have shown that, on average, it is middle-aged men, with relatively low education levels, who are elected and re-elected to credit union boards.

Lars Apland's study of co-operative boards in Saskatchewan, published in 1987, showed the most commonly found age group among credit union directors was 36-55, with an even number in the 36-45 group as in the 46-55 age group, for a total of 53.2 per cent. Less than 20 per cent were younger than 36 and 28 per cent fell into the 65 years plus category. Not surprisingly, incumbency rates increased with age, up to age 65, at

which point the rate fell slightly. While directors aged 35 or younger were re-elected less than half of the time, those in the 56-65 age group were re-elected 81 per cent of the time.

The study also looked at the distribution of directors by gender. In credit unions, Apland found that directors were men in 91.2 per cent of the cases. Among co-operatives, only farm implement and agricultural co-operatives had lower rates of female directors, both registering zero. The incumbency rate of female directors was also far lower than that of men, with there being a 40.6 per cent likelihood of a female credit union director returning to a board, compared to a 70.4 per cent chance of a male director returning.

Apland also looked at education level of directors. In his study, the education level of credit union directors was found to break down into:

Grade 9 or less	21.9 %
High school	29
College/tech	13.5
Some university	15.7
Degree	19.4

Looking at incumbency rates versus education levels, he found the higher the level of education attained, the lower the chance of re-election, falling from 76 per cent for Grade 9 level to 59 per cent at the degree level. A university degree was negatively correlated with re-election to a credit union board (Apland, 1987).

Another study of credit union directors yielded similar results to Apland's work. In 1990, Credit Union Central of Saskatchewan's research department undertook a survey of directors in credit unions, delegates to credit union central and the board of central.

Asking directors to identify themselves by age grouping showed:

Under 29	5%
30-39	31
40-49	23
50-59	27
60 plus	14

Divided by gender, the split was 84 per cent male and 16 per cent female, somewhat more favourable toward equality, although not much more, than Apland's review.

Asking directors to self report their education levels showed:

Less than high school	25%
High school graduates	40
Technical school graduates	10
Professional designation	4
College/university degree	17
Post-graduate degree	4

These figures show a somewhat higher education level than Apland's study.

On the question of incumbency, half the directors surveyed said there had been no change at all in board membership during the past five years.

The survey of CUCS delegates and CUCS board members offered similar results. The main difference in composition between the directors as a group and the other two bodies is the inclusion of credit union managers among delegates and CUCS board members, since representatives to these two groups can be either elected board members or paid managers. The survey of CUCS board members differed somewhat in that it showed an older membership (no one in the under 29 category and 21 per cent in the 60-plus grouping); no female members; and a wider variation in educational levels. Twelve board members reported high school graduation as their highest level of education, two

had graduated from a technical school and one held a post-graduate degree (Ferguson, 1990).

A third study, prepared by the Centre for the Study of Co-operatives for the Saskatchewan Department of Economic and Co-operative Development in 1998, showed similar results. Reviewing the characteristics of formal leaders within co-operatives, the study found:

The formal leaders were overwhelmingly male, and found in two age groupings -- either 36-55 or over 65. The majority had completed high school, and some had technical or university education. Most had middle income levels, and indicated either farming or retirement as their occupation (Hammond-Ketilson, 1998).

Other surveys reveal similar results:

* A 1986 survey conducted through the Canadian Co-operative Association, showed a breakdown of co-operative and credit union board membership across Canada at 23 per cent female and 77 per cent male (Holland, 1986).

* A survey by the Canadian Co-operative Association found 12 per cent female, 88 per cent male directors among 19 member co-operatives. No women served as board chairs or presidents among this sample (Bailey, 1986).

The high incumbency rate and narrow demographic profile of credit union board members, whether created through deliberate choice via member voting or through lack of candidate diversity caused by perceptions, blocks the participation of young people, educated people and women. This lack of diversity is at odds with co-operative principles of inclusion and may be detrimental to long-term business success, as suggested by authors who argue corporate boards are stronger when drawn from a wide range of skills and backgrounds (Leighton, 1997).

3.2 Business Needs and Elected Leadership

While a high incumbency rate creates a greater level of experience in the people who are re-elected and ensures continuity, it discourages the injection of ideas from new people and fails to develop board members for the future.

Various writers have argued that well-informed board members are essential to success:

To restrict directors to acting only and precisely as, perhaps, uninformed electors desire is to cap his or her knowledge and expertise and ultimately defeat the purpose of holding elections. Members might just as well draw straws at annual conventions to determine who would sit as director or simply take turns in the position (Apland, 1987).

... All men have a stake in their institutions and collective activities, and, therefore, the right to participate in them. This right itself is not enough, however, to make the system laudable or workable. It must be lived up to ... recognized as a privilege ... It must be exercised with some degree of efficiency and responsibility by people who are sufficiently informed to talk, prepared to work and honest enough to be trusted (MacKinnon, 1973).

To protect the interests of the members, these writers seem to be saying, the director needs to be better informed and more skilled at making decisions regarding the organization than the average member. For democratically elected boards, this creates a conundrum: all members are equally free to run for and be elected to the board, regardless of qualifications, yet not all members are likely to be effective board members. The responsibility, as in any democracy, lies with the credit union member to make a suitable choice of representative, and with the representative to put his or her abilities and opportunities for learning to use.

For corporate boards, this selection of board members is achieved in part by the CEO and other board members recommending a person of particular credentials or with

specific skills, such as legal training, to round out the board. There may also be board training to add to this knowledge base.

The corporate system is hardly without its flaws, however.

An important element is the need for diversity of skills, backgrounds, and experience ... The old-style, informal, chairman/CEO-controlled system has in many cases led to boards composed of “people-like-us: -- for the most part male, white, better-educated, regionally-concentrated directors. The lack of diversity in the system has been obvious; it has exacerbated the problem of bland, “group-think” boards which have failed to challenge management on many of its critical assumptions, and it has resulted in strong resistance to proposals for change in the corporate governance system (Leighton, 1997).

The assets and scope of operation for most corporations are far greater than even the largest credit union; the need to manage prudently, however, may be even more important for the small enterprise with less cushion against disaster.

3.3 Co-operative Principles and Elected Leadership

Apland specifically calls into question whether the low number of female directors is acceptable in a co-operative organization: “The low percentage of women directors, because it might be considered to conflict with the principle of member equality, is (a) philosophical anomaly” (Apland, 1987).

He also looks at the high incumbency rate in terms of co-operative principles, suggesting that “high rate incumbency ... might be considered to be in conflict with the concept and principle of grassroots member control of co-operative organizations.”

He comments as well on the low re-election rate for university graduates.

It may well be that a higher level of education is perceived as a liability by electors. Indeed, that many of the credit union boards in smaller centres appear reluctant to utilize university graduates in management roles might be seen as a reflection of a

more pervasive wariness, in the co-op sector, of individuals with university educations.

He suggests that university graduates may simply choose not to run for election again, but that “in either case, the sector is not able to benefit from their knowledge or talents” (Apland, 1987).

Given the extensive business aspects of credit unions, this reality is in sharp contrast to the call for “the equivalent of an MBA” (Leighton, 1997, 1999) in terms of general business knowledge, whether gained through education or experience, for an individual to be a productive part of a corporate board of directors.

The reasons for a high incumbency rate have been explored by Apland and other writers. Looking at the format of director elections, certain practices favour re-election. The prohibition on media advertising by a candidate, for example, is meant to meet the co-operative principle of fairness, yet it may inhibit the principle of equal participation by restricting the ability of a newcomer running for board office to present his or her ideas and credentials to voters.

Running for the board, while in theory open to any credit union member, is often encouraged specifically to certain people through a formal nominating or recruiting committee or through contact by sitting board members. Just as corporate board members tend to select someone of similar background to themselves to join their groups, so too, it might be assumed, do credit union board members encourage other men of similar age and background to join their boards.

Another reason for the low number of university-trained individuals and women returning to credit union boards may be that they are subtly discouraged, once elected,

from participation by exclusion from functions within the board structure. It may not be so much that they do not stand a chance of re-election, but rather that they simply choose not to stand for re-election at all.

A study of women in co-operatives asked women who served as directors about the factors which helped and hindered their participation. Comments on what held them back included: information available to members is limited, causing them to vote for familiar (male) names; there is a level of anxiety in running for office that is difficult for women, socialized to take a supportive rather than a leading role, to overcome; the role of board member may have negative connotations versus the friendliness of being fellow members (Theis, 1994).

The atmosphere of the boardroom, once elected, also has an effect.

Internal dynamics on the board or among the delegate body can create a chilly climate for women. Signs of this climate are various. Research participants noted the perception among some board members that the recording role is appropriately filled by a woman. Some also noted the exclusion of women from more prestigious committees or offices on the board.

The status of women employees in an organization is a telling indicator for some women who are elected officials. Photos of senior management and boards show how few women are represented in decision-making positions. One woman talked about an annual meeting where she had been a delegate. It was frustrating for her to see that most of the senior management were males.

Since there are few women who hold senior elected positions in co-operatives, some women feel closely watched. They are keenly aware they have to prove their credibility to an extent that is not required of their male counterparts (Theis, 1994).

While there has been less research into how board members with higher education levels interact with others holding lower levels of formal education, it could be extrapolated that their reaction might be similar to that of female board members if they

are seen as an anomaly. As newcomers, they would face the same barriers in winning election and perhaps similar roadblocks to positions of power within the board if the majority of the directors feel threatened by a new presence.

3.4 Director Training

In Saskatchewan, credit union directors are asked, but not required by law, to take the Credit Union Director Achievement (CUDA) training program. A series of modules is taught at various times and locations in the province by an instructor from Credit Union Central of Saskatchewan.

The topics include roles and responsibilities of the board; legal responsibilities; financial management and analysis; leadership and organization; planning and policy making; risk management; board development and performance evaluation; and management recruitment and evaluation.

The series was developed by the Canadian Co-operative Association beginning in 1989 and is delivered by provincial centrals, in collaboration with the Credit Union Institute of Canada.

Each module takes three hours to deliver. Directors are not required to write an examination or in any way demonstrate their knowledge at the end of the session. For the past several years, a summer program offering the full slate of CUDA modules has been held at Watrous. The central location and choice of courses allows directors a greater opportunity to complete their training. In 1999, 426 people representing 64 credit unions participated in the summer program (CU Contact, August 1999).

Across Canada, 43 per cent of credit union directors have completed the CUDA

program. Only two per cent of boards are composed of directors who have never taken a CUDA module (Goldsmith, 1996.)

As well, directors are encouraged, but not required, to take the seminar offered by Credit Union Deposit Guarantee Corporation explaining the deposit guarantee function and director responsibilities in regard to CUDGC. This seminar is conducted by representatives of the regulatory agency and held at various locations and times throughout the province (CUDGC, 1999).

Directors on local credit union boards who are elected to serve as delegates to CUCS or to the board of CUCS also have available to them training specific to that role.

3.5 Credit Union Boards Compared to Corporate

Past studies, as cited above, show that the gender and age of credit union leadership corresponds with the norm in corporate boards, although the education level differs.

A review of corporate boards by Leighton found that of corporate boards in Canada, the average age of directors was 59 years. Only six per cent of directors are female (Leighton, 1999). A survey of American boards by Catalyst showed women representing 11 per cent of board memberships in the 500 largest companies, but only 8.5 per cent of board seats in the next 500 largest companies (Associated Press, Dec. 15, 1999).

Leighton, in his examination of Canadian corporate boards, argues not for diversity of age and gender so much as for diversity of experience:

A board, to be effective, needs diversity of knowledge, attitudes and abilities in order to be able to handle the special situations and unusual issues that inevitably arise.

The first requirement for any corporate director is for the kind of elementary and systematic knowledge, attitudes, and abilities that are necessary for high standing in the completion of a good MBA program ... the knowledge, attitudes and abilities that emerge from an MBA program can be gained in many other ways, but possession of those qualities is basic to competent performance by a director in the economic and political environment of today and will be more so in the future (Leighton, 1997).

He advises would-be board members, particularly women, that “you must meet the minimum qualifications: business literacy (the equivalent of at least an MBA), business or professional experience and stature, time -- lots of it, and demonstrated independence of thought”(Leighton, 1999).

4. Managerial Leadership

In addition to the elected leadership of credit unions, management provides a source of leadership as important as or more important than that coming from boards of directors. As credit unions have grown in size and complexity, the role of manager or CEO has become increasingly important as compared to the board of directors, (Holbrow, 1984) in providing the day-to-day leadership of the organization.

4.1 Historical Development of Credit Union Management

The informality of the earlier years -- when the local credit union was housed within the elevator or retail co-op -- was not a serious problem until the credit union system began to grow. The earliest credit unions are described as operating in ways that were “inefficient, well, downright sloppy,” or “shoestring operations with makeshift offices and supplies” (Clements, 1965).

“While laxity and sloppy management by some credit union officials was causing concern to leaders in the movement during the 1940s, the need for greater protection of members’ shares and deposits came to a head in 1950 and 1951” (Schroeder, 1983). In those two years, Saskatchewan farmers fell victim to bad weather and shipping difficulties. The need for liquidity was high and the dangers of a system highly dependent on one industry, farming, became apparent.

About the same time, the first instances of misappropriation of funds came to light. In 1950 at St. Gregor, a small community credit union, the manager was

doing double duty, working for a lumber yard and a grain company as well the credit union. Funds were not kept separately, but were moved between the operations to cover shortages. The end result was that about \$36,000 or 55 per cent of the local credit union members' deposits were missing. A second instance occurred at Arran, another small community, the same year. The passbook records of members were found to differ with the actual amounts on deposit. About \$71,000 was misappropriated by the manager in this case. In both instances, trials were held and the managers convicted. The greater effect, however, was to spur on the formation of a central stabilization fund to ensure members against such losses in the future.

In 1953, the Mutual Aid Board was established. It continues today as the Credit Union Deposit Guarantee Corporation (CUDGC) and is the strength behind the claim to prospective members that credit union deposits are fully guaranteed, regardless of the amount. In order to fulfill this guarantee, however, the corporation has been given, over time, extensive powers to prescribe, monitor and rehabilitate credit unions which fall below set standards. Yet throughout its history and the growth of both its powers and the strength of its guarantee, the corporation has placed a strong emphasis on the local board and management having first obligation to keep the organization on the path of sound business practices, with CUDGC acting to facilitate that aim (Schroeder, 1983).

Another aid to management came in 1942, when the Credit Union Federation of Saskatchewan was chartered. In 1948, the name was changed to the Credit Union League of Saskatchewan. The purpose was to "develop credit union education programs, co-ordinate credit union activities, aid in setting up new credit unions, give assistance in programs and operations to all credit unions through its field services, aid in training and

selecting staff, scrutinize legislation and propose changes, and provide supplies and services to credit unions including printing of annual reports, supplying forms, etc.” (Bromberger, 1973).

As well, the Saskatchewan Co-operative Credit Society Limited was incorporated in 1941. Its purpose was to act as a depository for surplus funds and as a source of short-term loans back to credit unions. These functions were consolidated with the League functions in 1969 and the name was changed to the current one of Credit Union Central of Saskatchewan.

Through the 1950s and 1960s, the credit union movement bloomed, reaching its peak in number of separate entities in 1965. This growth led to the need for a change in management style and physical accommodations for credit unions. No longer was a cubbyhole office and a part-time manager appropriate. In many communities, buildings were constructed specifically to house credit union operations and full-time staff and managers hired in many communities. The small, volunteer-based organization was evolving more and more into a business enterprise, albeit with a co-operative philosophy behind it (Schroeder, 1983).

4.2 History of Managerial Training and Support

To deal with these emerging management needs, the credit union system turned to the federation, or second-tier, level for help. The skills of volunteer boards and part-time managers were no longer sufficient, but rather than change the structure away from co-operative roots or import managerial expertise from the banking industry, Saskatchewan credit unions have shown a pattern of choosing to develop the skills needed from within

the system's boundaries. Studies in 1967, 1971, 1975 and 1977 (quoted in Purden, 1980) identified the need for better trained staff and management in the Saskatchewan Credit Union system. The question was not just improving the understanding of basic financial services, such as lending, but the growing use of technology and increasing services to stay competitive.

A serious and persistent weakness of the Saskatchewan credit union system has been the shortage of qualified management and staff at the local level. Central officials have grappled with this problem since the 1950s, and although some progress has been made, their efforts to eliminate it completely have been frustrated by the continuous expansion of the knowledge base that must be built into local operations. In many credit unions, the education process has had to begin with fundamental operating practices and procedures. To these have been added the refinements of management skills, computer technology, financial management, and understanding of legal requirements and restrictions. It has been enormously difficult to develop the personnel in the province's 340 credit unions and branches to the point where they all possess the skills and knowledge that they require to do their job well (Purden, 1980).

Addressing these needs became a task for both CUDGC and the central organization.

4.2.1 Managerial Support through CUDGC

Guaranteeing the safety of member deposits was taken by early credit union leaders to mean more than simply setting up a fund against potential losses. Credit Union Deposit Guarantee Corporation has taken a role, throughout its existence, in ensuring credit unions are managed according to sound business practices. In 1979, the board's role in assuring competent management of credit unions was described in this manner:

the amount of self-regulation in a credit union would be determined by the credit union's ability to operate as a viable unit ... the Board was authorized by the Credit Union Act to place credit unions under supervision under certain circumstances; for example, when credit unions failed to develop adequate reserves or adequate plans and policies, or failed to operate in a sound and business-like manner.

However, the policy was to place a credit union under supervision only if moral suasion failed to rehabilitate a credit union or resolve its problems. The first approach would be for the Mutual Aid Board management to discuss the situation with the credit union's leaders, gain agreement on identifying the key problems, evaluate action plans, and suggest a development approach to resolve problems. If that was not accepted by the credit union, or if its financial performance continued to be less than adequate, controls would be recommended (Schroeder, 1983).

The mandate of CUDGC today, as communicated in the 1997 annual report, continues to acknowledge the corporation's role as a regulator, insurer and teacher. The report describes the role as:

... to provide services that support the financial strength of credit unions. To insure future stability, the Corporation assists credit unions in understanding policies and practices, their relative performance as a credit union, and the roles of board and management. We rely on the skills and experience of credit union system officials and staff to ensure credit unions are an effective first level of deposit protection (CUDGC, 1998).

The tasks of CUDGC in protecting deposits and promoting credit union stability include: communication with credit unions; workshops for directors; monitoring of trends and issues that may cause risk for credit unions; an integrated monitoring system; and ultimately, intervention and direct correction when required.

4.2.2 Supervision and Administration by CUDGC

When support and training are not enough to correct inadequate local management by both hired and elected officials, credit unions can be placed, depending on the severity of the problems, on the "watchlist category" or under direct supervision of CUDGC. This power was introduced in 1972. Through the Credit Union Act, a local credit union could be placed under the supervision of the CUDGC if: it was unable to pay a dividend unless special permission were granted by the board; if the amount in statutory reserves after

deducting loss exposure was less than one per cent of outstanding loans; or if the registrar advised the regulator that a credit union was operating unsoundly (Schroeder, 1983).

The powers of supervision included: inspecting the operation of the credit union; ordering an audit; ordering the correction of unsound practices; appointment of CUDGC as administrator of the credit union; or ultimately, recommending to the registrar the amalgamation or dissolution of the credit union (Schroeder, 1983).

In 1974, with these powers in place, three credit unions were under supervision and four others had been given financial assistance from CUDGC and although they were not under supervision, in the opinion of senior managers, they might properly have been. In addition, seven credit unions were being managed via contracts with CUCS and had received development fund assistance. Twelve credit unions had been granted permission for reduced reserves. Through the years, the number of credit unions under CUDGC supervision has risen and fallen with general economic trends in the province. The early 1990s saw a large number of credit unions under supervision, as the agricultural sector experienced difficulty.

In 1974, the Mutual Aid Board proposed amendments to the Credit Union Act to increase its supervisory powers. These powers were granted. Further amendments in 1977 clarified the board's role. Prevention of loss was the key responsibility, to be accomplished through monitoring. The task of development and training was reassigned as a CUCS responsibility. The interaction of the two bodies to provide both training and supervision in order to prevent losses continued. In 1982, CUCS was reorganized and a loss prevention manager was appointed to CUDGC management. CUDGC, in turn, could require a credit union to use the management services of CUCS as a part of the

supervision function.

While pressing for increased power to enforce sound business practices, CUDGC was also working to help credit unions improve themselves, in keeping with the original philosophy of its formation. One example is the development in 1974 of a business loan manual, in response to concern over the risk to credit unions in this area of business. The manual gave local credit unions sample policy on business loans, application forms, methods of analysis and follow-up plans. It was distributed to all credit unions and inspection staff in 1975. Lending practices were identified as a problem area for credit unions in a report to CUDGC in 1979. It was estimated that 90 per cent of bad debt write-offs were business loans. In 1979-80, workshops were held to train lenders specifically on business loans.

In the 1980s, a formalized program of monitoring was introduced. Each quarter, credit unions would report statistics to CUDGC for analysis. This monitoring offers information to the credit unions to help guide their management decisions and also serves as a warning to CUDGC of possible problems. In 1994, a director training workshop, to educate local directors on the role of the deposit guarantee corporation and their responsibilities for sound business practices, was introduced.

Despite all these efforts, however, losses do occur, and the powers of a regulatory body are limited by the basic principles which form the credit union system:

In a democratic structure such as a credit union, the primary responsibility of the management is to the board and members. If, for whatever reasons, there are failures at the management level, (CUDGC) can do no more than prepare itself to correct any problems that develop, while protecting the deposits of the members (Schroeder, 1983).

The co-operative principles also mean the role of the deposit guarantee body differs from that of the bank regulators and guarantors, with CUDGC taking a far more developmental role in assisting credit unions to improve their management practices.

4.2.3 Managerial Support through CUCS

At the same time as CUDGC was formalizing its supervisory role and developing training assistance, the Credit Union League of Saskatchewan (later CUCS) was also working to help develop skills in local managers to meet the growing business demands of credit unions. The central organization used a variety of methods to attempt to remedy the imbalance between managerial skills and expanding business needs. Examples include:

- * The management contract program, begun in the 1960s. This program offers credit unions a pre-screened manager, supported by the central organization, when the local credit union is unable to fill a manager's position.

- * Consulting services on operational matters and policy development.

- * A personnel trainee program, introduced in 1971, to develop second-line staff including loans officers and office managers. This was delivered by CUCS district representatives.

- * Preparation of videotaped training sessions on human resource planning, staff relations and organizational development. These were made available to credit unions on request.

- * Formal courses, developed through the Western Co-operative College in Saskatoon. Subjects included credit union law, operations, loans, financial management,

financial counselling, and executive development. Central contributed half the tuition costs for any credit union employee or official enrolled (Purden, 1980).

Additionally, CUDGC supported this manager trainee and on-the-job employee training programs with grants of \$5,000 per year in the early 1960s, and later \$10,000 per year (Schroeder, 1983).

* The Credit Union Managers Association, originally established in the early 1960s, was revitalized with assistance from Central. The organization provides support and information exchange to managers. In 1978, about half of the credit union managers in the province were participants in CUMA; today approximately 500 senior managers are involved.

* Through CUMA, workshops on marketing, budget preparation, risk management, taxation, human resource planning and deployment, and industrial relations have been held.

* From 1967-71, CUCS provided financial assistance for correspondence training through the Credit Union Institute of Canada in Toronto.

* In 1971, a self-education program of information booklets and brochures for managers and directors was introduced (Purden, 1980).

CUCS has also worked to increase the level of service at smaller credit unions through providing a full-time manager to develop the enterprise to the \$300,000 level at which point it was considered able to support itself and a manager.

By 1970, 12 credit unions were the beneficiaries of this form of managerial assistance from the central organization. Membership at these credit unions tripled and investments nearly quadrupled. While the program was a success in moving these small

credit unions to a stronger position, there were difficulties.

Not all credit unions in the program were successful. Fort Credit Union in Fort Qu'Appelle eventually was dissolved. The management contracts were changed to make the managers credit union employees, because credit union boards were not receiving enough guidance. Also, the League was unable to provide competent managers to all the credit unions requesting assistance. That demonstrated the growing need for improved management skills (Schroeder, 1983).

Despite all these efforts, however, a shortage of skilled staff and managers continued to exist. A 1977 article in Credit Union Way magazine suggested some solutions:

Identify proven trainers in the system and use their skills and experience to develop potential managerial candidates; recruit more employees with post high school business training; stress employee career coaching by credit union managers; provide career plan counselling, through Credit Union Central, from a system perspective (quoted in Purden, 1980).

The author comments on this advice, saying “(It) seems sound, but it remains to be seen whether or not local organizations will mobilize their resources to achieve significant improvement in the quality of their personnel.”

In 1987, there were continued indications that finding skilled managers was a concern. An article in Credit Union Way magazine quotes the manager of employment services at CUCS as saying:

The credit union system is in for a rude awakening if boards of credit unions in rural and smaller centres do not start utilizing university graduates and other top quality management candidates.

Many local boards appears to believe that university graduates are a threat to the status quo of their credit union and ultimately the membership. Boards and managers alike tend to view such candidates as too aggressive for their operations (Bionda, 1987).

The article argues for a balance between the traditional use of homegrown talent,

steeped in the culture of the community and credit unions, and trainees from outside the community who can complement the local knowledge with their own new ideas and business training.

Efforts to enhance the knowledge base of credit union managers continue today. A Web-based training program, delivered through CUIC, is being developed. The program is described as “delivered in bite-sized pieces to an individual’s work station at any time the student is interested in learning” (Contact, December 1999).

5. Credit Unions Today

The credit union of the beginning of the 21st century is a complex business enterprise which will demand as much or more leadership than in the past. Ferguson and McKillop characterize Canadian and American credit unions as “sophisticated providers of financial services to their members.”

No longer operating as limited product institutions in segregated financial services markets, credit unions in United States and Canada have undergone a transformation as a result of deregulation and the growth of a more competitive marketplace. Structurally, both industries have undergone a process of increased concentration with a reduction in the overall number of credit unions. The asset size of both industries, and the asset size of their constituent credit unions, continues to grow. Growth in membership and the ambitious plans for further growth reveal a confidence in these industries about their future (Ferguson, 1997).

They call North American credits unions “mature, to the point of needing transformation.” They ask, but do not answer the question: “how far does the credit union industry proceed before it escapes the bounds of maturity to transform itself into some other form of financial institution?” The suggestion is that it will be co-operative values which keep credit unions continuing on a similar path.

Despite the shift to a more business-orientated and professional approach by credit unions, the central value system of co-operative-member-owned institutions is still alive and well. The core value set of credit unions ... has to be reinterpreted in the light of constantly changing conditions and adapted to suit evolving conditions, and the evidence is that this entails a constant process of realigning credit union principles and practice (Ferguson, 1997).

5.1 Canadian Trends Affecting Credit Unions

The Canadian financial services marketplace is highly competitive, both in attracting members/consumers and in financial performance. “The financial services sector is being fundamentally reshaped by the forces of technology, globalization and demographics, and by new, innovative approaches,” says the report by the Task Force on the Future of the Canadian Financial Services Sector (MacKay, 1998).

Technology has been embraced by Canadians in carrying out their financial transactions, to an extent not seen in other industrialized countries. For the providers of these services, however, “technology is a double-edged sword. While it offers new opportunities to serve consumers better, it can give advantage to new competitors and threaten existing franchises” (MacKay, 1998). This is certainly true for credit unions, which, as small players in the Canadian market, do not have the capital resources to invest in technology to the extent of the Canadian chartered banks or international newcomers.

Globalization is bringing financial service providers to Canada, in competition with the chartered banks and credit unions, sometimes without the necessity of an investment in bricks-and-mortar branches. ING Canada is offering services across Canada without any branches. Wells Fargo offers mortgages and business loans via telecommunications, through its American offices. American Express and other credit-card companies can offer their services without any direct investment in the country or the community.

Credit unions face the challenge of trying to meet the rates of these competitors, while supporting the existing, and expected, branch structure and employee base in communities.

Demographic trends are also adding to the competitive nature of the financial services sector. The baby boom cohort has moved from the loan-taking stage of life to the saving stage. Concern over publicly funded pension plans, however, has led to investment in higher-yielding mutual funds and other investments rather than the traditional savings vehicles offered by banks and credit unions. This trend has increased competition through the introduction of new competitors: mutual fund companies, investment brokers and stock traders (MacKay, 1998). Canada's chartered banks have reacted to this change by creating subsidiary companies to offer these services. Credit unions have been slower to react to this challenge and remain at a disadvantage.

These challenges are recognized by Canadian credit unions. In the 1999 Environmental Scan, prepared by Credit Union Central of Canada for use by managers and directors throughout Canada, the following points are noted:

- * Credit union membership is dominated by the baby boom demographic group. The younger generation must be attracted for long-term stability.
- * Growth in mutual funds as an investment option is taking away the credit unions' traditional deposit base.
- * Growing use of technology in financial services, including home banking via the Internet, smart cards and debit cards, will carry costs to the financial institution to stay current.
- * The global drive to create bigger and bigger financial institutions is expected to continue unabated ... The competitive threat to Canadian credit unions posed by foreign financial institutions -- primarily European and American based -- is real.
- * The fundamental changes in rural Canada will have long-term implications for the way that Canadians perceive themselves and how financial institutions operate. Even as the banks continue to close branches in rural Canada, the need for additional financial services and improved service is increasing (Stratton, 1999).

Perhaps the greatest indication of the forces of change affecting financial services in Canada is the proposal by four of the largest Canadian banks to merge into two entities. Although this plan was not approved by the federal government, the mere existence of a plan to merge among Canadian banks, which are among the most-profitable Canadian corporations, is evidence of the competitiveness of the marketplace for financial services (Whittington, 1999).

The MacKay task force report also makes note of particular challenges for credit unions in Canada:

There is a serious structural problem in co-ordinating the use of the system's capital because of its fragmentation. Some credit unions have surplus deposits, while others have to curtail lending because of a lack of funding. Many credit unions have capital well in excess of regulatory requirements because they lack good lending opportunities in their local areas, while fast-growing credit unions have difficulty building their retained earnings quickly enough to support their growth.

System-wide decision making is difficult and slow given the system's democratic structure. Strategic decisions often involve conflicts between credit unions that are big and small, urban and rural, aggressive and complacent, profitable and poor, realistic and idealistic.

There is evidence of declining participation by members in managing the credit union. Annual meetings rarely attract more than 5 to 10 per cent of the membership. The credit union movement in many areas has had difficulty in attracting younger members.

There is a tremendous amount of duplication of effort, administration, human resources and backroom activities as each credit union is an entity on its own. The same issue of duplication is true for the various centrals.

Many credit unions have not been able to meet the growing needs of the more sophisticated consumer. The rather large number of small credit unions makes it difficult to develop new products and technology given the lack of resources and economies of scale (MacKay, 1998).

The report notes, “the credit union system will need a renewed vision in order to meet these challenges. Neither the Task Force nor government can provide this vision.” It is up to the leaders within the credit union system to provide the vision.

5.2 Trends in Saskatchewan Affecting Credit Unions

Despite the ever-extending reach of technology, Saskatchewan credit unions continue, due to legislation and tradition, to deal primarily with Saskatchewan people. Thus, any fundamental changes occurring in the province have an effect on credit unions far greater than any effect on the more geographically diversified banks.

One of the biggest changes that has occurred and continues to occur in the province is urbanization. More and more, people are becoming concentrated in the two largest and the eight next-largest centres, while the rural area is increasingly depopulated.

In their 1992 study, Stabler and Olfert sum up the situation in this manner:

Rural economies across all of North America have been going through a process of structural adjustment for several decades. Prior to the 1980s these adjustments occurred in a context of generally higher commodity prices, buoyant nonrural labour market and technological lead over much of the rest of the world which generated surpluses that could be used to soften the adjust process.

During most of the 1980s commodity prices have been low, the technology gap has been closed, and urban labour markets have been slack. Difficulties experienced by rural economies during the past decade have become well known. It does not appear that the economic environment within which rural restructuring must continue will revert to that which characterized the 1970s (Stabler, 1992).

In this study, residents of communities of differing size and characteristics were asked where they obtained their goods and services, including financial services. The

results showed that of people living in or near a minimum convenience centre (population average 141 in 1990), only 34 per cent obtained their financial services in that community. Seventeen per cent turned to the next level of community, while the rest chose to travel to an even larger community for service. Among residents living near full convenience centres, (population averaging 575 in 1990), 68 per cent obtained their financial services in that home community. The numbers increase with the size of the nearest community; when the nearest centre is large enough to be able to meet the financial service needs of nearby residents, people will increasingly use the closest outlet.

This reality is also reflected in the number of financial service outlets provided to Saskatchewan residents. In the smallest communities, the minimum convenience centres, the average number of bank branches or credit unions to be found is 0.39 in the 1990 study. In a complete shopping centre, (population approximately 5,000) there is likely to be more than four financial service outlets. In the largest centres, Regina and Saskatoon, there were an average of 10 banks and credit unions.

The authors note:

There is no single function, private or public, that can be counted on to be present in (the minimum convenience centres.) Only partial shopping centres (population average 1,759) play anything but a trivial role in servicing the needs of communities below themselves in trade-centre status. The ten wholesale-retail centres (population 18,000+) satisfy the requirements for virtually all high-order items for residents of all lower-level communities (Stabler, 1992).

While agriculture has enjoyed some relatively good years in the mid-1990s, as the decade closed net farm income declined sharply (Statistics Canada, 2000), making the economic situation for agriculture, and by extension, all of Saskatchewan, potentially as

bad as that in the 1930s. The net effect remains to be seen, but it seems clear that rural depopulation in Saskatchewan will not reverse.

The earlier work of Stabler and Olfert was reconfirmed by a March 2000 study, conducted on behalf of Saskatchewan Municipal Affairs, Culture and Housing. Both the number of farms and the rural population of the province have steadily declined from 1936 to 1996. The overall population, however, has remained relatively constant in recent decades. The change has been a continued movement of people to the urban centres.

With urbanization has come a change in the function of small communities.

As the number of farms, farm population, and rural population declined, the economies of the numerous small communities that once served their need were also gradually eroded. At the same time, however, the province's major cities and few larger towns expanded, adding retail trade and service outlets, public infrastructure, manufacturing, transportation and construction firms. These communities have become the focal points of economic activity in the province and a high degree of interdependence between them and their surrounding rural areas has developed. These communities provide the majority of the jobs to which rural dwellers commute. They also provide the trade and service outlets, educational and medical facilities upon which their population and the surrounding rural populations depend (Stabler, 2000).

An analysis by the Canada West Foundation further emphasizes the importance of the shift from rural to urban living among demographic changes affecting Saskatchewan.

Saskatchewan has seen the largest single increase in its urbanization rate (among Canadian provinces), yet its total population has not grown significantly over the last 30 years. With only modest growth in the number of its urban residents (34 per cent between 1966 and 1996), ... rural depopulation is responsible for the changing face of Saskatchewan (Canada West Foundation, 2000).

The financial services industry has already responded, and is continuing to respond to this reality. The number of bank branches in Saskatchewan was reduced to 314 in 2000

(Canadian Bankers Association, 2000). From 1991 to 1996, Saskatchewan lost the most bank branches of any Canadian province (MacKay, 1998).

The demographic trends affecting Canada are also seen in Saskatchewan, to an even greater extent. The percentage of Saskatchewan people aged 65 years or older is higher than the national average. In 1996, while people aged 65 or older made up 12.2 per cent of Canada's population, the same age group represented 14.8 per cent of Saskatchewan's population. By 2021, when the number of seniors in Canada is expected to reach 18.8 per cent of the total population, in Saskatchewan it is expected that they will represent 19.3 per cent of this province's population (Statistics Canada, 1996). These trends exacerbate the problems for financial service providers as noted in the MacKay report.

These trends, both national and provincial, will undoubtedly have an impact on Saskatchewan credit unions. The decision-making leaders of credit unions will face challenges including how to retain the savings of aging members; how to maintain a strong loan base as the population ages; how to work more closely with other credit unions to find economies of scale while maintaining a level of local autonomy; and whether to follow the banks' example to withdraw branches from rural communities, while still remaining true to the co-operative principle of providing service to the membership.

6. Survey of Saskatchewan Credit Union Leadership

6.1 Succession Planning

There are significant challenges facing Saskatchewan credit unions as the new century begins, as previously outlined. In this changing environment, the need for strong and effective leadership, from both boards and management, is increased. This reality is reflected in the Credit Union Central of Canada 1999 Environmental Scan:

As credit unions become larger, regional financial institutions, and set up large national financial entities, the need for leadership and leaders has never been greater in the system. Developing, nurturing, recruiting, retaining and rewarding leaders -- in management and on boards -- will be a top priority in the years ahead (Stratton, 1999).

Similarly, the authors of *The Contemporary Director* comment “perhaps the importance of board leadership is never so apparent as in times of conflict and uncertainty” (Chapman, 1986).

This survey was undertaken to find out who the decision-making leaders of today’s Saskatchewan credit unions are; the likelihood of change among this group; and to gauge the use of succession-planning processes by today’s leaders to prepare for change. As previously mentioned, the intention of this study was not to measure individual leadership characteristics, but to look at the demographic groups represented by the current directors and management of Saskatchewan credit unions to help predict the rapidity of turnover in the near future and to evaluate whether the full available pool of talent is being tapped for

both elected and appointed leaders.

6.1.1 Maintaining Leadership through Times of Change

The rate of leadership turnover in business, due to senior managers reaching retirement age or being removed for failing to meet the demands of the market, is often looked upon with alarm by both investors and employees. The board of directors of a major American airline, reluctant to plan for the succession of the current holder of the CEO, chairman and president's posts who is 68 years old, for example, faced criticism from investment firms that want to see a succession plan in place, as security on their stock holdings (Zellner, 1999). Employee morale is also affected by leadership change. Warren Bennis is quoted as saying "nothing creates more anxiety and creates more of a shiver throughout the company than 'who's the new boss going to be?' and 'how's this going to affect my promotion and self-esteem?'" (Ross, 2000).

While these examples are not conclusive, they illustrate some of the obligations on boards, either corporate or co-operative, to maintain stability through a smooth management change. The obligation is also a legal one. For credit unions, the board's single biggest decision is that of selecting a CEO, the one employee directly hired by the board in most instances. From this decision flows much of the success or lack thereof for the credit union.

Additionally, succession planning for credit unions must include not only a strategy for replacing the CEO or general manager when needed, but for ensuring the board of directors is renewed as well. The legal and moral obligation to encourage members to run for office and to recruit candidates falls to the local board in large part, with that

obligation increasing as the size of credit union and community falls, since the pool of potential candidates shrinks and there are fewer management resources to call upon for support.

A corporate board may have a far different plan for management succession than for its own eventual replacement; for the purposes of discussing credit union succession planning within this work, however, concepts regarding corporate management succession planning are borrowed for reference against credit union board renewal planning.

6.1.2 What Constitutes Effective Succession Planning?

Succession planning for the top executive positions within an organization is a part of strategic human resource planning, an aspect of business planning that has been largely ignored but is gaining attention (Dolan, 1987). Strategic human resource planning matches the overall business strategy of the organization to all aspects of human resources, including compensation, hiring and performance reviews. The importance of this planning lies in providing the organization with a competitive advantage; strategic choices in human resources lead to greater productivity. “If there is an increasing emphasis upon more strategic HRM, it is because of the belief that it can contribute to greater organizational effectiveness and enhance bottom-line contributions” (Dolan, 1994). A 1989 survey by the Conference Board of Canada found 76 per cent of responding companies indicated linking human resource planning to business strategies would be a significant issue in the next few years (quoted in Dolan, 1994).

A 1992 study by the Conference Board of Canada benchmarked best practices for executive development in 10 large Canadian companies, as well as conducting an

extensive review of literature on the subject. Among the findings of that study were:

1. Changing marketplace demands are creating needs for new executive capabilities that may not be learned via the traditional rise through the ranks. Despite this, work experience continues to be a primary method of learning for executives.

2. Combining direct experience with executive development programs or training has proven successful.

3. In response to this feeling, some organizations are putting a greater emphasis on development for the current executive team, rather than on developing future executives.

4. Take a systems approach to executive capability. Not only the skills of individuals, but the process within the organization by which problems are solved and the motivation of those involved can be changed to improve the quality of leadership.

5. Help to create new knowledge. "Increasingly, the role of executive development is to help executives define their learning needs and find the resources need to develop specific solution to specific problem." (Larson, 1992).

6. Help executives solve real problems. Executive development programs need to be closely linked to real work situations.

7. Increase the emphasis on the soft skills of leadership. The skills of motivation, compassion and inspiration are increasingly important in business, says the report.

The report also outlines principles for effective development of leadership capability. These include:

1. Investigation -- "an aggressive investigation of the current reality."

2. Anticipation -- "early anticipation of the future strategic needs of the

organization.” A five-year plan for executive needs is suggested, including an assessment of current executive capability and development of senior managers.

3. Focus -- a clear strategic focus for the organization, including an understanding of the gaps between that vision and current reality, which then sets the requirements for executive development.

4. Integration -- combining work and learning. This includes support for on-the-job and structured learning experiences for executives, planned job rotations and coaching/counselling support.

5. Adaptation -- creating or adapting processes as the organization’s needs evolve.

6. Feedback and improvement -- constant feedback to allow improvement of the process.

While these benchmarks were developed to guide management succession planning, they are not dissimilar to ideas advanced regarding board renewal (Leighton, 1997).

6.1.3 Saskatchewan Credit Unions and Succession Planning

Using the Conference Board of Canada criteria as a basis to gauge effective succession planning, responses to questions in the current survey were tabulated to gauge the level of succession planning for both management and board members within Saskatchewan credit unions. The following were taken as fundamental indicators of preparedness for succession.

As indications of the principles of investigation and anticipation:

1. Self knowledge of future. Did the respondent indicate a plan for future service?

What were the reasons for any change?

2. Shared knowledge of the future. Have these plans been discussed with the board of directors? Particular attention was paid to the correlation between this response and that to the question of personal plans when the length of future service was indicated to be "0-5 years."

3. Knowledge of other leaders' plans within the organization. Do the expectations of individuals as to their future mesh with the perceived expectations of the board and managers. For example, are managers planning to retire in large numbers that board members do not foresee?

4. What challenges do current credit union leaders foresee for their organizations and are these in keeping with the realities of the marketplace?

As an indicator of focus:

1. Planning for future leadership. Has there been board discussion of who the next CEO or board president might be? Again, particular attention was paid to those situations where a change within the next five years was indicated.

An indicators of integration:

1. Development of current leaders. To what extent are the training opportunities available through the credit union system being made use of to develop leaders, both board members and managers?

2. Development of future leaders. Through formal policy or informal procedures, are leaders being developed to take over duties as retirements or changes in leadership occur?

3. Where are new management leaders perceived to be coming from? Will it be Saskatchewan managers who take on increasing responsibility, or do board members believe they will have to look outside the province or the credit union system to find suitable managers. This question, along with those regarding the difficulty of hiring a new manager, measures the confidence of boards in the current on-the-job executive development process.

As indicators of adaptation:

1. Willingness to adapt through new leadership options. If a management retirement were to occur, either expectedly or unexpectedly, would the credit union consider options other than the traditional replacement hiring process.

2. What qualifications are looked for in a new manager and are these in keeping with the realities of the marketplace?

The survey questions did not attempt to measure the level of feedback and improvement within the credit unions surveyed, although the level of openness demonstrated in discussing personal plans for future service might be taken as an indicator of the level of openness that could be expected, between the board and management and between board members, in giving feedback on performance as well.

6.2 Research Survey

The survey portion of this work was conducted from February through May 2000. A mail-in questionnaire of six pages was sent to credit union managers and board members

throughout Saskatchewan (see appendix).

6.2.1 Format of Questionnaire

The questionnaire was composed of 30 questions, including an opportunity for comments. All sections other than the comments could be completed by filling in the blanks with numbers or simple check marks. The expectation was that completion should require no more than 15-20 minutes. Each questionnaire was accompanied by a cover letter explaining the research project (see appendix) and the process to be followed.

The questions were divided into sections: personal information, credit union service, leadership-board, leadership-management, and your credit union. Respondents were asked to choose the appropriate category among those listed with the question, to select a yes or no response, or to rank order options.

6.2.2 Method of Distribution and Collection

Approximately 1,000 questionnaires were distributed to 90 Saskatchewan credit unions of all regions and sizes. The selection was non-random, stratified according to the asset size of credit unions. The sample included all of the credit unions with assets above \$200 million, 75 per cent of the mid-sized credit unions and 50 per cent of the credit unions of the smallest size, designated as less than \$10 million in assets. This selection was made based on the fact that there are far more small credit unions than large ones, thus to randomly choose from all credit unions would create a sample skewed toward the small operations. Of the surveys returned, 33 per cent were from the smallest credit unions, 26 per cent from the mid-sized credit unions, and 40 per cent from the largest credit unions.

The questionnaires were distributed through Credit Union Central of

Saskatchewan's courier service, according to the pattern described above. The researcher did not have knowledge of which specific credit unions received the questionnaires nor a guarantee of random selection in the mailing. This arrangement was due, in part, to concerns by CUCS that confidentiality of credit union financial information (i.e. asset size) not be compromised. Each questionnaire had a postage-paid envelope included. Returned surveys were received by the Department of Industrial Relations and Organizational Behaviour at the College of Commerce, University of Saskatchewan.

Each cover letter, questionnaire and return envelope was packaged separately, but these packages were grouped for distribution to each selected credit union. For each credit union, 10 packages for completion by board members were sent together with a letter to the president of the board, asking him to distribute the packages at a board meeting. A separate package was sent to the general manager/CEO of the credit union.

The return rate on the 990 questionnaires was 44 per cent, with 436 questionnaires completed and mailed in. Of those, 79 respondents indicated their role as general manager or CEO. Since only one manager questionnaire was sent to each selected credit union, this indicates 79 credit unions, 55 per cent of the total number of credit unions in Saskatchewan and 87.7 per cent of those included in the survey, responded to the survey to some extent.

The total population from which this sample was taken represents 143 credit unions in Saskatchewan, which includes 143 general managers/CEOs and about 1,430 board members, estimating that board size averages 10 members, for a total of 1,573 individual credit union leaders. The 436 returned questionnaires represent 27.8 per cent of

that total population.

Confidentiality of responses was addressed through the selection by an outside agency, CUCS, of which credit unions would receive the questionnaires; through having the questionnaire designed for individual rather than group (board) response; through individual response envelopes; and through an implied rather than signed consent, given the general nature of the information asked for in the questionnaire.

6.2.3 Missing Data

A small number of questionnaires, less than five per cent, had a significant portion of the information missing (i.e. two pages). In such cases, given the large sample size, those responses were not used at all. In other cases, where only one or two questions within the questionnaire were not completed, the other information from that respondent was included. No pattern of non-response was noted.

6.2.4 Method of Analysis

The responses were entered into a computer database, using the program NCSS 6.0. Most of the survey questions were analyzed through descriptive statistics, including frequency count, percentage of total, mean and standard deviation.

Responses to questions within the survey which relate specifically to effective succession planning were grouped to create a sum which would serve as an indicator of effective succession planning, with a higher total value indicating better planning.

These results, and those for some other questions, were correlated with other responses, such as credit union size, using the cross-tabulation function within the program.

6.2.5 Expectations of Survey Results

Based on the literature survey and general knowledge of Saskatchewan credit unions, the following expectations existed upon entering into this research.

1. That the demographic trends indicated in past surveys would continue to be demonstrated. Specifically, that both board and management leadership would be dominated by men; by people of age 40 and older; and by people with Grade 12 or lower education levels.

2. That based on a continuation of these demographic trends, a large number of both managers and board members would indicate their intention to retire from a credit union leadership role within five years.

3. That despite this expected outcome, little attention is being given to effective succession planning within the credit union system in Saskatchewan.

4. That there is large-scale resistance to alternate forms of management (i.e. shared or amalgamation of credit unions), particularly within smaller credit unions.

6.3 Survey results

6.3.1 Current leadership demographics

Among the respondents, 79 indicated their role within the credit union as general manager or CEO for 18.35 of the total. The other 357 respondents indicated they serve as elected board members. Within the elected group of 357, 61 respondents indicated their board role as president, 47 as vice president, and 249 as board members. Local board members and managers may also serve as delegates to CUCS or on the board of directors

for CUCS. Thirty respondents indicated they serve as delegates to central, while 11 said they are directors on the board of CUCS.

6.3.1.1 Age Distribution

The distribution by age categories was skewed toward the higher end. Respondents were asked to identify themselves as being within one of the following categories: under 30; 30-39; 40-49; 50-59; or 60 or over (Table 6.1). Less than two per cent of respondents placed themselves in the under 30 category. Seventy-two respondents or 16.51 per cent chose the 30-39 category. The combined total in the 40-59 range represented approximately two thirds of the total responses.

These results compare to previously cited surveys, as summarized in the following table:

TABLE 6-1: Age Response Comparison (in per cent)

Age grouping	Current study n= 436	Holland (1986) n=327	Apland (1987) n=617	CUCS (1990) n= 114
1. Under 30	1.2	4.3	(18-25) .2	5
2. 30-39	16.5	27.5	(26-35) 18.3	31
3. 40-49	32.3	25.7	(36-45) 26.6	23
4. 50-59	35.1	24.8	(46-55) 26.6	27
5. 60 or older	14.5	17.7	(56 plus) 28	14

While the categories used by Aplan do not correspond directly to those used in this study, which is more closely aligned with the 1990 study by CUCS, some changes are evident through the three surveys. The percentage of people 39 or younger appears to be

falling. The total percentage of respondents in the first two categories is less than half in the current study as in the CUCS 1990 study. The middle two categories, representing ages 40-59, continue to represent the highest number of responses. This is consistent across the surveys. The percentage of leaders in the 60 or older category has remained constant from the 1990 study to the current work.

Looking particularly at the differences from the CUCS 1990 study to the current one, the increase in the number of respondents in Categories 3 and 4 (age 40-59) may be due primarily to a high incumbency rate for directors (Apland, 1987) and stability among managers during the intervening decade. When the percentages of Categories 2, 3, and 4 (age 30-59) are totalled for each of these two studies, the two totals are similar, suggesting movement of the same individuals from one age category to another.

The striking difference between the two surveys, however, is the number of leaders within the youngest age categories. This percentage has declined drastically, suggesting a lack of renewal for boards and among managers. These figures may be indicative of Saskatchewan's overall demographics (Statistics Canada, 1996) of an aging population, but they also show a need for credit unions to try harder to attract younger board members in order to have knowledgeable leaders for the future when older ones retire.

6.3.1.2 Gender Distribution

Also similar to previous studies was the breakdown by gender. Of the 436 respondents to the current survey, 88 or just under 20 per cent were female. This compares to Apland's study of co-operatives, which showed fewer than 10 per cent

female representation on co-operative boards. Holland's 1986 study, cited previously, which included co-operative boards covering a wide range of sizes and operations, showed the highest percentage of female participation at 23 per cent, although that number was reduced to 16 per cent for credit unions. A 1991 survey by the CCA indicated 12 per cent of the co-operative directors surveyed were women.

The CUCS 1990 study, which the current study most closely mirrors, showed 16 per cent of directors as female. The percentage increase, from 16 in 1990 to 20 in 2000, is small but is in the direction of more balanced representation.

What has not changed is the gender balance of the CUCS board of directors. The 1990 survey indicated no female representation on the board; the current survey indicates the same.

6.3.1.3 Education Levels

The response most frequently given indicates a Grade 12 or lower education level (33 per cent). The next most common response was "college or technical school diploma or certificate" at 17.66 per cent. Approximately equal number of respondents (48, 51 and 47 respectively) listed their education levels as "some university," "undergraduate degree" and "graduate degree."

TABLE 6-2: Education Level Comparison - Directors (in per cent)

Education level	Current study	Holland (1986)	Apland (1987)	CUCS (1990)
Grade 12 or less	34	55.5	40.9	65
Some college	11.8	12.3		
College diploma	18.5	4.4	13.5	10
Some university	8.7	8.2	15.7	
Degree	12.6	10.7	19.4	17
Graduate school	2.5			
Graduate degree	11.5	8.8		4

Throughout the surveys, the majority of directors indicate a Grade 12 or lower education level. That percentage appears to be declining, however, and more directors are indicating some university training. The percentage of respondents indicating training at the graduate level is higher in the current study than in 1990. These changes suggest a movement among credit union directors to a higher level of education. The level of education indicated by directors is also higher than that of the general population of Saskatchewan (Statistics Canada, 1996).

Among managers, the education level is also skewed to the lower end with 30 per cent indicating a Grade 12 or less, 20 per cent with some college, 13.8 with a diploma, 21.2 with some university, 7.5 with an undergraduate degree, 5 per cent with some graduate school, and only 1.2 per cent with a graduate degree. These percentages are

more in keeping with the education level of the Saskatchewan population as a whole.

This low level of university training among managers appears to bear out the idea advanced by Apland (1987) and Bionda (1987) that Saskatchewan credit unions tend not to hire university-educated managers. A comparison of the education level of directors and managers (Table 6-3) further adds to this argument.

Directors, democratically elected as representatives of the members, might be expected to show a distribution of educational levels similar to the general Saskatchewan population. Managers, chosen as professionals to oversee the financial affairs of the operation, on the other hand, might well be expected to show a higher level of education than directors or the general population. This is not the case.

Table 6-3: Education Levels of Directors vs. Managers (in per cent)

Education level	Directors	Managers
Grade 12 or less	34	30
Some college	11.8	20
College diploma	18.5	13.8
Some university	8.7	21.2
Degree	12.6	7.5
Graduate school	2.5	1.2
Graduate degree	11.5	5

6.3.1.4 Length of Service

Respondents were also asked to indicate the length of time they had been a credit union member, and the time spent in the current leadership role. Among managers, 77.5 per cent indicated they had been a member for more than 20 years. Years of service in the current role was most frequently reported as 0-5 years (32.5 per cent) or 20-plus years (23.75 per cent).

For directors, the length of credit union membership was similar, with 20 years or more reported in 77.8 per cent of the cases. Years of service as a director were most often reported in the 0-5 years and 6-10 years categories, although 8.7 per cent of directors said they had been in that role for more than 20 years.

6.3.1.5 Differences by Credit Union Size

When the responses are categorized by the size of credit union represented by the respondent, some differences emerge.

The small credit unions have a more diverse leadership, both in age grouping and by male-female mix, than the larger credit unions. The percentage of women participating as credit union leaders drops as the size of credit union increases. The largest credit unions show a larger number of leaders with higher education levels. They also have an older leadership group, with 62 per cent in the 50-plus age range.

Table 6-4: Differences by Credit Union Size (in per cent)

CU size	Age	Gender	Education	Service
Small n=144	Under 30 3.5	Male 70.1	Gr. 12 42.4	0-5 years 41.0
	30-39 25.7	Female 29.8	College 11.8	6-10 28.5
	40-49 29.9		Diploma 21.5	11-15 10.4
	50-59 29.2		University 11.1	16-20 7.6
	60 plus 11.1		Degree 6.9	20 plus 10.4
			Grad studies 0.0	
			Grad degree 6.25	
Medium n=115	30-39 20.9	Male 82.6	Gr. 12 35.7	0-5 years 37.7
	40-49 37.4	Female 17.4	College 17.4	6-10 28.1
	50-59 32.2		Diploma 14.8	11-15 14.0
	60 plus 9.6		University 9.6	16-20 9.6
			Degree 11.3	20 plus 10.5
			Grad studies 3.5	
			Grad degree 7.0	
Large n=177	30-39 6.8	Male 85.9	Gr. 12 24.3	0-5 years 35.6
	40-49 31.0	Female 14.1	College 11.9	6-10 27.1
	50-59 41.8		Diploma 16.4	11-15 14.1
	60 plus 20.3		University 11.9	16-20 9.6
			Degree 15.8	20 plus 13.0
			Grad studies 3.4	
			Grad degree 16.4	

Expectation 1 Supported

These comparisons support the first listed expectation: that credit union leadership continues to be dominated by men, by people aged 40 and older, and by people with a Grade 12 or lower education level. The higher participation level by women and younger people within smaller credit unions, however, poses questions as to why this would be the case which may be worthy of further investigation.

6.3.2 Pace of change expected

Given the responses to the questions regarding demographic information, particularly that of age, it is expected that there will be a large number of credit union leaders considering retiring from their roles.

The survey question “How long do you anticipate continuing in your leadership role?” resulted in the following responses:

TABLE 6-5: Length of Future Service (in per cent)

Continuing in role	All respondents	Board members	Managers
0-5 years	56.78	63	27.85
6-10 years	27.13	23.6	43.04
Indefinite	13.33	10.3	27.85

This result compares with that of a survey conducted by CUMA, 1996, which found 69 per cent of the managers responding expected to be promoted or retired within 1-5 years. When asked specifically about retirement, 16.3 per cent of managers said they would retire within five years, with an additional 25 per cent saying retirement would occur within 10 years.

In the current survey, respondents were also asked what would be the reason for discontinuation of service. The most frequent reason given was “retirement”, with 47 per cent. A move to another community was second most frequent at 9.17 per cent. Change in employment ranked third, at 6.88 per cent. A variety of reasons were given along with the choice of “other” which represented the other 30 per cent of responses. Common reasons specified included “lack of time” or “expect credit union will amalgamate and position will

be unnecessary.”

Expectation 2 Supported

The response to these questions, that there is a large number of credit union leaders ready to retire within the next five years, means the second expectation is also supported by the survey results. At 57 per cent of the total sample surveyed, and 63 per cent of board members surveyed, this impending change represents a significant challenge for Saskatchewan credit unions in the immediate future.

6.3.3 Demands on future leaders

Industry trends, as discussed previously, indicate the future will be highly competitive for Saskatchewan credit unions. Combined with the demographic trends for the province, the likelihood of credit union leaders facing significant challenges is high.

In the survey, respondents were asked to identify potential challenges from a supplied list. The identified challenges, in order from most frequently to least frequently selected, are listed in Table 6-6. This ranking suggests that operational issues such as lowering operating costs and assuring a steady stream of income through loans is seen as a high priority for the future, while hiring management or staff is not perceived as a significant problem. Recruiting new board members falls in the mid range. The responses to the question of “how long do you intend to continue in your present role?”, however, would suggest the issue of renewal for both board and management is a more immediate concern than credit union leaders may think.

TABLE 6-6: Identified Challenges

Challenge	Response frequency
Increasing deposits	282
Making operations more cost efficient	273
Maintaining membership base	267
Encouraging co-operation between co-ops	236
Increasing loans	220
Achieving higher equity levels	178
Recruiting new board members	166
Working on system initiatives	162
Lowering loan delinquency	129
Hiring management personnel	110
Improving community relations	84
Hiring staff	41
Other	32

The questionnaire also allowed space for comments, directly after the list of challenges. Less than 10 per cent of respondents (39) offered any comments and of those, the most common included: concern over amalgamation of rural services and local governments, likely in response to the task force on this matter which was holding hearings at the same time as this survey was conducted (Garcea, 2000); the effects these changes may have on credit unions; and concern regarding amalgamation of credit unions and the loss of local autonomy.

6.4 Preparation for change

Several questions within the survey measured the level of preparation by individuals, and the aggregate credit union system, for the change in leadership predicted by the response to questions of future service. These included questions on personal planning, and the sharing of that plan with the board; self-preparation for greater leadership roles through use of available training; preparation of others for leadership roles through policy and practice; recruitment practices for both board and management; and consideration of other options to provide necessary leadership. These relate to the principles of investigation and anticipation in the Conference Board of Canada benchmarks.

6.4.1 Discussion of personal plans

Respondents were asked whether their future service with the credit union had ever been discussed with their board of directors. Three quarters of those responding, (76.15 per cent) said no. Managers were similarly divided between yes and no on this question, while directors said “no” in 82 per cent of responses.

The question of whether plans have been discussed with the board was cross-tabulated with the years to retirement. Of those board members indicating they would be retiring within five years, 77.6 per cent of directors said the matter had not been discussed. Among managers considering retirement within five years, 45.5 per cent had not discussed the idea with their board of directors. This difference may be attributable more to the leadership role itself rather than the people serving in the position. Management is a full-time, paid position which is a primary function within the life of the person in that role.

Serving as a director is a secondary occupation, with minor financial benefits. The importance given to future service in the leadership role, as demonstrated by planning and discussion, would likely differ based on the primacy of the role within an individual's lifestyle. Nevertheless, these high percentages suggest a need for far more open discussion of personal plans, both by board members and managers, in order to allow sufficient time to plan for recruitment of replacements.

6.4.2 Self preparation for leadership

Educational opportunities specific to credit unions are available to directors and managers. Use of these resources indicates "integration" through development of current leaders.

These educational resources include the Credit Union Director Achievement (CUDA) program of 12 modules, a half-day workshop given by the Credit Union Deposit Guarantee Corporation (CUDGC) and a series of courses through the Credit Union Institute of Canada, designed for managers. The survey asked credit union leaders about their use of this specialized training. Among directors, 40.5 per cent indicated they had completed the full set of CUDA modules, 15 per cent had completed up to nine modules, another 15 per cent had completed up to six modules and 17 per cent had taken one to three modules, with the remainder saying they had not taken any CUDA training.

These numbers compare to a survey conducted by the Credit Union Institute of Canada, which oversees the development and delivery of these courses, in 1996-97. It shows 43 per cent of directors as graduates, and 17 per cent having taken one module (Goldsmith, 1997).

The CUDA training, although designed for directors, is open to managers as well. Of those managers responding to the survey, 12.5 per cent said they had completed the series. The most frequent response, however, at 45 per cent, was that no modules had been taken. For both directors and managers, the half-day seminar by CUDGC is recommended. Among all respondents, it was an almost even split between those who had taken the course and those who had not.

Managers can also access specialized training through CUIC. Of those responding to the survey, 29 per cent said they had not taken any of the CUIC programming. At the one to three course level, 41 per cent responded. Only 9 per cent had taken up to six course, 10 per cent had taken up to nine courses and 10 per cent had completed the program.

The question was also posed as to any other training taken specific to credit unions. More than 90 per cent of each group, directors and managers, said they had not taken any other training.

6.4.3 Preparation of potential internal leaders

As well as preparing oneself for the role of leadership through attending training, the next generation of leaders need assistance to prepare (Kouze, 1995). Survey questions on formal policies regarding development of future leaders, and informal practices aimed as development, attempted to measure the level of this assistance.

On the question of policy and practice regarding board leadership development, 70 per cent of directors said their credit union does not have a policy and 49 per cent said they do not have even an informal practice of developing new board leaders. The example

of an informal practice, given on the questionnaire, was of having the vice president chair some meetings or having other specific duties given to the vice president. Managers mostly agreed with directors on these questions, with 81 per cent of managers saying there is no policy on leadership development for the board, and 51 per cent saying there is no informal practice of development.

On the management side, 69 per cent of managers said they do not have a policy guiding development of leadership skills for potential internal promotions. Asked to consider any informal methods of developing leadership skills in staff to encourage internal promotions, 45 per cent said this does not happen in their credit union. Among directors, 60 per cent of respondents believe their credit union does have a policy guiding development of skills toward internal promotions, and 79 per cent believe there is an informal practice of developing these skills. This represents a far larger difference between directors and managers than the questions on director development. The disparity in results may be reasonable, however, given that the primary responsibility for developing future board leaders lies with the board of directors and development of future managers, particularly in informal ways, is the responsibility of management. The magnitude of the difference in perception between managers and directors on the questions of developing internal management candidates in formal or informal methods does suggest the need for greater communication, greater understanding of policies by board members, and perhaps action by directors if they believe in the importance of developing staff for future leadership.

6.4.4 Recruitment of new board members

If leadership is not to come from the inside, it must be found outside. Credit union leaders were asked about board recruitment practices and level of change on the board as annual elections are held. More than one third of respondents said there had been no change in the makeup of the board following the last election. In the CUCS survey of 1990, 49 per cent of directors said there had been no change in board membership in the past five years.

Actively recruiting new board members has been shown to be positively correlated with effective boards (Hautaluoma, 1993). Eighty-five per cent of respondents said their credit union does actively recruit for new board members. Asked if that recruitment process was specifically targeted to encourage minority groups, with the examples given of women and aboriginal people, the response was yes in 73 per cent of cases. Asked if particular professional groups, such as lawyers or accountants, were recruited to run for the board, only 25.5 per cent said yes. While comments were not solicited on this question, ones offered included "This is a very small community. We have to take who we can get." Not recruiting from professions may be a reflection of this reality. It may also be further evidence of the previously discussed pattern of discrimination against university-educated people in board elections and management hiring by credit unions and co-operatives.

6.4.5 Recruitment of new managers

Similarly, if managers are not developed from within the credit union, they must be recruited. Several survey questions asked about the expected level of difficulty in filling

the general manager/CEO spot if vacated, the reasons for any difficulty, and the qualifications that would be sought in a replacement. The most common response to “how difficult do you believe finding a suitable manager would be” was “somewhat difficult,” accounting for 54 per cent of responses. Only 12 per cent of respondents felt it would be “very difficult” to find a suitable replacement.

Reasons for any difficulty were ranked as follows:

TABLE 6-7: Reasons for Hiring Difficulty

Reasons	Overall ranking	Director ranking	Manager ranking
Few qualified apps.	1	1	2
Geography	2	2	1
Few applicants	3	3	3
Financial	4	4	4

Both managers and directors were also asked what qualifications or characteristics they would seek in a new general manager/CEO, rank ordering a list of eight.

TABLE 6-8: Ranking of Manager Qualifications

Qualification	Ranking
Financial services industry knowledge	1
Credit union system knowledge	2
Ability to motivate staff	3
Knowledge of member needs	4
Academic qualifications	5
Credit union experience	6
Years of work experience	7

In this ranking, as in the list of challenges credit union leaders expect to face, operational issues top the list. Understanding the financial services industry is rated more highly than knowledge specific to the credit union system, both of which rank above the people-oriented management skills of motivating staff and understanding members' needs. As to how future managers would learn these skills, the survey respondents seem to be divided between academic training and on-the-job experience, since academic qualifications ranked just above credit union experience and years of general work experience.

6.4.6 Options for leadership

The survey also asked respondents to consider options beyond the traditional hiring of a replacement manager in the event of a vacancy. The responses to these questions offer an indication of the “adaptation” principle.

The vast majority, 80.5 per cent, indicated hiring a replacement would be their first choice. If that option were taken, the first choice would be to hire a new manager from within Saskatchewan credit unions. Ranking second was to promote from within the same credit union. Hiring someone away from a credit union anywhere else in Canada ranked approximately equal to hiring a manager from a bank or other financial services entity.

TABLE 6-9: Hiring Preferences

Hiring options	Ranking	Percentage
Hire from within Sask. credit unions	1	41
Promote from within own credit union	2	33
Hire from Canadian credit union	3	9
Hire from bank or other financial services	4	8.5

As indicated by the very high percentage of respondents showing hiring a replacement as their first choice in the event of a management vacancy, other options suggested in the survey did not receive much support. The other options proposed were:

1. Contract management with CUCS. As previously described, this practice has been used for many years and is widespread in Saskatchewan credit unions. A manager is selected and supported by CUCS to manage a credit union under the direction of the local board.

2. Shared management. This practice is not widespread among Saskatchewan credit unions, but in instances where it has occurred, a manager divides his time between two separate entities, answering to two boards of directors.

3. Amalgamation of two or more credit unions. There has been considerable discussion about this idea, as previously cited, and some examples of credit unions joining together to become one entity, with one manager and one board of directors.

None of these options appeal strongly to the credit union leaders surveyed, however. Contracting with CUCS for management services ranked highest, followed by shared management. Amalgamation received the lowest level of support.

Expectation 4 not Supported

The expectation that credit unions with a lower asset base would reject amalgamation more strongly does not hold true. Cross tabulating the ranking of amalgamation against asset size categories does not result in a significant correlation. Credit unions of all sizes reject the idea strongly, with the idea given no consideration by 56 per cent of respondents, and another 25 per cent ranking it as the last among the four options (hire, contract, share or amalgamate) they would consider.

6.4.7 Preparedness Index

A number of the survey questions were grouped together to create an index of preparedness. These questions relate most closely to the indicators in the Conference Board of Canada benchmarks. These questions include ones regarding use of available training, discussion of personal retirement/career change with the board of directors, formal and informal training of current staff and board members for future leadership roles, and active recruitment of board members. In all instances, the survey responses were coded such that a higher number is associated with a more positive rating (for example, more use of training). Twelve survey questions covering these topics were grouped for the preparedness index, with a maximum possible score of 18. These included survey questions:

5. How many CUDA modules have you completed?
 - 1-3 (1)
 - 4-6 (2)
 - 7-9 (3)
 - 10-12 (4)

6. Have you taken the seminar offered by CUDGC?
Yes (1)
No (0)
7. Have you taken courses through CUIC?
1-3 (1)
4-6 (2)
7-9 (3)
Completed (4)
8. Have you taken any CUCS delegate training?
Yes (1)
No (0)
9. List any other credit union training you have taken.
Any listed (1)
None listed (0)
14. Has your future service been discussed with the board of directors?
Yes (1)
No (0)
16. Does your board actively recruit people for the board of directors?
Yes (1)
No (0)
19. Does your board have a policy on board leadership development?
Yes (1)
No (0)
20. Does your board have an informal practice of board leadership development?
Yes (1)
No (0)
22. Has your board discussed who the next CEO/GM may be?
Yes (1)
No (0)
23. Does your board have a policy guiding staff leadership development?
Yes (1)
No (0)
24. Does your board have an informal practice of staff leadership development?
Yes (1)
No (0)

The scores of managers only, which represent one response per credit union, were as follows in Table 6-10. The mean score was 6.5 out of 18, with a standard deviation of 3.445.

No credit union showed fully effective succession planning, as judged by this measure, and half ranked in the lowest third of the scale.

TABLE 6-10: Preparedness Scores (in per cent)

Score	All respondents	Managers
0-3	14.04	21.25
4-6	33.52	30
7-9	36.97	25
10-12	14.04	22.5
13-18	1.43	1.25

The distribution of scores is very similar in the larger sample as for the smaller sample. The mean was 6.6, with a standard deviation of 2.77.

6.4.8 Differences in Preparedness by Credit Union Size

When the scores for managers only are cross tabulated with credit union asset size, a strong pattern emerges. It is small credit unions that rank lowest, and the largest ones which show the highest preparedness scores.

Among those credit unions with an asset base under \$10 million, 81 per cent fell within the lowest third of the ranking. Among credit unions with an asset base of \$250 million or more, all scored at eight or higher. This pattern holds true on the larger sample (managers and directors) as well, although it is not as pronounced.

6.4.9 Breakdown of Preparedness Components

The questions used for the preparedness rating can be divided into three sections: training (questions 5, 6, 7, 8 and 9), planning (questions 14 and 16) and mentoring (questions 19, 20, 22, 23 and 24). When the responses are scored for each of these three sections, the weaknesses in overall succession planning become more apparent.

TABLE 6-11: Preparedness Components, Managers Only

Managers Only	Total	Training	Planning	Mentoring
Possible range	1-18	1-11	1-2	1-5
Min. score	0	0	0	0
Max. score	14	11	2	5
Mean score	6.575	3.7	1.55	1.488
Stand. Dev.	3.445	2.475	.992	1.252

Planning shows the highest average score within the possible range, followed by mentoring and then training, with the lowest average score within the possible range.

When the full sample of responses is examined in the same manner, the results are somewhat different.

TABLE 6-12: Preparedness Components, All Respondents

All respondents	Total	Training	Planning	Mentoring
Possible range	1-18	1-11	1-2	1-5
Min. score	0	0	0	0
Max. score	14	10	2	5
Mean score	6.63	3.315	1.46	2.025
Stand. Dev.	2.77	2.07	.895	1.19

Mentoring shows a higher average score in the larger sample, with planning having the second highest average score within the possible range, and training again the lowest among the three. This discrepancy between manager and director perceptions in regard to policy and practice of staff development was noted earlier.

Expectation 3 Supported

The relatively low scores on the preparedness questions suggest expectation 3, that there is too little attention being given to effective succession planning within the credit union system in Saskatchewan, is valid to some extent. Clearly, far more planning and action could be taken to prepare for the impending change in leadership than is occurring, according to responses to the survey questions. Yet the reason why this planning is not occurring may be shown in the response to the survey question on challenges facing credit unions. Recruiting new board members ranked seventh out of 12 suggested challenges. Hiring management personnel ranked tenth out of 12. Both through their responses to the question of challenges, to their responses regarding training, planning and mentoring,

Saskatchewan credit union leaders are indicating they do not regard succession planning as a high priority.

7. Recommendations and Conclusions

The information collected through this survey builds on past surveys of Saskatchewan credit union directors and managers, reinforcing previously identified demographic trends to a large extent, but also, for the first time, looks specifically at succession planning in a way that encompasses both the elected and appointed leadership of credit unions. It also offers new information on the level of openness by credit union directors and managers to the concepts of consolidation and amalgamation.

7.1 Ensuring Credit Unions Continue

The current survey results suggest that Saskatchewan credit union leaders are not fully meeting their obligation in a primary leadership function: that of ensuring the continuance of the enterprise. Using the Conference Board of Canada benchmarks as a guide, and as measured by the preparedness index developed to analyze the current survey, there appear to be significant gaps in planning and actions to ensure leadership for the future. Not only is succession planning a key responsibility for any business leader, it is also a legal and moral obligation upon co-operative directors who are elected to ensure continued sound management on behalf of the members.

Both internal and external forces affecting Saskatchewan credit unions make planning for future leadership vitally important. From the outside comes change: technology, globalization and demographics resulting in increased competition for financial services among a mobile population and membership. From the inside, the aging of both management and elected leadership is causing people to consider and seek out

retirement. More than 56 per cent of those surveyed expect to no longer be in the currently held leadership role by 2005. Change is coming, from within and outside. It is up to the current leadership of Saskatchewan credit unions to choose to manage how that change occurs or simply to sit back and watch it happen.

7.2 Demographic Profile: a Leadership Threat

A significant threat to the long-term viability of Saskatchewan credit unions lies in the age profile of its leaders. As the current survey shows, both elected and appointed leadership is primarily of an age group that is close to retirement age. Within five years, more than half of the leaders surveyed wish to leave that role. If this large-scale departure occurred, without development of new leaders to fill these roles, the sustainability of many credit unions -- particularly the smaller ones which face the greatest difficulty in finding new managers or recruiting new board members -- could be seriously threatened. If membership numbers remain stable, board members can be found or those currently serving can be convinced to continue doing so. Finding management personnel to serve in small communities, however, is already difficult and could become increasingly so as other services decline in rural Saskatchewan.

The current survey indicates fewer leaders among the youngest age groups. While this may be simply a reflection of the demographics of Saskatchewan, it does not bode well for the long-term survival of credit unions. An unexpected result revealed by the survey which bears further study was that smaller credit unions, most often located in smaller communities, have more young board members and managers than the larger

credit unions in larger communities. This finding is in contrast to the demographics of rural Saskatchewan, where the population is skewed to older age groups than in urban Saskatchewan. While no conclusions can be drawn from the limited information in this survey, one possibility is that boards in small communities are more in need of people to serve and thus work to break down the psychological barriers that may exist for both younger people and for women in running for credit union boards or considering a management position.

Another positive difference between the results from this survey and previous ones lies in the increased number of directors indicating an education level beyond secondary school. This should contribute to better-informed elected leadership for credit unions into the future.

Several options are available to the current leadership in dealing with the impending change among their own ranks. One choice is always to do nothing and let the situation develop as it will. The likely outcome of that would be directors who remain on boards longer than they wish for lack of new members, and the situation of too few qualified applicants for general manager positions exacerbated by increased demand throughout the credit union system. It would be a drastic situation in a community before a credit union would dissolve due to failure to recruit board members, for as the example of municipal councils and countless other boards and committees shows, there always seems to be someone who will fill the vacancy (or several within a community). Relying on the same people year after year, or on the same people for multiple roles within community organizations, however, is hardly ideal.

Another option is to look to regionalization or amalgamation of credit unions in order to reduce the number of boards and general managers required. There are many reasons both for and against this concept, and significant opposition exists to it as the current survey indicates, but it would alleviate the demand for both elected and appointed leaders by reducing the number of separate entities to be governed and managed.

The third option is to plan for succession of both board members and managers. If this is to be done effectively, the survey suggests changes need to be made in the current practices of Saskatchewan credit unions.

7.3 Weaknesses in Current Leadership Development

The survey results suggest several weaknesses in the way future leaders are currently being developed within Saskatchewan credit unions:

1. A low level of professional training among managers. While many of the managers surveyed have extensive work experience, the education level is low given the professional, highly responsible positions they hold. More training is needed if this deficiency is to be addressed. This recommendation has been made for many years (i.e. Kristjanson, 1964; Stratton, 1999), and attempts have been made through federative bodies to provide training, as cited previously, yet a gap between the level of knowledge that might be expected and what is available still exists. For this gap to be overcome, there must a willingness on the part of managers to undertake training, and a willingness by boards to reward training efforts as a part of ongoing performance appraisals.

Training for board members appears to be less of a concern. Not only did directors

show a higher average level of education than managers, they were more likely to have taken the training available, specific to credit union board operation. The onus on directors is not only to take responsibility for their own training, however, but also to seek out managers with professional training, and to encourage and reward continued education for today's managers and for those who are likely to become tomorrow's leaders.

2. Lack of mentoring among management and boards. Both board members and managers indicated a low level of policy and practice regarding development of future leaders, although board members believe there is a higher level of management development than managers indicate. This discrepancy suggests board members need to look more closely at what is happening in their credit unions as far as mentoring of future leaders and, if necessary, create policy to mandate its implementation. Since mentoring of future managers is largely a role of current senior management, there is a very important role for today's general managers, who were represented within the sample surveyed, to do more to develop skills in their subordinates and address this need.

The structure of Saskatchewan credit unions, as many separate and autonomous entities, may be an obstacle to this practice. As indicated by respondents to the current survey, when hiring a new manager, most would look not to their own credit union for an internal candidate but to other Saskatchewan credit unions. Managers often expect to move from a smaller credit union to a larger one (CUMA, 1996), and board members indicate they expect this to occur as well. There is little incentive, therefore, for either board or management to invest in training and development of a promising internal candidate if the reward is likely to be reaped by another credit union. While "co-operation

among co-operatives” is a guiding principle of credit unions (MacPherson, 1995), the economic reality of scarce resources is also a factor and may well hinder development of future management leaders. Along with the many other reasons for consideration of regionalization or amalgamation of credit unions, the ability to identify future leaders, develop their skills and promote them to positions of increasing responsibility may be more efficiently done within a larger organization rather than 143 autonomous ones. Alternately, greater co-ordination between credit unions could overcome this obstacle.

Among board members, more could be done to develop leadership skills without concern over investing effort only to see someone else gain. Policies that assign duties to a vice president in order to train that person to someday take on the presidency of the board are easily done, at no cost and can build skills for future leadership.

3. Diversity in leadership. This survey shows a continuation of a trend from previous surveys: credit union leadership, both elected and appointed, is a highly homogenous group by age and by gender. While the age grouping may simply be a reflection of Saskatchewan’s population, the grouping by gender clearly is not. This lack of diversity is in conflict with the co-operative principles underlying credit union operation, and it unnaturally shrinks the pool from which new leadership can be drawn, at a time when new leaders will be needed.

The reasons for this pattern are not conclusive and it was not within the scope of this work to investigate them, however, the change in leadership which survey respondents have indicated suggests that they, themselves, must find ways to open the doors to women and younger people. Other studies (Hammond-Ketilson, 1998) show women taking on

informal leadership roles within rural communities to a far greater extent than they take on formal leadership roles. With encouragement, this group could become an increased source of credit union leadership, both in elected and managerial posts.

4. Lack of open discussion on future plans. Of most concern is the lack of open dialogue among board members and between directors and managers regarding their own future service to the credit union system. Without an understanding of when internal personnel changes are to occur, no meaningful planning can be undertaken. Of the 56 per cent of respondents who said they intend to leave their current leadership role by 2005, 60 per cent have not discussed this idea with their board. Regarding the key positions of board president and general manager/CEO, 80 per cent of respondents said there had been no discussion regarding who the next person to fill those roles might be. Even with the limitations of this survey, due to self selection of respondents and the non-random nature of distribution, these percentages represent a significant number of Saskatchewan credit union leaders and the effects of this lack of dialogue must be considered. Talking about retirement plans for those who are considering this change, or about ambitions for those who wish to take on leadership roles, is not easy. Such discussions must occur, however, in order for effective succession planning to occur.

7.4 Limitations of the Study

While there are many similarities between the results of this survey and earlier ones cited in this work, this survey was not designed to replicate any earlier work and should not be compared directly. As well, the non-random nature of the survey distribution,

discussed in Chapter 6, should be noted in interpreting the results.

Further information could have been derived from the survey had the size of credit unions been differentiated more clearly (Questions 27-28). In addition, there appeared to be a small measure of confusion, based on comments included on the returned questionnaires, due to the inclusion of both management and board questions within one survey instrument.

The survey revealed information which offers possible topics for further study. One such topic is that of leadership within the smallest credit unions, where a higher than average number of young people and women are found as board members. This study did not foresee this possibility and thus did not ask questions which might explain why this is the case. Another topic deserving of further study is that of representation by aboriginal people on credit union boards. In keeping with the co-operative principles of including all members in the governance structure, representation of this significant demographic group in Saskatchewan would be worth monitoring.

Given that the majority of those board members responding to this survey indicated a wish to retire from a leadership role within five years, a follow-up survey at that time would be useful to offer some validation of their intentions and to measure the degree of change occurring within the leadership group.

As well, the training of managers, a topic that has surfaced many times during the history of Saskatchewan credit unions, continues to be a matter worthy of further study.

7.5 Saskatchewan Credit Unions in the Future

The importance of Saskatchewan credit unions is demonstrated every day by their work with individuals and for communities. The reasons why they were founded remain valid today, despite the tremendous changes of the past 60 years.

Their importance is also shown by the special consideration given to credit unions in the MacKay report to the federal government. A particular role is expected to be fulfilled by credit unions, according to the report: meeting basic financial services needs in rural areas, and serving small and medium-sized businesses. To help ensure their continuation, amid the highly competitive market of the financial service sector, the report recommends government policies that favour credit unions. As the MacKay report says, however, credit unions need a vision for the future that neither the task force nor government can give. Only credit union leaders, acting for their autonomous units and as a collective group can give that vision. To fulfill that task requires strong, knowledgeable and dedicated leadership, both elected and appointed, to carry the credit unions into the future.

Part of the knowledge needed by credit union leaders will be an awareness of the changes occurring around them. The reluctance to consider sharing or amalgamating, shown by respondents to the current survey and supported by the response to similar efforts in the municipal government sphere (Garcea, 2000), suggest a general unwillingness to recognize the reality of urbanization/rural depopulation in Saskatchewan. This demographic trend, combined with the other competitive factors affecting the financial services industry in Canada, will have a profound impact on Saskatchewan credit

unions in the years to come. Internal weaknesses and threats, such as the need for training and the age profile of those in leadership positions, must also be openly recognized and discussed.

Dedication to co-operative and credit union principles, belief in the value of the enterprise, and the strength to face these realities will be needed to ensure the continuation of Saskatchewan credit unions.

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Appendix:

Cover Letter to Board Presidents
Cover Letter to All Questionnaire Recipients
Questionnaire

**College of Commerce/IROB
University of Saskatchewan
25 Campus Drive
Saskatoon, Sask.**

March 30, 2000

Dear Credit Union board presidents,

Your help is needed for a research project regarding the future direction of Saskatchewan Credit Union leadership.

Enclosed are 10 copies of surveys and a letter explaining the purpose of the survey. Please distribute these to your board members. Since this is an anonymous survey, I do not know the exact number to include for each board, so simply ask that as many board members as possible fill them in and return them in the supplied self-addressed envelope.

A copy of this survey has also been sent to your general manager.

Any questions regarding this research may be directed to:

Rosemary Venne, associate professor
College of Commerce
University of Saskatchewan
(306) 966-8446

Barbara Hazelwood Gustafson
Student researcher
University of Saskatchewan
(306) 922-2150

or the University of Saskatchewan Office of Research Services, (306) 966-4053.

The return date is **April 17, 2000.**

Participation by credit unions of all sizes is crucial to the success of this research.

Thank you for your co-operation!

Barb Gustafson

**College of Commerce/IROB
University of Saskatchewan
25 Campus Drive
Saskatoon, Sask.**

March 30, 2000

Dear Credit Union board presidents, board members and managers;

Saskatchewan Credit Unions are important to the economy of our province and are especially important to the people involved in their operation -- like you and me.

For the past five years, I have served as a board member of Prince Albert Credit Union and I've also been a delegate to Credit Union Central. At the same time, I've been enrolled in the business administration program through the University of Saskatchewan. When the time came to choose a research topic to complete my university studies, a project involving Saskatchewan Credit Unions was a natural choice.

The enclosed survey is a part of that research. The purpose of the study is to determine the characteristics of current credit union board members and managers, their plans for future system participation, and the extent of planning being undertaken by credit unions to prepare for any changes. The possible benefits of this study include a better understanding by credit unions of their own leadership needs for the future.

The survey is being sent to about 1,000 board members and managers, with Saskatchewan credit unions of all sizes and regions included, according to a mailing list provided through Credit Union Central of Saskatchewan. Each survey should have a postage-paid return envelope attached, so there is no cost to your credit union to participate.

The questions included in this questionnaire are not of a highly personal nature. As a participant, you will not be identified in any way. This questionnaire will be returned to the University of Saskatchewan and the information will be held in confidentiality by the researcher and supervisor through the university.

The aggregate results compiled from the returned surveys will be shared with Credit Union Central of Saskatchewan, with the Credit Union Managers Association (CUMA) and with the Canadian Co-operatives Association (CCA), all of which have provided support for this research. As a member of the Saskatchewan credit union system, you will be able to receive the results through one or more of these means. A synopsis of the results will be shared through one of the regular publications you receive from CUCS, once the research is completed.

Participation in this research is understood to be voluntary. Return of the completed survey will be taken as consent to participate and to use the data from the survey in the manner described above.

Any questions regarding this research may be directed to:

Rosemary Venne, associate professor
College of Commerce
University of Saskatchewan
(306) 966-8446

Barbara Hazelwood Gustafson
Student researcher
University of Saskatchewan
(306) 922-2150

or the University of Saskatchewan Office of Research Services, (306) 966-4053.

The survey should take only 15-20 minutes to complete. Please fill it out, place it in the return envelope and mail it by **April 17, 2000**. Your participation is crucial to the success of this research and can help credit unions plan for a strong future.

Thank you for your co-operation.

Barb Gustafson

Survey of Sask. Credit Union leaders

Please indicate with a check mark the categories in each question that best describe you or your credit union. If you are unsure in answering a question, please skip it and continue. Answer as many questions as possible.

I. Personal information

1. Check the role(s) that fit you:

- ☐ Credit union director on local board
- ☐ President of local board
- ☐ Vice president of local board
- ☐ General manager or CEO of a credit union
- ☐ Delegate to Credit Union Central
- ☐ Director on Credit Union Central board

2. Your age:

- ☐ Under 30
- ☐ 30-39
- ☐ 40-49
- ☐ 50-59
- ☐ 60 or over

3. Gender: ☐ Male ☐ Female

4. Educational background:

- ☐ Grade 12 or less
- ☐ Some college or technical school
- ☐ College or technical school diploma or certificate
- ☐ Some university
- ☐ Undergraduate degree
- ☐ Graduate school
- ☐ Graduate degree
- ☐ Other. Please specify: _____

5. During your time with the credit union system, how many Credit Union Director Achievement (CUDA) modules have you completed?

- ☐ 1-3
- ☐ 4-6
- ☐ 7-9

___ 10-12(complete set)

6. Have you taken the seminar offered by Deposit Guarantee Corp.?

___ yes ___ no

7. If in a management position, have you taken courses through the Credit Union Institute of Canada (CUIC)?

___ 1-3

___ 4-6

___ 7-9

___ Completed program

8. If a delegate to Central, have you taken any training specifically for this role?

___ yes ___ no

9. Please list any other Credit Union system training you have taken:

II. CU Service

10. How long have you been a credit union member?

___ less than 5 years

___ 6-10 years

___ 11-15 years

___ 16-20 years

___ more than 20 years

11. How long have you served in your current role of director or manager?

___ 0-5 year

___ 6-10 years

___ 11-15 years

___ 16-20 years

___ more than 20 years

12. How long do you anticipate continuing in this role?

___ 0-5 year

☐ 6-10 years
☐ indefinitely

13. If you were to no longer serve as a director or manager, what do you anticipate would be the reason?

☐ Retirement
☐ Move to other community
☐ Change in employment
☐ Other. Please specify: _____

14. Has your future service with the credit union system ever been discussed with the board of directors?

☐ yes ☐ no

III. Leadership - Board

15. Was there a change in board membership following the last election?

☐ Yes ☐ No

16. Does your board actively recruit people to run for the board of directors for each election?

☐ Yes ☐ No

16.(a) Does your board actively recruit members of minority groups (for example, women, aboriginal people) to run for the board of directors?

☐ Yes ☐ No

16.(b) Does your board actively recruit members of specific professions (for example, accountants or lawyers) to run for the board of directors?

☐ Yes ☐ No

17. How soon do you expect a change in board leadership -- that a new president would be elected?

☐ Within a year
☐ Within 5 years
☐ Don't foresee a change

18. Has the board discussed, formally or informally, who the next president may be?

☐ Yes ☐ No

19. Does your board have a policy regarding the development of leadership skills to prepare future leaders of the board?

☐ Yes ☐ No ☐ Don't know

20. Does your board have an informal practice of developing leadership skills for future board leaders? (for example, the vice president chairs some board meetings or the annual meeting, specific tasks delegated to vice president, etc.)

☐ Yes ☐ No

Leadership - Management

21. How soon do you expect a change in management -- that a new general manager or CEO would be chosen?

☐ Within a year
☐ Within 5 years
☐ Don't foresee a change

22. Has the board discussed, formally or informally, who the next CEO/GM may be?

☐ Yes ☐ No

23. Does your board have a policy guiding the development of leadership skills for staff to encourage internal promotions?

☐ Yes ☐ No ☐ Don't know

24. Does your board have an informal practice of developing leadership skills among staff to encourage internal promotions?

☐ Yes ☐ No

25. If your present GM/CEO were to announce tomorrow that he/she intends to retire within a year, would your board seek to: (Rank in order of preference)

☐ Hire a replacement
☐ Contract with Credit Union Central for a manager
☐ Talk to neighbouring credit unions about shared management
☐ Talk to neighbouring credit Unions about amalgamation, in part to provide management

25. (a) Assuming the board decided to hire a replacement, would you seek to:

(Rank in order of preference)

- ☐ Promote from within
- ☐ Hire from another Saskatchewan credit union
- ☐ Hire from another credit union in Canada
- ☐ Hire from the financial services industry, including the banks
- ☐ Other. Please comment: _____

25.(b) In hiring a new manager, do you believe finding a suitable person would be:

- ☐ Very difficult
- ☐ Somewhat difficult
- ☐ Neither difficult or easy
- ☐ Easy to accomplish

25. (c) What do you anticipate would be the reasons for any difficulty in filling the general manager/CEO position for your credit union? (Check all that apply)

- ☐ Geography -- small community, isolated location
- ☐ Financial -- can't afford to pay a competitive salary
- ☐ Lack of applicants
- ☐ Lack of applicants with qualifications wanted by board
- ☐ Other. Please specify: _____

26. If your board were choosing a new general manager or CEO, which of the following characteristics or qualifications do you believe would be most important in that selection? (Please rank in order).

- ☐ Years of work experience
- ☐ Length of service in credit union system
- ☐ Knowledge of the financial services industry
- ☐ Knowledge of the credit union system, including regulations
- ☐ Academic qualifications (for example, candidate holds a Commerce degree)
- ☐ Ability to motivate and relate to staff in a positive manner
- ☐ Knowledge of the members and their needs
- ☐ Other. Please specify: _____

IV. Your Credit Union

27. What is the asset base of your credit union?

- ☐ Under \$10 million
- ☐ \$10 million to \$20 million
- ☐ \$20 million to \$50 million
- ☐ \$50 million to \$100 million
- ☐ \$100 million to \$250 million
- ☐ More than \$250 million

28. The main office of your credit union is located in a community of which size:

- ☐ Under 5,000 population
- ☐ 5,000-10,000 population
- ☐ 10,000-30,000 population
- ☐ 30,000-100,000 population
- ☐ More than 100,000 population

29. Which of the following do you foresee as challenges for your credit union in the next 10 years? (Check all that apply.)

- ☐ Achieving higher equity levels
- ☐ Lowering loan delinquency
- ☐ Increasing loans
- ☐ Increasing deposits
- ☐ Making operations more cost efficient
- ☐ Maintaining membership base
- ☐ Hiring management personnel
- ☐ Hiring staff
- ☐ Recruiting new board members
- ☐ Improving the relationship with the community
- ☐ Working on system initiatives (for example, the NSE)
- ☐ Encouraging more co-operation with other credit unions
- ☐ Other. Please specify: _____

30. Comments:

Please place the completed survey in the attached, postage-paid envelope and mail it.

Thank you for taking the time to complete this survey.