Strong Bonds: Maintaining a commitment to mutuality in a deregulated environment – the case of Australian Credit Unions

Leanne Cutcher

Since the 1980s Australian credit unions have faced a raft of regulatory changes. These changes have made it increasingly difficult for credit unions to maintain a commitment to mutuality. This paper outlines the impact of regulatory change on credit unions as they seek to operate in a 'deregulated' financial services environment. The paper compares the responses of two credit unions to these changes. In one case the credit union emulated the strategies of the large retail banks, while, the other credit union maintained a commitment to the principles of mutuality and co-operativeness. Comparing these two credit unions against the backdrop of regulatory change highlights the importance of credit unions creating and sustaining a distinct organisational identity through a strong bond of association with their members.

Introduction

Deregulation of the Australian financial services sector, which began in earnest in the mid-1980s, was designed to increase competition by expanding the number of institutions offering banking services and reducing barriers between different segments of the sector. One outcome of these changes to the regulatory framework was the removal of the institutional and legal barriers between banks, credit unions, building societies, insurance, and superannuation companies. This paper outlines how these legislative changes, which were designed in the government vernacular of the day 'to create a level playing field' for all deposit-taking institutions, removed some of the benefits that had existed for credit unions and increased their compliance responsibilities. The paper examines the impact of regulatory change on credit unions as not-for-profit organisations operating in a largely for-profit sector. To do this the paper draws on archival records of Australia's peak credit union industry association[1], as well as, case study research into two credit unions. The archival research and evidence from the case studies indicates that the impact of legislative change is mediated by a range of factors including credit union size and history. Overall the paper contributes to our understanding of the impact of legislative change on mutual organisations. The research presented here points to the need for co-operatives to maintain a distinct organisational identity by having a strong bond of association.

The paper is structured as follows. It begins with a brief overview of the history of the Australian credit union movement. In the next section the relevant legislative changes are outlined. The impact of these changes on credit unions generally is set out and then explored specifically in relation to two credit unions. The final section of the paper discusses the broader implications of the different experiences of these two credit unions.

Brief History of Australian Credit Unions

In line with credit unions in Britain, Ireland, and Eastern Europe (Jones, 2001) Australian credit unions were developed out of the North American model. Yates, who some consider to be the 'father' of the Australian credit union movement, had been stationed in Canada with the Royal Australian Air Force during World War II. (Lewis, 1996: 8) Yates helped to transplant ideas from the Canadian movement back to Australia, and in 1941 Desjardin's *La Caisee Populaire de Levis* was used as a template to outline a model for Australia, simply titled, *Credit Unions.* At this time in Australia the personal credit market was dominated by loan sharks and hire-purchase finance companies, who often charged interest rates in excess of 80 per cent. (Cutcher and Kerr 2006) In a bid to regulate this burgeoning market the Government of the Australian state of New South Wales (NSW) enacted the 1941 *NSW Small Loans Facilities Act.* This Act opened the way for the establishment of credit unions in Australia.

The first registered credit union in Australia, the Home Owner's Co-operative Credit Society Ltd, was established in May 1945 and was sponsored by an existing building society to provide personal loans to its members. (Crapp and Skully 1985: 20) In 1946, Kevin Yates formed the Catholic Thrift and Loan Co-operative Limited (Universal Credit Union) in the Sydney Archdiocese and, as Lewis (1996: 15) explains:

> many commentators consider this to be the first 'true' credit union [because] it drew funds wholly from members, functioned

autonomously, and was launched specifically to develop credit unions as part of the broader co-operative movement.

The early Australian credit unions relied on the zeal of the pioneers, the work of thousands of volunteers, and the co-operation and donations of employers and church groups in order to stimulate the formation of new credit unions. These new credit unions were founded on the basis of co-operation around a set of unifying principles and common identity. In line with credit unions around the world, Australian credit unions were formed around bonds of association that related to working for the same employer, involvement in a social group, or residing in a particular geographical area. (cf Jones, 2001) The principle of mutuality is encapsulated in the Australian credit union motto: *Not for Profit, Not for Charity, But for Service*. The restrictions to membership caused by the common bond of association and State regulation meant that Australian credit unions did not normally compete with one another. (Crapp and Skully 1985: 4) These bonds of association and lack of competition between credit unions led to the establishment of peak associations which provided a wide range of financial, managerial, and administrative services which the credit unions would have found expensive to provide on their own. (Crapp and Skully 1985: 29) This extended the concept of mutuality amongst individual members to mutuality amongst the credit unions themselves. Today Credit Union Services Corporation (Australia) Limited (CUSCAL)[2] is the peak credit union industry body in Australia.

The Changing Regulatory Environment

Lobbying, always a key role for the credit union industry bodies, reached new heights during the 1980s and 1990s as credit unions sought to influence the debates surrounding the deregulation of the Australian financial services sector. Paradoxically, for credit unions, 'deregulation' has been accompanied by **increased** regulation. In Australia, the Campbell Committee, which was established by the conservative Fraser government, handed down a report in 1981 which recommended significant restructuring of the financial services sector in line with similar developments overseas. (Kitay and Rimmer 1997: 104) These recommendations mirrored changes in the United States and United Kingdom and were part of:

> neo-liberal economic agenda of deregulation aimed at breaking down traditional boundaries and intensifying inter-industry and international competition. (Knights and Tinker 1997: 3)

The deregulation recommended by the Campbell Committee was enacted by the Federal Labor government in 1983. The deregulation was aimed at increasing competition by increasing the number of banking licences, opening the way for the entry of foreign-owned banks, and removing the institutional and legal barriers between the different players in the sector.

A second round of legislative change took place in the early 1990s. Whereas the original raft of changes aimed to emulate developments in other parts of the world, the impetus for this raft of changes was the collapse of the Pyramid Group in June, 1990.[3] The failure of the Pyramid Group brought all non-bank financial institutions (NBFIs) into the legislator's focus. At this time credit unions were governed by different legislation in each Australian State. The State governments were keen to avoid the financial and political fall-out experienced by the Victorian State government following the collapse of the Pyramid Group. In October 1990 the Premiers of all the Australian states meet and a Heads of Agreement document was established that sought to arrive at a coherent national approach based on State legislation. (AFCUL National Bulletin 1990) This unified approach was brought into effect in March 1992 when the Queensland Parliament passed the *Australian Financial Institutions Commission Act* (AFIC) and the *Financial Institutions Act.*[4] In July 1992 the Australian Financial Institutions Commission (AFIC) launched the Financial Institutions (FI) Scheme. Under this scheme, non-bank financial institutions were required to comply with minimum prudential standards and uniform (State-based) regulations. As well as implement and fund a national supervisory mechanism and contribute to state contingency funds and an emergency liquidity support scheme. (Lewis 2001: 3) The changes meant that credit unions (and building societies) were now more heavily regulated than the banks with more onerous reporting requirements. Despite this the peak industry body welcomed the changes assuring their member credit unions that:

> [The] new laws for running non-bank financial institutions and regulating credit will be costly

to implement, but should result in a future operating environment which is simpler and more flexible for credit unions. (Australian National Credit Union Magazine, 1992)

However, the next legislative change to occur was not welcomed by the peak body, or its member credit unions. In July 1994 the Federal Labor government abolished taxation exemption for credit unions' member-generated income. The tax exemption was removed because it did not apply to other mutual financial institutions, namely building societies. CUSCAL saw the repeal of 23G of the *Income Tax Assessment Act* as a "tax on self-help, a tax on volunteers and a tax on choice". (CUSCAL 1993a) They argued that the loss of tax exemption would bring significant industry and social costs for credit unions.

In June 1996 the Wallis Inquiry was established to examine the effects of deregulation and to recommend further regulatory changes to ensure a responsive, competitive and flexible financial system. (Wallis 1997) Following recommendations of the Wallis report the *Australian Prudential Regulatory Authority Act 1998* was passed bringing all deposit taking institutions (including credit unions) under Federal jurisdiction. The playing field was now said to be level for all deposit taking institutions - the reality was that the changes impacted differently on bank and non-bank financial institutions.

The following section outlines the impact of these changes on credit unions generally. The evidence in the next section of the paper draws in part on newsletters, bulletins and magazines dated from 1987-1994 that related the response of the peak credit union industry body to the regulatory changes.

The Impact of Regulatory Change

The regulatory change that began in 1983 led to a raft of amalgamations between small-and medium-sized credit unions. Smaller credit unions merged with each other to ameliorate the administrative costs associated with complying with the prudential standards imposed on them. They had to meet the same compliance and reporting regulations as the biggest of the retail banks. Since deregulation began credit union numbers have fallen significantly, from 549 in 1983 (Lewis 2001: 4) to 145 in 2006. (APRA 2006) Although the number of credit unions continues to decline there has been a steady increase in member numbers and a growth in assets and loans. With total assets of $37.9 billion (APRA 2007: 5), taken together, in 2006 credit unions were the sixth largest financial institution in Australia, ranked after St George Bank with total assets of $112 billion. (St George Annual Report, 2006)

The rate of amalgamation and the continuing strong presence of credit unions on the Australian financial services landscape indicate that the impact of regulatory and legislative change has been uneven. While the administrative burdens and regulatory requirements have had a negative impact on smaller credit unions, other credit unions have managed to remain viable and competitive by differentiating themselves from other 'players' on the financial services field.

Consulting firm KPMG (2001:1) has reported that "credit unions' major competitive advantage has always been their 'not for shareholder' structure and their ability to differentiate themselves from banks by promoting customer bond and service to their members". This accords with the Kaplan and Norton's (2001) assertion that not-for-profit organisation's strategic advantage lies in their ability to place their 'customers' at the top of the organisation's scorecard. The idea of the 'balanced scorecard' was originally developed by Kaplan and Norton (1996) for the for-profit sector and involves a process of developing goals and measuring performance targets against four perspectives – the financial perspective, the customer perspective, the internal process perspective, and the learning and growth perspective. (Boxall and Purcell 2003) As Kaplan and Norton (2001) explain a reordering of the scorecard takes place in not-for-profit organisations, with the customer perspective moving to the top. While credit unions do need to generate adequate revenue they are not shareholder driven and can develop strategy that is largely member-centric.

CUSCAL recognised the need for credit unions to promote the fact that as mutuals their 'customers' are owners of their credit union. In 1999 they set up a Taskforce, comprised of senior CUSCAL executives and CEOs of some of the largest and/or most innovative credit unions, in order to develop a strategy for promoting the concept of membership. In 2000 the Taskforce released a brand strategy report entitled *Deepening Member Relationships.* In the report, the Taskforce identified three aspects to the credit union 'member' relationship. The first

'customer-ship' relates to the style and quality of the customer service interaction, the second 'membership', relates to a sense of affinity members have with their credit union, and the third 'ownership' is concerned with the value members derive from owning and influencing outcomes in their credit union. (CUSCAL 2000: 20) The Taskforce's main recommendation was that "credit unions maximise member value". (CUSCAL 2000: 7) A key aspect of member value was the notion of 'ownership', because it was central to the credit union concept of mutuality. The Taskforce were keen for credit unions to promote the concept of 'ownership' even though their research showed that the notion of members as owners of the credit union was only understood by and important to older members of credit unions. (CUSCAL 2000: 21)

Certainly for many credit unions the notion of mutuality is much less powerful than it once was. The regulatory changes outlined above coupled with industry restructuring and privatisation of the public sector has meant that most credit unions have not been able to maintain the strong bonds of association that are crucial to a sense of mutuality. Margaret Lester, Development Manager of Credit Union Federation Australia outlined how amalgamation of smaller credit unions had impacted on the notion of a bond of association:

> Some of the bigger credit unions have diversified membership bases where the mergers have brought in so many different people from different groups. The membership had all experienced the credit union philosophy and being members of the credit union, but they ended up going from being members of a small credit union to this huge credit union that is not seen to be meeting their needs now.

In the face of regulatory change the peak industry association encouraged its members to 'embrace' change. For example, in May 1992 an article in the Australian National Credit Union Magazine, entitled *Facing the Future*, quoted Ken Miller, a credit union pioneer saying:

> The winds of change are blowing through credit unions. But it's possible to harness that wind. … The Future can be a time of re-birth and growth. The 'good old days' of credit unions are exactly that - old days - and the movement needs to embrace the future. (Australian National Credit Union Magazine 1992: 2)

Some credit unions sought to change by emulating the strategies of the large retail banks. Since deregulation of the financial services sector, the overall strategy of the major retail banks has been to segment their customer base, to reshape the role of the customer as a co-producer of the service exchange, and to have customers conduct their banking transactions themselves through the use of ATMs, phone, and the Internet. Banking institutions, with their large client databases, are able to develop rich profiles of their customers. These profiles are then used to segment the customer base so resources can be concentrated on the 'best' customers. This segmenting of the customer-base allows resources to be concentrated on 'high-value' customers at the same time that they are being withdrawn from less profitable or 'low-value' customers. The large retail banks have used fees and branch closures to reduce costs and 'encourage' customers to take up non-human technological options. When banks do seek to interact directly with their customers this has been reconstituted as a sales encounter rather than a service exchange. (For a detailed discussion of this trend across a range of countries see Regini, *et al* 1999.)

Such a strategic approach would appear to be at odds with the overall mission of the credit union movement which emphasises notions of democracy, non-discrimination, and equality in service to all members. Nevertheless, this was the strategic approach adopted by one credit union as it sought to reposition itself in the deregulated environment. The remainder of the paper outlines the way this credit union copied the approach of the large for-profit banks. Their approach is contrasted with that of another credit union that continued to emphasise notions of member service and an ongoing commitment to mutuality.

The information presented in the paper in relation to these two credit unions was gathered in interviews with management and member service officers (MSOs). Twenty-eight interviews were conducted at the two credit unions during 2002. The interviews were 'semi-structured' in that there was a list of questions used to guide the research. However, the question script was not strictly followed and interviewees frequently introduced other issues into the discussion, which were pursued where relevant. The interviews were conducted on a one-on-one basis at the interviewee's workplace

and ranged in time from 30 to 90 minutes. All of the interviews were tape-recorded with the consent of the interviewees and were transcribed as close to the interview time as possible so that it was possible to recall and reflect on the meaning constructed at the time. Contrasting the experiences of these two credit unions highlights the benefits of maintaining a strong member identity and commitment to the principles of mutuality.

Power Credit Union

The case of Power[5] Credit Union (Power) reflects the experience of many small-to medium-sized credit unions that have seen their bond of association with their members dissipated due to structural change in the wider economy. At Power, competitive pressure and the opening up of its 'bond of association' have placed the credit union's core value of mutuality under considerable pressure.

Power, a medium-sized credit union located in regional NSW, services a number of small coastal communities through a network of ten branches. It has undergone significant change since its beginnings in 1966 as a small credit union of a local colliery. During the mid 1980s it merged with two other industry based credit unions in the region.[6] While these amalgamations greatly increased the credit union's geographical spread it also meant that members of the merged entity no longer shared the common bond of all working for the local colliery. A senior manager commented that with each merger the concept of mutuality had come to mean less and less to members:

> I do not think it [mutuality] is important because it harks back to the days when everyone in the credit union knew that they had founded the credit union by being a member. These days in a community situation most people don't give a rats whether they are a member or not. 99.9 per cent of them don't show up for an AGM. We get 200 people if we are lucky and we have 28,000 members. I think that is a pretty good indication that the word 'member' is meaningless to the person on the other side of the counter.

Management's sentiments were also shared by longstanding employees of the credit union who remarked that it was easier to adhere to the notion of mutuality when the credit union operated under a closed, industrial bond. Power's Debt Recovery Officer remarked:

> When it was a closed bond it was a better relationship. When we had our bond we lent to mum and dad's kids. If the kids went off the rails I could ring mum and dad and dad would go and give the kid a kick in the arse and make him pay his way. Or because dad had so much pride he wouldn't let that loan go bad. He would pay it.

She indicated that the opening of the bond, followed by the introduction of fee disincentives to 'low value' customers by the large retail banks, meant that Power had taken on many customers that the banks "were more than happy to pass on". The shift occurred because the bank closed many of its branches and introduced fee disincentives for over-the-counter transactions. Credit unions, such as Power, continued to have a strong branch presence despite the costs associated with this approach. Consulting firm, KPMG (2001: 6) had observed that the shift of low-value and high transaction accounts from banks to credit unions had posed a challenge for the credit union industry.

Power had responded to this challenge by emulating the strategies of the large retail banks and introduced customer segmentation and sales strategies. The focus on sales and away from service has seen mutuality replaced with a 'discourse of enterprise' with its emphasis on market forces. (du Gay 1996) Power has emphasised the need to increase the worth of their customers by selling them more financial service products. Within this new strategy, the credit union member is constructed as a 'profit-source' and the front-line officer's role has shifted from servicing members to selling products to customers. To 'encourage' employees to sell, Power has introduced performance pay linked to individual sales targets.

Power's employees offered a range of responses to the new emphasis on selling, ranging from total discomfort with the change, reflected in such responses as: "If I wanted to sell I would have gone into retail"; through to a reluctant acceptance: "I don't like it but I understand where they are coming from, I understand that it is something we have to do to remain viable". The employees' reluctance to embrace the new sales culture arose in large part because it required them to think about the credit union members in a different way. This was

particularly true of longer-serving staff, who had the greatest difficulty accepting the new emphasis on selling. As one Team Leader stated:

> We are becoming much more sales-oriented and probably one of the biggest complaints as far as our staff goes - that is the long term staff - is that they came here 10 years ago to be member service officers not sales people and they feel that it is taking a lot of the member service away.

The changes represented a move away from the traditional philosophy of the Credit Union Movement that had informed their work practice and service ethic.

At Power both management and employees were in agreement that the core credit union principle of mutuality and 'member as owner' of the organisation had come to mean very little to members. The employees in this credit union have gone from servicing members who shared an industrial bond of association to servicing a diverse member base with no common bond of association. Power's adoption of a sales strategy that segments customers according to their worth and causes employees to compete with each other for pay bonuses has taken the credit union further away from the principles of mutuality and co-operation. Rather than copying the strategies of the large retail banks Power may have been better served by emulating the approach taken by other successful credit unions. The following section outlines the strategic direction taken by one of Australia's most successful credit unions.

NSW Teachers Credit Union – Maintaining a Bond

With assets in excess of $1bn, the NSW Teachers Credit Union (Teachers) is one of the largest credit unions in Australia. In 2006 it was the top performing Australian credit union in terms of its cost to income ratio. (Benson 2006: 15) Its success has not only been attributed to its scale of operation, but, also the strength of its bond. (*ibid)*

Teachers has been able to maintain strong links with its original bonded group, teachers employed in the NSW State education system.

Teachers began operations in 1966 run solely by volunteers and for the benefit of teachers in the northern region of Sydney. One year later it had opened its membership to teachers anywhere in New South Wales. The extensive informal network that schools provide for the NSW Teachers Credit Union, together with the development in technological service options, means that Teachers has never had to establish a branch network. The credit union has only two properties, a Head Office in the Sydney suburb of Homebush and an office in the outer Sydney suburb of Rooty Hill which houses its call centre.

Servicing a customer base that has a significant number of members who are teachers has had a strong influence on the way that the NSW Teachers' Credit Union operates. As the Assistant General Manager, Marketing and Member Relations remarked:

> It influences absolutely everything. I can't think of anything it doesn't influence. It influences the way we distribute our products and services. It influences the style of staff employed, the type of technology used, even our borrowing criteria.

In a written communication to members, Col Thomson, the Chair of the Credit Union, emphasised the importance of the ongoing strong association of the Credit Union with its original member base:

> We know that the strength of our Membership has been, and still is, the backbone of our success. *Teachers helping teachers.* Teacher solidarity has meant lower delinquencies in loans, large regular payrolls and higher average savings – advantages that allow us to provide effective, up-to-date relevant service while retaining a low fee structure.

While Teachers maintains this strong brand identification with its original member base the reality is that the majority of its members are not teachers. This shift in membership has occurred because Teachers has gradually extended its membership to include a broader category of 'family' members. The definition of 'family' under the NSW Teachers Credit Union Constitution is "spouse, parent, grandparent, child, stepchild, grandchild, brother or sister". (NSWTCU 2003) In addition 'family' members' rights have been extended to be the same as 'prime' (that is teacher) members' rights, in effect allowing other relatives of existing 'family' members to join the credit union, whereas previously only family of 'prime' members could join. This has extended the bond of the credit

union considerably. As a result of these changes in 2002, 47 per cent of members of the NSW Teachers' Credit Union were 'teacher' members and 53 per cent 'family' members.

Despite the fact that 'family' members are in the majority, credit union management position the organisation primarily as a credit union that services teacher members. This has enabled it to maintain a strong bond of association. The emphasis on marketing to teacher members is evident in the fact that all the Credit Union's wider activities are related directly to the work of public schools. It has supported the Primary Schools Sports Association (PSSA), the Combined High School Sports Association (CHSSA), and Stewart House (a charity that provides short term respite care for children in need) for many years, and more recently the showcase music concerts for public schools held at the Sydney Opera House. Further, the influence of 'teacher' members is reflected in the name of the magazine used to communicate with members – *Chalkboard*.

However, despite being in a numerical minority, teachers continue to have a greater say in the way the credit union operates than do 'non-teaching' members. All members are entitled to nominate for a board position, however, as at May 2003, all Board members were either current teachers (2) or retired teachers (5). Both management and MSOs acknowledged that 'teacher' members have a greater degree of influence and a greater attachment to the core philosophy of 'membership'. However, while the MSO's interviewed observed differences in the attitudes of 'teacher' members and 'family' members they also emphasised that they did not treat members differently. One MSO remarked:

> They are all members whether they are a 'family' member, whether they have been nominated or they are the children. It doesn't make any difference to us; everyone is a member.

The focus on teacher members and the emphasis on 'members as owners' drives Teacher's commitment to high levels of member service. As the Assistant General Manager, Marketing and Member Service, observed:

> The fact that we are mutuals does give us the foundation to drive service. That is probably where the strength comes: not so much from the member, but more with the way staff deal with the members.

Credit union employees are discouraged from referring to their members as customers. Teachers' Human Resource Manager asserted that:

> No! No! we don't say the 'C' word. That gets knocked out of people very early on. In orientation we will get people in and they have worked in banks and other service organisations and so they refer to customers but I would say by the time they leave orientation they know it is members.

An MSO recalled how difficult it was to stop saying 'customer' and remember to use the word 'member' when he first started with the Credit Union. He recalled:

> I found it very hard to stop saying customer. Now I say it automatically, it is 'member'.

This experience was shared by another MSO:

> If you said 'customer' downstairs everyone would pick you up on it and say 'member, member'. It is enforced. It is very enforced.

The insistence on using the term 'member' as opposed to 'customer' is motivated in part by the desire to differentiate Teachers from the major retail banks. Teachers does not emphasise selling products to members and management expressed a belief that high levels of service will drive sales. The Human Resource Manager explained that they have rejected the notion of individualised sales targets and rewards are team-based. This commitment to service reflects Teachers commitment to the core credit union philosophy of mutuality. It has been able to maintain this commitment in large part because of the strong ties it retains with its original bonded group, teachers, and the way that it can use this notion of a bond of association to promote the values of the credit union to all its members.

Conclusion

This paper has compared the very different experiences of Teachers Credit Union and Power Credit Union in the deregulated Australian financial services sector. It is in no way

suggested that this comparison presents a complete picture of the impact of change on Australian credit unions. Rather, what it does highlight is the fact that the different responses of the two credit unions to the regulatory change were mediated by their particular history. While Teachers has been able to maintain a strong identification with its core member base, Power has lost any sense of a 'bond of association' between its members. Power's organisational identity became destabilised through a series of amalgamations, while Teachers has been able to maintain a distinct organisational identity through a relationship of continuity with its member base.

Deregulation of the financial services sector broke down the traditional boundaries between credit unions and retail banks. For Power, these changes and the associated administrative costs saw them merge with other credit unions in order to survive and this led to the loss of a bond of association amongst their membership. Their own members thought of them as little different to the banks. However, rather than looking to the credit union tradition and the models presented by successful credit unions, such as Teachers, management at Power credit union emulated the strategies of their for-profit competitors – the large retail banks. In short, they took the banks on at their own game. Power's approach was also at odds with the principles of the credit union movement, in particularly the stated commitment to "on-going education to promote thrift and wise use of credit, co-operation among co-operatives, and social responsibility". (see www.woccu.org) It was also at odds with the findings of its own industry body, CUSCAL, whose Taskforce recommended that credit unions adopt a brand position centred around notions of "fairness, service, membership, choice, access and ownership". (CUSCAL 2000: 7) By emulating the strategies of the large banks they in effect adopted a brand position based on the principles of segmentation, sales, individualisation, and customer worth.

Further, in shifting their emphasis from service to sales they lost their key point of differentiation with the banks – that is the ability to place their members at the top of their organisational scorecard. (Kaplan and Norton 1992) Although Power had lost its original industrial bond, it does serve a geographically discrete area of NSW. Power could have promoted itself by emphasising its ongoing commitment to the region. After all it had maintained a costly and extensive branch network when the large retail banks were closing branches in the same area. Rather than imitating the strategies of the large retail banks, Power could have looked to larger, successful credit unions and emulate their strong commitment to service and to a strong bond of association.

The evidence presented in this paper points to the need for credit unions to maintain a strong organisational identity and to do this by maintaining a commitment to the broader principles of the credit union movement. The concept of mutuality and the notion of members as owners of the organisation is a difficult concept for credit unions to promote given that their own research shows that members do not appreciate the benefits such membership brings. However, a credit union that manages to create and maintain strong bonds of association with its members, whether it is through an industry, geographical, or community bond will be able to use the concept of mutuality to differentiate itself from its for-profit competitors and to best serve the needs of its members.

References

Australian National Credit Union Magazine, May 1992.

AFCUL Services Corporation Limited, National Bulletin 7/90, 5 November, 1990.

Australian Prudential Regulation Authority (APRA) (2007) *Credit Union and Building Society Statistics* March 2007, issued June 2007.

Australian Prudential Regulation Authority (APRA) (2006) *ADI Points of Presence*, June 2006, issued 9 November 2006.

Benson, M (2006) "Niche Player Outperform", *Connexus, The Australian Credit Union Industry Magazine,* Issue 20, Autumn, 14-15.

Boxall, P and Purcell, J (2003) *Strategy and Human Resource Management,* Palgrave: London.

Crapp, H and Skully M (1985) *Credit Unions for Australians*, George Allen and Unwin, Sydney.

CUSCAL (2000) *Credit Union Brand Strategy: Deepening Member Relationships,* Brand Strategy Project, Unpublished document, August.

CUSCAL, 1993a, National Bulletin 93/118, August.

CUSCAL, 1993b, National Bulletin, 93/078, 28 June.

Cutcher, L and Kerr, M (2006) "The Shifting Meaning of Mutuality and Co-operativeness in the Credit Union Movement from 1959 to 1989", *Labour History*, 91, pp31-46.

Davis, K (2001) *Financial Reform in Australia,* Research Paper Series, University of Melbourne, Department of Finance.

du Gay, P (1996) *Consumption and Identity at Work,* Sage Publications, London.

Jones, P A (2001) "The Growth of Credit Unions and Credit Co-operatives – is the Past Still Present?", in E Mayo and C Guene (eds) *Banking and Social Cohesion, Alternative Responses to Global Market,* Jon Carpenter Publishing, Oxford.

Kaplan, R S and Norton, D P (2001) *The Strategy Focused Organisation,* Harvard Business School Press.

Kaplan, R S and Norton D P (1996) *The Balanced Scorecard: Translating Strategy into Action,* Boston, MA: Harvard Business School Press.

Kaplan, R S and Norton, D P (1992) "The balanced scorecard – Measures that drive performance, *Harvard Business Review,* January-February: 72-79.

Kitay, J and Rimmer, M (1997) "Australian Retail Banking: Negotiating Employment Relations Change", J Kitay and R Lansbury (eds) *Changing Employment Relations in Australia*, Oxford University Press.

Knights, D and Tinker, T (1997) (eds) "Introduction" in *Financial Institutions and Social Transformations: International Studies of a Sector*, Macmillian, Basingstoke.

KPMG (2001) *Building Society and Credit Union Industry Commentary*, November, Sydney, 1-7.

Lewis, G (2001) *Laughing All the Way to the Credit Union,* Accord, Sydney.

Lewis, G (1996) *People before Profit: The Credit Union Movement in Australia,* Wakefield Press, Kent Town.

NSW Teachers' Credit Union (NSWTCU) (2003) *Joining Application:* 1-18.

NSW Teachers' Credit Union (NSWTCU) (1991) *The First 25 Years,* Homebush 1-20.

NSW Teachers Credit Union website, www.teacherscreditunion.com.au, accessed 7 June 2007.

Regini M, Kitay J and Baethge, M (1999) *From Tellers to Sellers: Changing Employment Relations in Banks*, The MIT Press, Cambridge, Massachusetts.

St George Annual Report (2006), accessed at www.stgeorge.com.au/about/investor/ann_report.asp?orc=investor on 10 July 2007.

Wallis, S (1997) *Financial System Inquiry (Australia),* Australian Government Publishing Service, AGPS cat no 96 7431 4.

World Council of Credit Unions (WOCCU), www.woccu.org, accessed, 4 September 2007.

Footnotes

1 The author wishes to thank the National Credit Union Archives and its archivist, Simon Williamson, for providing access to its resources.

2 Previously known as Australian Federation of Credit Unions Limited (AFCUL) Services Corporation.

3 The Pyramid Group was made up of three Victorian building societies, Pyramid, Geelong and Countrywide. The group began experiencing liquidity problems in late 1989 and early 1990 with a run on deposits throughout February/March 1990 with more than $200 million being withdrawn. A second run in May/June 1990 led to its ultimate closure on 22 June 1990. (Davis 2001)

4 The Parliaments of every State and Territory passed an Act adopting the AFIC Code and FI Codes as the law of that State and Territory. (CUSCAL 1993b)

5 A pseudonym has been given to the name of this credit union, because they only agreed to participate in the research if they were not identified.

6 In 2006 after the research was conducted Power merged with another larger credit union.