FEDERATIVE DECISION-MAKING SYSTEMS:
THE CASE OF CUFIS AND THE CREDIT UNION SYSTEM OF SASKATCHEWAN

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Abstract

Although innovation has been studied from many angles in the literature, one area where little research has been done is the introduction of innovation into systems of organizations, particularly federations. Much research has been conducted on diffusion of innovation, characteristics of organizational innovativeness and innovation processes but few have attempted to study how organizational systems innovate. This study begins to fill that gap in the literature. Using a case study methodology, this research examines one attempt of a federative decision-making system to create a structure that would stimulate innovation within the entire system. The particular system in question is the Credit Union System of Saskatchewan and the structural innovation was Credit Union Financial Information Services (CUFIS). The impact of organizational structure, leadership, culture and interorganizational relations on CUFIS was studied in trying to determine the innovative ability of federative systems. The data indicates that federative, co-operative structures are capable of innovation, in fact, they may encourage innovation in certain situations. However the decision-making structures present in such systems do present challenges for the models of innovatively structured organizations that the literature describes. For innovation to occur, the inherent advantages of federative structures, such as decentralization and complexity, must be fully exploited. In this way, federations, particularly co-operative federations, can build an innovative future.

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LIST OF ABBREVIATIONS

ATF1 through ATF5 -	members of Advisory Task Force
the Bank -	The Bank of Montreal
BM1 through BM5 -	Bank of Montreal staff members interviewed
CDSL -	Co-operators Data Services Limited
CEO -	Chief Executive Officer of Credit Union Central
CFP -	Certified Financial Planner
COMM1 through COMM5 -	members of credit union community
Co-op Trust -	The Co-operative Trust Company of Canada
CU -	credit union
CUC -	Credit Union Central of Saskatchewan
CUCC -	Credit Union Central of Canada
CUFIS -	Credit Union Financial Information Services
CUIS -	Credit Union Insurance Services
CUNA -	Credit Union National Association
DC1 through DC6 -	Directions Committee members
FBA -	Farm Business Analyst software program
Financial Information Centre -	Credit Union Financial Information Services
FPA -	Financial Planning Analyst software program
GM -	General Manager
GM1 -	CUFIS' first General Manager
GM2 -	CUFIS' second General Manager
ICA -	International Co-operative Alliance
SCCS -	Saskatchewan Co-operative Credit Society

SCFS -	Saskatchewan Co-operative Financial Services
STAFF1 through STAFF6 -	CUFIS' staff members (excluding the GMs)

Chapter 1 - Introduction

1.1 Introduction: The Research Problem and Motivation

Innovation is the key to success for many organizations, including those within the financial services industry. It is particularly important to credit unions because they have a history of innovation, and because they face fierce competition from banks and trust companies, among others. The competitive environment makes it important for credit unions, as well as other financial institutions, to be aware of innovations that have been pursued in the industry, this awareness becoming the starting point for new innovation. Little research, however, has been done into the topic of introducing innovation into federative decision making structures such as the Credit Union System of Saskatchewan. This study begins to fill that gap.

The long term ability of the decentralized Credit Union System to compete with the highly centralized structures of the banks is the managerial issue underlying this research. By studying one attempt by the Credit Union System to introduce innovation, this study explores strategies for federative decision-making structures to introduce and sustain innovation in order to remain competitive with more centralized, unitary decision-making structures.

A federative system is made up of autonomous organizations loosely joined together by a central administrative organization that provides services to the individual affiliates. Federative systems are characterized by a decentralized power base and consensus decision making processes.

Credit Union Financial Information Services (CUFIS) was an attempt to introduce innovation into the Saskatchewan Credit Union System (the Credit Union System or the System) and is a case study for this research. CUFIS was established by Credit Union Central of

Saskatchewan (CUC) to generate innovative ideas for products and service delivery within credit unions. Ultimately, it was to act as a catalyst that would spark change within the Credit Union System and position the System to take full advantage of existing and future changes in the financial services industry. After producing several tangible products, as summarized in Appendix 5, CUFIS was ultimately dismantled after six years of existence. Questions regarding why and what happened are still present today. The specific question that forms the basis of this research is: Was CUFIS' demise the result of factors related to organizational structure, leadership, culture and interorganizational relations within the Credit Union System?

On a more theoretical level, this study examines how innovation can be introduced and sustained within federative decision-making systems. The relationships among organizational structure, leadership, culture and interorganizational relations within federative structures are investigated with specific emphasis placed on their potential effect on the process of innovation.

Chapter One outlines the research constructs that direct the research. The history and development of CUFIS is described, followed by a discussion of the organizational context in which it functioned. The chapter then provides an overview of the financial services industry and its development from the 1960's until the mid 1980's. A description of the Credit Union System in Saskatchewan and how it was affected by these changes in the financial services industry follows. Together, these descriptions outline the environment that spurred the creation of CUFIS. The chapter closes with a summary of the findings regarding how innovation can be introduced and sustained within federative decision-making structures.

1.2 Research Constructs

The research is exploratory and iterative in nature and the specific constructs that guided the research were organizational structure, leadership, organizational culture and interorganizational relations. These constructs were chosen based on their apparent relevance to the CUFIS situation after an initial assessment of the archival documents and the literature. The constructs were also re-evaluated continually during the data analysis phase to ensure that they were the most applicable constructs for this particular research. The literature and the data collected were then grouped around these constructs in order to present the story of CUFIS beginning with its internal operations to its relationships with members of the Credit Union System in a clear and logical manner.

1.3 Credit Union Financial Information Services

In response to changes in the financial services industry and increasing competition, the Credit Union System created CUFIS to encourage the development of innovative products and services. The CUFIS model is significant because it may be one of the only attempts of its nature employed to introduce innovation into a federative decision making system[1]. This section presents a summary of CUFIS' operations from inception to demise.

In 1987, the Saskatchewan Credit Union System unveiled the results of its Future Direction Project (Credit Union Central, 1987a). Part of the Future Direction

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[1]The researcher found no other examples similar to the CUFIS model employed to introduce innovation into federative decision making systems in the literature reviewed.

Strategic Plan was the establishment of CUFIS, a wholly-owned subsidiary of Credit Union Central of Saskatchewan. Its mandate was to provide financial information services to individual members, credit unions and other co-operatives (CUFIS, 1987a; Credit Union Central, 1987b). Its major thrusts were identified as: service management , financial planning, financial information services and member education. CUFIS was to be an organizational catalyst that would bring change to the credit union system in Saskatchewan (CUFIS, 1987b).

CUFIS was established in 1987 as a stand-alone organization that was to be a three year pilot project. By 1989, CUFIS was perceived to be making a significant contribution to the System (Duggleby, 1989). Researchers from the University of Saskatchewan, contracted by CUFIS to review its operations, also agreed that the Centre was fulfilling its mandate (Dastmalchian et al, 1988; Dastmalchian and Hammond Ketilson, 1989). Demand for the Centre's services from credit unions and individual members was increasing rapidly and new products and ideas were being developed (Dastmalchian and Hammond Ketilson, 1989). One educational program developed and tested by the Centre received the Educational Program Award from the Association of Co-operative Educators, a North American-based organization that promotes education by co-operatives (unknown author, 1989). In evaluating CUFIS's effectiveness as a catalyst for change through research and development, McInnis and Hammond Ketilson (1990) found that there was support throughout the System for the continuation of CUFIS. In 1990, CUFIS' mandate was extended for an additional three years (CUFIS Directions Committee, 1989).

During 1992, however, CUFIS was moved into the Credit Union Central building and by the end of the year it had been completely dismantled without fanfare and little comment by CUC. Was CUFIS dismantled because it failed in its objective of introducing innovation into the Credit Union System, despite its tangible outputs? If so, why? This research will explore the factors contributing to developing and sustaining innovative processes within federative systems. The organizational theory concepts that may have affected CUFIS' ability to survive will be presented in the next section.

1.4 Organizational Context

The literature offers a number of theories that could explain CUFIS' demise. The need to keep the scope of this thesis workable, however, limited the number of potential explanations that could be considered. After an initial perusal of the CUFIS' documentation and the literature, four constructs were selected based on the impact they had on CUFIS' operations: organizational structure, leadership, culture and interorganizational relations. Each one is discussed in more detail below.

Two structural models used to encourage innovation within organizations were considered. These were the adhocracy and the ambidextrous design. While the adhocracy is an informal, free, unstructured type of organization that complements the idea generation process so vital to innovation, the ambidextrous organization combines this informality with the structure needed to implement innovations creating two distinct sides of the organization. Both of these structures appear to be limited in regard to the type of environments in which they are able to function. The adhocracy must be allowed to innovate without the pressures of product delivery and distribution activities. The ambidextrous organization must have adequate resources in order to keep its two organizational sides separate.

The concept of a learning organizational culture may be a factor that contributes to an environment that can nurture innovation. The openness and desire to improve that are associated with a learning organization also create the right attitudes toward innovation and the inevitable change that follows. Kanter (1985) states that change is mastered through innovation. Organizational learning does not ensure that innovation will occur or be successful, but it does foster the appropriate atmosphere for innovation stimulation.

In order to encourage a learning organization, a leader is required who believes in the value of learning and communicates her vision of continual learning through innovation and change to her employees. Transformational or charismatic leadership may be required in innovative organizational structures in order to take the place of the rules and procedures that otherwise guide operations.

In terms of interorganizational relations, the Credit Union System can be defined as a federation (Warren, 1968) which was discussed earlier. As such, the System relies on consensus decision-making which is often slow and difficult to manage. This time-consuming process may hinder innovation within central organizations in the federation because the flexibility and quick decision-making required for innovation is difficult to achieve. It may be difficult to move all organizational members of the System to agreement on a central strategy for innovation, especially if the members are significantly different from one another. However, such diversity may also stimulate spontaneous innovation at the decentralized affiliate level. As well, since the System is based on shared values, once the members do agree on a strategy for innovation, implementation of the strategy should be easier.

On the other hand, interorganizational relationships such as those that exist in the Credit Union System may increase the likelihood of conflict because of close and repeated contact. Conflict can absorb much of a leader's time, leaving little time to commit to innovation.

Institutionalization may also inhibit innovation. Institutional theory states that over time organizations become more like one another for a number of reasons.

Resource dependency (the dependency of an organization on external organizations for key resources), alternatively, may increase the likelihood of organizational innovation. In situations of scarce resources, organizations often form coalitions and relationships with other organizations, which is how the Credit Union System and Credit Union Central were initially formed. This increases the contact across boundaries, therefore increasing the complexity. From this perspective, interorganizational relationships such as those that exist within the Credit Union System increase the likelihood of innovation within organizations and organizational systems (Kanter, 1988). Paradoxically, the increased contact will result in increased conflict which may in turn reduce the likelihood of innovation.

Therefore innovation may be facilitated by a learning organizational culture, transformational leadership and an innovative structure. However, when these constructs are considered within sets of interorganizational relationships and when other influencing factors are considered, the effect on innovation is less clear.

The identified need for an organization such as CUFIS to stimulate credit union innovation was predicated by the state of the financial services industry in the mid-1980's. This industry context will be discussed in the next section.

1.5 Industry Context

In order to fully grasp the significance of CUFIS, one must understand the environment that the Saskatchewan Credit Union System faced during the mid to late 1980's. CUFIS was the System's response to the rapidly changing financial services industry in which it had to compete.

The Canadian financial services industry has traditionally been based on the "four pillars": banks; trust and mortgage-lending companies; insurance companies and investment dealers. Legislation prevented any one of the "pillars" from encroaching on the market of another. The situation is quite different today. Deregulation has blurred the boundaries between financial institutions and increased competition in the financial services industry (The Society of Management Accountants of Canada, 1993). A large portion of this change occurred in the twenty years leading up to the establishment of CUFIS.

The Canadian banking system has always accepted, in fact, expected, change to occur. The original Bank Act called for review, if not revision, of itself every ten years, recognizing that there will always be environmental changes that require banks to adapt their structures and operations (Green, 1974). This readiness for change has continued to permeate the financial services industry in Canada. It was reinforced by the Royal Commission on Banking and Finance (the Porter Commission) in 1962. The Porter Commission made recommendations designed to encourage a creative financial system that would continuously search for innovative ways to meet consumer needs (Green, 1974). The Commission also recommended creating more competition in the industry by making the powers of various lending and saving institutions more equal (Green, 1974). In the late 1960's the Bank Act was amended to remove some restrictions that had been placed on the household credit operations of banks (O'Connor, 1989). Trust and mortgage loan companies also began to pursue personal financial business by altering their structures to circumvent legislation (The Society of Management Accountants of Canada, 1993). The move toward deregulation in financial services had begun.

Over the next twenty years the financial services industry in Canada grew dramatically. As an example, in 1967 the industry employed 226 000 people and had capital expenditures totaling $459 million. In 1987 the industry employed 687 500 people and had capital expenditures in excess of $8.5 billion (Handfield-Jones and Glorieux, 1988).

Of course, Canada's economy also grew dramatically over the same time period. Real national output (GNP adjusted for inflation) nearly doubled while the population increased by 25%, this meant an increase in personal income per capita of almost 90% (Handfield-Jones and Glorieux, 1988).

This growth in income, combined with increasing urbanization, and rising levels of education that produced sophisticated investors led to an increase in the demand for financial services, and innovations in the way these services were offered. Improvements in technology also made many service innovations possible (Handfield-Jones and Glorieux, 1988).

Other factors, such as the aging of the baby boomers, double-digit inflation in the 1970's and early 1980's and the economic downturn of 1982 changed the thought patterns of investors, which changed the financial instruments they were demanding (Handfield-Jones and Glorieux, 1988).

At the same time, deregulation was continuing to occur domestically and internationalization of the industry was increasing. Both of these factors led to increased competition between financial institutions for the dollars that were held by well-educated, well-informed, cautious investors (The Society of Management Accountants of Canada, 1993; Handfield-Jones and Glorieux, 1988).

Financial institutions now had to compete in a more open market against an increasing number of competitors for a limited number of investment dollars. This forced innovation, as Chief Justice Porter had hoped it would. New types of savings accounts, new investment instruments and more flexible loans have resulted. As well, financial institutions began spending large amounts of money on campaigns promoting their products and services.

For the average individual, regardless of how educated, the result was confusion. Often, people wanted advice on the correct mix of investments for their purposes, or how to balance debt payments and investment. In response, personal financial planning arose as a service in itself. Many institutions began offering this service to consumers as another way of marketing their products.

Because they fall under provincial jurisdiction, individual credit unions are not affected directly by changes to The Bank Act (Credit Union Central, 1994). However, as financial institutions they are affected by what their competitors do in light of changing legislation. As banks, trust companies, investment dealers and insurance companies all began to pursue the household credit market, credit unions began to feel the pressure of competition.

Locally, the Saskatchewan economy experienced extremely hard times throughout the 1980's and early 1990's as a result of drought, low wheat prices and low commodity prices (Ewins, 1991; Knisley, 1993). This was felt by the Credit Union System. Recession meant fewer dollars in the hands of credit union members and therefore, fewer dollars in the credit unions.

It was in the midst of this competition, consumer confusion and economic recession that CUFIS existed. It was intended to provide straight information to members regarding savings and investments while attracting new members and maintaining the Credit Union System's position on the leading edge of service and product innovation. We will now turn to a more detailed discussion of the Credit Union System of Saskatchewan.

1.6 The Credit Union System in Saskatchewan

Credit unions have long held an important place in the lives of the people of Saskatchewan and, therefore, within the provincial economy. The structure, size and nature of the network of credit unions that make up the Saskatchewan Credit Union System must be understood in order to understand CUFIS' successes and failures.

Credit unions are unique financial institutions in that they are co-operatively organized and operated. This means that they are owned and controlled by the members they serve. Individuals can purchase one, and only one, share in their local credit union. This gives them member status and the right to vote for the board of directors. The board of directors hires management and oversees credit union operations in keeping with the needs and desires of the membership. Members can also have direct input into the operations of their credit union by attending and participating in annual meetings or running for a position on the board of directors.

Local credit unions in this province are organized into a federation with CUC at the hub. Local level credit unions own CUC. They exercise ownership and control of CUC by nominating delegates who represent the credit union membership at delegate meetings and the CUC annual meeting. From amongst themselves, the delegates from each district select a director to represent them at the CUC Board Table. Delegates and directors bring forward the ideas and concerns of the people they represent regarding CUC's operation and policies (Credit Union Central, 1986).

Credit unions capitalize CUC by holding 1% of their assets as share capital in CUC. They are also legally required to deposit a certain percentage of their deposits with CUC, plus pay dues and fees for other services (Credit Union Central, 1992). In return, CUC offers many centralized services to credit unions. These services are either impossible for local credit unions to provide for themselves or are more economical when centralized due to economies of scale.

This large, democratic structure creates a complex set of interorganizational relations that affect the way credit unions operate. If CUC wishes to implement a new program or service, it must first gain the support of the credit unions and their members through the board of directors. This can be a long process of negotiation and consensus-building. Conversely, if a credit union wants to implement a new program or service, it may need expertise or financial support from CUC. If CUC provides a certain service to one credit union, it must be prepared to provide it to other credit unions if requested.

Democracy within the system is representative based on size of credit union, however, a large credit union will not automatically get its way when it comes to decisions within the System. This is because there are not as many large credit unions as small credit unions. Several smaller credit unions may form a coalition which will ensure that they get the decision they desire.

Prior to the development of CUFIS, the Saskatchewan Credit Union System engaged in research and development through the research department of Credit Union Central. Ideas would be generated and tested through pilot projects that included credit union representatives and CUC employees (Credit Union Central of Saskatchewan, 1984). Individual credit unions also engaged in their own research and development activities. A great deal of the initial generation of innovative ideas (Kanter, 1988) can be attributed to the diversity of credit union membership and the amount of contact that occurs within the System between staff, elected representatives and members.

The size and tradition of the Saskatchewan Co-operative Movement, specifically the Credit Union system, and its impact on the provincial economy make it a logical starting point for research on credit union innovations. Co-operatives have significantly contributed to the socio-economic development of the province during this century (Simbandumwe et al., 1992). As an example of their impact, two co-operatives are currently the largest two corporations in the province (Saskatoon Star Phoenix, 1996). In addition, in 1996 there were 163 credit unions in Saskatchewan serving 558 000 members through 340 branches and service outlets with assets totaling $6.19 billion (Canadian Co-operative Association, 1996). This membership number indicates that half the population of Saskatchewan are members of a credit union.

With a history of service developments such as ATM's, payment cards, point of sale terminals, and teleservice (Credit Union Central of Saskatchewan, 1987b; Eggertson, 1993a) that has been inspired by committed and visionary leadership (Eggertson, 1993b; Purden, 1980; Clements, 1965), it can be argued that Saskatchewan has one of the most innovative credit union systems in Canada. This history and tradition is what gave rise to the concept of CUFIS and makes this research important and relevant. The findings of this research are discussed in the next section.

1.7 Summary of Research Findings

The iterative analysis of the archival and interview data as it related to the research constructs revealed the following conclusions about CUFIS' organizational structure, culture, leadership and interorganizational relationships.

1.7.1 Organizational Structure

CUFIS, while innovative and unique, was not without its limitations. In studying CUFIS through interviews and analysis of documents, several problems associated with CUFIS' structure, leadership, culture and interorganizational relationships were identified. These problems and what they say about innovation within federative decision-making systems will be presented in this section.

CUFIS was structured as an adhocracy but was almost immediately required to not only generate and test ideas but also deliver and support their products and services. As a result, the organization became an ambidextrous, or dual structure, which was a challenge to sustain due to limited human and financial resources. CUFIS was not able to support the marketing and distribution of their products as well as maintain their research and development focus.

The idea of a research and development organization to stimulate innovation within the System was a good one. However, the structure that was chosen to operationalize this idea was not effective. In further analyzing the federation, it would appear that it is not possible for any organization that is not a central administrative body or an affiliate to exist within a federative decision-making structure. An organization that is not an independent affiliate or directly owned and controlled by the affiliates does not seem to be able to generate the support it needs to survive.

1.7.2 Organizational Culture

Culturally, CUFIS tried to be a learning organization[2] but it did not have the transformational leadership necessary to energize staff members and lift them above the psychological and physical limitations that their relationship with CUC created. CUFIS needed a leader who could stand up to the Directions Committee, create a strong vision for the organization and then sell that vision to staff, CUC and the System. As it was, the Directions Committee maintained control of the direction of CUFIS and gradually lost interest. They spent less and less time providing the direction that CUFIS desperately needed. This lead to uncertainty within CUFIS about what they should be doing.

It is difficult for a central organization within a federative system to maintain a learning culture due to the limiting assumptions that are almost guaranteed to exist. Senge (1990) identifies the lack of limiting assumptions, or the belief that anything is possible if approached in the right way, as a necessary component of a learning organization. It would be difficult for the employees of an organization that is almost

[2]CUFIS predates the current popular management literature on organizational learning, therefore CUFIS' design may have been based on some intuitive understanding of the relationship between innovation and organizational learning and not on the specific normative model used in this research.

completely controlled by external organizations to develop and sustain this limitless attitude.

1.7.3 Leadership

With regard to leadership, it seems that the visionary and charismatic leadership that CUC experienced through its Chief Executive Officer (CEO) inhibited the development of an effective transformational leader in close proximity to himself, specifically, within CUFIS. The CEO's leadership style, while brilliant and beneficial in many ways, was also dominating and somewhat autocratic. This style is what created CUFIS to begin with and it is what deprived CUFIS of the opportunity to experience the leadership that it needed.

1.7.4 Interorganizational Relations

CUFIS departed dramatically from the historical patterns for success that the System had experienced with a decentralized research and development approach. Perhaps CUFIS could have been structured to incorporate more decentralization by forming linkages to different credit unions for different projects. With such a structure, expertise and manpower needed to facilitate and enhance existing research activities could have been provided. This could also help ensure that the ideas for new products and services come directly from the members through the credit unions.

The federative structure, while complicating innovation in the CUFIS case, is actually an effective structure for encouraging innovation. The diversity and complexity that exists is likely to stimulate innovation at the affiliate level. As well, the proximity of the affiliates to their customers and their local market makes them more sensitive to the needs and wants of the people they serve. However, the innovation must come from the ground up; idea generation, development and implementation can not be centralized.

Indeed, such a structure does not inhibit the credit unions from competing with the banks in any way. In fact, it should be an advantage. The banks do not have the same degree of local focus or closeness to their clients. While they do their best to determine and meet client needs, their structure simply does not allow them the same kind of sensitivity that the credit unions possess. This is the point on which the credit unions should be competing. They have the ability to better identify member needs and develop and implement programs, through innovation, to meet those needs in a timely fashion. Credit unions can compete effectively, as long as they remember that the most important thing is not what their competition is doing, but what their members want them to do.

Overall, this research indicates that operational adhocracies as well as non-affiliate and non-central organizations are challenged to survive within federative decision-making structures; visionary leaders are less likely to encourage the development of other strong leaders within their organizations and, due to the presence of limiting assumptions, learning cultures are difficult to develop in organizations that lack a strong mandate and are directed by external organizations. In conclusion, federations are capable of supporting innovation. To do so they need to develop a decentralized, non-traditional structure that recognizes the importance of the democratic structure thus departing from those presently identified in the current literature.

1.8 Chapter Outline

Chapters Two and Three will discuss the theoretical foundations of this study. Chapter Two addresses the co-operative literature, including the co-operative and credit union principles and history that have help define these organizations. Chapter Three presents organizational theory literature in the areas of structure, leadership, culture and interorganizational relations. Chapter Four provides the case study methodology and specific techniques used in collecting, analyzing and presenting the data. Chapter Five presents a case study that tells the story of CUFIS, analyzes the data on CUFIS' structure, CUFIS' leadership, CUFIS' culture, CUFIS' relationship with CUC and CUFIS' relationship with the credit unions, and presents the findings of this analysis. Chapter Six summarizes the tensions arising from the data, explains implications of the findings for organizational theorists and credit union and co-operative practitioners followed by the limitations of the study and areas for future research.

Chapter 2 Co-operative Literature

2.1 Introduction

It would be impossible to conduct research on any co-operative organization without first understanding what a co-operative is and how they have developed over time. This chapter presents a definition of co-operatives, explains the values and principles that drive them and the history of their development. Democratic theory and its relevance to co-operatives is discussed followed by an explanation of the "co-operative system" (Böök, 1992) and the various types of co-operatives that exist. The focus then narrows to discuss credit unions and their development over time. More specifically, the Saskatchewan Credit Union System is described followed by a discussion of the development and existence of Credit Union Financial Information Services (CUFIS). The chapter concludes with a summary of co-operative history and the challenges currently facing many co-operative organizations.

We will start with the information most fundamental to any deeper understanding, a definition of co-operatives.

2.2 Co-operatives Defined

The International Co-operative Alliance defines a co-operative 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: 10).

Co-operatives are organizations based on the co-operation of groups of people trying to achieve common social and economic goals in a democratic way. People form co-operatives when they simply can not achieve their goals independently (Fairbairn, 1991).

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 in order to survive (Simbandumwe et al., 1992). 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 (MacPherson, 1995). Co-operatives are associations of people, not capital, and they are organizations that are in business primarily to meet the needs of their members, not to make a profit (Böök, 1992).

Co-operatives are based on certain values and their operational decisions are guided by specific principles. These values and principles help further differentiate co-operatives from investor-owned and government organizations and also provide a unifying identity for the world wide co-operative system. The co-operative values and principles will be discussed in the next two sections.

2.3 Co-operative Values

The previous definition provides the structural basis of a co-operative but it needs to be supplemented with a discussion of the values that underlie the relationships between a co-operative and the community at large, its members and other co-operatives (Böök, 1992).

Co-operatives were, and still are, formed to improve the lives of their members. It is only logical that the founders and members of co-operatives know what life improvements they are seeking based on the values that they share. These values form the foundation and the explanation for co-operative organizational structure. They are the manifestation of people's desire for a better way of life and they must be in existence before any principles or democratic structures can be considered.

As background research for "The International Co-operative Alliance Statement on the Co-operative Identity", in 1992 Sven Åke Böök identified a basic framework of concepts which have long been associated with co-operation and with co-operators (people involved in co-operatives). He divided them into basic ideas and ethics, ideas being attached to the concept of co-operation and ethics being attached to those people who practice co-operation. The basic ideas were equality, equity, liberty, mutual self-help, social emancipation, altruism, economy and internationalism. The ethics identified were honesty, humanity and caring, solidarity and mutuality, responsibility and fidelity, justness and fairness, democratic approach and constructiveness (Böök, 1992).

In 1995, the member co-operatives of the International Co-operative Alliance (ICA) streamlined Böök's ideas and ethics into the following statement of values: "Co-operatives are based on the values of self-help, democracy, equality, equity, and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others" (International Co-operative Alliance, 1995: 3).

This statement attempts to consolidate the influences of the many belief systems that have affected co-operatives and co-operative development around the world. The value of self-help is one of the most pervasive characteristics of co-operation. It recognizes that people are better off if they can help themselves, but often they can not do so without the help of others (International Co-operative Alliance, 1995). Equality is the basis for the democratic structure of co-operatives: one member, one vote, with no one able to gain more at the expense of others. Flowing from this is the equity that permeates the reward and social structures of co-operatives and the solidarity that prevents the development of self-interest and presents a united front to the world (International Co-operative Alliance, 1995).

The second half of the values statement defines the ethics of co-operators. Co-operators have a special relationship with their communities and strive to be socially responsible while exhibiting honesty, openness and genuine care for other people (International Co-operative Alliance, 1995).

As stated above, the co-operative values explain the philosophy behind the co-operative structure. They provide the ideal to be reached for in everyday operations. The values also significantly differentiate co-operatives from other business organizations in the way the values affect decision making.

The co-operative principles that have been developed within the context of the co-operative values will be discussed in the next section.

2.4 Co-operative Principles

The principles define what it is to be a co-operative and who qualifies as a co-operative. More importantly, they provide guidelines for organizations to follow in their attempt to bring the co-operative values to life in operational decisions and actions.

The original principles on which the Rochdale Equitable Pioneers' Society was founded were:

1) democratic control, one member, one vote
2) open membership
3) fixed or limited interest on capital invested in the society
4) distribution of surplus to members in the form of dividends in proportion to their purchases
5) cash trade only
6) sale of only pure and unadulterated goods
7) education of members in the co-operative principles and mutual trading
8) political and religious neutrality (Cole, 1944).

These principles were designed to allow anyone to join the co-operative and benefit from its unique attributes without allowing one person to have more control than another. The organization was not designed to make profits for a few but to make life better for many. This concept and these principles captured the imagination of working class people around the world.

The co-operative movement, like all things, is not static. It grows and adapts to changes in business, technology, knowledge and philosophy around the world. In order to do this, the movement must redefine itself every so often. The International

Co-operative Alliance (ICA) redefined the principles in 1937, in 1966 and , most recently, at the ICA Congress in 1995 (MacPherson, 1995).

The new principles do not differ in underlying philosophy. What differs is the way the principles that embody the philosophy are interpreted in light of current events. Co-operatives are faced with new and different challenges and must be able to respond to these challenges in positive and productive ways. "There will never be one final and definitive list of co-operative principles, because co-operatives are a living movement in a changing world" (Fairbairn, 1994: 36).

The new principles are:

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).

The most noteworthy changes to the principles will be discussed in more detail.

The first principle was changed to include the concept of voluntary membership. People must choose to belong to a co-operative because they believe in the idea. The concept of mutual self-help does not work if the individuals involved do not believe in its virtues. As well, co-operatives require involvement which is unlikely to occur if people are forced to join (International Co-operative Alliance, 1995). This is a serious issue because co-operatives rely on the involvement of their members for survival. In countries where co-operatives have been started "top down" and membership mandated, the task of encouraging member involvement will be difficult. However, long term co-operative sustainability requires that it be done (MacPherson, 1995).

The "democratic member control" principle refers to the "one member, one vote" ideal but also carries this forward to ensure that co-operative organizations at all levels are organized democratically. This recognizes the complex interrelationships that exist within the co-operative system and ensures that democracy is not forgotten at any level. It also allows that above the primary level, control need not be "one member, one vote" (International Co-operative Alliance, 1995).

The "member economic participation" principle states that members contribute equally to the capital of their co-operative and they also control the capital in a democratic manner. This has always been the case in co-operatives but this revised principle now allows unspecified interest to be paid on certain capital contributions (International Co-operative Alliance, 1995). This means, people may invest in a co-operative to make money. This change allows co-operatives a great deal more freedom in raising capital (Fairbairn, 1994). In fact, the true ramifications of this change have yet to be seen.

The "autonomy and independence" principle states that co-operatives are autonomous organizations that may enter into agreements with non-co-operative organizations (including governments) or raise capital outside of their membership. However, they must ensure that democratic control is maintained by their members and their co-operative autonomy is not compromised (International Co-operative Alliance, 1995). This is an area that is open to interpretation by the individual co-operatives. They must decide how far they can go before they are jeopardizing their co-operative autonomy and the democratic control of their membership. The International Co-operative Alliance may have to clarify this principle in the future by specifying what still constitutes a co-operative organization.

The last three principles reaffirm actions that co-operatives must take in order to ensure their survival and the survival of the communities they serve. Co-operatives must take a more proactive approach to educating the general public on the benefits of co-operation. At the same time, they must co-operate amongst themselves in order to ensure they become as efficient and strong as they can be. All of this must take place within the context of the "concern for community" principle because if a community does not develop and grow, neither do its co-operatives (International Co-operative Alliance, 1995).

When the definition of a co-operative organization is considered in conjunction with the co-operative values and principles, the picture of what a co-operative is becomes more clear. However, in order to more fully understand exactly what a co-operative is and why it behaves as it does, it is important to understand where the idea began, how it grew to become the international movement that is visible today and how all of these factors have affected the specific co-operative structure and environment that are the focus of this study.

2.5 History of Co-operatives

As far as we know, co-operation as an organizational form was first attempted by workers on the dockyards of Woolwich and Chatham in England. They founded a co-operative corn mill in 1760 to combat high prices charged by monopolistic corn mills (Cole, 1944). Co-operative stores were founded in Scotland in 1769 and England in 1795 (Cole, 1944). These first co-operative experiments were isolated and did not survive. The idea was not followed up and it remained dormant until the upheaval of the late Industrial Revolution prompted people to turn to the concept of mutual aid to survive.

The Industrial Revolution was a period of social and economic change as the traditional cottage industry style of manufacturing gave way to the capital-intensive factory system of manufacturing (Bonner, 1970). There were great changes during which some people made a great deal of money while some people found only extreme poverty, exploitation and inhumanity (Cole, 1944). But for all, the instability of the social order created feelings of uncertainty. In addition, the population was growing and there was a great migration of people from rural to urban areas in an attempt to improve their financial and social situations (Bonner, 1970).

In these uncertain times, the working class began to fight for things that would improve their lot. There was a great deal of political activity as they demanded universal suffrage, freedom of speech, freedom of the Press and freedom of association as well as the abolition of privilege. The "common" people had an idea of what democracy could and should look like and they were prepared to fight for it. This increased the insecurity as there were numerous protests and public disturbances throughout the years from 1799 to 1830 (Bonner, 1970). People saw their previous way of life disappear as social and economic norms and values shifted while in their future they could only see uncertainty. A fair and equitable society was only a rosy dream for most.

Robert Owen saw this despair and introduced policies at his New Lanark mill that protected his employees from misery and slavery. He believed that people were greatly affected by their environment so he attempted to provide a better environment that would result in better people. When his mill continued to be successful he determined that the principles of fairness and equality were not in opposition to good business practice (Cole, 1944). He began to preach these ideas and his vision expanded to the concept of the "New Moral World" made up of "Villages of Co-operation" which would provide the solution to the current societal problems. He founded a co-operative community that did not survive, but his ideas had been heard and had made an impact (Cole, 1944). Other people followed up on his ideas and other co-operative communities were founded.

The 1840's brought even worse times for the working class people. The labour supply was huge creating fierce competition for jobs, which drove down wages and increased unemployment. As well there were poor harvests and trade disruptions that caused great hardship (Cole, 1944). It was out of this despair that co-operation as a movement was to finally take shape.

In the northern industrial town of Rochdale conditions were the same as everywhere else in Britain. There was hunger, exploitation and despair. There was also a very high level of religious and political unrest as people protested the inequalities that existed in society. Amongst all of this, a group of weavers banded together to form the Rochdale Society of Equitable Pioneers.

The Equitable Pioneers' Society opened a store to supply the basic necessities of life at reasonable prices. The goal was to then expand into co-operative production and housing, then eventually form a co-operative colony in keeping with Robert Owen's ideas. The Equitable Pioneers' were founded on the following ideas: democratic control, one member, one vote; open membership; fixed or limited interest on capital invested in the society; distribution of surplus to members in the form of dividends in proportion to their purchases; cash trade only; sale of only pure and unadulterated goods; education of members in the co-operative principles and mutual trading, and political and religious neutrality (Cole, 1944). These principles were to become the foundation for an international co-operative movement, as discussed in the preceding section.

From there, the co-operative movement gained legal status, a federal wholesaling society of co-operatives was established and the first modern co-operative congresses were held. The Co-operative Union was founded and a powerful British movement was formed (Bonner, 1970).

In Canada, there were several co-operative experiments prior to 1900 including the mutual insurance companies formed by farmers in eastern Canada and the co-operative creameries started in Ontario, Quebec and the Maritimes during the 1870's and 1880;s (MacPherson, 1979). The caisse populaire idea was brought to Quebec by Desjardins around the turn of the century (Clements, 1965). These organizations proved that the co-operative structure could be successful, laying the foundation for the 1900's.

The first truly successful, large scale co-operative enterprises were formed by farmers. On the prairies these farmers were rallying against exploitation by powerful railroads, banks and grain merchants from eastern Canada (Fairbairn, 1989, MacPherson, 1979). Grain growers associations were formed in the soon-to-be provinces of Saskatchewan and Alberta as well as Manitoba from 1901 to 1903 to act as educational and political (lobbying) organizations. Other co-operative organizations (e.g. the Grain Growers Grain Company and the Saskatchewan Co-operative Elevator Company) were founded to market agricultural commodities and provide necessary services. Despite the growing popularity of co-operatives federal legislation on co-operatives was not passed and the movement remained fragmented and under provincial control (MacPherson, 1979).

By 1914, the western Canadian co-operative movement was characterized by an ethical purpose (MacPherson, 1979) and backed by provincial legislation passed by 1913 (Fairbairn, 1989). The ethical purpose was to improve the standard of living and social situation of members as well as to elevate the moral tone of society. It was also a predominantly rural movement. It was felt that co-operation was the means of protecting local communities from the evil influence of urbanization (MacPherson, 1979). What began as a practical and logical means of meeting people's needs (Fairbairn, 1989) was developing into a philosophy.

Until the 1920's the western co-operative movement was producer and marketing oriented. The large, centralized marketing co-operatives were most visible while the development of local and consumer co-operatives was neglected. This resulted in a drop in the overall number of co-operatives in Saskatchewan during the early 1920's. In 1928, the Saskatchewan consumer co-operatives began to work together by founding their own wholesale (Fairbairn, 1989). Co-operators had learned that they could not survive in isolation, they needed each other if a sustainable movement was to be founded.

The Co-operative Union of Canada, founded in 1909, took on increasing importance under the guidance of George Keen (Fairbairn, 1989). The Union and Keen played a key role in advising consumer co-operatives and providing a means of communicating co-operative success and failures. During the 1930's the Union expanded its mandate from a federation of consumer co-operatives to include other types of co-operatives (Fairbairn, 1989).

Meanwhile, in 1923, farmers in Saskatchewan banded together to form the Saskatchewan Wheat Pool (Fairbairn, 1984). The Wheat Pool gave farmers control of their grain-selling operations so they could ensure they were treated fairly and with respect. After the Pool purchased the Co-op Elevator Company in 1926, it became the dominant delivery and grain marketing presence on the prairies and one of the largest in the world (Fairbairn, 1984).

The drought and depression of the early 1930's forced many co-operatives to retrench but very few collapsed during this difficult time. This showed the resilience of the co-operative structure. Co-operatives, as a whole, became more aware of economic issues than they had been during the prosperity of the late 1920's (MacPherson, 1979). This heightened awareness helped co-operatives realize that independently they were not strong. The groundwork was laid for the uniting forces of the late 1930's.

As co-operators watched the European situation in the late 1930's, they feared that democracy itself was threatened. Coupling this feeling with the needs of the Depression created an awareness of the importance of joint action. This recognition of the need for co-ordination was especially prevalent in Saskatchewan where the hard times had been very hard and utopian ideals of unity were strong in response. The major co-operatives in the province formed their own section of the Co-operative Union of Canada and began a co-operative education and promotion campaign facilitated by the Wheat Pool's field men (MacPherson, 1979). The provincial government was also very involved in the activities of the section, promoting communication and co-ordination. Many new co-operatives were formed and credit unions made their first appearance. All this activity resulted in the strong, well-led, well financed movement that emerged in Saskatchewan in the late 1930's (MacPherson, 1979).

World War II diverted a number of co-operators from the movement for its duration. On the other hand, the fight for democracy and fairness strengthened their belief in and loyalty to the co-operative movement (MacPherson, 1979).

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 (Laycock, 1990). From the 1950's through the 1970's, 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 (MacPherson 1979). 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 (Laidlaw 1980a; Fulton, 1990).

So the Saskatchewan Co-operative System of today was born. It grew out of a decentralized, community-based movement that was created in the 1930's and 1940's. It has strong ideals and values that must now be adapted to a much different business environment. Business is now characterized by large, bureaucratic organizations that tend to be very centralized. Co-operatives, with their tradition of decentralization, participation and social mandates have adapted themselves to fit the corporate climate. In fact the two largest companies in Saskatchewan in 1996 were co-operatives (Saskatoon Star Phoenix, 1996).

This has further outlined the duality of purpose. Co-operatives want and need to continually improve services to their members while at the same time remaining financially fit. To this end, some co-operatives have attempted to adapt their structures to encourage innovations in products and services that will attract and retain members. However, innovation is a long term investment and the business climate often calls for immediate results. It is possible that such innovative structures may not be able to survive because of pressure from the system. A history of participation, a bureaucratic reality and an impatient membership may make innovations in organizational structure very difficult to sustain.

It may be argued that the conflict caused by competing economic and social goals places a great deal of pressure on present day co-operative organizations such as CUFIS. Even though the organization served a useful purpose, it felt the pressure to continually justify itself financially.

Co-operatives work to improve the lives of their members because a co-operative does not exist without its members. Members must participate in the governing of their co-operative in order for it to survive. The issues of democratic participation and democratic theory can have a great affect on the actions of co-operative organizations. These issues will be discussed in the next section.

2.6 Democratic Theory

Democracy is one of the cornerstones of the co-operative ideal, and will greatly affect the way co-operatives behave. But there are different theories of democracy and each theory explains a different type of behavior.

Carole Pateman (1970) argues that the contemporary political theory is not centred on participation of the people, but on the participation of the "elite". This theory also counts on the non-participation of the ordinary man. Too much participation is actually dangerous. The theory assumes that ordinary people are apathetic and uneducated in the political sphere and if they were to begin participating in a large group, the stability of the entire system would be threatened. The "best" people might not be elected and uninformed decisions would be made in government that would not be in the best interest of the state. This is a marked departure from classical political theory which is the participatory theory of democracy. In the participatory theory, people are given the opportunity to contribute, in fact they are expected to participate, and this is how they become educated on the issues (Pateman, 1970).

In theory, co-operatives function on the participatory model of democracy. Members own the co-operative and are expected to contribute to its operation. This is one of the reasons why co-operatives play a very important role in society. If people are encouraged to participate in co-operatives and are educated on issues affecting them, they are more likely to participate on a larger scale in society (Laidlaw 1980b). This is one of the biggest attributes that separates co-operatives from other types of organizations

In practice, most co-operatives, especially the large ones, function using a representative model of democracy (The International Joint Project on Co-operative

Democracy, 1995) that is an evolution towards Pateman's contemporary theory of democracy (participation of the elite). This leads to a whole set of issues related to whether or not co-operatives actually behave consistent with the needs and wishes of their members.

Such an evolution occurs because, over time, people become complacent about their democratic abilities, or they come to believe that no one cares about their point of view. If no one is there to continue to push people to participate, to ask them their opinions, they will simply leave the politics up to their representatives .

In order to avoid this, the representative structure needs to be continually revitalized. This revitalization process involves ensuring that elected representatives understand the needs of the members, ensuring elections are contested and that candidates represent a cross section of the membership (The International Joint Project on Co-operative Democracy, 1995). It may also be necessary to create additional channels for member participation outside of the formal governance structure (The International Joint Project on Co-operative Democracy, 1995).

There are some theories that state that this battle to maintain democracy over time will not work. Robert Michels' Iron Law of Oligarchy states that due to a combination of psychological, political and organizational imperatives, organizations, however democratic to begin with, inevitably become bureaucratic and oligarchical (The International Joint Project on Co-operative Democracy, 1995). This is what co-operatives have to avoid. But the question becomes how can they avoid becoming more bureaucratic? They must survive in this capitalistic marketplace. But they must also remain co-operative and not lose sight of their social purpose. The economic and social purposes must somehow be balanced.

This duality of purpose may lead co-operatives to have structures that are inconsistent with the structure demanded by their industry (Fulton, 1990). This makes it more difficult to compete in some cases, but is also an opportunity to innovate and create new, more effective structures. Structure can be linked back to democracy and member participation (Brown, 1985). Leslie Brown (1985) determined that the higher the degree of consistency between ideology and structure and process, the higher the average member participation. If a co-operative "practices what it preaches" its members will believe in the organization and want to participate, maintaining its democratic identity.

Employee participation is also a way to increase the democracy of co-operatives. Employees have a commitment to their co-operative that goes beyond their commitment as members. Their knowledge is there to be nurtured and shared through democratic management techniques (The International Joint Project on Co-operative Democracy, 1995). However, co-operatives must prepare their employees, and members for the participation that is required of them by providing education on co-operatives and participatory democracy. The co-operatives themselves must also prepare for the consequences of participation. They must decide what forms of participation are to be facilitated and encouraged, by whom and how this is to be accomplished (The International Joint Project on Co-operative Democracy, 1995). Such participation will cause tensions within the co-operative that must be balanced by management, with the board of directors providing overall policy and visionary guidance (The International Joint Project on Co-operative Democracy, 1995).

In an age of individualism, it is an ever increasing challenge for co-operatives to stimulate and maintain member participation. It is, however, vital that they do so as it is one of the most visible ways that co-operatives differentiate themselves from private and public organizations (The International Joint Project on Co-operative Democracy, 1995). The contemporary theory of democracy must not be allowed to permeate the co-operative structure, participation must be sought and encouraged. It is this pursuit that often explains the behavior of co-operatives in our present society.

In attempts to maintain member participation and the democratic value, co-operatives may adopt different organizational structures. These structures may also change a great deal over time as co-operatives experiment with what works best for their members in their current environment.

CUFIS had a unique opportunity to help develop employee and member participation through its innovations. If it had been able to do this, it may have become more relevant to the System and might still be around today.

In order to facilitate the pursuit of participatory democracy, co-operatives have banded together in particular ways to provide support to each other and increase the strength and presence of the co-operative movement. This "co-operative system" will be discussed in the next section.

2.7 Co-operative System

"Co-operation among co-operatives" is the catch phrase, and the principle that underlies the functioning of the co-operative system. As mentioned in the previous section, co-operatives co-operate with each other and share information in hopes of encouraging and sustaining democracy (The International Joint Project on Co-operative Democracy, 1995). They also band together in order to increase their strength. Just as individuals join together in co-operatives to achieve things not independently possible, co-operatives join together to form linkages that allow them to achieve things not independently possible.

Sven Åke Böök (1992) identifies four concepts associated with "co-operation among co-operatives": the co-operative movement; the co-operative federation; the co-operative sector and the co-operative network. The Co-operative Movement is an organization for social change based on democracy and participation (Böök, 1992). The Movement is vast in scope, encompassing co-operatives around the world and is a more abstract philosophical association of co-operatives. In order to survive, the Co-operative Movement must continually redefine itself within the contemporary society by adjusting aims, goals and participatory structures (Böök, 1992).

The co-operative federation is one of the most common linkage structures among co-operatives and is often referred to as a "system". Co-operatives maintain their autonomy but delegate some activities to a central body in order to obtain economies of scale, specialization and a larger presence in the economy. Federations share common aims and ideas that the central body strives to attain (Böök, 1992). The federation as an interorganizational network will be discussed further in Chapter 3.

The co-operative sector is similar to a federation but is organized in a less formal manner. There are shared values that may result in collaborative projects but there may not be a central administration. The sector provides strength based on a common identity (Böök, 1992). The co-operative network is even less formal than the co-operative sector in that it does not have a common body joining the network together (Böök, 1992). It is simply a set of contacts and communications between co-operatives that results in shared information and some collaborative projects.

So it becomes obvious that the co-operative system is a complex set of relationships that exist between and among co-operatives. Co-operative organizations may own other co-operatives which may own other co-operatives, making it difficult at times to remember exactly who is being served. It also means that co-operatives are seldom in the position of making decisions that affect only themselves. The repercussions of co-operative decisions, made by consensus or not, are felt throughout the co-operative system which means that decisions are often influenced by external parties. This leads co-operatives to seek more input before making a decision and may explain why many co-operatives will have representatives of other co-operatives sitting on their boards of directors (Rose, 1981).

CUFIS was part of a complex set of interorganizational relationships that involved CUC and the credit unions as well as Co-op Trust, The Co-operators, Co-operators Data Services Limited and CUIS (Credit Union Insurance Services). Some of the issues this system created will be discussed in detail in Chapter 3.

This interconnectedness is part and parcel of the co-operative system. It is a result of the overall

Co-operative Movement, co-operative federations, co-operative sectors, co-operative networks and the independent co-operatives that these structures are designed to link. Our discussion will now move to the various types of co-operatives that exist within this complex and intertwined system.

2.8 Types of Co-operatives

There are five distinct traditions that make up the worldwide co-operative movement: 1) consumer, 2) worker, 3) agricultural, 4) service, and 5) financial or credit.
Consumer co-operation is possibly the most recognized tradition, developing from the

pioneers of Rochdale and their now famous principles. Consumer co-operatives provide reasonable goods and services to their members and the communities in which they live (MacPherson, 1995).

Around the same time as Rochdale was being founded, French labourers were substituting worker initiative and accountability for hierarchical management structures while forming worker co-operatives (MacPherson, 1995). Agricultural co-operatives were started in Europe to teach farmers how to effectively run their operations and to market their product. This concept has since been embraced by other primary producers (MacPherson, 1995). Various service co-operatives appeared as people applied the co-operative principles to other necessities such as insurance, housing and child care (MacPherson, 1995). The last tradition to be mentioned is that of the financial or credit co-operative. Developed in both urban and rural areas of Germany to provide credit to those who could not get it anywhere else, this concept has now spread to every part of the world (MacPherson, 1995). The rest of this chapter shall discuss the development of financial co-operatives paying special attention to the Saskatchewan system and CUFIS in particular.

2.9 Credit Unions

A credit union is one type of financial co-operative. It functions similar to a bank in that people can deposit their savings and apply for loans when they are needed. However, credit unions only deal with their own members in their local communities or interest groups. Although some credit unions have branches in other communities, they are not centralized like the chartered banks. Credit unions are designed to serve the financial needs of their members, not to make money. Their localization also allows them to help meet the social needs of their members. In the true co-operative sense, credit unions attempt to make people's lives better while providing a necessary service (Clements, 1965).

Currently credit unions are among the fastest growing types of co-operative organizations in the world, and they make up the largest percentage of member co-operatives of the ICA (Böök, 1992).

In order to fully understand what credit unions are and what they have meant to their members around the world, it is important to know where they came from and how they developed. The next section will discuss the history of credit unions.

2.10 History of Credit Unions

In 1850 in Germany, a man named Schulze-Delitzsch established the first co-operative credit society. However, it was not a true co-operative, it was capitalized by wealthy patrons. After the organization ran into difficulties, it was restructured around the idea of member capital. This is where many familiar credit union practices were started. Members bought at least one share each and that entitled them to deposit privileges. They also had access to short term loans that were secured only by the character of the borrower. Long term loans were generally not granted. Yearly, a meeting of the entire membership was held and a general committee was elected to oversee operations, day to day functions were handled by an executive committee elected from the membership of the general committee. At all meetings, every member had only one vote, regardless of the number of shares he held. Ten years later, there were more than 200 co-operative credit societies in Germany (Purden, 1980).

At roughly the same time and also in Germany, F. W. Raiffeisen was very concerned with the poor state of the agricultural population. People had a general mistrust of the rural population which made it exceptionally difficult for them to find credit anywhere. Direct government subsidies were not the answer because the people were not educated on how to use the money wisely. The only credit they could get was at very high interest rates because of the practice of usury, which Raiffeisen considered evil. As well, he felt society was becoming de-Christianized leading to the desire for material things and the willingness to seek credit to pay for these things. Education was needed so people could learn to use their money wisely (Raiffeisen, 1970).

In 1847, Raiffeisen founded the "Weyerbusch Consumer's Society", in 1849 he founded the "Flammersfeld Relief Society for the Support of Needy Farmers" and in 1854 he founded the "Heddesdorf Welfare Association". These organizations were not co-operatives, but were more like charities run by the affluent for the benefit of the poor. However, influenced by the ideas of Schulze-Delitzsch, the Heddesdorf Welfare Association became the Heddesdorf Credit Union in 1864. The credit union provided education to members on how to use their money in addition to acting as a source of reasonable credit. This would allow the rural population to improve its social and economic situation (Raiffeisen, 1970).

Raiffeisen strongly believed that credit unions had a moral role to play in the lives of their members. They provided an opportunity for people to make something more of themselves while reversing the trend of de-Christianization in society. He also believed strongly in community solidarity and cohesion (Raiffeisen, 1970). Communities should stick together and credit unions were one way of encouraging this.

In 1866 Luzzatti, influenced by Schulze-Delitzsch, founded Italy's first co-operative bank in Milan (Purden. 1980). The credit union ideal was spreading across Europe.

In Canada, Desjardins studied the credit union model founded by Luzzatti and formed the first Caisse Populaire in Quebec in 1900 (Clements, 1965). Desjardins' ideas spread to Boston where Roy Bergengren became involved (Clements, 1965).

In the Maritimes in the 1920's, M. M. Coady was beginning to espouse the virtues of co-operation and co-operative credit in his speeches. He was a priest, a professor at St. Francis Xavier University and a gifted speech maker who, along with Father James Tompkins, started the Antigonish Movement in Nova Scotia (Laidlaw,.1980b)

Influenced by Roy Bergengren and the Antigonish Movement, the credit union idea spread to western Canada. The development of credit unions in western Canada was spurred on by the unwillingness of banks to deal in agricultural credit (Bromberger, 1973). The Saskatchewan Credit Union Act was passed in 1937 (based closely on the Nova Scotia Act) and the Regina Hebrew Savings and Credit Union became the first credit union registered in the province. The Regina Co-operators Credit Union (later to become Sherwood Credit Union) was also founded in 1937 (Clements, 1965).

The Credit Union Federation of Saskatchewan (later to become the Credit Union League) was founded in 1938 to provide assistance in credit union formation as well as a central source of supplies and information regarding credit union operations (Purden, 1980). The Federation was formed in response to the increasing number of incorporated credit unions as well as increasing demands for modifications to the Credit Union Act that would benefit certain credit unions.

While the Federation provided administrative support, it became evident that a central credit union that would accept surplus deposits from credit unions and make loans to credit unions in times of need would be desirable (Purden, 1980). In 1941, the Co-operative Credit Society was established in Saskatchewan to act as this "credit union for co-operatives and credit unions" (Clements, 1965: 177).

The 1950's saw population increases in Saskatchewan and the beginning of a shift from a rural-based population and economy to an urban-based society. Rapid credit union growth accompanied these changes. Credit Unions began to realize that they had to compete with other financial institutions. This meant they had to be able to provide competitive interest rates and service charges which required internal efficiency in their operations (Purden, 1980). There was also a realization that friendliness was not the only service criteria that patrons and potential members desired. People wanted to be certain that correct administrative procedures were in place, sound financial management was exercised and that there was compliance with all statutory regulations. This led the Credit Union League to undertake a province-wide development program in the late 1950's (Purden, 1980).

Another development during the 1950's was the creation of the Mutual Aid Fund administered by the Mutual Aid Board. The Fund was to act as a stabilizing mechanism for credit unions. It was a reserve fund to be drawn on in case of need. The need for such a fund was realized in 1951 after a financial crises resulting from some misappropriations (Purden, 1980). All credit unions began paying into the fund at a rate that was not to exceed five percent of their annual income. The creation of this fund reinforced and solidified the credit union movement in Saskatchewan. Member and non-member confidence in credit unions was bolstered and credit unions themselves could worry about growth and development without the threat of insolvency (Purden, 1980).

Soon there was recognition of the need to make the best use of credit union resources on a national scale. The Credit Union League and the Co-operative Credit Society supported this idea (Purden, 1980). In 1953, the Canadian Co-operative Credit Society was founded to pool co-operative and credit union funds interprovincially to support existing organizations and new co-operative ventures (Clements, 1965).

In 1969 the Saskatchewan Credit Union League and the Saskatchewan Co-operative Credit Society (SCCS) merged. This was done to eliminate redundancies between the organizations and to provide a single central body to direct the system (Purden, 1980). Ten years later, this body would come to be known as Credit Union Central of Saskatchewan (CUC). (In 1991, the Canadian Co-operative Credit Society was renamed Credit Union Central of Canada (CUCC) (Eggertson, 1991)).

As the Saskatchewan credit union system grew, SCCS/CUC had to expand its operations and services in order to adequately co-ordinate the system. One example of this was Saskatchewan Co-operative Financial Services (SCFS) which was set up as a wholly owed subsidiary of SCCS in 1973 (Purden). The gap that SCFS was designed to fill was that of longer term residential, business and farm credit. It was not advisable for individual credit unions to offer long term credit because it reduced their liquidity to a large degree (Purden). SCCS responded by creating SCFS which was "empowered to provide residential, business, and farm loans; to promote, establish, and develop various kinds of undertakings, of a residential, agricultural, commercial, industrial, or community nature; to raise money through investments and the issue of securities; and to accept money on deposit from members of the Credit Society and from government and government organizations" (Purden, 1980: 200).

The system continues to grow financially and in terms of the services it offers to its members while still maintaining its unique identity (Purden, 1980).

Canadian credit unions were influenced by Raiffeisen, Schulze-Delitzsch and the Rochdale Pioneers as well as American community and workplace models. However, Canadian institutions were community-based adaptations that allowed larger area credit unions, branch development, full banking services, high dividends to attract savings as well as an emphasis on moral regeneration through savings or thrift and provident loans (Bromberger, 1973).

The Saskatchewan Credit Union System has a history of innovation and success during difficult times. It is possible that this history has led the system to develop innovative structures in an attempt to better serve member needs. These influences and the economic and social environment of Saskatchewan have merged to create a strong and unique credit union system, which will be discussed in the next section.

2.11 Saskatchewan Credit Union System

The history that has been presented throughout this chapter has lead to the current Credit Union System in Saskatchewan.

The Saskatchewan Credit Union System (hereafter referred to as the "System") is made up of a number of independent credit unions based in communities throughout the province. These credit unions are owned by the members they serve. These "first-tier" credit unions form the base of the System and drive its actions

(Simbandumwe et al., 1992). Credit Union Central of Saskatchewan (CUC) is owned by the first tier credit unions which makes it a "second-tier" credit union (Simbandumwe et al., 1992). CUC provides a number of services to the credit unions that they could not provide on their own. For instance, CUC provides financial services such as loans to credit unions experiencing financial difficulty. CUC also provides marketing, data processing, human resource and planning support to the entire system (Credit Union Central of Saskatchewan, 1987b). CUC, along with the other provincial centrals and a number of co-operative organizations, owns Credit Union Central of Canada which is a third-tier credit union.

This federative structure relies on democratic methods of control and communication. The province of Saskatchewan is divided into 12 credit union member districts and one non-credit union member district. In each of the districts, credit union members elect individuals to the boards of directors of their own credit unions. The boards in every district then elect or appoint credit union delegates to attend delegate, sub-district, district and CUC's Annual Meeting. These delegates elect or appoint the board of directors who oversee CUC's operations. In this way, CUC is controlled by its member credit unions (Credit Union Central of Saskatchewan, 1986).

CUC is funded by the System in a number of ways. First, credit unions are required to deposit a certain percentage of their deposits with CUC. CUC reinvests these deposits and takes a margin on the return they receive. Second, CUC sells its services to the credit unions on a fee for service basis. For example, credit unions pay for cheque clearing services. Third, credit unions pay dues to CUC. These dues are calculated based on number of members and asset volume of each member credit union. Fourth, credit unions pay direct assessments for various provincial services, such as promotional campaigns and research and development. Fifth, one seventh of one percent of a credit union's assets are paid to the Credit Union Deposit Guarantee Corporation every year (Credit Union Central of Saskatchewan, 1992). Credit unions also capitalize CUC by holding 1% of their assets as share capital in CUC. When CUC makes a profit, a portion of the net profits are distributed to the credit unions in the form of dividends.

In 1996, Saskatchewan had 163 credit unions serving 558,000 members through 340 branches and service outlets with assets of $6.19 billion (Canadian Co-operative Association, 1996). In 1993 they employed 2749 people and contributed almost $200 million to the Saskatchewan economy (Credit Union Central, 1994).

Many credit unions in Saskatchewan have grown large and offer a full range of services. They are still democratic organizations that operate based on member input but this is becoming increasingly difficult. It is hard to maintain meaningful member participation as economic sophistication increases. Management has become more powerful to compensate for the decrease in member involvement. The early credit union philosophy that valued the human over the financial asset has been tested because credit unions are also businesses that must survive (Clements, 1965). The same problems are evident in all co-operative organizations. There is a fundamental ideological debate between those members who believe in co-operation as a way of life and those who believe in co-operation as a means to achieve economic gain (Bromberger, 1973).

Credit unions face many of the same challenges that other co-operative organizations face as the 21st century approaches. The 1980's and 90's have been times of extreme social, political and economic change. We have experienced recessions, wars, and a general change in what people expect from their lives and how they live their lives (Laidlaw, 1980a).

The discussion will now shift to Credit Union Financial Information Services, an organization set up by CUC to better meet changing member needs in these challenging times.

2.12 Credit Union Financial Information Services

On May 1, 1987, Credit Union Financial Information Services (CUFIS, also referred to as the Financial Information Centre or the Centre) opened its doors. It was established by Credit Union Central of Saskatchewan (CUC) as part of its future directions plan. The future directions plan was based on input received from the Credit Union System between 1981 and 1986 (CUFIS, 1987a). The Future Direction document states that the aim of CUC is "To be a responsive co-operative financial intermediary, which through committed leadership supports credit unions and other corporate members to enhance the economic and social environment for the benefit of people" (Credit Union Central of Saskatchewan, 1987a).

CUFIS was set up to help CUC achieve its future direction aim. It was a three year pilot project designed to provide financial information services to individual members, credit unions and other co-operatives (CUFIS, 1987b). Its major thrusts were identified as: 1) Service management - to help change the culture of the credit union system to one that is based on serving member needs, 2) Financial Planning - to develop and test methods of introducing financial planning into the credit union system, 3) Financial Information Services, and 4) Member education - specifically in regard to financial planning. CUFIS was to be a catalyst that would bring change to the credit union system in Saskatchewan (Financial Information Centre Project Plan 87-89).

CUFIS was set up as a subsidiary of CUC, reporting to a Directions Committee made up of the CUC executive management team. CUFIS was separated legally and physically from CUC so that it would have the freedom to be truly innovative.

CUFIS operated out of a storefront office, which was designed with a customer focus. There was a staff complement of four, including the GM (General Manager). The number of staff was later increased to five (Duggleby, 1989).

CUFIS was created with the agreement that it would be funded by CUC and the system by having CUC reduce interest on share capital by 1/2% each year (Credit Union Central, 1989). Therefore CUFIS was not only answerable to its parent company, CUC, but also to the many credit unions that own CUC.

During its first three years, CUFIS did fulfill its mandate by developing several software packages and the Financial Fitness video series, conducting numerous seminars for members and promoting the concept of financial planning throughout the credit union system. The feedback from credit unions was positive although there was some doubt about whether individual credit unions could support their own financial planning services, as CUFIS was encouraging (Eggertson, 1990). Overall CUFIS seemed to be on track developing new ideas, products and services that educated members and helped credit unions attract and retain members in the face of stiff competition in the area of personal finances.

In 1990, CUFIS' mandate was continued for another three years during which time it was to focus more on pure research and less on applied research (CUFIS Directions Committee, 1989). However, by mid 1992, CUFIS had been moved into the CUC building and at the end of the year, it was dissolved.

2.13 Conclusion

Co-operatives were formed to provide solutions to everyday problems on a practical level, but they have always carried an undercurrent of utopian idealism (Bromberger, 1973; Fairbairn, 1989). They flourish when they represent a group identity or collective aspirations among those who feel excluded by normal organizations (Fulton, 1990). But what happens to co-operatives once they have fulfilled this purpose? What happens when economies improve and there is less hardship and fewer problems that need solutions? Co-operatives then become like other organizations that must compete and fight to survive.

Currently co-operatives face three very large challenges. As global expansion increases, private companies are easily circling the globe creating a very competitive marketplace for all organizations. Changes in communication and managerial theory indicate that the future belongs to a capitalist economy. People believe this and wonder how co-operatives will fit into such a future. This leads us to the third, and most important challenge. Co-operatives must bring their members back into the fold. There are many discouraged co-operators who cannot see what co-operatives have to offer our world (MacPherson 1995).

Co-operatives have an image problem (Laidlaw 1980a). In a capitalistic society, they are not seen as a viable organizational form by many people. As they grow larger and more powerful, they may fall victim to the contemporary theory of democracy as our larger society has (Pateman, 1970). Co-operatives must fight this trend, stay in touch with members and encourage participation by everyone. They should better educate their members on the fundamentals of co-operation (Böök, 1992). The members in turn would educate non-members by word-of-mouth. Of course, by educating members, co-operatives also place themselves in a position to change and be more innovative and responsive to member needs (Böök, 1992).

There are many ways co-operatives can maintain their distinct identity. They may choose not to grow too large, preferring the close member contact. They may offer new products and services based on member needs. They may develop innovative organizational structures in order to better interact with members and meet their needs.

CUFIS was an innovative structure that developed out of the current situation. It was an attempt to help the Credit Union System adapt and change for the better. The focus of the research is to examine whether the CUFIS idea could have worked with the right actors and environment or whether the concept was flawed from the start. These issues can not be addressed without first looking at the organizational environment that existed within and around CUFIS. A review of the relevant organization theory literature is the topic of the next chapter.

Chapter 3 Organizational Theory

3.1 Introduction

The purpose of chapter three is to provide the theoretical foundation for this study. The structure of this chapter will be based on Mintzberg's (1989) internal and external influencers of an organization, see Figure 3.1.

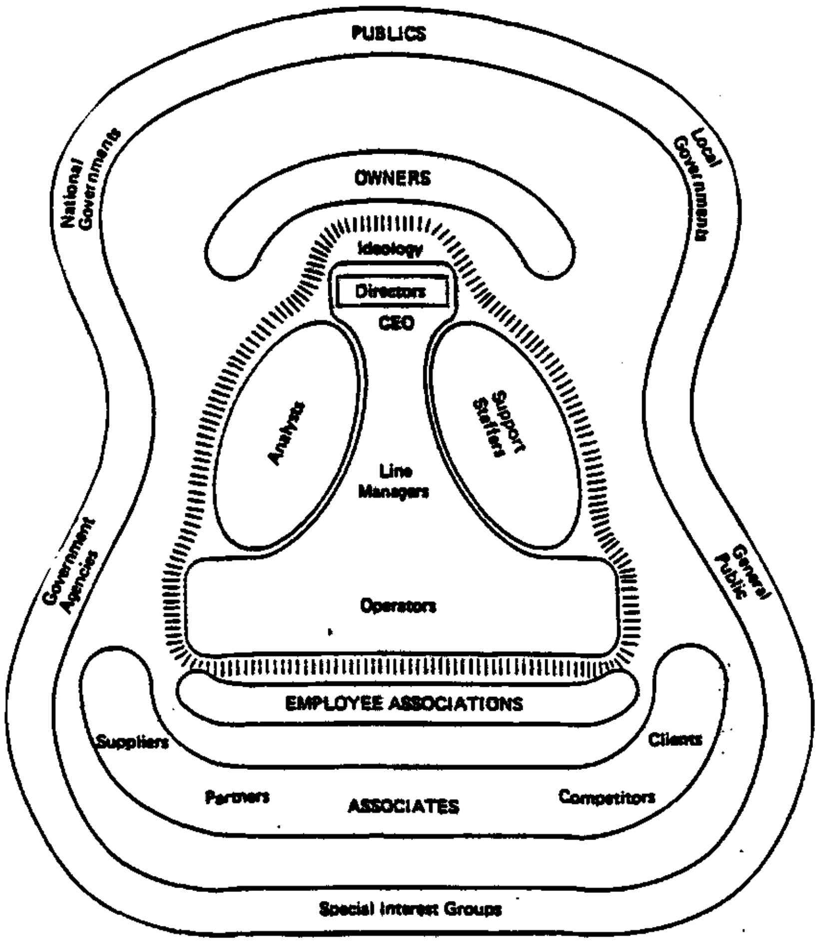

Figure 3.1 Mintzberg's (1989: 100) Internal and External Influencers of an Organization

Mintzberg's model has been adapted for the purposes of this review. The key concepts of organizational structure, leadership, culture and interorganizational relations have been used to create the model shown in figure 3.2. This model is not exhaustive, but it does highlight the concepts most relevant to a discussion of innovation.

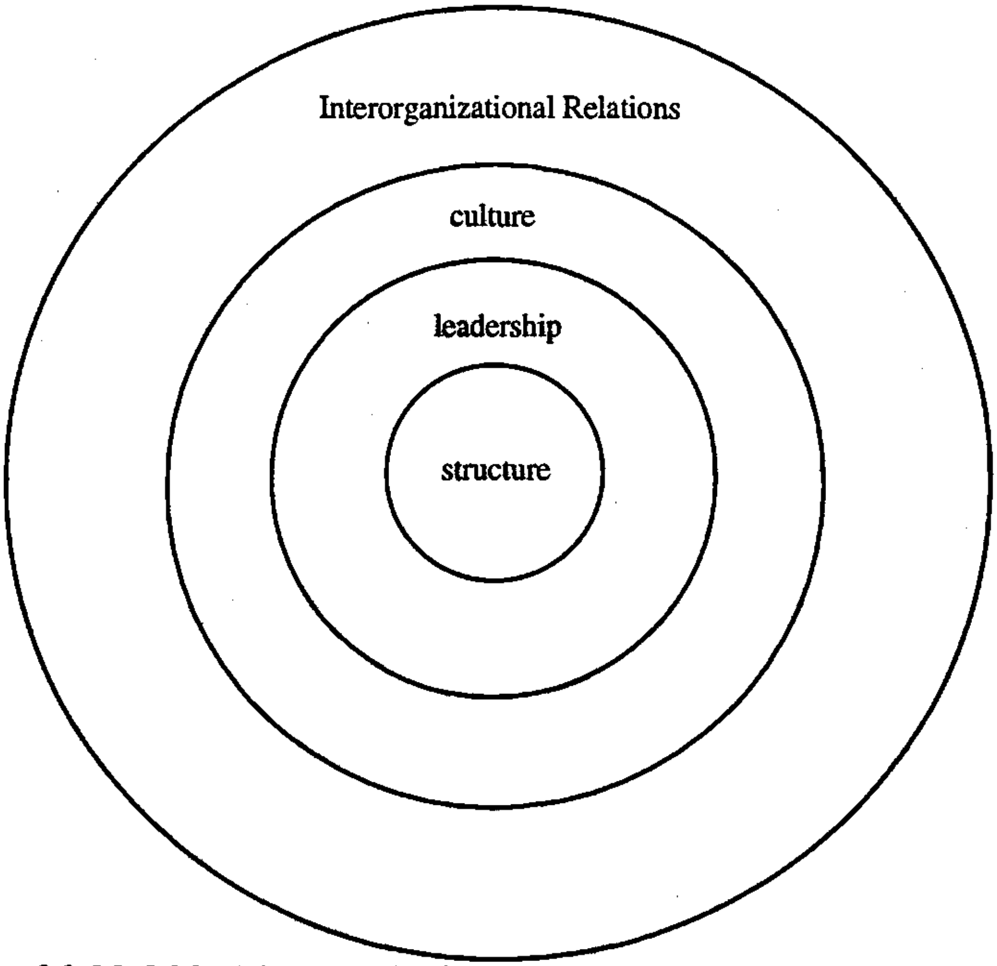

Figure 3.2 Model for Literature Review

Mintzberg (1989) conceives an organization as having its structure in the centre. He then goes on to identify a middle line, a strategic apex, a technostructure and support staff. These positions, when considered together, form the structure of the organization.

Mintzberg (1989) identifies one of the structural components of an organization to be its strategic apex. This is the position that oversees the organization and which I will refer to as leadership.

Mintzberg (1989) identifies another part of an organization, its ideology or culture. "Ideology encompasses the traditions and beliefs of an organization that distinguish it from other organizations and infuse a certain life into the skeleton of its structure." (98). In figure 3.1, Mintzberg (1989) shows ideology surrounding the five components of organizational structure. In figure 3.2, culture is shown surrounding leadership and structure.

At this point, Mintzberg (1989) goes on to discuss the concept of external influencers on an organization. These can include owners, unions, suppliers, clients, partners, competitors and various publics. Mintzberg's diagram, figure 3.1, shows the external influencers surrounding the entire organization just as figure 3.2 shows interorganizational relations surrounding structure, leadership and culture.

The starting point for this discussion is at the centre of the model, with organizational structure. Structure must reflect the purpose of the organization (Mintzberg, 1989; Galbraith, 1993) as well as the complexity and uncertainty of its external environment (Lawrence and Lorsch, 1967). If the purpose of the organization is to be innovative, then the organization must be designed with certain processes in mind (Kanter, 1988). This leads to two organizational models that will be discussed in this chapter: the adhocracy (Mintzberg, 1989) and the ambidextrous organization (Duncan, 1976).

How these models are affected by certain types of leadership and culture as well as how they function within federative interorganizational systems is what this research is trying to determine.

This review of the literature will begin with a narrow focus on internal organizational structure, broadening to a review of the literature regarding leadership, organizational culture, and interorganizational relations.

The section on organizational structure will discuss the concepts of innovative organizational structures such as adhocracy and ambidextrous design, differentiation and integration and institutionalization. These concepts provide the basis for understanding CUFIS' structure.

The leadership literature will focus on the differences between two particular types of leaders, transformational and transactional leaders (McShane, 1995), and the effect each might have on an innovatively-structured organization such as CUFIS.

The section on organizational culture will explain the concept of culture and how it affects organizational approaches to change. The rest of the section will concentrate on the concept of organizational learning as one type of culture. How this type of culture could affect an innovative structure or be affected by various types of leaders will also be discussed.

The last main concept that will be addressed is interorganizational relations. Systems theory will be briefly introduced followed by types of interorganizational relations and their impact on decision-making. The most relevant concepts in this section are federative structures and interorganizational conflict. How such complicated relationships can affect and be affected by organizational structure, leadership and culture will be discussed with particular reference to CUFIS.

The chapter will close with a conclusion that sums up these concepts and how they can inter-relate to define and influence organizations in general and CUFIS in particular.

3.2 Organizational Structure

Organizational structure is the skeleton of an organization. It is the framework upon which the rest of the organization is built. It includes positions, departments, lines of communications, standardized rules and procedures and lines of authority.

The differences between and relative advantages of mechanistic and organic organizational structures have been much discussed in the literature (Barnard, 1938; Clegg, 1990; Perrow, 1978; Weber, 1946). More recently, theorists such as Mintzberg have attempted to define various types of structures for various types of organizations. The structure of the innovative organization (Mintzberg, 1989) is particularly relevant to this study. If an organization wants to be innovative, it should assume a structure that will support and propagate this goal such as either an adhocracy or ambidextrous design. These two models of an innovative structure will be presented in the next section.

3.2.1 Innovative Structures

For an organization to be successful, its structure must complement its strategy (Galbraith, 1993). Therefore, if an organization's strategy is innovation, it must have a structure that supports innovation. The literature contains two innovative organizational structures that will be discussed here, ambidextrous design (Duncan,

1976) and adhocracy (Mintzberg, 1989). But first a discussion on the process of innovation will be presented.

The Process of Innovation

Before these structures are presented, it is important to understand what the literature says about the process of innovation. Duncan (1976) divided the innovation process into two stages, the initiation stage and the implementation stage. He then identified three organizational characteristics affecting both stages of innovation. These characteristics were complexity, formalization and centralization.

Kanter (1988) identifies four major innovation tasks. These are idea generation, coalition building, idea realization and innovation production, and transfer and diffusion. Idea generation corresponds with Duncan's (1976) initiation stage while coalition building, idea realization and innovation production, and transfer and diffusion are all a part of the implementation stage. Kanter (1988) supports Duncan (1976) when she states that complexity, diversity and formalization all play an important role in the innovation process.

Nyström (1979) identifies two characteristics that organizations must have in order to become innovative. They must have innovative potential and an innovative orientation. Innovative potential refers to the ability of the company to carry out innovative changes. Open, flexible, organic structures will have greater innovative potential than formal, rigid, bureaucratic structures because organic structures are able to change more easily. Innovative orientation refers to the desire that a company has to change. A company's leaders have to make a decision that the company will pursue a strategy of change and innovation.

Ambidextrous design and adhocracy are two structures that use these characteristics effectively to create innovation. They are discussed in the next two sections.

Ambidextrous Design

The conclusion of Duncan's (1976) research stated that high complexity, low formalization and low centralization were needed for the initiation stage of innovation to be most successful. However, low complexity, high formalization and high centralization were more likely to lead to a successful implementation stage. Therefore, two different structures are needed in an organization in order for it to successfully innovate.

Such duality could be achieved by assigning the different stages of innovation to different work teams. This type of structure has to be closely managed to ensure 1) that any conflict is handled properly, 2) that there are effective interpersonal communications between the groups and within the organization, 3) that there are organizational rules that govern when and how the innovation switches structures and 4) that there exists an organizational climate receptive to the dual structure (Duncan, 1976).

Another organizational form that has been linked to effective innovation is that of the adhocracy, which is discussed next.

Adhocracy

"To innovate means to break away from established patterns. Thus the innovative organization cannot rely on any form of standardization for coordination" (Mintzberg, 1989: 199). Mintzberg (1989) defines an innovative organization as one that is structured as an adhocracy. An adhocracy is an informal, flexible, non-hierarchical and decentralized organization. Its structure supports these characteristics by being non-restrictive. There are vague job descriptions, no formal lines of communication and few, if any, formal rules and procedures in place (Mintzberg, 1989).

Mintzberg (1989) further differentiates between the operational and the administrative adhocracy. The operational adhocracy is a stand-alone organization that is structured as an adhocracy. An administrative adhocracy is a section of a company that is structured as an adhocracy and is separated from the operating core of the business.

Nyström (1979) supports this concept of an adhocracy by stating that an organization possesses the potential to innovate if it is structured informally allowing a great deal of freedom and cross-functional dialogue.

The uncertainty and unpredictability of innovation plus its interdisciplinary nature is what requires the open and flexible organizational structure (Kanter, 1988). The knowledge-intensiveness of innovation identified by Kanter (1988) supports Mintzberg's (1989) contention that an innovative organization requires an expert staff.

Kanter(1988) and Mintzberg (1989) agree that the innovating portion of the organization must be truncated from the operating core. Kanter (1988) states that this eliminates the interference of bureaucracy, allows for better communication among the innovating team and speeds up the entire process.

But the adhocracy has its limitations. Mintzberg (1989) argues that as organizations age, they tend to bureaucratize, and that innovative organizations are no less subject to this trend. Many operating adhocracies have a limited life expectancy due to the uncertain environment within which they exist (Mintzberg, 1989; Kanter, 1988). And if they do meet with great success, they are likely to lose their innovative configuration. This is because they begin to be know for "what they do best". Their "specialty" is demanded more and more often, so they adjust their structure to provide the service in the most efficient manner. All of a sudden they are a professional organization, or even a machine organization (Mintzberg, 1989) as the tendency to bureaucratize reveals itself.

Nyström (1979) presents a different argument for the instability of innovative organizations. He states that an organization's leader needs to have an uncertainty gap in order for the organization to remain innovative. To have an uncertainty gap means that you are not certain about what result a decision will have so you are motivated to seek additional information which will likely result in additional innovations. Once this uncertainty gap is gone, the organization will no longer have the orientation needed to remain innovative (Nyström, 1979).

One administrative adhocracy that has experienced great success is Lockheed Aerospace's Advanced Development Projects, nicknamed the "Skunk Works" because of the smell emitted by a plastics factory that was near the site of their first "offices". Skunk Works was set up in 1943 to design and build a specific airplane in response to the German jet fighters. The challenge was that they had only 180 days to complete the project. The project team was given a circus tent located away from Lockheed's main building and complete privacy to work on the plane. When the project was successfully completed, the organizational structure was continued and grew to be one of the most secretive and successful facilities in the aerospace industry (Rich and Janos, 1994).

From this discussion , it would appear that one of the most important components of a successful innovative organization is the differentiation of the innovative processes from the implementation processes. The theory of differentiation and integration is discussed next.

3.2.2 Differentiation and Integration

Lawrence and Lorsch (1967) determined that as organizations deal with their environments, they become divided into units because managers only have a limited span of surveillance. A number of units are formed so managers only deal with a portion of the environment. This process is called differentiation. Once differentiation occurs, differences in attitudes and behaviors develop based on the fact that units possess specialized knowledge and perform different tasks (Lawrence and Lorsch, 1967). This inevitably leads to conflict within the organization.

The more complex and uncertain the environment, the more an organization differentiates itself. In stable environments, it is much easier to maintain a centralized conflict resolution and decision-making structure. At the same time as units are differentiating themselves, they must also be integrated in order to pursue the common goals of the organization. This continuous state of differentiation and integration is always present in organizations (Lawrence and Lorsch, 1967).

Kanter (1988) applies this theory to innovation by saying that innovation teams should be differentiated from day to day operations in order to have the necessary freedom to innovate. However, they must also be integrated with the organization. If there are no linkages back to the organization, the innovation team will feel that they have been forgotten and will lose some of their motivation (Kanter, 1988). As well, without linkages, it becomes increasingly difficult to pass the innovation on to a different unit for implementation.

The implications of this are that an organization may be more or less differentiated and more or less integrated at various points. Organizations must develop their own methods of effective conflict resolution as this is necessary for integration.

Duncan's (1976) concept of ambidextrous design is related to the theory of differentiation and integration. It is built on Lawrence and Lorsch's (1967) determination that there is no one best way to structure an organization for all tasks, different parts of the organization may have to be structured differently in order to effectively perform required activities. This is also similar to Mintzberg's (1989) administrative adhocracy where the administrative unit is differentiated from the operating unit in order to facilitate innovation.

Organizational strategy and environmental conditions should have a profound impact on organizational structure based on the literature discussed above. If this is true, we should have almost an infinite number of organizational structures visible in our economy. But the truth is, we see a limited number of structures and a great many organizations that look similar to one another. Institutional theory attempts to explain this phenomenon and is discussed next.

3.2.3 Institutional Theory

Institutionalization is the process whereby organizations evolve to become structurally more similar to each other. The most important idea in a global sense is the idea of studying similarities, not differences. It seems that cultures all around the world have been so busy differentiating themselves and then studying these differences that everyone has ignored the similarities. In many cases, these similarities may be more revealing than the differences.

Scott (1987) proposes four main streams of institutional theory based on different concepts of institutionalization. Institutionalization can be seen as 1) a process of instilling intrinsic value into an organization, 2) a process of creating reality, 3) organizations conforming to a distinctive class of elements or 4) organizations adopting various sets of norms called institutional logics. For the purposes of this study, the idea of organizations conforming to a distinctive class of elements warrants particular attention.

Meyer and Rowan (1977) began this stream of thinking by introducing the idea that certain organizational forms were predominant due to the existence of shared belief systems (Scott, 1987). Certain professions, programs and technologies are institutionalized into our society to the extent that we see them as myths of formal structure. The machine technology and structure are examples of this (Morgan, 1986). If organizations do not adopt these formal structures, they will not be seen as legitimate and will find it very difficult to generate support within their environment. Society expects organizations to look a certain way, so organizations may choose to conform regardless of the efficiency of the structure (Meyer and Rowan, 1977).

Characteristics that increase institutional effects are complexity and centrality in organizational networks since they allow structural myths to be generated more readily. Central organizations are in a position to create myths that will be readily communicated and adopted throughout the system. In an complex environment, organizations will more readily adopt the myth in an attempt to reduce uncertainty (Meyer and Rowan, 1977).

DiMaggio and Powell (1983) continued this stream of thought by identifying the ways that organizations change their structures to conform with the institutional patterns (Scott, 1987). As organizations interact and carry out business in their field, they gradually become more aware of the organizations around them. Their field of business becomes more structured as certain firms dominate and coalitions develop. This leads to isomorphism, a constraining process that forces individual organizations in a field to become more like each other because they are facing the same set of environmental constraints. Such isomorphism can arise from coercive mechanisms exerted by more powerful organizations on less powerful ones. It can also result from mimetic mechanisms where less successful companies model themselves after more successful companies. Or it can result from normative mechanisms based on increased similarities among executives of organizations.

Ultimately, this increasing similarity leads to less and less efficient companies (DiMaggio and Powell, 1983), but these structures are now what society expects. Organizations must adopt these structures or run the risk of not being seen as a legitimate operation by the public.

To summarize this section, it would appear that an organization's structure is created as a result of a complex relationship between the organization's technologies, strategies, and external environment. Innovative organizations tend to have a much more organic structure which provides an unrestricted space in which to think and generate ideas. The innovating core of these organizations is often differentiated from the more traditional production and marketing activities so that the organic structure may be maintained. However, it is possible that these innovative organizations may be looked upon skeptically by society because they do not conform to the myth of what an organization should look like. In this case they may fall victim to institutionalization, adopting a more conventional structure and losing their innovative abilities in the process. This scenario may mirror what happened to CUFIS, from its inception to its demise.

Our focus will now shift to organizational leadership and the impact it can have on innovative organizational structures.

3.3 Leadership

Leadership can be defined as the process of defining the realities of others. Leaders control the meaning of events by controlling the context within which they occur. In order to create this context, structures must be developed that allow for consensus to be reached through free and open dialogue. This consensus creates shared meaning which is the context for understanding all events. Leaders create the context against which events and ideas take on meaning (Smircich and Morgan, 1982). Good leaders are able to define a reality that people believe in and agree with, helping create a positive, active culture.

This implies, however, that people who are being led are actually giving up their right to lead themselves, to define their own reality. People will not make this kind of sacrifice if they do not feel the person in the leadership position legitimately deserves to lead. Weber (1947) identified three bases of legitimacy which are rational authority, traditional authority and charismatic authority. Rational authority derives from obedience owed to a legally established, impersonal order. Traditional authority derives from obedience owed to a person who occupies a traditional seat of authority. Charismatic authority derives from obedience owed to a person because people trust and believe in him. Very seldom have these types of authority ever appeared in their pure form, but many leaders combine several types of authority (Weber, 1947).

Just as there are different types of authority, there are also different types of leaders. Zaleznick (1977) differentiates between leaders and managers. Managers are driven by rationality and control. Leaders possess great imagination and an ability to communicate ideas. Managers narrow the horizon while trying to seek compromises to solve problems. Leaders widen the horizon with new ideas to solve existing problems (Zaleznick, 1977).

The concept of visionary leadership is used to describe those leaders who are so exciting and dynamic that they lead organizations to accomplish things never thought possible. Visionary leadership is a combination of psychological gifts, sociological dynamics and the luck of timing (Westley and Mintzberg, 1989). Pettigrew (1985) uses the term entrepreneurial leadership and defines it as being a function of institutional dynamics and leader-follower relations as well as the skillful deployment of personal qualities.

Another common differentiation is between transformational and transactional leaders (Bass, 1985). Transformational leaders are people who change the direction of organizations and lead them to new challenges and new levels of achievement. Transactional leaders work within the organization to improve its effectiveness, to help it do better what it already does (McShane, 1995). It has also been said that transformational leaders lead by using their vision and impression management skills to develop strong emotional bonds with their followers while transactional leaders lead by setting goals and establishing rewards for performance (Bass, 1985 as referred to in Hughes et al., 1993). Within organizations, both types of leaders are needed.

According to Bass, (1988) transformational leaders have some distinguishing characteristics. These are expressive behavior, self-confidence, self-determination, insight, freedom from internal conflict, eloquence and a high activity and energy level.

Charismatic leaders also have tremendous personal abilities and vision. Conger (1989) states that charismatic leaders are often impatient with the status quo and can quickly inspire necessary change in organizations. They have the ability to discern real needs among their constituents and build a vision around these needs. They then articulate this vision in a way that both challenges and motivates people. Often these leaders have built an incredible bond of trust with their followers through personal risk-taking, expertise and self sacrifice. This trust allows them to build strong commitment to their vision and lead their organizations toward the vision by example (Conger, 1989).

Of course, some leaders are more charismatic than others. The degree to which a leader can be considered charismatic depends on the number of these behaviors that they exhibit, the intensity of the behavior and how relevant their behaviors are to their organizations' current situation (Conger, 1989).

Charismatic leadership may also cause problems in an organization. Such leaders may create visions based on personal rather than constituent needs. They may make unrealistic assessments of the market and its needs or fail to recognize important environmental changes. Because they often possess strong communication skills, charismatic leaders are also able to manipulate people into following their vision even if it is not the right thing to do. As well, charismatic leaders may not engage in the most effective management practices. They can be poor managers of people networks with autocratic management styles who easily alienate many co-workers and employees. As well, they are often unable to develop successors of equal ability to themselves. (Conger, 1989).

The positive characteristics of charismatic and transformational leaders would be complementary to the innovation process. Such leaders would be able to direct the increased complexity, low formalization and decentralization associated with the idea generation, coalition building, and idea realization and innovation production tasks of the innovation process (Duncan, 1976; Kanter, 1988). Transactional and non-charismatic leaders would not be as effective at leading this process because they are not able to generate the same kind of excitement and commitment.

This discussion demonstrates that there are different types of leaders that may demonstrate different behaviors at different times in order to motivate their staff to accomplish organizational goals. Both transformational and transactional leaders are needed in an organization at various times. These leaders have to behave differently with different employees in order to properly motivate them. There may be a visible distinction between transactional and transformational leaders but they have to behave in similar ways in certain situations making the distinction less clear. Leadership is a situational phenomenon that can not easily be defined.

To integrate this information with the structure literature we may speculate that transformational leadership is needed in innovative organizations. The ability to manage people, co-ordinate, persuade, negotiate and think and plan strategically is necessary to sustain innovative structures. In lieu of extensive formalization, a strong organizational vision and exceptional communication skills are vital in order to motivate and guide employees and to generate external support. However, an innovative organization also presents a situation that would call for more participative, democratic leadership behaviors than would a highly bureaucratic organization (Mintzberg, 1989) and this may not be a strength of some transformational or charismatic leaders (Conger, 1989).

Organizational culture is in large part created by leaders and their leadership styles. A transactional leader will likely propagate a different culture than a transformational leader. This goes back to Smircich and Morgan's (1982) concept of leaders creating the reality of those being led. This reality that leaders create is the basis of organizational culture, which will be discussed in the next section.

3.4 Organizational Culture

Culture gives personality to an organization. Pettigrew (1985) defines culture as "the systems of publicly and collectively accepted meanings operating for a given group at a given time." You can create a framework that is an organization but as soon as you put people into it, a culture will emerge. Symbols, language, ideology, belief, ritual and myth develop over time to create and change culture (Pettigrew, 1985).

Research in the area of organizational culture is relatively recent, spurred on in large part by increasing foreign economic competition. As the economies of countries such as Japan and Germany outperform the North American economies, researchers have turned to a more holistic explanation (Hofstede, 1986). This explanation includes considering concepts such as organizational culture.

Schein (1990) states that culture manifests itself at three different levels: observable artifacts, values and underlying assumptions. In order to correctly interpret artifacts and understand values, a researcher has to determine what the underlying assumptions are that guide the organization.

These assumptions exist in the minds of an organization's employees making culture something that is not concrete. It does not lend itself to easy definition or manipulation. There is no culture without employee interpretations, beliefs and assumptions. Culture is what an organization "means" to a person (Smircich and Morgan, 1982).

Large organizations seldom have only one culture. There is an overriding culture based on company history but there will also be subcultures that develop within departments, subunits, and even informal groups (Schein, 1990). That is, the subjective elements of culture are linked to the structural features of organizations. These cultures may complement the overriding organizational culture, or they may conflict with it.

Culture can be very detrimental to an organization if 1) there are conflicting cultures and 2) they are not congruent with what the organization is trying to accomplish. This can be demonstrated by the case of Bell Laboratories' (a subsidiary of AT&T) failure to pursue the development of magnetic voice recording in the 1930's. Bell Laboratories successfully developed and piloted the technology but then went no further (Clark, 1993). It was discovered that pursuit of this innovation was discouraged by AT&T's top management because it did not fit with their organizational culture. AT&T's culture was based, to a large degree on the desire to have complete control over the nature of the telephone system (Clark, 1993). If answering machine voice recorders were allowed to be attached to the system by users, AT&T would lose some of its control and the nature of the telephone system would be drastically altered. Therefore, AT&T's management actively discouraged customer demand for the product and subsequently sat on the technology for years (Clark, 1993).

Since organizational culture is a learned phenomenon (Schein, 1990), it follows that explicit organizational learning can help to minimize problems created by a dominant culture which excludes new or different ideas. Such organizational learning allows an organization to see how a new avenue or idea might benefit them in the future instead of rigidly rejecting certain alternatives (Senge, 1990). Schein (1990) states that organizational culture itself is a learned phenomenon. People learn what is expected of them in an organization based on company history and observed behaviors.

Senge (1990) describes a learning organization as an organization that nurtures continual learning. Senge (1990) never uses the term culture in referring to his learning organization but what he suggests is that such an organization is created when all employees share the same belief in the virtue of learning. If a culture is accepted to be a system of shared beliefs (Smircich, 1983) then what Senge (1990) is describing is a learning culture.

Organizational learning will be discussed later in this section. First of all we will turn our attention to the concept of organizational change and the role that culture can play in change attempts.

3.4.1 Organizational Change

When organizational change is discussed, it is usually in reference to structural change. This is only one part of organizational change. Changing an organization's structure results in changes to patterns of interaction and employee perceptions. It is these latter changes that must be managed effectively in any change process to ensure success (Beer et al, 1990).

What Beer et. al (1990) argue is that most organizations do not know how to change. Bureaucratic organizations are so focused on their structure and processes that they try to initiate change by adjusting these elements. What they do not understand is that the energy for change must be focused on the work itself. Change can not be imposed from the top down. Management must lead change but they must do so by creating a climate for change then supporting, directing and allowing the change to occur at the grass-roots level of the organization. The people actually performing the work must be allowed to make the change first. It is also vital that attitudes and behaviors be changed first and then the structure changed to fit. This creates the commitment necessary to implement a successful change and reduces resistance (Beer et al, 1990).

Lawson and Ventriss (1992) propose a related concept. If people at the grass-roots level perceive a change to be necessary and legitimate, they will want to change. Simply changing the structure will not successfully change an organization, the culture must be changed as well.

In considering problems that might require change, Kanter (1985) distinguishes between an "integrative" and a "segmentalist" approach. The integrative approach attempts to see a problem as a whole that is part of a larger whole while segmentalism compartmentalizes things. The integrative approach is required in order to engage in effective change processes.

Change is something that is to be accepted as a regular part of life. Kanter (1985) compares expecting change to receiving mail: you know that its coming, you just do not know its contents. She goes on to say that you master change by innovating.

Once a change is being implemented Trist et al (1963) argue that two things must happen for it to be successful. First, the leader of the largest organizational system directly affected by the change must be continuously active in the implementation process, supporting and encouraging all those affected. The second thing that must happen is that during the early phases of the change, the affected system must be protected from the requirements of production. By adding the pressure of meeting production requirements to the social stress involved with change, a crisis situation may be precipitated placing the success of the change in jeopardy (Trist et al., 1963).

Considering the organizational culture, attitude and flexibility required for change, it is obvious that bureaucratic organizations may find it more difficult and threatening than organic or innovative organizations. The bureaucratic structure does not adapt as well to change.

One concept that can help organizations engage in effective change is organizational learning. If an organization is constantly learning, it is always ready for change. You cannot learn without changing. Organizational learning will be discussed next.

3.4.2 Organizational Learning

A learning organization is an organization that is committed to continual learning. It provides an environment where individuals can seek more knowledge and are encouraged to do so. Not just knowledge about their industry or their particular function, but knowledge about themselves and their place within the larger picture of life. When employees can see themselves as part of larger systems, they will also be able to see their organization as part of larger systems (Senge, 1990).

As well, when people are continually learning, they not only have more knowledge, but they can more readily identify areas where they lack knowledge. This recognition of ignorance spurs on learning which, in turn, identifies more areas of ignorance (Senge, 1990). This learning process helps organizations identify areas of potential and shift in these new directions.

Argyris and Schön (1978) take a technical approach to organizational learning. They state that organizational learning involves the detection and correction of errors. This can occur in a single-loop process where the detection and correction of the error permits the organization to carry on with its current strategic course and philosophy. Double-loop learning occurs when the detection and correction of an error requires that the organization modify its underlying norms (assumptions), policies and objectives (Argyris and Schön, 1978).

Most organizations perform single-loop learning well but cannot embrace double-loop learning because it involves a fundamental shift in their perspective and direction. When most researchers, including Senge (1990), speak of organizations needing to develop a learning culture, they are referring to the need to develop double-loop learning (Argyris and Schön, 1978).

Senge (1990) identifies five disciplines that are needed in order to achieve a learning organization. The popular titles he attaches to these disciplines are 1) systems thinking, 2) personal mastery, 3) mental models, 4) building a shared vision and 5) team learning. The most important of these, he contends, is systems thinking.

Systems thinking is the most important because it involves developing the ability to see interrelationships rather than linear cause-effect chains. Organizations consist of processes of change rather than unrelated snapshots in time. Whatever is done now will affect someone else in the organization at some point. The effect may be positive or negative, immediate or delayed for years. What people have to learn to see is the potential effects of their actions as the systems interrelate (Senge, 1990).

An organization must also provide an atmosphere where individual employees can explore their personal goals and are encouraged to pursue them. This is what Senge (1990) refers to as personal mastery. An organization is only as good as its employees and a learning organization constantly nurtures their individual learning.

Most people possess limiting assumptions that are deeply rooted in their experiences. These "mental models", as Senge (1990) calls them, limit us to familiar ways of thinking and acting. This is how new insights, process improvements, and structural changes fail to be put into practice; people do not believe they will work because they conflict with their understanding of possibility and impossibility (Senge, 1990).

The ability of organizational leaders to unite people around one common goal and identity is also necessary for organizational learning to occur (Senge, 1990). Senge (1990) call this "building shared vision". When people are committed to the achievement of a particular goal, they learn what is necessary to reach the goal and strive towards it.

The last of Senge's (1990) five disciplines is "team learning". This refers to the ability of a team to surpass the individual abilities of the team members to achieve things that would not be possible individually. This is how a true learning organization operates. Individually, the employees are talented and intelligent, but together they are able to achieve even greater things.

Although organizational learning seems like an ultimately logical thing for which to strive, many organizations are prevented from achieving this goal. Senge (1990) identifies "learning disabilities" experienced by companies. These disabilities include 1) the tendency of people to identify with their position alone instead of seeing themselves within the larger system of the organization and its environment. 2) the tendency to believe that external agents are responsible for the majority of problems that an organization or individual faces. Many individuals have difficulty seeing how their problems are being created internally. 3) an inability to see the world as a series of long term patterns of change instead of a series of unrelated events. 4) an inability to see and respond to gradually forming threats in the environment. 5) the belief that we always learn from experience. Sometimes the consequences of actions are not visible for many years making it difficult to learn from previous mistakes. 5) the dependence on the skills and abilities of top management in an organization. Often the management team works hardest to make themselves appear intelligent and competent instead of actually engaging in any learning processes (Senge, 1990).

All of these disabilities involve an unwillingness (or inability) to see the world as a series of systems that interrelate. This lack of systems thinking limits individuals and organizations because it does not allow them to learn better ways of doing things, develop innovative ideas or see opportunities that exist in the interrelationships of the world.

Organizational learning is not limited to organic or innovatively-structured organizations. Paul Adler (1992) in his study of New United Motors Manufacturing Inc. (NUMMI) determined that even in a bureaucratic organization with a high division of labour, a learning culture can be fostered through employee participation.

The strategy of organizational learning can help develop a culture of innovation and change. As employees and management are constantly learning about new ways of doing things and new ways of understanding themselves, their jobs and their role in society they cannot help but be prepared for change. For a person to desire knowledge is for that person to desire change because they realize they are not as complete and effective as they could be. And as they learn, they develop a greater capacity to innovate, integrating past knowledge and experiences with new knowledge. For this reason organizational learning seems particularly relevant to innovative organizations, although it can benefit any type of organization.

In summarizing this section on organizational culture it becomes evident how vital culture is to organizations. Adopting a learning culture can greatly benefit organizations that exist in environments were change is often required. Kanter's (1985) conclusion that change is mastered by innovating indicates that innovative organizations may have an advantage in such environments. Transformational leadership may be what many organizations need in order to accept the idea of continual change and adopt a learning culture on the road to innovation. Once change and learning have become more routinized parts of organizational culture, a management focus may be able to return. But until that point, organizations hoping to innovate, learn and meet the challenges of change will need a leader who can see opportunity and success where others only see threats and failure.

If we accept the organizational learning concept of systems thinking as playing an important part in the development of a culture that supports innovation and change we cannot ignore the fact that an organization is not only a system in itself, it also exists within a larger system. The interaction an organization has with its environment affects and is affected by its structure, its leadership and its culture. It is to these interorganizational relations that our focus now turns.

3.5 Interorganizational Relations

Interorganizational relations can have a profound affect on an organization. Competitors, customers and suppliers all play a role in an organization's activities. The idea of organizations as systems that include other organizations will be considered in this section. Various types of interorganizational relationships and their affect on decision-making will also be discussed.
This will be followed by closer consideration of one type of decision-making structure, the federation. From there, the focus will switch to conflict and resource dependency which can arise from interorganizational relationships. A synthesis of how these concepts relate to each other and to organizational structure, leadership and culture will close the section. But first we must define interorganizational relations and discuss why organizations chose to participate in them.

Logically, an interorganizational relationship would simply be a relationship between organizations.. Oliver (1990: 241) defines interorganizational relationships as "relatively enduring transactions, flows, and linkages that occur among or between an organization and one or more organizations in its environment."

A relationship generally infers some degree of dependence on one or all parties subject to the relationship. When organizations become dependent on one another they lose some of their autonomy in various areas. This can be considered a cost to the organization. Schermerhorn (1975) identifies three possible costs of interorganizational relationships: loss of decision-making autonomy, unfavorable ramifications to organizational image or identity by being linked to another organization, and required allocation of scarce organizational resources (time, money, etc.) to increased communications.

The literature identifies two main reasons why an organization would voluntarily enter an interorganizational relationship: 1) a need for resources (Aiken & Hage, 1968; Bradach & Eccles, 1989; Oliver, 1990; Schermerhorn, 1975; Wiewel & Hunter, 1985), 2) a desire to reduce the complexity and uncertainty in the external environment (Bradach & Eccles, 1989; Oliver, 1990; Warren, 1968). Additional reasons include: the potential to exercise power over another organization (Oliver, 1990); the pursuit of common or mutually beneficial goals (Oliver, 1990; Schermerhorn, 1975); the implementation of legislation or other mandate that requires membership (Oliver, 1990; Provan, 1983; Schermerhorn, 1975) and to increase legitimacy and improve organizational image (Oliver, 1990; Schermerhorn, 1975; Wiewel & Hunter, 1985).

At the root of the theories of interorganizational relations is systems theory which suggests that all phenomenon be studied in the context in which they exist. This is the only way to understand more completely the phenomenon which you are studying. This means that organizations should be studied as systems instead of conglomerations of parts (von Bertalanffy, 1976). An introduction to systems theory is presented next.

3.5.1 Organizations as Systems

Traditional organization theory represented organizations as closed systems, existing in isolation. As systems theory gained support, organization theorists began to view organizations as open systems that interacted with their environments (Kast and Rosenzweig, 1976). This recognition constituted a major shift in the way organizations were perceived.

Katz and Kahn (1978) accepted that organizations were influenced by their environment but went on to redefine the organization, not as a means of achieving certain results, but as a system. The system requires inputs and it produces outputs that stimulate more inputs. Inputs must come from the environment and outputs enter into the environment. In this way the organizations can be seen as a cycle of events (or a system), continuously interacting with its environment (Katz and Kahn, 1978).

Systems theory forms the basis of many other bodies of theory because it is so general and vast. For example, organizational learning is based in large part on the concept of systems thinking, or the ability to visualize the organization as a series of systems within larger systems. Theorists studying interorganizational relations have also used systems theory as their foundation. This is because interorganizational relations deal with the relationships organizations form with each other in their external environment and how these in turn affect internal systems and operations.

Our discussion will now turn to various types of interorganizational relationships.

3.5.2 Types of Interorganizational Relations

The literature defines several different types of interorganizational relationships. In one of the earlier studies, Warren (1968) determined that community development organizations operated in one of four possible contexts: the unitary context; the federative context; the coalitional context and the social choice context. These contexts are distinguishable from each other along a continuum based on six dimensions that deal with the centrality of control and the autonomy of the affiliated organizations. The unitary context has a strong relationship of units to an inclusive goal, strong central decision making and authority, high division of labour and strong commitment to a centralized leadership subsystem. Units (such as departments) are expected to put the goals of the larger organizations ahead of their unit goals.

The social choice model would be on the opposite end of the continuum with few system-wide goals, autonomous authority and decision-making, little division of labour among system members, no expected commitment to a leadership subsystem and no expectation that system goals would supersede organizational goals (Warren, 1968). The federative and coalitional models fall in the middle.

Bradach and Eccles' (1989) markets, hierarchies and relational contracting situations can be compared to Warren's (1968) contexts. The unitary context corresponds to hierarchies (or authority), social choice corresponds to markets (or price) with relational contracting (or trust) corresponding to federations and coalitions. Their main contention is that they do not exist on a continuum and are not mutually exclusive. The implication of this is that an organization may be involved in more than one type of interorganizational relationship at any given time. Warren (1968) supports this by saying that a unitary structure can exist within a federation which can be part of a coalition and so on.

Oliver (1990) identifies six types of interorganizational relationships: trade associations; voluntary agency federations; joint ventures; joint programs; corporate-financial interlocks and agency-sponsor linkages. The type of relationship that exists depends upon what the reasons were for forming the relationship to begin with (Oliver, 1990). Again, it is contended that the relationships can not be placed on a continuum of any kind.

The different types of interorganizational systems discussed above have different types of decision-making processes necessitated by their structure. These are discussed next.

3.5.3 Impact of Interorganizational Relations on Decision-Making

These various types of interorganizational relationships all have a distinct impact on an organization's decision making process. For example, in a unitary context (Warren, 1968) or an authority relationship (Bradach and Eccles, 1989) the decision making is centralized with the leadership of the organization (Warren, 1968). No parties outside of the management team have to be consulted. This allows for relatively quick decision making processes, but it may result in decisions that are not in the best interests of all units concerned. By contrast, in a federative context (Warren, 1968) or a trust relationship (Bradach and Eccles, 1989) the decision making function for the federation still resides in the central administrative body (Warren, 1968), however, the decisions are made with the input of the member units. Consensus decision making is common in federations (Warren, 1968). Such trust relationships require very careful decision making because if the trust is felt to have been betrayed, the relationship will cease to exist (Bradach and Eccles, 1989). The downside of consensus decision making is the time that must be invested in the process. Decisions affecting the entire system cannot be made quickly.

The type of interorganizational relationship that is of the most interest for the purposes of this study is the federation (Warren, 1968), relational contract (Bradach and Eccles. 1989) or voluntary agency federation (Oliver, 1990). From this point on, it will simply be referred to as a federation.

It seems that the relationship between CUFIS and CUC could be placed in the unitary context but CUC's relationship with the credit unions must be categorized as a federation. It is possible that the federative structure of the Credit Union System as a whole had more of an affect on CUFIS' operations. It is for this reason that federative structures will be examined in more detail in the following section.

3.5.4 Federative Structures

A federation is a form of organization established through voluntary, binding and long term co-operation that is contracted between autonomous affiliates. All affiliates maintain joint authority over the federation and act together in some areas and separately in other areas (Johnstad, 1993). A central body with a formal staff is created to direct the federation towards its common goals (Warren, 1968). Affiliates remain autonomous but relinquish control over some of their activities to the central body in return for some benefits (Johnstad, 1993; Provan, 1983). The most common benefit organizations receive from a federal interorganizational network is minimized network complexity and reduced environmental uncertainty (Bradach & Eccles, 1989; Johnstad, 1993; Oliver, 1990; Provan, 1983; Warren, 1968).

In order for a federation to develop, there must be a large group of organizations with recognized interdependencies, a relatively large discrepancy between the main activities of the affiliates and the anticipated role of the central body (Provan, 1983) and some commonalties between the organizations (Johnstad, 1993).

Various types of federations have been identified on the basis of who holds power and control and on how much of the organization is structured around the federative principles (Johnstad, 1993). When distinguishing on the basis of power and control, three types of federation are suggested: confederation, pure federation, and quasi federation (Johnstad, 1993). A confederation is a loose federation where the power is in the hands of the affiliates. A pure federation has a more equal balance of power. In a quasi federation the central body has more power than the affiliates.

Johnstad (1993) also differentiates between types of federation based on depth of federal organization. The part-federation is an organization where only one part or level is organized federally. The whole-federation exists when all levels are organized federally. The integral-federation takes the federal principle beyond structure to the point where the philosophy of the organization is based on the mutual self-help and mutual respect ideals of federalism. An example of an integral-federation is a co-operative system where the "co-operative spirit" influences decision-making (Johnstad, 1993).

However you define them, federations ultimately rely on their affiliates for their continued existence. Because federations rely on the assent of their autonomous affiliates, they are under great pressure to operate on a consensus basis (Warren, 1968). They are also expected to exhibit legitimacy and provide it for their members (Oliver, 1990).

With the high amount of contact between affiliates and a consensus decision-making structure, it is likely that there will be interorganizational conflict within federations. It is to this concept that our discussion will now turn.

3.5.5 Interorganizational Conflict

Conflict is the interaction between players, be they individuals, organizations or countries, that results from any divergence of interests. When both player's interests can not be met, conflict results (Morgan, 1986). More specifically, Dharendorf (1959), Schmidt and Kochan (1972) and Walker (1970) state that conflict is the result of goal discrepancies (Pfeffer, 1981). Pfeffer (1981) takes this further and states that for conflict to occur, there must be a goal discrepancy plus resource scarcity. This is what makes it impossible to meet the goals of all players. What this means is that organizations can have differing goals and exist in relative harmony, but if the resources needed to meet their diverging goals are suddenly scarce, then conflict will arise in an attempt to determine who gets the resources necessary to meet their goals (Pfeffer, 1981).

How well organizations interact with their environments and attain necessary resources determines if they survive. In this light organizations can be seen as processes of organizing necessary support from their external coalition (Pfeffer and Salancik, 1978). An organization's external coalition consists of the owners of the organization, the associates that deal with it, the associations that represent its employees and various other public organizations in the environment (Mintzberg, 1983). This coalition places demands on the organization in exchange for its support. Sometimes these demands conflict with one another and the organization must choose between or priorize demands. This decision is made based on which coalition's support is most needed (Pfeffer and Salancik, 1978).

The relationship becomes more complex if an organization is dependent on a member (or members) of its external coalition for necessary resources. This dependency can also lead to conflict situations but the conflict dynamics may be different because the party with control of the resources will be in a position of power. The concept of resource dependency is addressed in the following section.

3.5.6 Resource Dependency

Other researchers have proposed that organizations can be understood only if one understands how they relate to other social actors in their environment (Pfeffer and Salancik, 1978). Organizations will always face conflicting demands and will always be controlled, to some extent, by external coalitions. The demands placed on an organization will change as coalitions change and as other external factors change, as will the amount of conflict with which they must deal. "Interdependence exists whenever one actor does not control all the conditions necessary for achievement of an action or for obtaining the outcome desired from the action" (Pfeffer, and Salancik, 1978:40).

In the literature, resource dependency is defined as a situation where an organization is dependent for its survival on environmental resources (Pfeffer and Salancik, 1978). It can also be defined in terms of the strategies used to combat dependence, such as suppression of technology (Dunford, 1987), or the organizational structure that results from dependence (Tolbert, 1985). Resource dependency can also be defined in terms of the way dependence is created. Organizations can contribute to the overall goals of another organization, thus creating dependence (Kallinikos, 1984), or they may possess the means with which to impact organizational behaviors, or control the use of necessary resources, or control access to necessary resources, or they may regulate possession of necessary resources (Sheppard, 1995).

There are certain conditions that, when met, will increase the extent to which organizations will comply with external control attempts:

1. if the organization is aware of the external demands.
2. if the organization obtains resources from the actor making the demands.
3. if the resources obtained from the actor are critical to the organization's functions.
4. if the actor controls the access to the resource.
5. if the organization does not control any resource that is critical to the actor.
6. if it is easy to determine if the organization's actions comply with the actor's demands.
7. if the organization's satisfaction of the actor's demands does not conflict with the satisfaction of demands from other parts of the organization's interdependent environment.
8. if the organization does not control any part of the actor's demand determination process.
9. if the organization is capable of satisfying external demands.
10. if the organization desires to survive (Pfeffer and Salancik, 1978:44).

All of these conditions need not be present for an organization to be externally controlled, but the more conditions that exist, the more likely it is that such control exists. Ultimately, if there is any asymmetry in an interdependent relationship, power will accrue to the less dependent party (Pfeffer and Salancik, 1978).

Because resource-supplying organizations may not always be reliable, resource dependence can create extreme uncertainty. In order to reduce this uncertainty, many organizations enter arrangements such as mergers, joint ventures, and interlocking boards of directors (Pfeffer and Salancik, 1978). Another proposed means of reducing external dependency is through the suppression of technology which can reduce the need for resources in the environment (Dunford, 1987).

Tolbert (1985) found that resource dependency can affect the administrative structure of organizations in her study of public and private universities. Increased external dependence resulted in administrative differentiation as offices and positions were created to negotiate and manage the relationship (Tolbert, 1985).

Kallinikos (1984) found that the higher a subsidiary's contribution to the overall goal achievement of its multinational parent company, the greater its autonomy and decision-making and participatory power. This supports Sheppard's (1995) finding that organizations were less likely to fail if they had some degree of control over their industry, influence with the key resource providers in the industry, a diversified product line to act as a buffer against resource scarcity and a high initial level of resources. Organizations are less likely to fail if they take steps to reduce their external resource dependency.

One of the roles of management in an externally controlled organization is trying to control the demands placed on the organization by influencing the powerful, external coalitions (Pfeffer and Salancik, 1978).

It is possible that resource dependency may not complement an innovative structure and culture or a transformational leadership style. Management may become too busy trying to control external demands to be able to create the vision needed to lead the organization. This kind of activity would create a transactional leader even if the individual had the potential to be a transformational leader.

In concluding this section, it seems that extensive interorganizational relations may be detrimental to the development and successful operations of an innovative organization. Although the increased contact and complexity that Kanter (1988) states are necessary for innovation to occur are present, management of the relationships is too time-consuming to allow for extensive innovation.

As well, Mintzberg (1989) mentions the importance of keeping innovative organizations or units separate from operating activities. This becomes difficult when the operating activities, such as maintaining interorganizational relations, consume so much time and energy. This becomes especially difficult in a small organization such as CUFIS when there are limited human and monetary resources. The relationship CUFIS had with CUC and with the federative Credit Union System was detrimental to its survival.

In addition to this, such extensive contact with external organizations is likely to increase the institutionalization process. If an organization is unaware of what other organizations are doing or how they are structured, it is less likely that the organization will be drawn to adopt a similar structure. However, returning to Kanter's (1988) point, such isolation does not allow for the external stimulation needed to generate innovation.

A positive aspect of interorganizational relationships is that they may help create and sustain a learning organizational culture. If employees are constantly exposed to the different approaches and philosophies of other organizations they may be stimulated to learn more about the beliefs underlying the way they do their own jobs. By analyzing the way they work, they may be able to develop new and better ways of doing things. Such external contact also helps employees see themselves as part of a larger system and helps them understand how their actions can have effects they never previously considered. This is the beginning of systems thinking.

So the overall affect of interorganizational relations on structure, leadership and culture is unclear. It is my suggestion that the type and ability of the leader has a great deal to with the effect interorganizational relationships have on an innovative organization. A strong transformational leader should be able to make employees and members of the external coalition buy into the vision of the organization. By doing this, support can be generated to counteract the negative influence of external demands. Management of external relationships, while not compromising commitment to internal structure and culture, is the key.

3.6 Research Objectives and Anticipated Relationships

3.6.1 Research Objectives

The purpose of this study can be divided into two levels, the theoretical level and the practical level. The theoretical level includes the contribution this study intends to make to the organization theory literature while the practical level seeks to provide valuable information to credit union practitioners.

On the theoretical level, the overriding objective of this study is to examine how innovation can be introduced and sustained in federative systems. In addition, the relationships between organizational culture, interorganizational conflict, resource dependency and innovative organizational structures in this context will be investigated.

On the practical level, this study will investigate what happened to CUFIS and why it did not survive. From this, a hypothesis will be developed about the decentralized credit union system's ability to compete with the centralized banking system in a financial services marketplace that demands innovation.

3.6.2 Anticipated Relationships

Based on the literature reviewed in this chapter and what is known about the co-operative sector and the Credit Union System, it is anticipated that the following relationships will be found with regard to CUFIS and its functioning within the Credit Union System.

CUFIS was designed to be a learning organization and was structured as an adhocracy. These characteristics enabled CUFIS to become a successful generator of innovative products and services. The culture that was encouraged within CUFIS by its first General Manager supported the design characteristics and helped make CUFIS innovative. The change-resistant culture of Credit Union Central did not support CUFIS' innovation. Dynamics within CUC and the larger System inhibited effective marketing of the products and services developed by CUFIS to the independent credit unions, resulting in failure to adopt. This led to conflict between CUFIS and some credit unions as they could not see the value of CUFIS' work. CUFIS was then in a dilemma because it was resource dependent on the credit unions. This interorganizational conflict led to a change in CUFIS' mandate and structure which effectively destroyed its ability to innovate leading to its early demise.

3.7 Conclusion

Chapter three has presented literature in the areas of organizational structure, leadership, culture and interorganizational relations that is relevant to this study. Of course there is much more literature that would apply to the CUFIS situation but the purpose here is not to be exhaustive. The literature included in this chapter was selected because it deals with what I perceive to be the most important factors affecting CUFIS' operations.

The organizational structure literature explains why CUFIS had an informal, partially isolated structure and how this helped them innovate. This literature also explained why there was difficulty integrating CUFIS' products and services into the Credit Union System and why CUFIS might evolve over time to adopt a more conventional, bureaucratic structure.

The literature on leadership discusses the strengths and weaknesses of several types of leaders. This helps us understand why CUFIS needed a transformational leader in order to succeed.

The culture literature demonstrated the benefits a learning culture can have, especially for an innovative organization or organizations in complex environments where change is often required. This helps us understand the culture that would have been most beneficial to CUFIS.

Finally, the interorganizational relations literature helps us understand the federative decision-making system in which CUFIS existed. We learned why it was necessary and how it may have created conflict and resource dependency problems for CUFIS.

When considering these bodies of literature as a whole, we begin to understand the challenges that faced CUFIS. In fact, it is not clear whether CUFIS could have survived at all. Its structure and interorganizational relationships may have required a leader with superhuman abilities and a learning culture so flexible and advanced that it may have been impossible to create with the resources at hand. On the other hand, CUFIS may have been a viable model that could have survived given the proper mix of resources and support.

The issues of whether or not CUFIS was a viable model and whether or not federative structures in general can create and sustain innovation will occupy the remainder of this study. The next chapter outlines the methodology used to organize this research and address these issues.

Chapter 4 Methodology

4.1 Introduction

Chapter Four provides a description of the methods used in conducting this research. This research is qualitative in nature, following case study historical research methodology. Data sources include archival documents, interviews and some secondary research. The methodology described in this chapter ensures the construct validity, reliability, internal and external validity of this research. The result is a rigorous case study analysis that provides findings that may be generalized to other organizations at a theoretical level.

The contents of the chapter will flow from epistemology through qualitative research to the research strategy and method to be employed. From there, the question and constructs relevant to the research will be discussed followed by data collection and data sources. A discussion of the data analysis process will complete the chapter.

4.2 Epistemology

Within the last 20 years, there has been an increasing argument for a subjectivist (naturalist, phenomenological) epistemology, especially when studying the social world (Morgan and Smircich, 1980). This approach attempts to determine reality as it is perceived by the individuals who compose the phenomenon being studied (Bryman et al., 1988). The nature of knowing that underlies the subjectivist epistemology espouses multiple realities. Every person will interpret actions and events in a different way because every person has a unique background and set of experiences that shape the way they see the world (Gubrium, 1988). Understanding this, it is logical that in order to understand a social phenomenon, a researcher must attempt to understand what the phenomenon meant to the people involved (Gubrium, 1988).

Qualitative research is a type of research that gathers together individual interpretations to create a multi-faceted picture of the phenomenon being studied. In doing this, it exposes meaning in a situation which contrasts with quantitative research which imposes meaning (Bryman et al., 1988).

This study follows the qualitative research tradition. When studying people, in social groups, families or formal organizations, individual interpretations can not be ignored. With this understanding, multiple perspectives of and meanings for the CUFIS phenomenon have been uncovered.

The next section discusses qualitative research in more detail. A discussion of the specific research methods chosen for this study follows.

4.3 Qualitative Research

The qualitative method is the appropriate approach for this research based on the assumptions regarding the nature of knowledge and the nature of the phenomenon to be studied that are held by this researcher (Morgan and Smircich, 1980).

Because of the many players (both individuals and organizations) involved in the existence and demise of CUFIS, there can not be only one true explanation of the situation. A qualitative research approach must be used in order to uncover the multiple perspectives that exist. This study deals with organizational culture, conflict, and leadership, which would lose some of their richness and explanatory qualities if reduced to quantitative variables. This study also deals with structural factors that would lend themselves to quantification, but to rely on quantification of these variables in this case would mean forfeiting the ability to discover the various interpretations of the structures that existed and how they intertwined with other factors. It is this researcher's opinion that these interpretations are vital to understanding the real story of CUFIS.

There are many criticisms of qualitative research. Borman et al. (1986) identify nine common criticisms: it is too subjective; it is too value laden; it is not replicable; it may not be generalized to other situations; it produces trivial conclusions; it has no validity; it does not prove anything; it is not empirical; it is neither rigorous, nor systematic, therefore, it is unscientific.

To address the above concerns, the research process has been well documented and the data has been organized in such a way that meaningful conclusions can be drawn from it and that would allow another researcher to easily find their way through it. All conclusions are well linked to theory and literature making generalization possible. All attempts have been made to identify and eliminate bias in the process and in the data. The specifics of validity and reliability will be discussed at a later point in this chapter.

By making every attempt to conduct a "good" study, qualitative research can be valid, reliable, meaningful and it may be generalized to other situations (Borman et al., 1986). In order to ensure the quality of the results, a researcher must select an appropriate strategy, design a sound research method and then adhere to it. The research method used in this study will be described in the following sections.

4.4 The Research Instrument

In qualitative research, the researcher becomes the research instrument. As a result, it is important to understand the researcher's own biases and perspectives. This section will take on a bit different form as I explain who I am in regard to this study.

I have been involved with co-operatives all my life. Growing up in a small town in Saskatchewan, it was common for me to ride to the Saskatchewan Wheat Pool elevator in the grain truck or beg my mother for a chocolate bar in the co-op grocery store or be bored to tears while waiting in the credit union. I thought it was just the way life was. I did not recognize the importance of these organizations until much later.

As I grew older, my father became more and more involved with co-operative organizations, especially credit unions. He occupied board positions with local, provincial and national organizations. He seemed to strongly believe in what he was doing and because I believed in him, I wanted to learn more. I began to ask questions and slowly the co-operative ideal was revealed to me.

The biases that have developed in me are quite strong. I understand co-operatives from a philosophical and emotional perspective. I believe that co-operatives have significantly shaped the lives of millions of people. I also believe that they have a great deal more to offer society. It is this belief that has led me to this study. These biases have affected this study but the methodology outlined in this chapter has minimized them and a consistent perspective has been maintained.

I have a Bachelor of Commerce degree with a double major in Human Resource Management and Health Care Administration. Within my Human Resource

Management major, I found the field of organization theory to be the most compelling. This research has allowed me to combine my belief in the co-operative philosophy with my interest in organization theory in an attempt to provide valuable information to co-operative organizations.

I have worked in retail sales and in human resource management which have both helped refine my communication and perception skills. It is for this reason that I feel my strength lies in conducting qualitative research.

Now that the research instrument has been presented and described, the discussion will move on to the research strategy employed in this study.

4.5 Strategy

The strategy used in this study is a combination of case study and history. The case study method is predominant. Yin (1994) states that the choice of a research strategy should depend on the type of research question posed, the extent of control the investigator has over actual behavioral events and the degree of focus on contemporary as opposed to historical events.

Yin (1994) goes on to say that the case study strategy and the history strategy both work well in situations where the researcher has little control over actual events. They both also provide answers to "how?" and "why?" questions. Logically, the history strategy better lends itself to historical events, while the case study strategy is better for studying contemporary events.

In this case, the researcher had no control over the actual events that took place and does not have any control over the events that are currently taking place in the aftermath of CUFIS' existence. The focus of the study is primarily historical as CUFIS no longer exists. But the credit union system in its current state will also be considered as CUFIS is not far removed from the present situation.

Yin (1994) states that case studies include direct observation and systematic interviewing. The study of CUFIS involved systematic interviewing, but could not include direct observation. This is where the history strategy fills in. The direct observation was replaced by a thorough analysis of the historical documents that were generated while CUFIS existed. In this way, a case study and a history overlap (Yin, 1994). The reason for presenting this research in a case study format is that CUFIS was studied within the context of the credit union system of Saskatchewan, which is a current structure.

The case study strategy has achieved the objectives of this research because the attempt was not to definitively explain what happened to CUFIS, but to explore its existence as an innovative organization within a federative decision-making system. Only by presenting a picture of CUFIS in its entirety and within its environment can the complex forces affecting it begin to be understood. Once this has been done, the door will be open for more specific, explanatory research to be conducted. This study has attempted to "...retain the holistic and meaningful characteristics of real-life events..." (Yin, 1994: 3) that existed within CUFIS. This allows for the construction of a theory of innovation within federative decision-making systems.

4.6 Case Study Design

The case study strategy is often criticized and misunderstood. It is often thought to produce less rigorous research. These concerns have been alleviated with the following case study design.

The case study is exploratory in nature as it seeks to explore what happened to CUFIS. It focuses on a single case as there was only one CUFIS. However, the case is of an embedded, as opposed to holistic (Yin, 1994) nature. CUFIS existed on many levels, within the credit union system in Saskatchewan, within Credit Union Central, within its own walls and within the minds of the individuals who made up CUFIS.

In order to ensure that the results of this research are externally valid every attempt has been made to link the results to theory generated from the literature. In this way, the findings of this study may be tested in a different, but similar situation and then be generalized more broadly from there (Yin, 1994).

The discussion will now move to the questions and constructs this study will address, based on the constructs arising from the literature. The data collection techniques, sources of data and data analysis techniques will round out this chapter.

4.7 Research Constructs

Mintzberg's (1989) model that was used in presenting the organization theory literature has been adapted slightly to form the theoretical model upon which the data analysis will be based, see figure 4.1.

At the centre of the model is organizational structure indicating that structure is the central core of an organization, its skeleton. Surrounding the structure is leadership or Mintzberg's (1989) strategic apex. Leaders define the reality of an organization (Smircich and Morgan, 1982), contributing to the creation of culture while still remaining part of the organizational structure. Therefore leadership surrounds structure and is surrounded by culture.

The model emphasizes the encompassing effect leadership has on an organization but also recognizes that the leader is not the only player in the development of culture. Figure 4.1 shows culture surrounding the structural and leadership core. This is representative of the fact that culture is primarily created based on organizational structure and those populating the structure, which includes the leader, but it is also greatly affected by external influences. These external influencers usually take the form of other organizations.

Thus a concentric circle model of the organization is created. The structure, as the component most specific to an individual organization, is at the centre surrounded by leadership, culture and interorganizational relations, each of which, it can be argued, is exposed to progressively greater outside influence making them less and less particular to an individual organization. As the organizational layers move outward from the structure, it becomes more and more part of its environment.

Based on this model, four constructs have been identified as being of particular importance to the study of CUFIS. These constructs include organizational structure, leadership, organizational culture and interorganizational relations. In applying these constructs to the CUFIS situation they become more specific and form the data analysis model presented in Figure 4.1. The specific constructs are CUFIS structure, CUFIS leadership, CUFIS culture and CUFIS's relationship with CUC and the credit unions. The remainder of this section is devoted to the description of each construct individually.

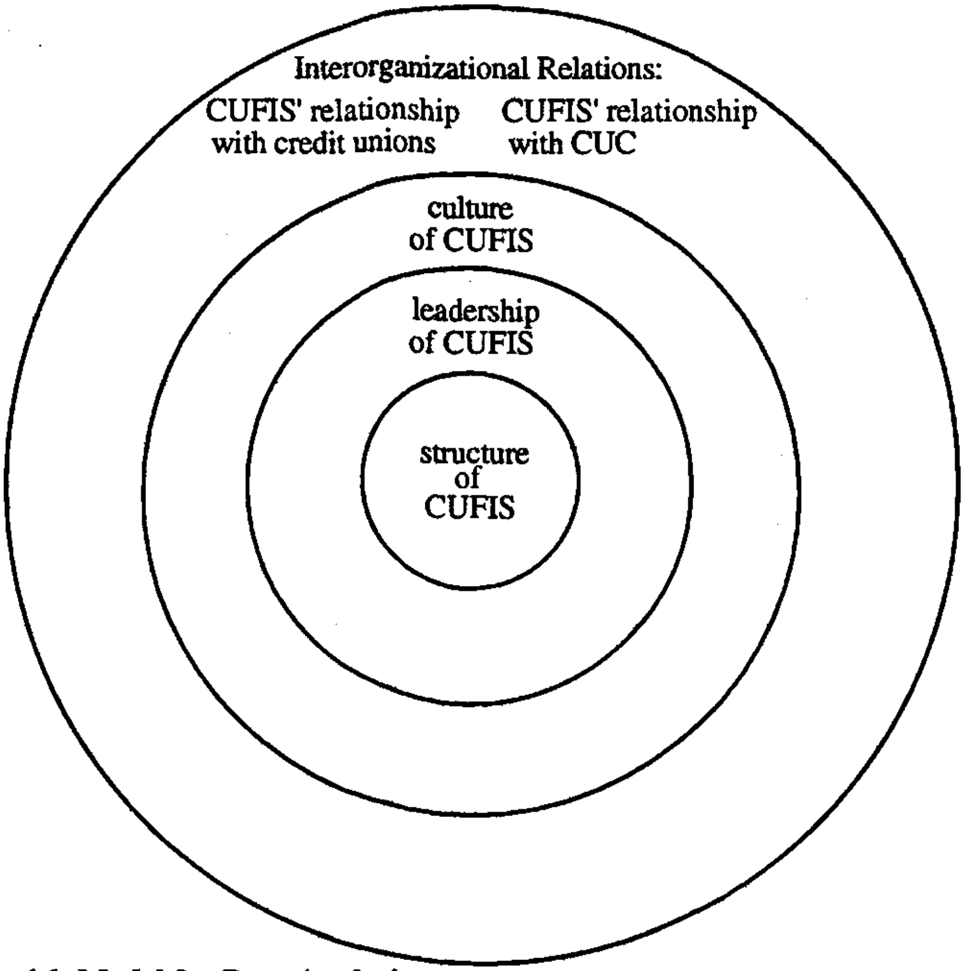

Figure 4.1 Model for Data Analysis

4.7.1 Construct #1: Structure of CUFIS

The data surrounding this concept has been gathered from the interviews and from the documents. It was analyzed to try and determine whether or not CUFIS had an innovative structure as defined by Mintzberg's (1989) adhocracy. In trying to determine this, CUFIS' internal level of formalization including the presence or absence of job descriptions, sharp divisions of labour, organization charts and documented rules and procedures was analyzed.

4.7.2 Construct #2: Leadership of CUFIS

The concept of leadership was analyzed to try to determine whether CUFIS had experienced transactional or transformational leadership during its lifetime. In identifying transformational leadership McShane's (1995) features of transformational leadership were used. These features include 1) creating a strategic vision; 2) communicating the vision; 3) modeling the vision; and 4) building commitment to the vision. Interviewees were asked to comment on the degree to which these features were present in the two individuals who managed CUFIS.

4.7.3 Construct #3: Organizational Culture of CUFIS

The theory of a learning culture was used to analyze the data surrounding the concept of organizational culture. The presence or absence of a learning culture was measured by determining the extent to which Senge's (1990) components, or "disciplines", of organizational learning were present.

The determinants of organizational learning include 1) the use of systems thinking; 2) the existence of non-limiting assumptions about what can be accomplished by the organization; 3) the existence of a strong organizational vision; 4) the ability and desire of employees to learn as a team; and 5) the encouragement of continual employee learning and improvement (Senge, 1990).

Evidence of the determinants of organizational learning being present in the organizations under study indicated that a learning culture was present; lack of evidence indicated that a learning culture was not present. This evidence was gathered for both CUFIS and Credit Union Central through the interview process.

4.7.4 Construct #4: Interorganizational Relations

The construct of interorganizational relations was included to examine CUFIS' relationship with CUC and the credit unions. While it is recognized that this is a complex and broad construct, the research focused on two components, the presence of interorganizational conflict, and the existence of resource dependency as a source of that conflict.

The amount of interorganizational conflict between CUFIS and the credit unions was analyzed by determining the degree to which there were diverging organizational goals within the Credit Union System and the degree to which there were scarce resources (Pfeffer, 1981). The degree to which CUFIS was resource dependent on the credit unions was determined by the percentage of their budget that CUFIS received from the System based on CUFIS' financial statements.

The degree to which there were diverging organizational goals within the System, was determined during the interview process by asking interviewees to describe what their organizational goals were at the time of CUFIS' existence. As well, documentation stating formal organizational goals was examined.

The amount of conflict that CUFIS experienced in its relationship with CUC was determined by considering the nature of CUC's culture and leadership in comparison with CUFIS' own culture and leadership. The degree of differentiation and integration that CUFIS experienced with CUC was also considered in light of the requirements of an innovative structure.

4.8 Data Collection

In order to maintain the validity of this study, multiple data sources were used. Multiple data sources allow for triangulation of data. Triangulation involves converging various lines of inquiry and using multiple sources to corroborate the same fact or phenomenon (Yin, 1994).

A case study database was created to house data as it was accumulated. Following Yin's (1994) format, the database has four sections. The first section contains all notes categorized into document notes, observation notes, master name and document list (discussed in the next section) and miscellaneous notes. The second section contains all case study documents and includes an annotated bibliography of all the documents. Yin describes the third section as "tabular materials" (p.96) meaning any survey or quantitative data. This study has not collected such data so the third section of the case study database instead contains all data collected from interviews, organized in the fashion described in the next section. The fourth section contains any narrative writing done by the researcher that does not end up being part of the formal study report. By maintaining an organized, structured database, reliability has been increased because it makes it much easier for the study to be replicated (Yin, 1994).

Yin (1994) also suggests maintaining what he refers to as a "chain of evidence" (p.98). This "chain" is supposed to allow the reader to move from one portion of the research to another with clear cross-referencing to methodological procedures and the resulting evidence. This increases the construct validity and the reliability of the research (Yin, 1994). At all stages of the data analysis, the data has been linked to the constructs, the literature and the methodological procedures used to gather it.

There may be certain constraints on the behavior and attitudes that exist within the organization being studied that can skew the data. It is important to identify what these constraints may be and the affects they may have before analyzing the data. If constraints are not considered, results that appear significant may actually be of no significance at all. The way to work constraints into a qualitative study is to provide a detailed description of the research setting and constraints that may exist (Johns, 1991). Part of data collection includes collecting data on possible organizational constraints. This has been done in this study.

4.9 Sources of Data

The sources of data used in this study include documents, secondary research and interviews.

The first source of data is documents. Over its lifetime, CUFIS generated a great number of documents as it communicated with CUC and the credit union system. These documents take the form of minutes of meetings between CUFIS and its Directions Committee, reports on current or completed projects, reports from the General Managers to the Directions Committee, agendas, the *Centre Scan* newsletter, and articles in *Dividends* magazine. Internal communication documents were also created in the form of minutes of staff meetings and individual accomplishment reports completed by each staff member. External documentation on CUFIS was generated by CUC in the form of agendas and minutes of board meetings, annual reports and articles in *Credit Union Way* magazine.

In order to eliminate bias and strengthen internal validity, the source of every piece of documentation has been considered. The researcher should know for what purpose the document was created in order to help identify bias in the document (Armstrong and Jones, 1987).

Several problems that were encountered when dealing with the archival documents. The first is that they were not in any logical order. The researcher recognized this and reorganized the data obtained from the documents in a way that made the most sense. Some of the documents contained multiple communications channels, meaning that they had notes written on them, etc. All markings on a document were studied to determined who made them and when. It was not be possible to gather all the necessary data by reading the documents only once. They were read several times, each time looking for something that was missed before. The original context of the documents was also considered in recognition of the fact that it is important to not consider the data in the present context. Finally, the researcher was skeptical of all the data gathered from archival documents because it was open to misinterpretation and it may not have been complete (Hill, 1993). This is why other data sources were used to corroborate the data found in the documents.

During CUFIS' lifetime, it was studied by several researchers from the University of Saskatchewan. The reports they generated were also used as data for this study. The use of this secondary research complemented the primary research being conducted. It is important to carefully analyze secondary research before incorporating it into a new study. Stewart and Kamins (1993) have identified six questions a researcher should ask when approaching secondary research: 1) What was the purpose of the initial study?

2) Who was responsible for collecting the information? 3) What information was actually collected? 4) When was the information collected? 5) How was the

information obtained? 6) How consistent is the information with other information? These questions were asked to determine whether significant bias existed in the data.

Since all documents were the property of Credit Union Central or people involved with CUFIS, it was not possible to house them in the second section of the case study database. Instead, a full list of contact names and phone numbers has been included so that the documents can be acquired again through the same people if required.

Once all the relevant documents and research were thoroughly reviewed, interviews were conducted with individuals who were involved with CUFIS in various capacities. In order to gather adequate data from a workable number of interviews, the interviews were categorized. There were interviews with the two General Managers of CUFIS, all original and subsequent staff members, all members of the Directions Committee, six members of the Advisory Task Force and five people from the general credit union community. In total twenty-six interviews were completed. Interviewees were selected so as to provide a wide range of perspectives on CUFIS.

The format for the interviews was that of a "focused interview" (Merton et al., 1990). The rationale for selecting the focused interview style is that all the interviewees were involved with CUFIS in some way, they were not simply being probed about their views on an abstract issue. In addition, the researcher was thoroughly familiar with CUFIS, by means of the document review, before the interviews took place. Hypothetically significant elements, patterns, processes and structures have been identified by the researcher and the interviews were designed to corroborate the hypotheses and fill any gaps in the knowledge (Merton et al., 1990). An interview guide was used and is discussed in more detail below. Finally, the interview was focused on determining the interviewee's definitions, perceptions and experiences with regard to CUFIS (Merton et al., 1990).

Four of the twenty-six interviews were conducted as a pre-test before the remainder of the interviews were completed. This pre-test ensured that the interview questions were structured in a manner that drew out the data for which the researcher was looking. This is similar to Glesne and Peshkin's (1992) pilot study except that the data from the pre-test interviews was considered in the final analysis. The pre-tests did not result in major changes to the interview guide, so second interviews with pre-test interviewees were not necessary.

Twenty-three of the twenty-six interviews were held in person. One interview (with a member of the Directions Committee) was conducted via e-mail while two others (one with a member of the Advisory Task Force and one with a member of the general credit union community) were conducted by telephone.

An interview guide was used during the interview to guide the researcher and ensure that answers to all the questions of interest were received (Lofland and Lofland, 1995). A copy of this guide is included in Appendix 1. The questions were loosely structured and had probe questions attached to them to remind the researcher what information was desired. The probes were asked as questions if an area was not covered by the answer to the original question. Following Lofland and Lofland's (1995) structure for an interview guide, there was a "facesheet" (82) for each interview that contained the interviewee's name, date of interview, place of interview, relationship to CUFIS, current position and organization with which they are affiliated. As well, at the end of each interview guide, a comment sheet was attached where notes, ideas and comments occurring to the researcher after the interview were written down (Lofland and Lofland, 1995). A clean interview guide was used for each interview to allow the researcher to make notes on the guide as the interview progressed.

All of the interviews were tape-recorded as agreed to by all interviewees. A summary of how the interview progressed and what was discussed was completed as soon after the interview as possible. Verbatim transcriptions of responses that seemed important were also completed as soon as possible (Lofland and Lofland, 1995). Any quotes from the interviews that were used in the final report were faxed to the interviewees for confirmation and approval. The tape recordings were labeled and retained for further review during the data analysis phase.

In order to assure confidentiality and traceability of data, all interviewees were assigned a code. In Chapter Five this code appears in square brackets ([ ]) after a reference or quote from a particular interview. If a reference is from more than one interview, then more than one code appears in the brackets. The codes are as follows:

GM1, GM2 -	CUFIS general managers
STAFF1 to STAFF6 -	CUFIS staff members
CEO -	CEO of CUC
DC1 to DC6 -	CUFIS Directions Committee members
ATF1 to ATF6 -	CUFIS Advisory Task Force members
COMM1 to COMM5 -	members of the general credit union community
BM1 to BM5 -	Bank of Montreal staff members

The interview guide, facesheet, comment sheet, summary, transcriptions and tape recording form the record of the interview. The records were categorized by interview and stored in section three of the case study database.

Once the documents and secondary research were reviewed and the interviews completed, the raw data was ready for analysis. Data analysis will be discussed in the next section.

4.10 Data Analysis

This section describes how the data was analyzed once collected.

The constructs and anticipated relationships guided the collection of the data by keeping the researcher focused. They were also used to guide the data analysis segment of the project by providing links between the data and the literature.

The data was analyzed using pattern-matching and time-series analysis (Yin, 1994). Pattern-matching involves the comparison of an empirically-based pattern with predicted alternatives. The anticipated relationships that have been identified formed the basis for the predicted patterns and the data collected provided the actual pattern. The alternative pattern that best matched the actual pattern was taken to be the correct explanation of the CUFIS situation. This is not a precise method, so it was important to develop alternative patterns that were significantly different enough that a "match" could be identified by simply "eyeballing" the situation (Yin, 1994).

Time-series analysis traces changes over time. One type of time-series analysis is a chronology. A chronology maps out a phenomenon in chronological order and then compares it to a chronology predicted by an explanatory theory (Yin, 1994). This is similar to Hill's (1993) spatiotemporal chronology used in sociohistorical research.

The first step in the analysis process was to determine alternative patterns of explanation based on the anticipated relationships. These patterns constituted initial theories and are included in Appendix 2. The data was organized chronologically to determine the actual patterns that it contained. These patterns were then compared against the previously developed alternative patterns to determine the ones they best matched. The alternative or theory pattern that best matched the actual pattern arising from the data contributed to the findings of this study.

4.11 Conclusion

This research is qualitative in nature, following a case study strategy and method with historical research methods also incorporated. The study focuses on a single case but considers it in a number of contexts, making the case embedded. The constructs measured were organizational structure, leadership, culture and interorganizational relations. Data was collected using archival documents, secondary research and interviews. Pattern-matching and time-series analysis were used to analyze the data.

As a result of following the methodology outlined in this chapter, the results of this study are considered to be valid, reliable and generalizable on a theoretical level to similar situations.

Chapter 5 uses this methodology to analyze the data and provide the story of CUFIS' life and the effect of structure, leadership, culture and interorganizational relations on innovation within federative decision-making systems.

Chapter 5 Findings and Analysis

5.1 Introduction

It's August of 1988 and you're driving south down Albert Street in Regina, Saskatchewan. You cross Dewdney Avenue and follow the road down under the railroad tracks and back up to Saskatchewan Drive. The light turns green and you continue ahead for half a block when something on the right catches your eye. There stands the concrete and glass Saskatchewan Place building with its terraced floors and trailing greenery. Of course, you've seen the building before but now you notice the green and white sign above the windows on the northeast corner of the main floor that reads "Financial Information Centre" and carries the hands and globe symbol of a credit union. You look more closely as you slow down your car, "•Financial Planning • Workshops and Seminars • Financial Information" states the sign in smaller letters as well as "CU Financial Information Services 1870 Albert St.". You park your car and find your way through the building to the main entrance of this "Financial Information Centre". Walking in, you are first struck by how warm, open and modern the office seems. Near the entrance there is an ATM and a high-tech touch screen computer that can provide information on account balances and Centre services. There are information pamphlets on the wall to your right beneath a large relief of the hands and globe symbol. As you proceed further into the Centre, there is an information library with a table and some chairs on your left. In this area there are some books out on a rack and several filing cabinets filled with publications along the north-facing window. On your right is an open area with comfortable chairs grouped around a coffee table along with several large plants. There are magazines and other reading materials littering the coffee table. Ahead of you, in front of the windows are several semi-private areas separated from the main area and each other by low dividers. Each area contains a table and a couple of chairs. The only walls that exist are between this main area and what appears to be a board room and some washrooms in the south part of the Centre. The entire space is decorated in earth tones with smooth, rounded, modern-looking furnishings. The walls that face the street are almost entirely made up of windows covered with beige vertical blinds while most of the other walls are finished with a wood wall covering in a horizontal pattern. The staff is friendly and very knowledgeable. You feel comfortable. You decide that this is a place with answers to your financial questions.

This is what Credit Union Financial Information Services (CUFIS) was designed to be like and the reaction it was supposed to elicit from credit union members and the general public who wandered into its storefront location. CUFIS was to be innovative, modern, comfortable and user-friendly. Whether it succeeded in fulfilling this mandate and some of the obstacles it faced in attempting to do so will be addressed in this chapter.

The data surrounding CUFIS' structure, leadership, culture, and relationships with Credit Union Central of Saskatchewan (CUC) and the credit unions will be presented in a way that tells the story of CUFIS from the inside out. The model that will be used for organizing and presenting the data is depicted in Figure 5.1. This model is the same as the model used to review the literature (see Figure 3.2) but with more specific terminology used for the constructs. For example, instead of structure, the construct is now structure of CUFIS. The construct of interorganizational relations has two parts that represent the two relationships that had the most affect on CUFIS. These are CUFIS' relationships with the credit unions and with CUC. As described in Chapter 3, this model was adapted from Mintzberg's (1989) model of internal and external influencers of an organization.

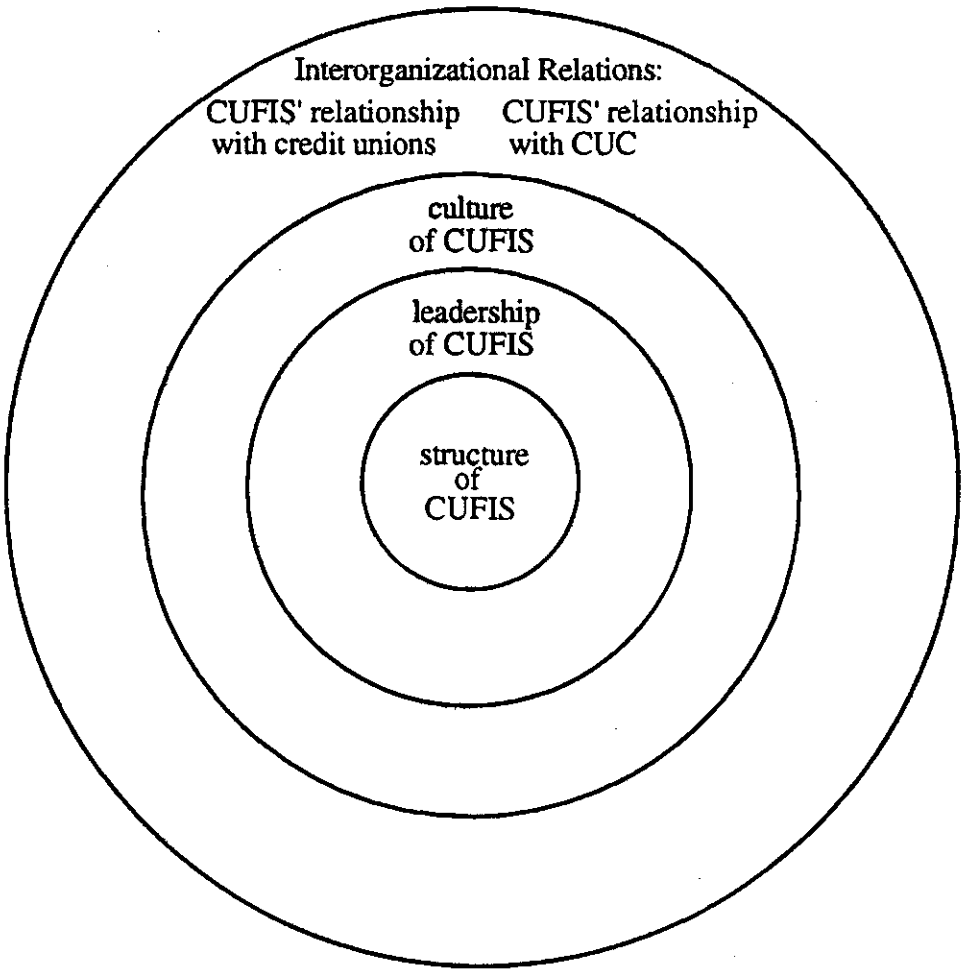

Figure 5.1 Model for Data Analysis

While the construct of interorganizational relations is presented in a separate section, its implications are also evident in the analysis of the other three constructs. In an interorganizational system such as the Saskatchewan Credit Union System, it is impossible to consider concepts such as structure, leadership and culture in isolation. These concepts are affected by the interorganizational relations to such a degree that they can not be effectively extricated. For this reason, the analysis of the constructs takes the effects of the System into consideration.

What this analysis shows is that CUFIS was never allowed to be either a true adhocracy or a true ambidextrous organization. Furthermore, these innovative organizational structures are not compatible with a federative decision-making structure such as the Credit Union System of Saskatchewan. These interorganizational systems are too slow, require too much contact between organizations and are too decentralized for a centralized, innovative structure to survive.

In terms of leadership, this analysis demonstrates how transformational leadership is complementary to the innovation process. As well, how transactional, but visionary, leadership can inhibit the development of transformational leaders within the same interorganizational network is explained. CUFIS did not have transformational leadership during its lifetime and this resulted, in part, from the leadership style of the CEO of CUC.

A learning culture is also complementary to the innovation process. However, it is very difficult to develop such a culture in any central body of a federation because the organization is externally controlled to such a large degree by the federate affiliates. For this reason, neither CUFIS or CUC had learning cultures.

Federations are unique interorganizational networks that create definite challenges for innovation. However, they can be very innovative if they rely on the strength of their decentralization. The local focus of Saskatchewan credit unions coupled with the complexity and diversity of the System have combined to produce innovative products and services in the past. If this structure and history is respected and built on, credit unions can again take their place at the forefront of financial institutions that meet and exceed their clients needs.

The story of CUFIS will be presented first so that the analysis will be more clear and relevant. It is necessary to understand what happened to CUFIS before any discussion of why or how it happened can even be attempted. The analysis of the data will follow the story and will be presented according to figure 5.1, beginning with organizational structure, followed by leadership, culture and interorganizational relations.

5.2 The Case of CUFIS

In late 1984 the Credit Union Development Initiative was created as part of ongoing work on the Saskatchewan Credit Union System's Future Direction Plan. The documents indicate that in January of 1985, the Initiative's objective was defined as follows: "To develop a pilot project to test new approaches to meeting members' needs." This pilot project became Credit Union Financial Information Services (CUFIS).

Overseeing the Initiative was the Credit Union Development Committee (the Committee) which was made up of Credit Union Central's (CUC's) executive management team, with the exception of the Chief Executive Officer (CEO). It is evident, however, that even though the CEO was absent from this committee, his opinion and approval of the project were vital. The Committee was to prepare a recommendation for how the Initiative project should proceed.

The CEO of CUC was a visionary leader and controlled the System to a large degree by his mere presence. Not because he wanted to control it or tried to control it, but because he was so trusted and relied upon by all members of the System [AFT2]. He held the attention of everyone with his ideas and intelligence. This enormous influence meant that his ideas and decisions were often not questioned even if they were not fully understood.

Various adjectives were used by individuals being interviewed when they were asked to describe the CEO. These included, "visionary" [STAFF5], "strong and successful" [STAFF2], "a forward-thinker" [STAFF4], "a myth within the System" [ATF2], "dominant" [DC1, GM2], and "well-respected." [STAFF3] From comments made during the interviews and from the documents it seems as though the CEO of CUC led the Credit Union System in Saskatchewan with his knowledge and his vision.

Another comment that was made by an interviewee was that people within CUC were scared to do anything unless the CEO had endorsed it [GM2]. By his own admission, he was autocratic in his leadership style at times, "I really worked hard at being democratic, but I was also a bloody autocrat in certain situations. If it got bad enough I'd just say 'It's gotta be done!'" [CEO]

In mid-1985, the Committee was considering the idea of using a structure similar to that of the PlanAmerica program that was implemented in the United States [DC3]. PlanAmerica was a financial planning franchise developed by Credit Union National Association (CUNA). It was a financial planning service that sold investment and insurance products. PlanAmerica was an independent organization that used space within credit unions to offer complementary products and services to credit union members.

At this point, differences of opinion and focus became evident among members of the Committee [DC3]. There were individuals who were more strategic in their focus while there were others who were more operational. The operational camp was ready to adopt the well-defined, sales-oriented structure of the PlanAmerica project while the more strategically-oriented people were still trying to grapple with concepts such as organizational vision and how it would relate to such a structure.

In November of 1985, the PlanAmerica structure was presented to the CEO who was unconvinced that it would foster the innovation that was vital to his Vision of the project. This was the first time that the importance of innovation was really stressed in the documents. It was also the first time that the documents reflect the CEO's personal Vision of the pilot project. The CEO stated that the Committee could proceed with the proposed structure if they wished, but they would be held accountable if the results, one of which was innovation, were not achieved. This effectively sent the Committee back to the drawing board to ensure that innovation was addressed.

By December of 1985, the Committee had determined that the pilot project should be a separate organization from CUC but that CUC should have majority control over it. It should also be affiliated with a credit union, in an adjacent space for instance. Such a structure would allow for later expansion to other credit unions, co-operative organizations and provincial centrals. They proposed that this structure would allow the pilot to develop an innovative organizational culture while providing complementary, not competitive, services to credit union members. This is a very similar structure to the PlanAmerica project, described above. The idea of linking the pilot to a specific credit union, however, was eventually dropped.

Early in 1986, the credit unions were formally consulted for their impression of the proposed pilot. Many individuals were supportive but had misgivings about the prospect of selling insurance products. No one wanted to be involved with the somewhat unethical reputation that accompanied the sales of insurance and some investment products. Organizations that sold such products often paid their salespeople on straight commission creating the impression that the salespeople were not always selling products that were in their clients' best interests.

The credit union representatives who were consulted were also somewhat confused over the positioning of this pilot organization within the system. A comment made by a credit union manager and recorded in the minutes of one meeting states, "Still unclear about this separate organization - is it Credit Union Central or credit unions?" The minutes indicate that there was no specific response made to this inquiry.

It must also be mentioned that the culture of the Credit Union System was averse to change, as are most organizational cultures. GM1 noticed this cultural characteristic very early in the CUFIS experiment and wrote the following into a report:

> During the past four weeks it has become painfully evident to me that innovation or the absence of it is indeed a product of an organization's culture. Organizations and the people within them have a great propensity for "maintaining" what already exists. This would seem to be true within CUC, the Co-operators and Co-operative Trust. Innovation requires people to "give up" a known or an existing way of doing things in hopes of finding a better and as yet unknown way. Many people prefer to keep doing things the way they always have been done, even when they no longer know why. It's easier! [GM1]

In May, 1986, the Saskatchewan Place office space was selected as the project's new home based on three factors, 1) its proximity to both CUC and Sherwood Credit Union, 2) its high level of traffic that would aid visibility, and 3) its physical separation from CUC which would better allow the development of an innovative culture. The space selected was also a storefront location that would encourage walk-in traffic. It was hoped that much could be learned about an individuals' financial information needs from this walk-in traffic. It was seen as a way to conduct market research.

Coming up with a structure that the CEO would approve was still an issue of primary importance to the Committee. In a summary document written by a former employee at the end of CUFIS' life the following statement was made:

> I feel it was significant that [the CEO of CUC] pounded his fist on the table of the 3rd floor meeting room and demanded some form of plan from executive management for a pilot site approximately 6 months before CUFIS opened. At the meeting he demanded with extreme emotion either a plan that was to his satisfaction or the resignation of all executive managers.

Some people said that CUFIS was the CEO's "brainchild" [ATF2, ATF6]. One interviewee commented:

> ...he wanted this to be a little research thing, ...so he was a real driving force in the establishment of the Centre, as opposed to credit unions from the ground up saying 'we gotta do this'. [He] was the initiator and the sponsor, if you will. [GM1]

It was determined that the project should be a wholly-owned subsidiary of CUC and its operations should be monitored by a board made up of CUC's executive management team. This was essentially the Credit Union Development Committee, who developed the pilot, with the CEO and the Corporate Secretary of CUC added. They called this board the Directions Committee and it was to meet with project staff on a periodic basis. The Directions Committee was to act as a bridge between the pilot project, CUC and the credit unions, providing feedback to staff members on the project's operations and usage of funds. The GM would prepare a report outlining past, present and future activities which would be discussed and passed with or without amendments by the Committee. In this way, the Directions Committee influenced CUFIS' activities. It is important to note that the minutes of these meetings over the course of CUFIS' life show that very few changes to the GMs' Reports were ever requested by the Directions Committee.

The subsidiary structure was selected to allow a degree of separation from CUC while allowing for clear tracking of revenues and expenditures associated with the project [DC3]. In addition, if the organization was ever to sell insurance, it had to be a separate entity for regulatory reasons.

Several individuals who were interviewed believed that CUFIS had to be separate from CUC and from any particular credit union in order to gain the support of all credit unions [GM2, STAFF5, GM1, DC2]. If CUFIS was perceived to be a part of CUC, the independent credit unions would feel that CUFIS was just a way for CUC to push centrally developed ideas, products and services. Similarly, if CUFIS was affiliated with any one credit union, the other credit unions would feel that the one credit union's ideas were being forced on them. Either way, the individual CUs would have perceived CUFIS to be a threat to their autonomy and would not have supported it.

So CUFIS was to be independent. It was also determined that CUFIS should be supported by CUC diverting one half of one percent of the credit unions' dividends each year.

In November of 1986, the first General Manager (GM1) was hired and redesigning of the Saskatchewan Place office space began. The layout and decor of the office was to create the impression of friendliness, professionalism, efficiency and innovation. These were also the characteristics that were desirable in project staff members.

Throughout December, GM1 engaged in discussions with Credit Union Insurance Services (CUIS) about the provisions of its insurance products through CUFIS. There were also discussions with Co-operators Data Services Limited (CDSL) regarding a joint expert systems pilot project.

In January of 1987, another staff member (STAFF1) was hired in an administrative support position and the project moved to a temporary work space in the Saskatchewan Place building. In February, CU Financial Information Services, or CUFIS, was chosen as the name for the pilot project. In the minutes of their February meeting, the Directions Committee defined CUFIS' as an organization that would "...do research and development on behalf of Central for a period of three years."

In his February report to the Directions Committee, GM1 indicated that he felt there were already unrealistic expectations for CUFIS within the System, although he did not expand on this comment. He went on to indicate that CUFIS was to generate a return on investment of 12% through the sale of its products and services.

March saw another staff member (STAFF2) join CUFIS in a financial planning capacity. The hours of operation for the Centre were also set. It would be open from Tuesday to Saturday, including Thursday evening. The purpose of this was to make CUFIS more assessable to people who worked standard business hours.

The Operating and Advisory Task Forces were set up for a trial period of one year, beginning in April, 1987. These bodies were to provide direction and feedback to

CUFIS as well as create additional linkages between CUFIS, CUC and the credit unions. The Operating Task Force was made up of employees of CUC while the Advisory Task Force was made up of credit union managers or their designates from across the province and individuals from other co-operative organizations. Both of these groups were meant to be "sounding boards" [STAFF1] and had influence, but no direct authority over any of CUFIS' operations.

Promotional material from this time referred to CUFIS in the following way: "The purpose of the project is to develop and test new services and approaches to satisfy member needs."

CUFIS officially opened its doors on May 1, 1987, unveiling its modern office space and innovative mandate to the Credit Union System. Immediately CUFIS began offering financial planning services and seminars. It was soon evident that people were somewhat unwilling to pay for financial planning services. In June, a fourth person (STAFF3) joined the CUFIS team.

The June, 1987 Report to the Directions Committee proves that the Operations Task Force met at least once in CUFIS' first months of formal operation. This report proposed, for the first time, that CUFIS be studied by a group of researchers from the University of Saskatchewan. The CUFIS newsletter, CentreScan, also began in this month.

By September, the official CUFIS Project Plan was released and CUFIS was busy following the mandate that it presented. The mandate stated that CUFIS was

> Intended to support the Credit Union System in seizing new opportunities by focusing on members' service needs and expectations. Financial Information

> Centre's mandate is 'service innovation'. Financial Information Centre created as a component of the Credit Union System Future Direction Plan.

It was to conduct research on behalf of the Credit Union System of Saskatchewan (the System) and generate innovation in the areas of information services, service management, financial planning and member education services.

CUFIS was not only unique in location and appearance but also internally innovative. GM1 believed in a participative style of management and he involved all staff members in decision-making and strategy development. One former employee stated that all information was shared and major decisions were made as a group [STAFF1]. Minutes from staff meetings support this claim as they indicate discussions surrounding new projects, organizational direction and general administration.

Staff members had vague job descriptions and were encouraged to continually learn and expand themselves [STAFF3]. There were few formal rules and procedures, and no organization chart. Staff did have to write achievement reports which the GM compiled to form his reports to the Directions Committee. But aside from these reports, nothing seemed to happen in a standardized way.

Although CUFIS was structurally informal, GM1 realized that some structure was needed in the organization so people would be aware of their responsibilities and could be evaluated. He also recognized that traditional job descriptions would be too confining for CUFIS. So he developed a model called the "participation work performance model" that outlined how work was done at CUFIS, see Figure 5.2.

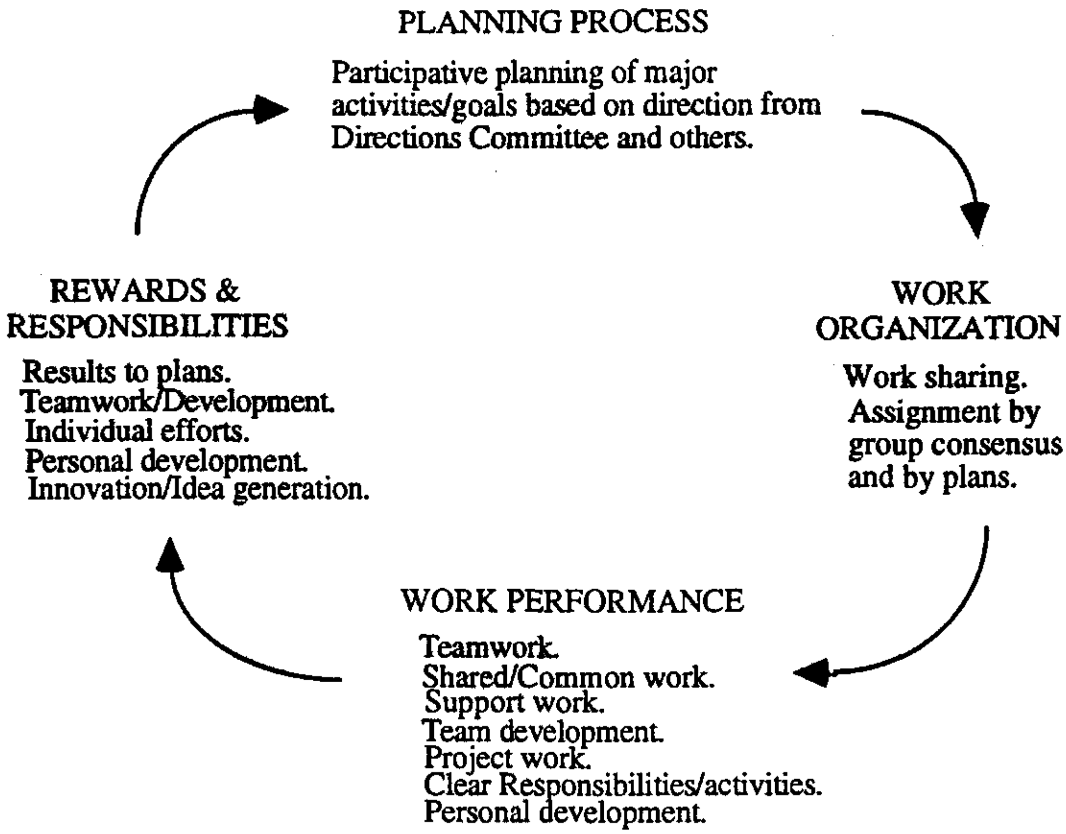

Figure 5.2 CUFIS' "Participative Work Performance Model"

There were no sharp divisions of labour within CUFIS. The project work in which staff engaged crossed functional boundaries. Staff meeting minutes indicated that one staff member would work on a project from its developmental stages right through to its completion which often included marketing and distributing the product or service.

This kind of innovative structure was exactly what was desired of CUFIS. CUFIS was to "break the mold" of CUC and provide the innovation that bureaucracy prevented CUC from providing to the System [DC1]. Removal of CUFIS from CUC's bureaucratic influence was also cited as a reason for CUFIS' physical separation from CUC. Another common perception was that CUFIS was testing a new organizational structure, "CUFIS was a structural, cultural, product and process experiment." [DC1].

CUFIS had a culture that supported the development of its staff members. Several staff members enrolled in and completed the Chartered Financial Planner course and some university classes [STAFF1, STAFF5, GM1]. In addition, staff members mentioned opportunities to learn about computer technology and to develop analytical skills and self-confidence by developing their own ideas and presenting them to the group. This commitment to learning is further demonstrated in the minutes of the first formal staff meeting at CUFIS where, under the item "functional responsibilities" it is stated, "Everyone has an opportunity to learn from this experience." As one former employee stated, everyone was "stretched as far as they could go and then they were pushed to develop themselves even more." [STAFF4]

Detracting from this is a comment made by a former staff member who said that working for CUFIS was a learning experience but the person never felt strongly encouraged to learn [STAFF2]. This opinion, however, seemed to be in the minority.

GM1 encouraged a learning organizational culture; a former staff member commented:

> One thing [the GM] tried to instill in us was that there were no failures at CUFIS, everything that we found out, good or bad, was a learning experience and that's what we were there for. If we didn't get as many financial plans as we thought or we didn't get as many people out to a seminar, that was something we learned and there were no failures, everything was positive. And it was a learning experience, not only for us, but for the System. [STAFF3]

Teamwork also seemed to be a priority for GM1. There were weekly staff meetings that were held to brief each other on their activities. At these meetings staff members rotated roles with everyone having a turn at chairing and recording which demonstrates the equality that existed within the CUFIS team. All staff attended meetings with the Directions Committee, and GM1 insisted that all staff participate in meetings with the Task Force on Financial Planning that CUC had created. One former staff member said that you didn't work for the first GM, you worked with him [STAFF3]. The notes of a planning meeting held on October 14, 1988 clearly demonstrate the participatory decision making and teamwork orientation that existed at CUFIS. Everyone was equally involved.

One former staff member had the following to say about teamwork at CUFIS:

> We were a very strong team and I think that's part of the...participative style that came from the leadership so that all decisions were made as a team, all information was shared; there was nothing that was kept in isolation from one another especially from a leadership perspective. So board meetings were always done as part of the team and we all attended even so much as I know [GM1] shared his own individual performance evaluation with all of us so there was nothing that was ever hidden. The information was just available to everyone no matter what level. I think teamwork, too, because there were functions and assignments that were shared equally, I mean all the way from everyone taking turns making coffee to everyone taking turns having exciting assignments and projects to work on. We regularly had staff meetings. Planning was a full team effort; we all participated; we all came up with plans that would drive the organization into the future; we all agreed to it. [STAFF1]

Former staff and members of the Directions Committee classified GM1 as a "doer" [STAFF1, CEO, GM2]. He recognized this about himself as well and made reference to this characteristic in one of his reports. He was committed and led by example, working 14 hour days and constantly demonstrating ways to learn and improve. As one former employee put it, he was "involved in everything" and really believed in the value of learning [STAFF5]. The staff believed GM1 created a learning Vision for them to follow.

This sentiment did not seem to be echoed outside of CUFIS. Some former members of the Directions Committee indicated that they felt that they never found the right person for the General Manager's job at CUFIS, but that they did have the best people who were available at the time [DC4]. In fact the CEO of CUC said that he was not sure the 'perfect' person for the job actually existed. Members of the Credit Union System, external to CUFIS, did not see either GM as having a strong Vision but they did feel that CUFIS had "good" leadership [ATF6].

The perception of the Directions Committee may have been propagated by the fact that GM1, in his own mind, did not present a strong enough voice to the Directions Committee. In the minutes of several staff meetings comments were made about a perceived lack of direction from the Directions Committee. At the end of several of the first General Manager's Reports to the Directions Committee there is a request for more guidance and direction yet discussion of this issue is not evident in the minutes of any of the Directions Committee meetings. It is possible that GM1 was willing to request direction in a written document but was not willing to force the issue during the meetings.

The Directions Committee also recognized the unwillingness of GM1 to confront them. They knew they were not providing a clear direction but were never challenged by GM1 to clarify themselves [DC1, DC3, DC4].

One individual commented that neither of the general managers was charismatic enough to sell CUFIS to the System [CEO]. They were not able to communicate the goals and Vision of CUFIS to the credit unions and their members. Many members of the credit union community indicated during their interviews that there was not a general understanding of CUFIS within the System [ATF6, COMM5, ATF2]. This made it hard for the credit unions to support CUFIS in any way.

1988 and 1989 saw CUFIS develop the Financial Planning Analyst and the Farm Business Analyst software, hold farm focus groups, pilot the "Financial Planning Days" concept, hold discussions with front-line staff from three large credit unions, develop the Financial Fitness Video Collection and the Farming to Win broadcasts, develop and deliver the "Your Money's Worth" program, and hold the Sharing to Win Symposium. A 1989 memo indicates that CUFIS was undertaking the most projects of any organization within the Canadian Credit Union System with 24. Credit Union Central of Saskatchewan was second with 11 projects.

By mid 1988 it was obvious that CUFIS was not going to be able to meet its budget target of a 12% return on investment. Actual revenues were approximately one third of that projected. After that, CUFIS' revenue targets were adjusted down accordingly, but there was still difficulty in meeting them.

While these years saw little change in CUFIS' structure, there were some staff changes. STAFF2's contract was not renewed in 1988 and STAFF4 joined CUFIS. However, STAFF2 was retained on an informal basis and continued to do some work for CUFIS. In 1988 there were changes in the composition of the Directions Committee. Two individuals, DC2 and DC3, left CUC and were replaced on the Directions Committee by DC5 and DC6. In 1989, STAFF3 departed and STAFF 5 and STAFF6 joined CUFIS.

In September of 1988, GM1's Report to the Board of Directors made mention of possibly shifting CUFIS to a greater sales and marketing focus during 1989. CUFIS was beginning to feel the pressure to market the products it developed. In his February 1989 Report to the Directions Committee, GM1 further indicates an intent to focus more efforts on communication with the System and selling in addition to research and development.

The April, 1989 report produced by the U of S research team recognized that CUFIS was becoming ambidextrous in that it was developing and delivering products and services. They also made reference to the, "ever-changing nature of the Centre's mandate and direction in 1987-8." In May, GM1's Report to the Directions Committee indicated that marketing was playing a larger role in CUFIS' activities and it was affecting the quality of service they were providing. He believed he needed more people within CUFIS and talked of refocusing CUFIS more on marketing. By September, GM1 did not feel that CUFIS could continue in the way that it had been. There was a need to focus on either marketing or research and development. Both were not possible with the existing resources.

The problem was that because of the separation from CUC, CUFIS had little contact with the necessary CUC departments during the developmental stages of their projects. When the time came to transfer the project, staff at CUC felt no ownership and saw it as an increase in their workload [STAFF1, STAFF5]. Therefore, CUFIS projects often did not receive priority attention. One former CUFIS staff member labeled this as "ain't invented here syndrome" [GM1]. Another staff member commented that their projects were sent to CUC to die [STAFF2]. Yet another staff member had the following to say,

> I think part of it was that when you're involved in development, you've done the research, you understand and you pilot test and you become naturally committed and dedicated because you have spent the time and effort to do it. And then when you want to transfer the ownership to someone who hasn't been involved up to that point, to another area or department of the Central that has priorities and projects and commitments that are beyond the times frames that they can effectively manage to begin with and you throw something else at them. I think that was part of the problem. It just wasn't part of their plan. So the integration of what we did and the integration of

> what the Central did was never done effectively. So even though the Central knew that we were developing various products and services and they were kept informed of that, the smooth transition from what we did to a department at Central just didn't happen. And so the commitment to carry on that product or service wasn't there. So I think the integration of the planning didn't take place. We were separate and we really needed to be separate but we still have to somehow integrate our planning and strategies and that didn't happen. [STAFF1]

This lack of integration did not allow CUFIS' products and services to comfortably "find a home." [DC4]

When asked about this issue, the former CEO of CUC stated that CUFIS' products and services were never to come to CUC at all. CUFIS was to generate interest, excitement and support for its products within the System and then identify "champions" that would take over support and delivery of the products and services. These champion credit unions would provide the support that CUFIS was looking for from CUC.

The documents do not indicate that the Directions Committee ever formally stated this or responded to GM1's concerns. In fact, little discussion of this issue is evident in the minutes of the Directions Committee meetings. CUFIS was left to find its own way and plot its own course. A former employee, when asked what she believed the mandate of CUFIS to be replied:

> Well, I've always sort of wondered about that and I think that the answer is in the CEO of CUC's head and that's where you're going to find your answer. I think what happened is we landed up with different visions of what CUFIS should be. The CEO of CUC had a vision for CUFIS and perhaps each of the GM's of CUFIS had a different vision. [STAFF4]

In November of 1989, CUFIS' mandate was extended for an additional three years with a renewed emphasis on pure research. CUFIS was to become more of a laboratory.

1990 was a year of change for CUFIS, GM1 left on April 30 and was replaced by GM2 on July 1. STAFF2 also left CUFIS in early 1990. Support for several of CUFIS' products was transferred to CUC. In October, the Advisory Task Force dissolved itself and in December, CUFIS was relocated to the second floor of the Saskatchewan Place building, away from the store front location that had initially been so innovative.

The storefront location had not produced the kind of traffic that had been anticipated. GM2 said that they had just enough traffic for it to be a distraction from their work but not enough from which to get any valuable information. The space also proved to be very expensive making the move agreeable to both CUFIS management and the Directions Committee.

The storefront had also not provided the market research opportunities that it was thought it would. Individuals who visited the Centre were surveyed but this number was low. There is little evidence to show that CUFIS did any other large scale surveying of credit unions and their members to determine needs. They conducted some focus groups in conjunction with several credit unions, but that was also part of a project testing the focus group concept. One study CUFIS did initiate, the $Financial Awareness Survey$, a study of consumer financial information needs, was not specific to credit union members nor was it trying to determine specific credit union needs.

At this point, CUFIS seemed to become more structurally formal. GM2, while still participatory by nature, was a more traditional administrator whose organizational skills were stronger than his innovation skills. He was more "laid back", more of an "administrator" and less of a visionary, stated several interviewees [DC3, STAFF5, GM1, DC6]. He attempted to focus CUFIS' activities to a degree although he also had difficulty in determining exactly what direction CUFIS should take. One person who was interviewed felt that he never did have a clear Vision of what CUFIS could or should be [STAFF4]. His own comments seem to support this in a document he wrote where he states that he was never positive what CUFIS' Vision was because the direction he received seemed to change from one day to the next. He also was not able to demand strong direction from the Directions Committee. However, he indicated during his interview that he felt the Directions Committee had lost interest in CUFIS. It is possible that he stopped requesting something that he was sure he was not going to get.

Evidence of the level of commitment to CUFIS on the part of the Directions Committee exists in a comment made by one interviewee who said they simply had "too much on their plates." [ATF6] In addition, GM2 stated,

> As time went on however, I really questioned whether there was any commitment on the part of the executive at Central, who acted as a board, or the Directions Committee as we called it, whether or not they had any commitment to anything we were doing or saying. [GM2]

This may also be supported by the fact that the number of documented Directions Committee meetings that occurred per year increased until 1988 and then decreased until 1992 (2 in 1986, 5 in 1987, 6 in 1988, 4 in 1989, 3 in 1990, 3 in 1991 and 4 in 1992). This could indicate a declining level of interest in CUFIS on the part of the Directions Committee until the time immediately preceding the decision to end the CUFIS pilot.

Several interviewees stated that there was less teamwork at the Directions Committee level than there was within CUFIS which made it difficult to support the teamwork philosophy [DC3, DC4]. Even under GM2, employees all attended Directions

Committee meetings and were encouraged to speak their minds, but one former employee felt that the Directions Committee never listened to them [STAFF4].

According to former staff members, CUFIS also became internally stale [STAFF1, STAFF2, STAFF3]. Even when STAFF2 left in 1989 and GM1 and STAFF3 in 1990, they mentioned that there was already a feeling that "the writing was on the wall" and that things were winding down. As STAFF4 indicated during an interview, it seemed like the more creative people left and the more tactical people joined CUFIS.

It was harder and harder to come up with new ideas. Staff members were becoming comfortable and developing routines. A former member of the Directions Committee stated that the CUFIS staff began to lose sight of the big picture and focus only on financial planning as the answer to all the System's problems [DC6].

Several interviewees mentioned that CUFIS began to be seen as an operating subsidiary of CUC instead of a research and development "skunkworks" [DC6, ATF1, COMM2]. As one former member of the Directions Committee stated, "We did not adequately keep CUFIS detached from the mainstream." [DC6].

GM2 implemented a very progressive performance evaluation system. How staff members functioned within the organization and the impact they had on their fellow staff members were issues that were discussed as a group. This allowed individuals to see and hear first hand how their actions affected others. This was consistent with GM2's attempt to ensure that organizational learning was inherent in CUFIS' culture. He distributed sections of Peter Senge's book, The Fifth Discipline: The Art and

Practice of the Learning Organization to staff members and encouraged them to incorporate the ideas into their work habits.

As well, self development plans were completed for every staff member to encourage their development. GM2 said that staff members were given projects in areas in which they may not have had experience simply so they would learn from the process. In the minutes of one staff meeting it was stated that staff had complete responsibility for their projects which included the authority to act, control the plan and ensure everything was on track. Everyone had the opportunity to become involved in different areas, therefore, expanding their knowledge base.

There was, however, one person who did not believe that CUFIS staff members were encouraged as much as they could have been [CEO]. CUFIS did not do as much "mind-broadening" development or as much work on innovative educational training as they should have [CEO].

The new office space was more conventional, with a reception area and separate offices. GM2 felt that the new space created a more "lab-like" environment in which they could concentrate on their research and development with fewer distractions. However, this did not seem to happen.

CUFIS became more concerned with implementing their existing products than with developing new products. Based on updates provided during staff meetings, conducting "Financial Planning Days" seemed to be one of the most common activities of the Centre. Staff had to compose "job profiles" for their positions and work began on a project planning guide that would have proceduralized CUFIS' project work, had it ever come into use. This increased level of formalization continued throughout 1991.

Evidence of increased formalization also exists in the frequency of formal staff meetings, in 1991 CUFIS had 22 staff meetings (that were documented) which was a noticeable increase over previous years (14 in 1987, 15 in 1988, 14 in 1989, and 9 in 1990). This trend may have continued in 1992 however, staff meetings stopped after the February decision to move CUFIS into the CUC building was made.

Although an increase in staff meetings is not necessarily a sign of formalization, it does indicate the desire for a more formal communication process. There seemed to be a move to a more bureaucratic structure that corresponded with a shift away from research and development to product delivery and support.

The minutes of the February 24, 1991 meeting of the Directions Committee formally defines CUFIS' direction as being, to

> assist in creating understanding of need for change by bringing together a group of credit unions to: diversify revenue sources; change culture for delivery of service (bricks/mortar); identify enclaves of credit unions where a siege mentality does not exist; identify areas worthy of attention (payback is not always immediate), and spark innovation.

This indicates that CUFIS is no longer to innovate itself but it is to help credit unions accept the need for change by facilitating innovation. But CUFIS continued with all the same projects as before and there was no indication that they were going to stop developing in order to facilitate.

The problem was that they were trying to do too much with too little. In their April, 1991 report, the U of S research team observed potential workload problems if CUFIS continued on the same path. They also noted a contradiction in the structures needed for a research and development unit and a unit producing tangible outcomes, both of which CUFIS was trying to be.

In 1991, the documentation indicates that one member of the credit union community [ATF1] questioned what exactly CUFIS was trying to do; was their focus research and development or financial planning? This indicates that some of CUFIS' uncertainty was visible to the System which would do little to instill confidence and generate support.

In February of 1991 a report completed by an external consulting group stated that the research focus of CUFIS was unclear and that financial planning seemed to be the main focus. There was some definite confusion over CUFIS' direction and purpose.

Financial times continued to be difficult for Saskatchewan residents and, therefore for the credit unions that served them. Many credit unions needed the money that was funding CUFIS in order to support their own local activities. According to members of the credit union community at the time, there was an increasingly short term focus on survival which did not compliment the long term investment mentality required to support CUFIS [ATF6, ATF4, COMM2].

In September of 1991, CUFIS began a financial planning pilot project in conjunction with Sherwood Credit Union. They also began meeting with CUC's Human Resources department to see if some resources could be shared between CUC and CUFIS. In October, the "Money Advisor" software was introduced.

January of 1992 saw STAFF6 leave CUFIS for CUC. In February, STAFF4 and STAFF5 were moved to CUC to support financial planning activities within the credit unions. On April 13, 1992, CUFIS itself was relocated to the CUC building. The Spring, 1992 edition of CentreScan described CUFIS' new direction as follows, "In the future, CUFIS will focus its attention on coordinating its own resources and those of Credit Union Central to implement quality member services within a full financial services environment in credit unions and in Central."

On September 18, 1992, the CUFIS Directions Committee decided to eliminate CUFIS as a corporate entity effective December 31, 1992. CUFIS' two remaining staff members were absorbed into CUC and CUFIS quietly became history. Staff members, other that GM2, were never consulted about the decision to shut down CUFIS and they believe they were never given a reasonable explanation as to why it was shut down [STAFF1, STAFF4].

Thus ended the experiment that was CUFIS. An analysis of the issues and changes that CUFIS experienced during its lifetime and their relationship to the literature presented in Chapter 3 will be presented in the next section.

5.3 Analysis

This section will analyze the story of CUFIS, as constructed from the archival documents and the interviews and as presented above, in relation to the literature presented in Chapter Three.

The analysis will show that CUFIS was designed to be an operational adhocracy but, due to inconsistent demands, was forced to adopt a more ambidextrous structure for which it was under resourced. This eventually led to the institutionalization of CUFIS as it struggled for legitimacy.

The leadership provided by the General Managers of CUFIS was transactional in nature and not strong enough to deflect the inconsistent demands that CUC and the System placed on CUFIS and, in so doing, prevent institutionalization. The leadership style of the CEO of CUC inhibited the development of transformational leadership styles within the GMs that may have helped CUFIS survive. In addition, the CEO of CUC conceived of the idea of CUFIS and then sold it to the System instead of letting it develop from the ground up, as had been typical within the Credit Union System's federative structure. Therefore, the origins of CUFIS actually contradicted the traditional development process of the federation making it difficult for the System to support.

Organizational structure will be analyzed first, followed by leadership, culture and interorganizational relations. However, it is impossible to completely separate interorganizational relations from the other three constructs in this case. Therefore, interorganizational concepts may be included in the sections on structure, leadership and culture while discussion of the construct of interorganizational relations will be specific to the interorganizational network, or federative decision-making structure, of which CUFIS was a part.

5.3.1 Structure

CUFIS' structure will be analyzed based on four structural aspects. These are CUFIS' mandate, its level of formalization, its ownership and administration, and its physical location.

Galbraith (1993) states that an organization should be structured in a way that supports its strategy. It is for this reason that CUFIS' mandate is relevant to this analysis of structure.

CUFIS's level of formalization and its ownership and administration were integral parts of its overall organizational structure. Mintzberg (1989) identifies a lack of formalization and an ownership and administration structure that creates a degree of isolation as being vital to an innovative organizational configuration. Formalization and structure will be analyzed to determine if CUFIS could be classified as an innovative organization.

CUFIS' physical location was another unique aspect of the organization. The reasoning behind its location and the effect of the location on CUFIS' activities will be analyzed in the last part of this section.

Mandate

Officially, CUFIS' mandate was one of "service innovation" and research and development. This did not change from 1987 to 1991. In 1991, CUFIS was to take on a more facilitative role and in 1992 CUFIS' emphasis was shifted to the provision of quality member services. These are the official mandates, however, throughout CUFIS' lifetime, there was tension between the official mandate and what CUFIS was expected to do. CUC and the System seemed to expect CUFIS to not only research and develop innovative products and services but also deliver and support them. This is where the real conflict existed, between CUFIS' official mandate and the unofficial expectations placed on it.

The Directions Committee could not provide the guidance that CUFIS needed because they had differing visions of the organization. A former CUFIS staff member indicated that CUFIS was initially conceived in the CEO of CUC's mind [STAFF4]. He left the development up to his executive management who created the structure and then left the direction up to GM1 to determine. In this process, the initial Vision of CUFIS was lost and the organization was left to guess what was wanted of it. Former members of the Directions Committee readily stated that they placed conflicting demands on CUFIS because they each had their own ideas that were never amalgamated into a consistent mandate for the organization [DC4, DC3, DC1].

Without a strong mandate that crystallizes the vision of the organization and defines a clear direction it is very difficult to sustain an organization. In part this may be what happened to CUFIS; there were too many people who wanted CUFIS to be something other than what it was intended to be. When CUFIS' Visionary (the CEO of CUC) saw that the organization did not coincide with the vision he had, he may have lost some interest in the experiment, making it difficult for him to try and focus the mandate and generate the support needed to sustain CUFIS.

Level of Formalization

Initially, CUFIS was a very informally structured organization which allowed it the freedom to be creative and innovative. This lack of formalization conforms to Mintzberg's (1989) description of how an innovative organization should be structured.

According to Mintzberg's (1989) innovative organizational types, CUFIS was initially an operational adhocracy because it was separated from the day to day operations of CUC and it performed innovation activities for an external client, the Credit Union System of Saskatchewan.

The data demonstrates that CUFIS was driven away from this structure over time because they were forced to perform activities that required more formalization. The pressure to perform sales and support activities caused the institutionalization of CUFIS.

Institutionalization is defined as a process whereby organizations begin to adopt similar structures and processes for various reasons (Scott, 1987). Over time, CUFIS began to look more like CUC and other traditional financial institutions. Mintzberg (1989) says that this commonly happens to operational adhocracies because of the difficulty involved in maintaining an innovative focus, especially if the organization is successful. Organizations will repeat activities that brought them success and this will create routine leading to bureaucratization. They will repeat these activities often because of consumer demand and they will develop a reputation for what they do best.

This is part of what happened to CUFIS. CUFIS developed successful products such as the Financial Planning Analyst and the Farm Business Analyst and was then forced to support them. This created an image of themselves within the System as technology owners so more of the same was expected of them.

CUFIS had to support what it had created, but it also had to keep innovating. Product support requires a different structure and different activities from product innovation (Duncan, 1976). So CUFIS tried to create two different structures to support these two activities, making themselves an ambidextrous organization (Duncan, 1976). However, they did not have the human or financial resources to maintain themselves in this manner for very long. Ultimately, the innovation suffered.

In the documentation there is evidence of this increasing institutionalization. The push to engage in more sales and marketing activities is evident in the CUFIS story as described previously.

CUFIS' structure may have been too radical for the majority within the System to understand and support at the time. What the System had experienced to that point was a bureaucracy so CUFIS had to bureaucratize to be accepted and have any hope of survival (Meyer and Rowan, 1977). In addition, because the mandate of CUFIS was not understood, it was not perceived as successful based on the conventional standard of revenue generation. In order to be seen as a success, CUFIS may have begun to imitate CUC's structure, leading to further institutionalization (DiMaggio and Powell, 1983).

It would appear that CUFIS was affected by institutionalization during its lifetime, and it is hard to see how CUFIS could have escaped it. CUFIS was a small organization existing in a complex environment populated by large, bureaucratic organizations. It may not have been possible to shield CUFIS from the effects of institutionalization aside from limiting its life to a very short term.

Ownership and Administration

Because CUFIS' was a unique organization, it is vital to understand its ownership structure and why it was administered as it was. These structures ultimately affected CUFIS' operations.

The decentralized, federalist structure of the Credit Union System itself was cited as a reason for CUFIS' separation from CUC. CUFIS could not be affiliated with either CUC or any particular credit union and still hope to generate widespread support.

As well, by having CUFIS separate from CUC, it was easier for CUFIS to form linkages and work on joint projects with government departments and other co-operatives. CUFIS was not part of CUC so it was unfettered by CUC's political relationships [GM2, STAFF5].

This separate structure further supports the contention that CUFIS was initially designed to be an operating adhocracy. It was designed to innovate, unaffected by CUC's bureaucratic culture and political relationships.

In terms of administration, the activities that CUFIS performed were not determined through any formal process. Staff would brainstorm ideas or take them from elsewhere and then develop them. This is demonstrated by the fact that meeting member needs was one of the only concrete components of CUFIS' nebulous mandate however, it would appear that CUFIS did not innovate based on member demand.

It appears that CUFIS was trying to lead the System in a new direction with the products and services it developed instead of meeting identified needs. The System, on the other hand, did not appear to be ready to follow CUFIS. One former employee of CUFIS used a football analogy to describe CUFIS:

> CUFIS was a football, CUC a quarterback and the credit unions a wide receiver. CUC threw CUFIS out in front of the receiver, where a good pass has to be, but the credit unions just did not have the speed to catch up to it. [STAFF3]

It would appear that CUFIS' ownership and administrative structure was problematic. It was not an administrative adhocracy and, with only four (and later five) employees attempting to complete 24 projects (compared to CUC's 11 projects) it did not have the resources to be an ambidextrous organization. According to its mandate and level of formalization, CUFIS was to be an innovative organization, structured similar to an operating adhocracy. But in reality, it was expected to deliver and support its own products as well. This structure may have been able to function in the short term, but in the long term the staff ran out of time and creative energy, thus ending CUFIS' days.

Physical Location

CUFIS was physically separate from CUC to allow it the freedom that an innovative organization needed. The document and interview data clearly state that such separation was to allow CUFIS to operate unfettered by CUC's structure and culture.

CUFIS' first office space was innovative in itself. It was a warm, inviting, open space conducive to teamwork, brainstorming and creative thought processes. As was described in the introduction to this chapter, there were low dividers instead of walls separating work spaces plus comfortable chairs and reading material all around. It was a space that embraced you in a thought-provoking atmosphere.

It was also a storefront location. The location was chosen to encourage walk-in traffic that could be used for market research and to create the visibility that CUFIS needed. CUFIS needed to be visible to credit unions and their members in order to generate the support it needed to survive. However, the high traffic level never materialized and CUFIS moved to a more conventional office space later in its life. The move was made mostly for cost reasons, but it was also felt that awareness of CUFIS was high enough that the visibility was no longer so vital.

It would appear that over its lifetime, CUFIS' location did not have that much effect on its overall ability or inability to fulfill its mandate. The initial location did not serve its market research purpose, but that information could have been gathered in other ways. The location did nothing to help CUFIS' operations but it also did nothing to hinder them.

5.3.2 Summary of Structure Analysis

The data indicates that CUFIS was initially designed to be an adhocracy, but the activities that CUFIS was involved in were more characteristic of an ambidextrous organization. However, it did not have the resources to have an innovation initiation arm separate from an innovation implementation arm as Duncan (1976) indicates is necessary. The same people were required to perform both sets of activities, creating a structure that was impossible to maintain.. Therefore CUFIS was neither an ambidextrous organization or an adhocracy.

CUFIS' structure was flawed from the start. It was expected to do too much with too little because its mandate was not clear. CUFIS was designed to innovate, but faced pressure to support its products. Without a clear direction and mandate, CUFIS could not deflect this pressure.

The pressure resulted in the institutionalization of CUFIS which can be explained by DiMaggio and Powell's (1983) coercive, mimetic and normative mechanisms. The coercive mechanism was at play when CUC, through its inability to support CUFIS' products, forced CUFIS to deliver and support its own products. CUFIS may have felt that it was not as successful as it could have been so it may have begun mimicking CUC which was perceived to be successful. The normative mechanism may also have played a role because the majority of the staff of CUFIS had come from within the System and maintained close contact with employees of the credit unions and CUC. Close contact would breed similar values, beliefs and approaches to work, making the organizations more like one another.

The literature on organization structure which includes innovative structures and institutional theory help explain many of CUFIS' difficulties. CUFIS was physically separate from CUC in order to innovate for the Credit Union System. It was meant to be an operating adhocracy but it was required to deliver its developments due to a lack of support from CUC. This made it more of an ambidextrous organization that did not have adequate financial or human resources to function effectively. It is possible that CUFIS unconsciously attempted to deal with its own ineffectiveness by adopting a more conventional structure that would increase its legitimacy. This process of institutionalization forced CUFIS away from its mandate of innovation and thus reduced its value to the System that was paying for innovation.

Conclusions based on structure analysis

An autonomous innovative organizational structure is difficult to maintain, particularly in a federative decision-making structure. While Kanter (1988) argues that decentralization is necessary for innovation to occur, the location of an innovative organization within a decentralized interorganizational network is vital to its success. Innovative organizations requiring flexibility and informality are difficult to sustain if they are initiated by a centralized body in a system that relies heavily on consensus building and formal communication structures. In addition, the spontaneous energy that serves innovation can be hard to sustain in a system such as the Credit Union System of Saskatchewan where decision-making is time consuming and complex. Such energy may exist for a short time if the innovative structure remains differentiated; but eventually the energy will be consumed as the innovative structure is forced to integrate with the system for the purpose of generating and sustaining support for its activities. This participation leads to the gradual formalization of the innovative structure through the process of institutionalization.

Another point that this analysis has demonstrated is that innovative structures are limited in the types of environments in which they can function. An adhocracy must exist in an environment that separates it from routine activities such as product delivery and support. An ambidextrous organization must have enough resources to be able to clearly differentiate the initiation and implementation stages of the innovation process. Circumstances that interfere with these key aspects of an innovative structure may cause the end of the innovative organization.

5.3.3 Leadership

Leadership is vital to the success of any organization and CUFIS was no exception. During its lifetime, CUFIS had two General Managers and also received leadership from the Directions Committee and members of the Credit Union System through the Advisory Task Force. This section will deal with the characteristics of the General Managers (GMs) of CUFIS and the effect they had on CUFIS' operations. The format will follow McShane's (1995) features of transformational leadership to explore whether CUFIS had transformational or transactional leaders[3]. This will be supplemented with Hughes et al's (1993) paraphrase of Bass (1985) in which they state that transformational leaders lead by using their vision and impression management skills to develop strong emotional bonds with their followers while transactional leaders lead by setting goals and establishing rewards for performance. Based on the data collected through interviews and documents, it would appear that

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[1]McShane's (1995) features of transformational leadership are 1)creating a strategic vision, 2) communicating the vision, 3)modeling the vision, and 4) building commitment to the vision.

CUFIS experienced a combination of transformational and transactional leadership during its lifetime.

Created Strategic Vision

Comments made during the interviews indicate that neither general manager was perceived to have created a focused strategic Vision. The initial Vision came from the CEO of CUC, although the staff of CUFIS perceived GM1 to have created a stronger learning Vision than GM2 [STAFF1. STAFF3, STAFF4, STAFF5].

GM2, by his own admission, never knew what the Vision and direction should be while GM1 seemed to be able to create an internal Vision but not one that could be portrayed beyond the walls of CUFIS. This is consistent with the fact that a strong mandate was never developed for the organization, as discussed in an earlier section.

Communicated the Vision

Many interviewees commented that both General Managers (GMs) had participatory management styles and were excellent communicators [STAFF1, DC5, STAFF5, DC6]. However neither of them showed strong leadership to the Directions Committee by trying to communicate their own direction for the organization [DC4, DC3, CEO, GM1].

Within CUFIS both GMs employed the consultative if not group decision-making processes that are described in Vroom and Yetton's Normative Decision Model[4] (Hughes et al., 1993). It appears that the consensus decision-making process that

[2]Consultative decision-making involves the leader sharing the problem with followers and seeking their opinions which she may or may not consider in making the final decision. Group decision-making involves the leader sharing the problem with followers and then co-ordinating and directing them to arrive at a consensus on what the final decision should be (Vroom and Yetton, 1973 as paraphrased in Hughes et al., 1993).

exists in the larger Credit Union System was also at work within CUFIS. The presence of this type of leadership behavior is generally indicative of strong communication skills as leaders must keep employees continually informed if this decision-making process is to work.

Based on the discussion in the previous section, it would seem that the main problem was that neither GM had a strong Vision to communicate to anyone. Being participatory managers and excellent communicators would only contribute to an effective transformational leadership style if they had the initial Vision with which to work.

Modeled the Vision

GM1 lead by example and truly believed in the value of learning. This would indicate that he did model his own personal Vision of CUFIS. Unfortunately the CEO of CUC seemed to have the initial Vision for this project and a leadership style that did not facilitate the integration of the Visions of others with his own.

GM2 was much more "laid back" and delegated more. There was never any mention of his ability to model the Vision. This would indicate that his modeling abilities were not as strong as GM1's. As it was said, he was more of an administrator, operating behind the scenes. It also seems logical to assume that the leadership style of the CEO of CUC also had an effect GM2.

It is very possible that the leadership style of the CEO of CUC did detract from the GMs' abilities to develop, communicate and model a strong Vision for CUFIS. The leadership style of the CEO of CUC will be discussed further in another section.

Built Commitment to the Vision

Many people interviewed stated that both GMs had very participatory management styles so staff knew as much about the direction of CUFIS as the GMs. As well, both GMs could "talk to anybody" [STAFF6]. So it would appear that they both had the capacity to build commitment from their staff and others.

GM1 mentioned that he did not feel that he did a good enough job of focusing the mandate of CUFIS and getting the Directions Committee to "buy in". He felt he could have developed a stronger Vision and worked harder to build commitment to it. A former member of the Directions Committee said that neither GM could maintain the enthusiasm necessary to sell an idea and continue to build commitment to it outside of CUFIS [CEO]. They could not energize people who came in contact with CUFIS. It is possible that this inability to build commitment and capture the imagination of the Directions Committee and the System could have been a result of the fact that neither GM owned a strong Vision of CUFIS.

GM1 was a transformational leader but circumstances and a lack of aggressiveness on his part in regard to the creation of a focused organizational vision prevented him from being truly effective in his role. GM2 was described as a traditional transactional leader. Neither person could firmly grasp a Vision for CUFIS and that fact makes discussion of communicating, modeling and building commitment to the Vision difficult.

5.3.4 Summary of Leadership Analysis

The literature shows us how a transformational leader is desirable in an innovative organization. Transformational leaders create, communicate, model and build commitment to an organizational vision that will motivate employees and drive an organization forward. This is necessary in an innovative organization where vision can substitute for formalized rules and procedures in the motivation and guidance of employees. As well, the human relations skills of transformational leaders and the emotional bonds they can create are necessary to hold together project teams and generate excitement inside and outside the organization.

The data shows that CUFIS had both transformational and transactional leadership during its lifetime. However, GM1, while transformational, was not effective because of his lack of ownership of a strong organizational Vision. This affected CUFIS' organizational performance. Without an effective transformational leader, CUFIS was not able to overcome its structural difficulties and make more of a contribution to the System.

The leadership style of the Chief Executive Officer (CEO) of CUC was a complicating factor. He was a charismatic leader who was so well respected and trusted that he greatly influenced the direction of the Credit Union System in Saskatchewan. He had generated the Vision of CUFIS in which no one else was able to share, including the other members of the Directions Committee. Other people had their own Visions but it was difficult for them to surface.

The CEO's leadership style did not allow for the easy integration of other Visions with his own. At times he did not demonstrate participatory, or even consultative, leadership behavior which is not consistent with the principles or processes of co-operative organizations (The International Joint Project on Co-operative Democracy, 1995). Conger (1989) identified these behaviors as potential drawbacks of a charismatic leader.

This meant the Directions Committee never had a strong, integrated Vision of CUFIS that could be used to develop tangible goals and evaluation criteria. The staff of CUFIS spent their time trying to determine where they should be going instead of working to meet the goals that a common Vision would have created. It is difficult for an organization to be effective in such a situation.

According to the data and the literature, both the leadership of CUFIS and the leadership of CUC had an effect on CUFIS' ability to function properly. CUFIS needed an effective transformational leader if it was to have any hope of overcoming its structural problems. A transformational leader would have had a better chance of creating a strong integrated Vision of CUFIS that staff and the Directions Committee would have accepted and adopted. This is particularly important considering the negative aspects of charismatic leadership exhibited by the CEO of CUC in this particular situation.

Conclusions based on leadership analysis

Conger (1989) indicates that charismatic leaders have difficulty encouraging the development of strong successors. This likely means that such leaders have difficulty encouraging the development of strong leaders anywhere within their organization, whether they are to be a successor or not. The CEO of CUC inhibited the GMs of CUFIS from becoming effective transformational leaders by not developing or encouraging their leadership abilities. Consciously, the CEO likely wanted a GM with transformational characteristics, but, unconsciously, his leadership style inhibited such development.

Another conclusion that can be drawn is that autocratic leadership is not desirable in co-operative organizations. This is not to say that the CEO of CUC was always an autocratic leader, but at times, his actions tended toward the autocratic, especially in regard to the development of CUFIS. According to Conger (1989), this is a common drawback of the charismatic leader.

CUFIS was created from the top down with the idea coming from the CEO himself. If CUFIS had been created as a result of the traditional, ground-up developmental process that exists within the Credit Union System, it may have survived. It also may have looked very different, but it would have had the support of the System. Co-operative systems need leaders who recognize the importance of the democratic structure. Charisma and vision are also definite assets in such leaders but the vision needs to lead the democratic process, not circumvent it. Otherwise, co-operatives move more towards the elite theory of democracy (Pateman, 1970) and lose their participatory focus. In this case, it seems that the CEO's vision was ahead of what the System was ready to support; the CEO was almost too visionary.

5.3.5 Culture

CUFIS was designed to differ from CUC culturally as well as structurally. Initially CUFIS appeared to have a learning culture due to the role it was to play within the System. Later in its life, a concerted effort was made to ensure that CUFIS was in fact a learning organization. Staff members read Peter Senge's book The Fifth Discipline: The Art and Practice of the Learning Organization. Copies of various chapters of this book were found in the archival documents, demonstrating the importance that was placed on the concept of organizational learning. However, it is possible to consider organizational learning to be very important and strive to model it without ever being successful. The question is whether or not CUFIS was successful in being a learning organization.

If we consider a learning organization in terms of its component parts, it is easier to determine whether it existed at CUFIS. These parts are systems thinking, a lack of limiting assumptions, a strong organizational vision, encouragement of continual employee learning and improvement, and the desire to learn as a team (Senge, 1990).

Systems Thinking

There are several pieces of data that would indicate that systems thinking was present in CUFIS. The fact that CUFIS was part of a larger system and had almost continual contact with members of that system would signal a propensity to engage in systems thinking. With that kind of external contact it would be hard to view yourself in isolation. However, one of those interviewed indicated that the employees at CUFIS did feel isolated because of their physical separation from CUC and the credit unions [CEO].

On the other hand, employees were evaluated in a way that would support systems thinking. The type of feedback that was received through this process is vital to the development of systems thinking.

It seems that the management and staff of CUFIS did engage in systems thinking. They were conscious of the fact that they were part of a larger system and thought about the impact of their actions on others within that system.

Absence of Limiting Assumptions

Throughout the interviews many people said they believed that the staff of CUFIS, particularly the first GM believed that CUFIS could accomplish anything. They possessed a "sky's the limit" type of attitude, especially during the early months of

CUFIS [STAFF2, STAFF4, DC6]. There were several references in the documents to support this contention.

However, there was substantially more data supporting the notion that there were limiting assumptions present in the minds of the management and staff of CUFIS. Several of the people interviewed pointed to the Directions Committee as a source of limiting assumptions, particularly for the GMs of CUFIS [CEO, DC4, DC3, STAFF1, STAFF6, GM1]. There was no comfort level between CUFIS management and the Directions Committee [DC4]. Both GMs felt that the Directions Committee did not provide a clear direction for CUFIS and at times they were left guessing about what CUFIS should be doing.

It is very likely the dominance of the CEO of CUC likely created limiting assumptions in the minds of CUFIS management and staff. The entire System trusted him implicitly so of course CUFIS would be concerned with trying to please him. However, this may have led them to second-guess themselves in their desire to provide what he wanted.

GM1 commented that the culture of CUC and the System was resistant to change and CUFIS was a change, not only in what it proposed to do but in its very existence. People were skeptical and this translated into a lack of support which created limiting assumptions in his mind.

Another source of limiting assumptions mentioned during the interviews was the economic conditions during the late 1980's and early 1990's in Saskatchewan. There were limited resources, both financial and human, available to CUFIS. As well, many credit unions in the province were more concerned with their own financial difficulties than with supporting CUFIS' endeavors.

All of these issues, attitudes, and conditions combine to make it evident that there were limiting assumptions in the minds of CUFIS staff and management. They may have started out believing that they could accomplish anything but they could not maintain that belief in the face of a lack of moral support from the System and the tendency to focus on individual credit union rather than System needs due to poor economic conditions.

Strong Organizational Vision

The true Vision of CUFIS lay within the mind of the CEO of CUC because CUFIS was his "brainchild" as two interviewees commented [ATF6, ATF2]. Many of the individuals interviewed felt that the management of CUFIS believed in CUFIS as a learning, research and development organization [STAFF1, STAFF3, STAFF4, STAFF5, STAFF6, ATF4, DC1, DC4, DC5, DC6]. As discussed in the section on CUFIS' mandate, however, the organization never had a single strong Vision or mandate which determined its direction. Instead, the GMs took the organization in the direction they believed to be correct until they received a different demand which would then result in a direction change. The end result was that CUFIS never did have a single, strong organizational Vision.

It is extremely hard to create a strong Vision for an organization when the organization's leadership does not provide clear direction. One interviewee said the Directions Committee never bought into the learning organization concept that was the Vision of CUFIS management [DC4]. Within the Directions Committee there were disagreements as to what CUFIS should look like and how it should operate [DC3].

So it would appear that there was no consensus as to the Vision for CUFIS. It was just too difficult for the GMs to integrate their own Visions with those of others without the agreement and support of the CEO of CUC.

Encouragement of Continual Employee Learning and Improvement

During the interviews, most staff indicated that they felt encouraged to develop themselves and found a great deal of support for any learning endeavors they wished to undertake as long as it was in some way applicable to their employment [STAFF1, STAFF3, STAFF4, STAFF5, STAFF6]. There was a great deal of data in the documents to support these claims.

However, two individuals made comments that were not supportive. A former staff member stated that he did not feel encouraged to learn [STAFF2] and the CEO of CUC did not feel that the staff of CUFIS learned as much as they could have.

Despite these detracting comments, it seems that there was encouragement of continual employee learning and improvement at CUFIS. All employees, including the person who did not feel encouraged to learn, felt that they left CUFIS with more skills, knowledge and understanding than they possessed when they joined.

Desire to Learn as a Team

CUFIS staff members participated in meetings at all levels, from staff meetings to Directions Committee meetings. They worked on project teams and shared all information among themselves. Even their performance evaluations were performed as a team.

It would seem that CUFIS management and staff did indeed place a great deal of emphasis on teamwork and practice participatory processes within their organization. However, once again, the actions and notions of other organizations, particularly CUC, seemed to inhibit the teamwork initiative. CUFIS could not make the participatory culture and processes they developed extend beyond their walls.

Overall CUFIS had the potential to become a learning organization and engaged in activities that would encourage such development but, in light of other influences, was unable to fulfill this objective. The management and staff engaged in systems thinking, there appeared to be continual encouragement of employee learning and a strong desire to learn as a team. However, with the number of limiting assumptions that existed in the minds of management and staff and without the existence of a strong vision, CUFIS could not be classified as a learning organization. One interviewee commented, "My impression would be that CUFIS management did not see this so much as organizational learning as they did experimentation with new approaches." [DC2]

5.3.6 Summary of Culture Analysis

According to the literature, a learning culture complements an innovative structure. Innovation requires flexibility and a willingness to change (Mintzberg, 1989). Kanter (1985) contends that change is mastered through innovation. Change and innovation seem to go hand in hand.

CUFIS itself was a change for the Saskatchewan Credit Union System and it was designed to innovate for the System, which would result in further change. This being the case, CUFIS should have tried to develop a learning culture which would support and propagate change. In fact, the data shows that such development was attempted, however, a complete learning culture never resulted. This may have been a factor in CUFIS' inability to sustain itself.

Conclusions based on culture analysis

Senge (1990) identifies a lack of limiting assumptions as one of the components of organizational learning. It is vital to such a culture that individuals feel that anything is possible if they only learn what is required. It is unlikely that this attitude would be easily fostered in an organization that is largely controlled by autonomous affiliates, contributing to a situation where the employees feel limited by what the affiliates want. It is likely that both a central administrative body and any other central organization in a federative decision-making structure would experience this same difficulty.

5.3.7 Relationship with Credit Union Central

Interorganizational relationships affected CUFIS because of the type of system in which it existed. This section will analyze CUFIS' relationship with CUC, and whether CUC helped or hindered CUFIS in meeting its objective of creating and sustaining innovation in the Credit Union System. This relationship will be analyzed by first studying CUC's culture to determine if it was a learning organization. From there, CUC's leadership will be considered. This will be followed by a discussion of differentiation and integration and how this theory can be used to explain CUFIS' relationship with CUC.

CUC Learning Culture

Because CUFIS was created by and needed to maintain close ties with CUC, it is reasonable to assume that CUC's culture would have resulted in behaviors that had an affect on CUFIS' ability to meet its objectives. The extent to which CUC had a learning culture affected their ability to support CUFIS and learn from its experiences. In this section CUC's culture will be examined using Peter Senge's (1990) five "disciplines" of a learning organization[5].

<u>*Systems Thinking*</u>

Many individuals interviewed commented that employees at CUC were very committed to serving the System [DC1, DC3, GM1, STAFF3, STAFF6]. In fact one interviewee mentioned that the concept of a credit union "system" was pioneered in Saskatchewan and no where else is there the same kind of "oneness" [GM1].

At the same time CUC was a large organization with many subcultures. One former member of the Directions Committee stated: "Credit Union Central had two cultures; the one related to the finance area was conservative and very focused on the bottom line; the other in the development area was moving toward innovation, a focus on people, service development and excellence." [DC2] Some areas of the organization were more prone to systems thinking than others but no specific examples of systems thinking were brought forward during the interviews or were located in the documents.

Another issue inhibiting systems thinking was the fact that employees at CUC felt that the credit unions saw them as a separate organization. In fact at times CUC

[3]Senge's five "disciplines" are: 1) systems thinking, 2) lack of limiting assumptions, 3) strong organizational vision, 4) encouragement of continual employee learning and improvement, and 5) desire to learn as a team. (Senge, 1990)

employees felt that they had the "big picture" and knew what was best for the credit unions but the credit unions did not always agree [STAFF5]. This created a great deal of frustration on both sides. The credit unions were very diverse in size and level of development and required very different types of support from CUC which CUC found difficult to deliver [STAFF3].

To their credit the executive management of CUC recognized the limitations of CUC and set up CUFIS to do what CUC seemed structurally and culturally unable to do, innovate for the System. They thought systematically enough to recognize a need and understand the impact on the System if the need was not filled. Many of the planning documents made reference to the changes in the financial services industry and the need for credit unions to remain competitive with the banks.

At the same time, however, CUC did not make the effort to adapt themselves so that they might deliver and support CUFIS' products and services. This indicates a lack of systems thinking.

Limiting Assumptions

It was mentioned by several individuals that the CEO of CUC created limiting assumptions in people's minds [DC1, DC5, GM2, STAFF4, STAFF6]. No one would mention or pursue an idea unless they were sure the CEO would like it. It is possible that many good ideas were never raised for fear of eliciting a negative reaction from the him.

Many people mentioned other factors that created limitations in the minds of CUC staff such as the environmental conditions that existed in Saskatchewan during the late 1980's and early 1990's [DC6, GM2, STAFF4, STAFF5, ATF2, COMM2].

There were also regulatory constraints limiting the products that credit unions could sell [GM2, COMM2]. For instance, credit unions were unable to sell insurance.

The CEO of CUC mentioned that he believed the democratic process of the Credit Union System was a limitation at times because of the time that it consumed. As well, he stated that the System and CUC had cultures that were resistant to change. He even went on to speculate that large organizations may not be able to change at all. If such limiting assumptions existed in the mind of the CEO of CUC it is likely that they existed in the minds of other people throughout the organization as well.

Strong Organizational Vision

One former member of the Directions Committee stated that CUC had two cultures, one for the finance side of the organization and one for the development side [DC2]. The development side placed a strong emphasis on learning while the finance side was not as committed to this Vision. Others echoed this sentiment by stating that support for a learning organization Vision varied from department to department and depended on the supervisor or leader of the department [DC1, DC6, STAFF1, STAFF3, STAFF4, STAFF5, STAFF6]. One interviewee commented that formal and informal signals differed in different parts of the organization [DC6]. A former CUFIS employee who has also worked for CUC was unaware of the Vision and goals of any department other than his own [STAFF3]. Overall, it seems that CUC was fragmented when it came to the concept of organizational Vision.

This fragmentation may have been a result of the fact that the CEO of CUC had a very strong Vision for CUC but very few people knew what it was or could understand it, as one former member of the Directions Committee stated [DC1]. Another individual stated that the CEO had a clear picture of where the System could go and learning was part of that Vision, but it was unclear whether the people reporting to him shared the same Vision [STAFF4]. Several other people indicated that the CEO was the one with the Vision for CUC [STAFF4, GM1, ATF6, AFT2].

There did seem to be an organizational Vision but it was not communicated well to the management and staff of CUC. So it cannot be said that a strong organizational Vision existed at CUC. For a strong organizational Vision to exist, it must be articulated by the CEO and shared with all employees in a clear an understandable way so that everyone becomes committed to taking the organization in the same direction.

Encouragement of Continual Employee Learning and Improvement

There were formal policies in place to support the continual learning and development of staff. CUC would pay for certain courses and they supported several middle managers in their pursuit of Masters degrees. As well, members of senior management were to have computers in their homes at CUC's expense so that they might become familiar with the technology [DC2]. But learning was never pushed on employees, if an employee wanted CUC's support they had to take the initiative and ask for it. One former member of the Directions Committee said that the CEO of CUC never encouraged people to take courses or learn new things, but he did not discourage them either [DC5].

Again, the fragmentation issue was raised during the interviews when some individuals stated that some departments were better than others for providing encouragement and support for employee learning and development [DC2, DC4, STAFF1, STAFF6]. One individual indicated that there were some people receiving a great deal of support in their pursuit of university degrees while others had difficulty getting approval to take a single class [DC6]. Again, it seems that parts of the organization were far less supportive of employee learning than other parts.

Again we see little consistency throughout CUC and cannot conclude that there was an overall strong encouragement of continual employee learning and improvement during the time of CUFIS.

Desire to Learn As a Team

Outwardly, there seemed to be a great deal of teamwork at CUC. One former member of the Directions Committee stated that employees were encouraged to share their ideas for change and development through Quality of Work Life circles [DC2]. Other individuals pointed to the fact that there were many meetings and everyone had the opportunity to contribute [DC1, GM1, STAFF2, STAFF6]. Matrix teams, cross-functional teams and ad hoc teams existed throughout the organization [GM1].

Teamwork, although stressed by some, was never formalized and did not occur organization-wide. Several interviewees stated that it was given lip service; it was an espoused theory but never a theory in action [GM2, STAFF1]. Many of the ad hoc teams developed because CUC's structure did not allow for interdepartmental interaction, but CUC's activities required it. Because the teams were informal, they had no focus and just "met and met and met." [DC1] One interviewee stated that CUC was too big for teamwork to be effective. A former member of the Directions Committee stated, "Teamwork was tough. There were two cultures in the organization, finance and development. Getting open discussion and teamwork was an ongoing struggle for the CEO." [DC2]

Again we are faced with the fragmentation and departmentalization that existed at CUC at the time of CUFIS. There seemed to be no organization-wide commitment to teamwork or an organizational structure to support such activities.

Overall, it would appear that CUC did not have a learning culture. A lack of systems thinking, no strong organizational vision, many limiting assumptions, no consistent encouragement of employee development or teamwork make it impossible to argue otherwise (Senge, 1990).

From this analysis, one would wonder how such a bureaucratized, fragmented, departmentalized organization such as CUC managed to guide the Saskatchewan Credit Union System to the position of strength that it occupied during the time of CUFIS. However, I would argue that CUC was not significantly different from other large organizations in these ways. Throughout the interview process and in the documents, continual reference is made to the Vision and strength of the CEO of CUC. It would appear that his presence had a great deal to do with the success of the Saskatchewan System, regardless of the fact that his leadership style seemed to prevent the development of a learning culture. This premise will be discussed in the next section.

CUC Leadership

It must be clarified that any analysis of the leadership of CUC is in specific regard to the CUFIS situation. The results of this analysis may not be generalizable to the entire organization as it is possible for leaders to function differently in different situations. It may seem that the analysis of the leadership style of the CEO of CUC is contradictory in some ways. The CEO was powerful, strong and visionary and he helped the Credit Union System develop into a powerful force in Saskatchewan. At the same time, he was somewhat autocratic, which is not consistent with the democratic structures of a co-operative system. But, because his knowledge and vision inspired such trust among the members of the System, his leadership style was never questioned. His visionary abilities kept the System on the leading edge of the financial services industry, but it also created problems in certain areas. One of those areas was CUFIS. This is consistent with Conger's (1989) description of a charismatic leader.

His leadership style resulted in the suppression of the Visions of others because no one would present an idea that differed in any way from the CEO's idea. As well, no one would support a differing idea because he was trusted so implicitly, and feared in some ways. This prevented the GM's of CUFIS from developing their own strong visions of CUFIS which was ultimately detrimental to its operations.

In regards to CUC management as a whole, several comments were made by different individuals during the interviews that the CUC executive was too busy to provide the necessary guidance and leadership to CUFIS [DC6].

Senior management's level of activity plus their lack of direct contact with credit union members caused executive management to become "unplugged" from the System, as one interviewee commented [DC6]. Once they became "unplugged" they were not aware of what the credit unions needed. This made central development of products and services difficult. Complicating this is the fact that there may have been a stigma attached to CUFIS right from the start because it was developed by CUC and the credit unions did not always feel that CUC understood their needs. Such resistance to centralization may be an inherent characteristic of the federative decision-making structure (Warren, 1967) that exists within the System. The point of creating a federation is so that organizations may remain autonomous while reducing environmental uncertainty and network complexity (Bradach and Eccles, 1989; Johnstad, 1993; Oliver, 1990; Provan, 1983; Warren, 1968). If too many activities become centralized and the central body acquire too much power, the network ceases to be a federation and becomes more unitary in nature (Warren, 1968).

From this analysis, it would appear that the CEO of CUC at the time could be characterized as a charismatic or transformational leader. He did have a Vision and he communicated, modeled and built commitment to it through the strength of his knowledge, which classifies him as a transformational leader by McShane's definition (1995). However, it was the emotional response and trust that he elicited from his followers that most characterizes his leadership style. As one interviewee said, people throughout the System trusted him and would support almost anything that he proposed. He did not abuse the power that he had and he earned this trust by always keeping the best interests of the System in mind.

The CEO also demonstrated several of the negative behaviors that Conger (1989) states can be part of a charismatic leadership style. He was autocratic at times and had difficulty integrating the ideas of others with his own Vision. He also overestimated what the System was capable of supporting at the time. He was too visionary in that his vision of CUFIS was beyond what the Credit Union System wanted or could even understand. As well, the CEO as a charismatic leader was not able to encourage the development of the GMs of CUFIS, particularly GM1, into the strong, effective transformational leaders that CUFIS needed.

Another issue related to this type of leadership is that true commitment to ideas is never developed, there is only commitment to whatever the leader says. If the leader loses interest or tries to hand a project over to someone else, the support for that project disappears. This is what happened to CUFIS.

Differentiation and Integration

In complex environments, organizations often divide into smaller units. These smaller units are better able to cope with the complexity than the organization as a whole because they are focused on a limited set of activities. Lawrence and Lorsch (1967) call this process differentiation. They go on to point out that these differentiated units must also be integrated to a degree in order to pursue common organizational goals. This creates constant tension as organizational units are at the same time differentiated and integrated.

Within the environment of a rapidly changing and uncertain financial services industry, differentiation was required to allow the Credit Union System and CUC to deal with the external environment (Lawrence and Lorsch, 1967). CUFIS was differentiated from CUC to allow it the freedom it needed to be an innovative organization, and to generate ideas and products to assist the Credit Union System to compete in a dynamic marketplace.

At the same time, CUFIS needed to be integrated with CUC in order to pursue the common goals of CUC and the Credit Union System (Lawrence and Lorsch, 1967). One of the general managers said, "...there was this kind of continuous conflict of being part of Central and yet trying to stay aloof from the influences of Central." [GM2] This is where there appeared to be a breakdown. CUFIS needed CUC in order to support and deliver its products and services so it could maintain its research and development focus.

The documents indicate that CUFIS asked for this increased contact and support during its lifetime, but there is no evidence to indicate that CUC and the Directions Committee were able to oblige. The CEO stated that CUC was not supposed to support CUFIS' products, CUFIS was to find "champions" among the credit unions to support its innovation.

However, CUFIS either was not aware of this plan or was unable to generate the excitement necessary to create champions because none ever developed. To complicate matters, the System began forcing the revenue issue; CUFIS was to begin generating revenue to help support itself. CUFIS, as a result, was forced to sell and support its own products in order to raise funds. As CUFIS evolved toward this role, people within the System began to see CUFIS as the owner of the technologies they were developing and expected them to provide the necessary support [DC6], reinforcing a further evolutionary process. This led to the institutionalization of CUFIS.

In closing this discussion of differentiation and integration, it should be mentioned that one of the general managers of CUFIS wrote, at the end of CUFIS' life, that CUFIS' structure was a contradiction, it needed CUC but it needed to be free of CUC [GM2]. With CUFIS structured as it was, the necessary levels of differentiation and integration could not be achieved.

It seems possible that CUC, in the face of an increasingly complex financial services industry, differentiated itself in order to innovate and compete with other financial institutions. They did this by creating CUFIS. According to Mintzberg (1989), Kanter (1988) and Duncan (1976) this was the correct thing to do because initial innovation is more successful if it is differentiated from the routine of product delivery and support. However, Lawrence and Lorsch (1967) go on to state that differentiated units must also be integrated to a certain degree in order to pursue common organizational goals. On this point CUFIS and CUC seemed to have difficulty. Once CUFIS was established and developing innovative ideas and products, the linkages back to CUC were not strong enough to allow CUC to take over the product delivery and support functions from CUFIS. CUFIS was forced to perform these activities which detracted from their innovative activities. Thus the common goals of the System became more difficult to achieve because CUFIS was not operating as effectively as it could have been.

5.3.8 Relationship with Credit Unions

CUFIS was set up to perform research and development that would benefit the entire System. This being so, the credit unions and their relationship with CUFIS had a large impact on CUFIS. In analyzing this relationship the economic environment of the late 1980's and early 1990's must be considered in addition to the goal compatibility between CUFIS and the credit unions. The concept of resource dependency and its effect on CUFIS will also be discussed. Lastly, the awareness and perceptions that the credit unions had of CUFIS will be analyzed in determining what overall effect CUFIS' relationship with the credit unions had on its functioning.

Economic Environment

The late 1980's and early 1990's saw the Saskatchewan economy experiencing a prolonged recession and low grain prices. This necessarily had an effect on the Credit Union System. According to annual reports, CUC saw its first decrease in assets in over a decade. Interviewees stated that many credit unions were amalgamating and struggling to survive at this time [CEO, DC1, DC6, STAFF5, ATF2, COMM2, COMM3]. This is supported by the fact that between 1988 and 1992 the number of credit unions in Saskatchewan dropped from 208 to 201 while the number of branches increased from 144 to 152 (Credit Union Central of Saskatchewan, 1988; Credit Union Central of Saskatchewan, 1994).

The economic situation exacerbated the "duality of purpose" (Laidlaw 1980a) that the credit unions were already feeling. Co-operative organizations strive to improve the lives of their members by providing necessary services at a reasonable cost while they must also attempt to operate as successful business organizations. Credit unions were feeling the pressure to survive while still trying to balance the interests and needs of their members.

Such a bottom-line focus, as opposed to a long term investment focus, within the System put extra pressure on CUFIS. Most credit unions were in need of the services CUFIS provided but were also in need of the money that supported CUFIS.

In addition to this, competition was increasing. Between 1987 and 1989 the mortgage companies in Saskatchewan increased their market share in the areas of deposits and loans by almost five percent. These gains came at the expense of the banks and credit unions.(Credit Union Central of Saskatchewan, 1987d; Credit Union Central of Saskatchewan, 1989b).

A poor economy and increased competition created difficult times for the Credit Union System in Saskatchewan. These issues complicated CUFIS' existence as some people could see the need for CUFIS more than ever while others could not see past the short term costs of sustaining CUFIS. It appeared that CUFIS' goals were not in line with the goals of many credit unions so CUFIS could not generate the support necessary to survive. This issue will be analyzed in the next section.

Goal Compatibility

Based on comments made during the interviews, it would appear that there was initial goal compatibility between CUFIS and the credit unions [ATF3, ATF4, ATF6, COMM2, COMM3, COMM4, COMM5]. Credit unions were seeing the changes in the financial services industry and realized they needed innovation, information services and full financial services in order to remain competitive. Many credit unions also had ideas for products and services they would like to offer their members but did not have the time or resources to develop themselves [COMM5]. CUFIS was perceived to be able to help these credit unions by developing their ideas for distribution throughout the whole System.

However, this compatibility did not seem to last long. Interviewees indicated that CUFIS did not live up to their expectations [ATF2, ATF5, COMM1, COMM3, COMM4]. They wanted tangible products that they could offer their membership and that would generate revenue. Credit union representatives interviewed believe that CUFIS never provided this to them. Some people thought that this could have been the result of poor communication within the System [ATF6. COMM2, COMM5].

It is possible that the credit unions never fully understood the mandate of CUFIS, which went beyond product development to include innovation in the areas of member education, information services and service management, therefore they assumed CUFIS was failing to meet its objectives. Within CUFIS, there was recognition of this communication problem as well. In the minutes of a 1989 meeting, the general manager stated that he believed the System did not understand CUFIS. But this problem never seemed to be resolved. Some of the larger credit unions began developing some of the same products and services that CUFIS was developing which demonstrated their lack of confidence in or knowledge of CUFIS' activities.

At the same time, there is no evidence to indicate that CUFIS staff did any large-scale member or credit union surveying to determine exactly what the credit unions and their members wanted and needed. CUFIS staff seemed to assume they knew what was needed. Of course they did have input from their Advisory Board and they did survey all members who visited the Centre. However, this can not be considered large-scale surveying. One of the most common comments made by individuals interviewed was that CUFIS was "ahead of its time" [DC6, ATF1, ATF3, ATF6, COMM2]. This may be true but it could also be an indication that CUFIS did not know exactly what the System needed and wanted.

Initially, it appeared that everyone in the System thought the goals of CUFIS would match well with the goals of the credit unions. But a perceived lack of communication and needs identification by CUFIS meant that the goals of the credit unions were not met. In such an economically unstable time, the credit unions were not willing to continue supporting something from which it seemed they were not receiving a benefit, and they quickly turned their attentions elsewhere.

Resource Dependency

In the literature, resource dependency is defined as a situation where an organization is dependent for its survival on environmental resources (Pfeffer and Salancik, 1978). Such was the case with CUFIS as it received funding from the credit unions via CUC.

Early in CUFIS' life it was determined that people simply would not pay for financial planning services; at least they would not pay for it as it was provided and marketed by CUFIS. CUFIS could not meet its budget targets, making it more dependent on the System than it was intended to be.

This created the situation where the credit unions controlled virtually all of CUFIS' resources and, as discussed in the previous section, they were not happy with CUFIS' results. This put pressure on CUFIS to develop more products in hopes that some of them would make the credit unions happy. This pressure may also have contributed to the institutionalization problems that CUFIS experienced.

Credit Union Awareness and Perception of CUFIS

Most individuals who were interviewed, excluding former staff and Directions Committee members, were aware of CUFIS and had some idea of the products and services it was developing. Many people were familiar with the Financial Planning Analyst software and many credit unions held financial planning days where CUFIS staff would provide financial planning services to members [ATF1, ATF2, ATF3, ATF4, ATF5, ATF6, COMM1, COMM2, COMM5]. Several people also mentioned purchasing the Financial Fitness Video Collection for their organization [ATF1, ATF2]. But that was as far as the awareness went. CUFIS' activities did not seem to profoundly affect the functioning of the credit unions.

When asked whether they thought CUFIS was a success, individuals were divided in their responses. Some thought CUFIS was a success because it tried some things that the System would not have been able to try otherwise [ATF3]. It was a success because it discovered that members were unwilling to pay for financial planning services and this was valuable information [ATF1]. It was a success because it raised awareness of the need for change within the System and it was a success because it did develop some very good things such as the Financial Planning Analyst, the Farm Business Analyst and the Financial Fitness Videos [ATF4, COMM3, COMM5].

Some people did not know whether CUFIS was a success or not because there was a lack of evaluation criteria with which to measure CUFIS's accomplishments [ATF2]. Others thought that CUFIS was not a success. One individual classified it as a learning experience [COMM2]. Still others did not classify CUFIS as a success because it did not provide tangible results [ATF5, COMM4]. Several people stated that there was no ground swell of support for CUFIS when it was shut down and no one misses it now so it could not have been much of a success [ATF2, COMM4].

CUFIS' location was also a point of contention. Several people indicated that it was inaccessible to their members and therefore could not be considered a success [ATF5, COMM1, COMM4].

It would appear that most credit unions were aware that CUFIS existed and were familiar with some of its products and services. They seemed to think it was an okay idea and could be useful to begin with but then it proved not to be so they just forgot about it. There was no real emotion when CUFIS was discussed with these interviewees. There was no excitement and no anger. It seemed like they supported it because CUC said they should; they made use of the services if they were convenient and when it was gone, they carried on as they always had.

CUFIS' relationship with the credit unions seemed to be very civil. It was not combative, it was not hostile but neither was it truly supportive or mutually beneficial. There was a good general awareness of CUFIS' existence and goal compatibility to begin with but this soon waned in the face of poor economic conditions and a perceived lack of output by CUFIS.

5.3.9 Summary of Interorganizational Analysis

The Credit Union System of Saskatchewan is organized into a federative decision-making structure. A federation is an interorganizational system that allows affiliates to remain autonomous while relinquishing control over some of their activities to the central body in return for some benefits (Johnstad, 1993; Provan, 1983).

Within such a system there exists a potential for interorganizational conflict because there is so much contact and because consensus is required for all centralized decisions. The literature defines conflict as occurring when there are differing goals among organizations and not enough resources available to achieve the goals of all organizations (Pfeffer, 1981).

The literature and the data indicate that the late 1980's and the early 1990's were very difficult economic times in Saskatchewan and the Credit Union System was feeling the financial pressure. The data indicates that this did create some conflict as the goals of the credit unions and the goals of CUFIS began to diverge and a lack of resources meant that not everyone's goals could be met. The conflict was never confrontational or hostile, instead it took the form of increased pressure on CUFIS to generate revenues. This may have forced CUFIS to turn even more of its attention to delivery and sales of its products and services, detracting from the innovation focus. The co-operative duality of purpose (social vs. economic gain) was exacerbated as financial concerns began to take precedence over long term member and community development.

According to the data, CUFIS was completely resource dependent on the Credit Union System (Pfeffer and Salancik, 1978). CUFIS generated minimal revenues over its lifetime and was financed by the credit unions via CUC. This increased the pressure that CUFIS felt to deliver and support its products. CUFIS knew where its funding was coming from and felt obligated to try to please the credit unions so they would continue in their support. Again this detracted from the pursuit of CUFIS' initial mandate, which was innovation.

Overall, the interorganizational relationships that existed within the Credit Union System had a detrimental affect on CUFIS' ability to meet its mandate. The tensions caused by these relationships magnified the effect of some of CUFIS' limitations: absence of a learning culture and a transformational leader, and the presence of an inappropriate structure. However, it may be speculated that the presence of all three of these factors still would not have ensured CUFIS' sustainability in light of such a complex set of interorganizational relations.

Conclusions based on interorganizational analysis

It is difficult for an organization that is not an affiliate or a central administrative body to function and survive within a federative system. An organization such as CUFIS has no voice in the decision-making process of the federation and can therefore neither defend its actions nor directly receive valuable feedback from other members of the federation.

The only way another central organization could survive would be if the affiliates owned and controlled it, in addition to the central administrative organization. Any other type of central organization would not fit with the ideals and purpose of a federation, particularly a co-operative federation.

The central administrative organization could not effectively support a structure like CUFIS because the central's funding comes from the affiliates who would likely resent the structure because they could not control it. On the other hand, if the affiliates did not provide the financial support, it would not be part of the federation. A federation relies on the central organization to operate as directed by the affiliates. If this does not happen, the federation will likely dissolve. For this reason, it is unlikely that a central organization, not directly controlled by the affiliates could exist for long within such a structure.

In concluding the analysis section, it must be stated that the structure, leadership, culture and interorganizational relationships that CUFIS experienced during its life were unable to sustain it. The analysis of the constructs, however, does demonstrate several things about innovation within federative structures.

1) Within a federation, innovative organizations, as presented in the literature can not exist centrally. The separation and environment that these structures need is difficult to maintain in a system that requires continual communication and consensus decision-making from its central organizations.

2) Transformational or charismatic leadership styles are beneficial in guiding federative decision-making processes and fostering innovation in such systems, however, the tendency for such leaders to be autocratic at times and unable to support the development of other leaders can be detrimental.

3) A learning culture is definitely conducive to innovation. The case study of CUFIS would seem to indicate that such cultures are hard to create within federative structures, inhibiting the ways in which innovation can occur.

4) Innovation must occur in a way that is consistent with the philosophy and traditions of a federative system. These systems are unique and the models for innovation presented in the literature do not suit such systems. Within federations, innovation must occur at the grass roots level and organizations that are meant to support such innovation must have a culture and a leader that do not circumvent the necessary processes.

The following section compares the patterns emerging from the data to predicted patterns to determine which propositions were accurate.

5.4 Pattern Matching

The pattern that seems to emerge from the data and the literature to describe CUFIS' existence is as follows:

> CUFIS was designed to be an operational adhocracy but the inflexibility of CUC coupled with the challenging economic times within the Credit Union System and CUFIS' resource dependence forced it to adopt more of an ambidextrous design, for which it was under-resourced. CUFIS did not have a strong learning culture which may have prevented the development of solutions to its problems. In addition, CUFIS did not have an effective transformational leader. A strong transformational leader may have been able communicate a Vision to inspire staff members and help create necessary linkages that would have allowed CUFIS to maintain its innovative focus.

Four potential patterns are identified in Appendix 2. The pattern that is described above best matches with pattern number four. Therefore pattern four is accepted as being the best explanation for the rise and fall of CUFIS.

5.5 Conclusion

In this chapter, I have presented my analysis of CUFIS' structure, culture, leadership and its relationships with CUC and the credit unions.

This analysis has shown that CUFIS was initially designed with an innovative structure that could not be sustained. CUFIS Management and staff struggled to develop a learning culture and were never quite able to reach that objective. During most of its life, CUFIS was directed by either an ineffective transformational leader or a transactional leader. Relationships with both CUC and the credit unions fluctuated from positive to negative to complete ambivalence. Despite these limitations, CUFIS is unique in the financial services sector for what it was and what it tried to accomplish. As such, there is a great deal to be learned from the CUFIS experience.

Structurally, CUFIS was designed to be an adhocracy, but an unclear mandate and external pressures forced it to adopt ambidextrous characteristics. However, CUFIS could not become a truly ambidextrous organization because of a lack of necessary human and financial resources.

In addition, the kind of transformational leader required to establish a strong vision and lead the organization towards it was lacking. This was in part because the leadership style of the CEO of CUC would not allow it. All of these factors worked together to ensure that CUFIS did not develop a strong learning culture. There were too many limiting assumptions in the minds of staff members.

These factors were all affected by the nature of the system in which CUFIS existed. This federative structure seemed unable to support a centralized operational adhocracy within itself, because of the decentralized nature of such a system. Federations rely on consensus decision-making which is slow, formalized and complex. This does not support the quick and unstructured decision-making processes consistent with an operational adhocracy.

As well, the central body in a federation relies on the affiliates for its very existence which creates limiting assumptions in the minds of central staff members. This makes it unlikely that a learning culture can be created and supported within the central body of a federation. It is hard to believe anything is possible when your actions are controlled by external organizations.

This analysis has identified several key tensions affecting CUFIS' performance.
1) The leadership style of the CEO of CUC did not allow the GMs of CUFIS to develop into strong leaders themselves.
2) The non-learning culture of CUC forced CUFIS to begin supporting its own products which prevented CUFIS from following its innovative direction and created many limiting assumptions in the minds of CUFIS staff members.
3) CUC and the federative System failed to support an operational adhocracy like CUFIS, so CUFIS became institutionalized in its search for legitimacy.
4) Finally, and most notably, CUFIS' origins were not consistent with the nature of a federative system. CUFIS was conceived of in a centralized fashion and then sold to the credit unions instead of allowing the idea to come from the "ground up" and then

diffuse through the System when it was ready for it. This meant that CUFIS never had the full support of the credit unions, support which it needed in order to survive during difficult economic times.

The implications of this analysis for the process of creating and sustaining innovation in federative decision-making structures will be discussed in the next chapter. Conclusions regarding how innovation should be approached will also be presented.

Chapter 6 Conclusions

6.1 Introduction

This thesis has explored the issues surrounding the existence of Credit Union Financial Information Services (CUFIS), an organization that was designed to perform centralized research and development functions for the Credit Union System of Saskatchewan (the System).

Studying an experiment such as CUFIS brings about the question of whether or not financial institutions are capable of changing. Kanter (1985) states that organizations master change through innovation. CUFIS was an attempt to do just that, however, as an organization it was not sustainable. This chapter examines why it was not sustainable and what can be learned from the CUFIS experience, particularly in light of how other financial institutions have tried to introduce change. Such a discussion is vital to trying to understand what is necessary to ensure the survival of credit unions in the rapidly changing financial services industry.

Structure, leadership, culture and interorganizational relationships have been analyzed to determine why CUFIS was unable to sustain itself beyond its six year lifetime. This chapter presents the conclusions that have been drawn from this analysis and the implications that they may have on the long-term ability of a federative structure such as the Credit Union System to be innovative and compete with the banks and trust companies. The chapter begins with a summary of CUFIS' lifetime and accomplishments. From there, the tensions that surrounded CUFIS' existence and the conclusions they suggest are presented, followed by the managerial implications of the findings. The chapter closes with the scope and limitations of this study and recommended areas for further study.

6.2 CUFIS

CUFIS was a wholly-owned subsidiary of Credit Union Central of Saskatchewan (CUC) that opened its doors on May 1, 1987 with the broad mandate of performing research and development on behalf of the Saskatchewan Credit Union System.

CUFIS was small, informally structured, and physically separate from CUC to allow it the freedom it needed to innovate. It's storefront office space was also unique in a warm, informal way. The location was supposed to attract walk-in traffic that could help in CUFIS' market research and product testing activities.

Over time, CUFIS did develop excellent products (see Appendix 5) such as the Financial Planning Analyst and Farm Business Analyst software packages in addition to the "Your Money's Worth" youth program and the Financial Fitness Video Collection. Because of a lack of marketing and distribution support from CUC as these products were developed, CUFIS was forced to take responsibility for their sales and distribution. CUFIS needed the support of CUC and the System and if they could earn it by delivering their own products, then that is what they would do. As CUFIS focused more on delivery, innovation began to suffer. Without innovation, the subsidiary was of little value to the System. So CUFIS struggled on, trying to provide both innovation and product delivery to the System. They were caught in this cycle of institutionalization, not knowing exactly what they were supposed to focus on while, at the same time, seeking legitimacy. This cycle ultimately led to the demise of CUFIS in 1992.

Regardless of what CUFIS achieved and did not achieve, it can not be classified as either a success or a failure. CUFIS was an important structure because of what it was trying to do and because of what Credit Union Central was trying to accomplish through it.

CUFIS was an attempt to introduce innovation and change into the System. Through a learning culture, an innovative organizational structure and transformational leadership, CUFIS was supposed to help the credit unions change to keep pace with a rapidly changing industry by researching and developing innovative products, services and service delivery techniques.

As a result of interorganizational relations within the System, however, there were tensions surrounding CUFIS' structure, leadership and culture that contributed to the institutionalization of CUFIS. These tensions will be discussed in the next section.

6.3 Tensions

This section will present the tensions that existed during CUFIS' lifetime and that had a detrimental effect on CUFIS' ability to sustain its innovative focus. These tensions were primarily responsible for CUFIS' institutionalization and ultimate demise.

The tensions were as follows:

1. CUFIS' structure vs. CUC's ability to help sustain such a structure. CUFIS was designed to be an adhocracy, but its lack of clear direction allowed pressure to be placed on it by the Credit Union System that pulled CUFIS off its innovative course. CUFIS began by innovating but CUC's inability to provide support for CUFIS' products forced CUFIS into product delivery activities in addition to their research and development activities. This created an ambidextrous structure that CUFIS could not sustain. Eventually, the innovation was lost.

Additionally, CUFIS's intended structure, an adhocracy, was not compatible with the requirements of a central organization within a federation. A central organization must facilitate complex and continuous communication and consensus decision-making processes which do not complement the informal, free nature of an adhocracy.

2. *CUFIS' leadership vs. CUC's leadership.* An effective transformational leader may have prevented the loss of the innovative focus by creating a strong organizational mandate and leading staff members toward this vision. However, the GMs of CUFIS did not demonstrate such a leadership style. The CEO of CUC was a transformational leader who, while brilliant and visionary, at times demonstrated several negative behaviors associated with charismatic leadership. These were a tendency toward autocracy, an unwillingness to incorporate the ideas of others into his Vision and the inability to encourage the development of strong leaders in close proximity to himself, particularly within CUFIS.

3. *CUFIS' culture vs. CUC's culture.* The leadership and staff of CUFIS attempted to create a learning culture within their organization and did succeed to some degree. CUFIS staff members did engage in systems thinking, they were encouraged to continually improve and develop themselves, and they functioned and learned as a team. But they did not have a strong vision to follow and their relationship with CUC and the System created too many limiting assumptions in their minds. CUC did not have a learning culture and could not learn to support CUFIS as it needed to be supported. This meant that CUFIS staff members had to assume more responsibility

for the delivery of their products. This lack of support created limitations in their minds. These limitations prevented CUFIS from developing a true learning culture.

4. CUFIS' origins vs. the nature of a federation. As background to the discussion of this tension, it is appropriate to first summarize the nature of the federation.

Federations are forms of organization created through voluntary, binding and long term co-operation between autonomous affiliates. Affiliates have joint authority over the federation and act as a group in some areas and separately in others (Johnstad, 1993). A central administrative body is established to help direct the federation towards its common goals. The affiliates maintain their autonomy but relinquish control of some activities to the central body in order to achieve economies of scale and other benefits (Warren, 1968).

Inherent in this type of structure is resource dependency as the central body is dependent on the affiliates for its funding. This dependency is what gives the affiliates some control over the central body. Of course, with many affiliates, no one affiliate's wishes can rise above the others. For this reason, all decision-making at the federation level is done through consensus-building. This is a time-consuming and complex process of communicating and compromising that continues until all parties agree on a course of action. Once a decision is made, however, the implementation may be faster because everyone has already agreed to the action.

In regard to the tension that existed, the idea of CUFIS was conceived within the central body thus undermining the credit unions willingness to support the idea. In a federative structure, ideas are usually developed from the ground up. An idea comes from a credit union, is developed at the local level and then, if it is good enough, may be adopted by other credit unions and/or packaged by CUC for distribution to other credit unions. In the case of CUFIS, the idea came from the CEO of CUC and it was sold to the credit unions on the strength of their trust in the CEO. In the face of difficult economic times, the credit unions simply could not support an organization that they had no part in developing, which they did not understand and from which they perceived to be deriving little benefit. The idea was a good one, and if it had been conceived at the local level and made its way through the federation, it may have been sustainable because the credit unions would have understood it and would have been ready for it. It also may have assumed a more sustainable organizational structure.

This discussion of tensions sheds light on the nature of the Credit Union System in Saskatchewan. It also demonstrates the potential that credit unions have because of their proximity to their members. As the CEO of CUC put it:

> Credit unions, in my view, have the greatest opportunity to be the best financial institutions anywhere if they stop playing with systems and get serious about what their members want.

This leads to a comparison of the Credit Union System and the banks. How are banks innovating in this era of change and how has that affected the credit unions? Is CUFIS a model that is being followed by other financial institutions? These questions will be addressed in the next section where the Bank of Montreal and its innovative service delivery structure, mbanx, are discussed.

6.4 Managerial Implications

The rapidly changing financial services industry requires organizations to innovate if they want to have any hope of remaining competitive. The following section compares how the Credit Union System attempted to conduct research and development through CUFIS with the way that research and development is conducted in other financial institutions. Such a comparison is important to determine if the CUFIS structure has been used elsewhere or if different, more successful structures have been developed. This is especially vital when attempting to determine the viability of the federative structure within the financial services industry, particularly in regard to innovation.

Since the time of CUFIS we have come to hear about VanCity Credit Union's "virtual bank", the creation of full financial service networks affiliated with the banks such as The Bank of Montreal Group of Companies and other branchless banking options such as mbanx. How innovations such as these were developed and implemented is the topic of the following section. The focus is on how the Bank of Montreal conducts research and development with particular attention being paid to the development of mbanx.

6.4.1 mbanx and Innovation at the Bank of Montreal

The information in this section was gathered from several promotional publications as well as from unstructured interviews conducted with five different employees of the Bank of Montreal (denoted as BM1 through BM5).

mbanx is a division of The Bank of Montreal that began operations in 1996. They are stressing that they are a "different way to bank." There are no mbanx branches, consumers access their accounts via telephone, automated banking machine or personal computer. The selling feature is that account access and information is available 24 hours per day, 365 days per year. They also stress personalized service with personal bankers that are empowered to help you meet your banking needs quickly and efficiently. This type of service is targeted at individuals who do not have time for traditional banking (Bank of Montreal, 1996a).

mbanx also provides some exclusive products and services such as a combined chequing and savings account, a flat monthly rate instead of service charges, a rewards program and specialized GIC's and mortgages. They also promise that there are more innovative products continually being developed (Bank of Montreal, 1996b).

Bank of Montreal research regarding the mbanx structure began in early 1994 and included a number of activities such as focus groups [BM5]. No one interviewed at the Bank of Montreal (the Bank) could say exactly where the mbanx idea came from. It may have come from the continuous improvement process that will be described in the next paragraph. After the initial research had been conducted, it was the CEO of the Bank of Montreal and the organization's Board of Directors who made the final decision to proceed with the project [BM3]. It was implemented and is now up and running. The process differed, however, from some other Bank innovations because it was not necessary to implement the project at the branch level.

Further investigation into the Bank's process for conceiving, developing, and implementing innovations revealed that the research and development process employed by the Bank of Montreal is quite decentralized. The organization is structured around various market segments and functions. For example, there is a department that deals with small and medium-sized enterprises. It develops products and services that would appeal to and benefit this particular market segment [BM2].

Research and development is performed at the head office level by every department. Ideas are passed from front line staff to the head office through a continuous improvement process. Staff are encouraged to write down ideas that they may have on specific forms which are then forwarded to head office [BM1]. They are sorted and passed on to the appropriate department to determine their feasibility. Feasible ideas are researched and piloted by the department. If the idea or resulting product or process is deemed to be important enough by the most senior person in that area, it becomes part of bank policy. It is then formally packaged and sent out to all the branches for implementation [BM3]. If the product or process is deemed to be good but not something that should affect bank policy, it is put on a list of new ideas that is circulated to the branches periodically. If a particular branch likes the idea and thinks it would be useful, they may choose to implement it, but it is not required. These become more like operational guidelines [BM1].

This is a relatively informal research and development process. When asked how they ensure that innovation actually occurs, several people responded that innovation is expected of everyone who works for the Bank [BM1, BM2, BM3]. It is simply a way of life for everyone from customer service personnel to the CEO. The process may be informal but the philosophy is an intrinsic part of the organization's culture.

As for the issue of centralization, it does seem that any decisions made in regard to products or services that may affect bank policy are made centrally. A large project such as mbanx was approved by the CEO and the Board of Directors, while other projects that will become mandatory for the branches are decided upon by the most senior people in the area responsible for the project [BM3]. While the innovative ideas come from individual employees and the ensuing research and development is conducted in a decentralized fashion by every individual department, any decisions that will affect overall bank operations are made in a relatively centralized manner. This is consistent with what one would expect from an organization with a centralized structure.

6.4.2 Comparing CUFIS to mbanx

The difference between mbanx and CUFIS is that mbanx is a structural innovation of the Bank of Montreal designed to deliver, not develop, innovative products in an innovative way while CUFIS was a structural innovation designed to develop, not deliver, innovative products in an innovative way. CUFIS was an innovation designed to perpetuate innovation while mbanx was simply the result of an innovation process. My research on financial institutions uncovered no other CUFIS-like example of innovation.

CUFIS was also an independent organization within a decentralized federation. None of its developments could ever become mandatory for any of the credit unions. Credit unions always had the option of adopting the new products and services or not. This is where the innovation process differs between credit unions and the banks (specifically, the Bank of Montreal). The bank branches may sometimes have the option of adopting or not while the credit unions always have the option.

It may be that there are no other examples similar to CUFIS because the overall concept is flawed and will not work. I believe that structural innovation can spawn product and process innovation by creating excitement and creative freedom within people's minds. However, within a federation, a CUFIS-like structure becomes very hard to sustain for the reasons discussed in section 6.3.

6.4.3 Implications

So how does this speak to the long term ability of the Credit Union System, not only in Saskatchewan, but in Canada, to compete with the banks? The credit unions can definitely compete, but they must build on their traditional strengths which include their local focus and their proximity to the members. This does not rule out innovation, in fact, in the past it has fostered it. It does, however, make centrally initiated innovation and research and development very difficult.

Individual credit unions compete with the banks, the Credit Union System as an entity does not compete with the banks. CUC must exist to support the credit unions logistically and financially at times, but it must not provide all the ideas upon which the credit unions base their activities. The credit unions must have their own identities, their own strengths and weaknesses. In this way, their diversity can build strength, operating as a family instead of an individual. This is how credit unions will be able to compete with banks, and they are more than capable of doing it.

Ultimately, it is not really a matter of competition. Historically, credit unions have not identified themselves by competing with banks. They have, instead, gone places were the banks were initially unable and unwilling to go, providing service to people the banks could not reach. This is where the strength of the credit union concept lies. Credit unions were an innovation that arose from need and they have continued to innovate whenever they perceived a need. There is no reason why this cannot continue as long as they do not focus on what the banks are doing at the expense of recognizing what their members need and marketing themselves on this basis. If they listen to the people, they will always win the battle of customer satisfaction. And they will do it through innovation.

Credit unions need to remember where their roots are they are in the people and the communities from which they arose. This history has made them strong in the past and will continue to give them strength if they let it.

6.5 Scope and Limitations

The purpose of this thesis was to explore the life of CUFIS from the perspectives of structure, culture, leadership style and interorganizational relations. The nature of the study was exploratory, meaning that it was not designed to answer any specific questions or explain a particular event or issue. This study presents the story of CUFIS and attempts to identify several factors that may have affected its operations.

In order to comprehensively examine CUFIS and to uncover the multiple perspectives in existence, a qualitative case study approach was used . This does limit the generalizability of the findings to a certain degree, however. To address this concern, the research process has been well documented and the data has been organized in such a way that 1) meaningful conclusions can be drawn from it and, 2) would allow another researcher to find their way through it. In addition, all conclusions are well linked to theory and literature, making generalization more feasible.

In order to ensure that the results of this research are externally valid every attempt has been made to link the results to theory generated from the literature. In this way, the findings of this study may be tested in a different, but similar situation and then be generalized more broadly (Yin, 1994).

Because the study is qualitative in nature, it is more likely to be tainted by researcher bias. This issue was addressed in the methodology section by including an explanation of the researcher and the biases brought into this research. This enables the reader an opportunity to examine the results while keeping the researcher's potential biases in mind. As well, steps were taken to reduce the impact of researcher bias. For example, where ever possible, interviews were tape recorded to ensure the accuracy of the responses and to preserve the overall mood and climate of the interview.

In addition to the methodological limitations on the study, there are also a few data constraints that must be considered, although every attempt was made to reduce their impact.

The time frame places a constraint on the data. Comments, opinions and information provided in interviews were done from memory and although many points made by interviewees were supported by evidence found in the documentation, the data must still be considered to be somewhat coloured by time.

Credit Union Central of Saskatchewan (CUC) has changed CEOs and undergone an organizational restructuring process within the last several years. The research process required that I interview eight current employees of CUC and the effect of these changes on the employees is not known. It can be expected that such large changes in their place of work have affected their perceptions and their recollections to some degree. However, this should not have greatly affected the results of the study because only eight of the twenty-six individuals interviewed were affected by the restructuring. In addition, the responses of the eight individuals did not significantly differ from those of the other interviewees and were supported by the documentation.

6.6 Areas for Further Study

This research has uncovered several areas where further research is needed. Each of the effects of structure, leadership and culture upon organizations within federative structures should be studied separately to determine the impact each may have. For example, the impact of transformational leadership in different organizations with federative structures should be studied as well as whether or not a learning culture can exist anywhere within a federative structure.

A comparative study of another centrally-initiated innovative organization existing within a federative decision-making structure would be beneficial. If the overall chance for survival of another organization such as CUFIS within a federation is found to be slim for similar reasons, the results of this research would be much more easily generalized.

In a similar vein, a formal comparison of the research and development structures of the larger Canadian banks and the research and development structures of credit union systems across Canada would be most beneficial to practitioners in the financial services industry. Such a study would also make a significant contribution to the literature in the areas of organizational structure and innovation.

The nature and consequences of ineffective transformational leadership is another area where further research is required. There have been many studies conducted that examine the successes of transformational leadership but very little has been said about such leadership if it's not successful. Research that would increase the understanding of why and in what conditions transformational leadership is effective or ineffective would be a valuable contribution to the leadership literature.

The types of organizational structures that can exist at either the affiliate or central administrative body level of a federation is another area in need of further study. In addition, a study of the types of linkages that need to be present in order for various organizational structures to survive would be a valuable contribution to the literature and would also benefit practitioners working within federative structures.

6.7 Conclusion

This research does not make it clear whether the perfect structure, the strongest transformational leader, and a learning culture would have ensured CUFIS' survival or not. We can only speculate because, to the best of my knowledge, no other organization of this nature has been created against which to compare the CUFIS experiment. It can be concluded, however, that if CUFIS had these structural, cultural and leadership characteristics, it may have had a better chance at survival within the context of the federation.

One of the most revealing aspects about the development of CUFIS was the dramatic departure from the Credit Union System's traditional pattern of decentralized innovation and the System's consequent rejection of the initiative. The idea of CUFIS was conceived centrally; the idea did not come from the credit unions, but from CUC and was sold to the credit unions. Although the credit unions approved its development, it was still not a grass roots idea that had worked its way up and gained support in so doing. The influence of the CEO of CUC sold the idea of CUFIS when perhaps it should not have been sold at all. It may be true that the credit unions and their members were not ready to fully take advantage of an organization such as CUFIS. Because of this, they could not give it their full support and it could not survive. It is also likely that had CUFIS been developed from the "ground up" it would have been structured in a significantly different manner. The credit unions would not have recommended the creation of an organization that they funded but had little control over, that is not the nature of a federative system.

Rather, the organization might have more reasonably been designed as a "floating" research and development organization that attached itself to different credit unions for different projects. It could take proposals and then find one or two people to work on the project for a contracted term (seconded from elsewhere in the system, perhaps). The credit union could provide space and supplies and project management. Once the project was completed, the credit union could test it and the System could decide whether to adopt it or not. It could be a form of 'assisted decentralized research and development'. This would allow smaller credit unions to engage in more research and development activities as well as being beneficial to large credit unions. What would have been avoided are the difficulties associated with creating a separate, isolated organization charged with providing centralized innovations to a decentralized system. The decentralization and the proximity to the membership's needs and wants has always been the hallmark of credit union research and development in Saskatchewan.

It is also possible that if the "ground up" development process had been followed, CUFIS would never have existed at all because the System was not ready to support or try and understand it. A similar idea may have surfaced at a later date, but it may not have. It is for this reason that the CEO of CUC was probably doing the right thing for the System when he conceived of the idea for CUFIS. Even though CUFIS could not have survived it did teach the System a great deal. Even if it just opened the eyes of the credit unions to future changes in the ways financial services would be delivered, then it was a worthwhile endeavor. That is the irony of CUFIS, it was the right thing to do, but there may not have been a right way to do it.

The fact that the Credit Union System in Saskatchewan has a history of innovation demonstrates that innovation is possible within federative systems. In fact, the complexity, diversity and comparatively small size that are characteristic of organizations within a federation encourage innovation (Kanter, 1988; Nyström, 1979; Duncan, 1976).

CUFIS was innovative, in its existence and in some of its activities, it just was not appropriately conceived or structured. It was, however, an important structural experiment. To the best of my knowledge, no other financial institution has created an organization similar to CUFIS, nor has any other federated, co-operative system attempted anything similar. Not only can other co-operatives and financial institutions learn from the CUFIS experiment, but also organizational theorists. Such a unique organizational form cannot be ignored in the body of organization theory literature. This study has introduced CUFIS to the organization theory literature and presented areas for further study so that we can continue to learn from it. It is important that a formal record be made of CUFIS so that its lessons are not forgotten by practitioners or theorists. We must always build on where we have been and what we have learned in the past.

This is the lesson to be learned from the CUFIS experience; federations are more than capable of innovating, they just have to do so in a way that is consistent with their strengths and their traditions. This is how sustainable progress and change is achieved.

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Appendix 1: Interview Schedule

Background:

Name:

Organization affiliated with:

Position:

Relationship to CUFIS:

Interview date:

Interview location:

Acronyms:
CUFIS = Credit Union Financial Information Services
CUC = Credit Union Central of Saskatchewan

Interview guide for interviews with former CUFIS staff and Directions Committee:

How would you describe the culture of the Credit Union System in Saskatchewan in the late 1980's and early 1990's?

If you had to use one word to describe it, what would it be? (Learning?)

How would you describe the culture of CUC in the late 1980's and early 1990's?

Do you feel that the employees of CUC saw themselves as part of the larger Credit Union System? Or were they more inward-focused on their tasks.

Was learning considered to be an important goal by CUC management? How did they communicate this goal to employees?

How was continuous learning encouraged within CUC? (examples?)

How did teamwork play a part in CUC's activities?

What were the limitations on what CUC could accomplish? Who identified these limits? Were there limits at all?

How would you characterize the leadership of CUC during this time?

How would you describe the culture of CUFIS?

Do you feel that the employees of CUFIS saw themselves as playing a role the larger Credit Union System? Or were they simply concerned with creating their own organization?

Did the management of CUFIS consider organizational learning to be a goal worth pursuing? How did they communicate this goal to the employees?

Was it your impression that continuous learning was strongly encouraged within CUFIS? Are there examples of this?

How did teamwork play a part in CUFIS' activities?

What limitations existed in the minds of CUFIS management about how much CUFIS could accomplish? Were these real limitations or did they exist only in the mind of the managers? Where did they come from?

How would you characterize the type of leadership that CUFIS had during its lifetime?

How were the two managers different?

How did these differences affect the direction of CUFIS over time?

How would you have described the organizational structure of CUFIS?

What was the objective in setting it up as a subsidiary?

What was the object in setting it up as a store front?

What was the objective is relocating CUFIS later in its life?

How would you classify the level of formalization within CUFIS?

Why were their no formal organization charts? Job descriptions? Documented rules and procedures?

What was the mandate of CUFIS?

How did these goals fit with the goals of other players within the system at the time (i.e. CUC and the credit unions)?

Were there other projects that began to take precedence over CUFIS? Were there problems within the System at this time that took priority over CUFIS?

Interview guide for interviews with members of Credit Union Community:

How did CUFIS fit into the culture of the Credit Union System?

What were the objectives of your organization at the time of CUFIS?

Were the objectives of CUFIS in line with your organizational needs at the time?

Were you aware of the products and services that CUFIS was developing at the time?

To the best of your knowledge, did your credit union or any of your members use any of CUFIS' products?

Would you say that CUFIS was a success? Why or why not?

Did you strongly support CUFIS? On what basis did you support or not support CUFIS?

Who were CUFIS' opponents? On what did they base their opposition?

Suggested contacts for future interviews:

General Interviewer comments and observations:

Appendix 2: Patterns for Pattern-matching Methodology

Pattern 1:

Culture	-Credit Union Central had non-learning culture -CUFIS had a learning culture
Interorganizational Conflict the	-There was conflict in terms of conflicting goals within Credit Union System -There were scarce resources within the Credit Union System
Resource Dependency	-CUFIS was resource dependent on the System
Innovative Structures	-CUFIS was an innovative structure, or an adhocracy
Leadership	-CUFIS had transformational leadership during its first three years -CUFIS had transactional leadership during its final years

Pattern 2:

Culture	-Credit Union Central had non-learning culture -CUFIS had a non-learning culture
Interorganizational Conflict within the Union	-There was no conflict in terms of conflicting goals Credit Union System -There was no scarcity of resources within the Credit System
Resource Dependency	-CUFIS was not resource dependent on the System
Innovative Structures	-CUFIS was not an innovative structure
Leadership	-CUFIS did not have transformational leadership during any part of its life

Pattern 3:

Culture	-Credit Union Central had a learning culture -CUFIS had a learning culture
Interorganizational Conflict within the Union	-There was no conflict in terms of conflicting goals Credit Union System -There was no scarcity of resources within the Credit System

Resource Dependency	-CUFIS was resource dependent on the System
Innovative Structures	-CUFIS was an innovative structure

Leadership -CUFIS had transformational leadership during all parts of its life

Pattern 4:

Culture	-Credit Union Central had a non-learning culture -CUFIS had a non-learning culture
Interorganizational Conflict the	-There was conflict in terms of conflicting goals within Credit Union System -There were scarce resources within the Credit Union System
Resource Dependency	-CUFIS was resource dependent on the System
Innovative Structures	-CUFIS was not an innovative structure

Leadership -CUFIS did not have transformational leadership during any part of its life

Appendix 3: CUFIS Timeline

<u>1986</u>	
November	GM1 hired as General Manager
December	discussions with CUIS re: provision of insurance through CUFIS
	discussions with CDSL re: expert systems pilot project
<u>1987</u>	
January 15	STAFF1 joins CUFIS
January	CUFIS moves from CUC to a temporary work space in the Sask. Place building
February 3	CU Financial Information Services chosen as name
	Directions Committee defines CUFIS mandate as follows, "That CU Financial Information Services do research and development on behalf of Central for a period of three years."
February	indications in GM1's Report that he already feels that there are unrealistic expectations for CUFIS developing within the System.
March 15	STAFF2 joins CUFIS
March	hours of operation determined T-Sat 10-5, TTh eve 7-9, closed M
April	Operating and Advisory Task Forces set up for trial period of 1 year
	Promotional material refers to the mandate of CUFIS as follows, "The purpose of the project is to develop and test new services and approaches to satisfy member needs."
May 1	grand opening of Centre and new office space
May	begin offering financial planning and seminars

	first indication that people were unwilling to pay for financial planning services
June 15	STAFF3 joins CUFIS
June 22	GM1's Report to Directions Committee proves that the "Operations Group" did exist and met at least once - this is the only reference to this group in the documents
June	U of S research first proposed
	change in hours of operation
	CentreScan begins
September	CUFIS project plan released. CUFIS mandate described as follows, "Intended to support the Credit Union System in seizing new opportunities by focusing on members' service needs and expectations. Financial Information Centre's mandate is 'service innovation'. Financial Information Centre created as a component of the Credit Union System Future Direction Plan."
December	change in hours of operation
<u>1988</u>	
February 8	last Directions Committee meeting DC2 attends
March	FPA software completed
April	First report from U of S researchers completed. They identified the fact that CUFIS began with a broad and vague mandate that they had to narrow before their project plan could be released in Sept. 1987 - indicates that CUFIS set initial mandate.
	8 Farm Focus Groups held
	meetings held in numerous credit unions
	Personal Banking Machine installed at CUFIS
June	pilot of "Financial Planning Days"
September	coffee room discussions held with front-line staff from 3 large credit unions

	In Report to Directions Committee, there is mention made of shifting CUFIS to a greater sales and marketing focus during 1989.
	STAFF2's contract not renewed (but will stay on)
	STAFF4 contracted to perform financial planning activities
	DC3 leaves Direction Committee
	DC5 attends first Directions Committee meeting
November	DC6 joins Directions Committee
November 15,22,29 & Dec.6	Farming to Win broadcasts held
1989	
February	Report to Directions Committee indicates that GM1 feels the System does not understand CUFIS and indicates a need to concentrate more on communication as well as research and development and selling.
February 20	begin shipping Financial Fitness Videos
March 9	a memo indicates that within the Canadian Credit Union System, CUFIS is undertaking the most research and development projects with 24. Sask. CUC was second in number of projects with 11.
March	FBA software released
April	Report by U of S researchers recognized CUFIS was becoming ambidextrous. They also state, "In our attempt to understand the ever-changing nature of the Centre's mandate and direction in 1987-8 brought us to the conclusion that an effort was being made to narrow the range of goals pursued by the Centre."
May	Report to Directions Committee indicates that marketing is playing a larger role in CUFIS' activities and GM1 feels it is affecting the quality of service they are providing. He thinks he needs more people and talks of refocusing CUFIS on marketing. To this point, CUFIS has not requested that CUC market its products.
June/July	self serve unit piloted in Regina

July	STAFF1 receives ACE award for "Your Money's Worth"
September 1	STAFF3 leaves CUFIS
	STAFF5 seconded until April 30, 1990
September	Report to Directions Committee indicates that GM1 does not feel that CUFIS can continue doing what it is doing, it needs to focus on research and development or marketing, not both with current resources.
	new version of FBA complete
	Financial Awareness Survey being conducted
	"Your Money's Worth" delivered in 5 high schools
October	STAFF6 joins CUFIS
November 6 & 7	Sharing To Win symposium
November	The decision is made to extend CUFIS' mandate an additional three years with a renewed emphasis on pure research
1990	
January	"Extended Financial Services Proposal" completed
March	staff write job profiles of their positions
March 31	STAFF2 leaves CUFIS
April 30	GM1 leaves CUFIS
May	"The Credit Union Difference" workshops piloted
July 1	GM2 joins CUFIS
August	STAFF1 received CFP designation
	"Your Money's Worth" transferred to CUC
October 5	CUFIS Advisory Task Force dissolves itself
October	FBA transferred to CUC
December	CUFIS relocated to 2nd floor of Sask. Place building

December	Hay report received
<u>1991</u>	
February 24	In minutes of Direction Committee meeting it is recorded that CUFIS' direction shall be to "assist in creating understanding of need for change by bringing together a group of credit unions to: diversify revenue sources, change culture for delivery of service (bricks/mortar), identify enclaves of credit unions where a siege mentality does not exist, identify areas worthy of attention (payback is not always immediate), and spark innovation."
February	several Financial Planning Days held in credit unions
April	Report by U of S researchers observed potential workload problems if CUFIS tried to do all it said it wanted to do. They also noted a contradiction in structure needed for a research and development unit and a unit producing "tangible" outcomes.
June 11-13	Madge Lake planning session
June	business case on discount brokerage completed
September	start of financial planning pilot with Sherwood CU
	meeting with CUC HR department to see if some resources can be shared between CUC (specifically HR) and CUFIS
October	introduction of "Money Advisor" software (update of FPA)
<u>1992</u>	
January	STAFF6 leaves CUFIS and moves to CUC
	U of S contract canceled
February	STAFF4 and STAFF5 leave CUFIS and move to CUC to support financial planning in the credit unions
March	Listening Skills workshop held
April 13	CUFIS relocated to CUC building

Spring	CentreScan states that CUFIS will focus solely on a quality project: "In the future, CUFIS will focus its attention on coordinating its own resources and those of Credit Union Central to implement quality member services within a full financial services environment in credit unions and in Central."
September 18	decision made by Directions Committee to shut down CUFIS as a corporate entity effective December 31, 1992
October	Farm Retirement Planning package rolled out
December 31	CUFIS ceases to exist

Appendix 4: Master List of Abbreviations and Acronyms

ATF1 through ATF5 -	members of Advisory Task Force
the Bank -	The Bank of Montreal
BM1 through BM5 -	Bank of Montreal staff members interviewed
CDSL -	Co-operators Data Services Limited
CEO -	Chief Executive Officer of Credit Union Central
CFP -	Certified Financial Planner
COMM1 through COMM5 -	members of credit union community
Co-op Trust -	The Co-operative Trust Company of Canada
CU -	credit union
CUC -	Credit Union Central of Saskatchewan
CUCC -	Credit Union Central of Canada
CUFIS -	Credit Union Financial Information Services
CUIS -	Credit Union Insurance Services
CUNA -	Credit Union National Association
DC1 through DC6 -	Directions Committee members
FBA -	Farm Business Analyst software program
Financial Information Centre -	Credit Union Financial Information Services
FPA -	Financial Planning Analyst software program
GM -	General Manager
GM1 -	CUFIS' first General Manager
GM2 -	CUFIS' second General Manager
ICA -	International Co-operative Alliance
SCCS -	Saskatchewan Co-operative Credit Society
SCFS -	Saskatchewan Co-operative Financial Services
STAFF1 through STAFF6 -	CUFIS' staff members (excluding the GMs)
System -	The Saskatchewan Credit Union System

The Centre -	Credit Union Financial Information Services
The Credit Union System -	The Saskatchewan Credit Union System
The Committee -	The Credit Union Development Committee

Appendix 5: Tangible Products Produced by CUFIS

Financial Planning Analyst Software - April 1988

Financial Fitness Video Collection - February 1989

Farm Business Analyst Software - March 1989

Farm Business Analyst Software update - September 1989

You're Money's Worth Youth Program - September 1989

Money Advisor Software (update of Financial Planning Analyst Software) - October 1991

Farm Retirement Planning Package - October 1992