

## Strengthening Co-operative Governance Structures:

### Why co-operatives have failed to grow to their full potential

Presentation by  
Fred Townley-McKay,  
Financial Services Consultant  
Canadian Co-operative Association  
October 30, 2013.  
ACCOSCA

---

---

---

---

---

---

---

---

### My Background "cont'd"

- I was in Uganda for 6 months in 2010 on 2 visits helping UCCFS get started and leaving them and their SACCO's some support documents, manuals and procedures to use to help get their SACCO system and UCCFS started in the right direction.
- I have now returned for two months to see how they are doing, and continue to help them move in the right direction, and help make their SACCO system and Central organization stronger, and more self-sustaining!

---

---

---

---

---

---

---

---

### My Background

- Retired CEO of a Credit Union in Saskatchewan, Canada.
- Innovation Credit Union had assets of \$1.5 Billion Canadian, 50,000 members, offices in 26 communities, 4 Insurance Agencies, Full Brokerage Services, 420 Staff .
- I have also worked for our Provincial Credit Union Central and managed several smaller Credit Unions.
- Retired in 2007 after 40 years of service to Credit Unions.
- Wanted to give something back to the Credit Union movement and saw that Uganda were looking for a volunteer to help get their Central organization going.
- Married to Faye, two grown children, a son living in Vancouver, Canada, and a daughter and son-in-law teaching in Malaysia with our 2 young grandchildren.

---

---

---

---

---

---

---

---

## Governance is...

- Setting strategic direction
- Serving as a steward for the organization
- Ensuring oversight
- Keeping members' best interests in mind
- A key factor in co-operative enterprises

---

---

---


---

---

---

---

---



The diagram features a central octagon with the text "GOOD GOVERNANCE" inside. Surrounding the octagon are eight principles, each positioned near a vertex of the octagon:

- Consensus oriented (top-left)
- Accountable (top-right)
- Transparent (right)
- Responsive (bottom-right)
- Equitable and inclusive (bottom)
- Effective and Efficient (bottom-left)
- Follows the rule of law (left)
- Participatory (top-left)

Source: UNESCAP

---

---

---

---

---

---

---

---

## 1. Focusing on strategy, not operations

Steering....not paddling



---

---

---

---

---

---

---

---

## Operations vs. Strategy

- Drawing the line between the board and management
- Setting strategic direction as a board with information and wisdom from the CEO
- Implementation falls to the CEO and their team
- Accountability and reworking strategy at a governance level is undertaken by the board

---

---

---

---

---

---

---

---

## Operations vs. strategy

- Who is bottom-lining?
- Each can assist the other's with tasks, but be clear about who is responsible and who calls the shots

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

**2. Appropriately oversee the CEO**

- Hire a professional CEO
- Set clear metrics and targets for the CEO
- Have a regular and rigorous evaluation process

---

---

---

---

---

---

---

---

**3. Choose an appropriate governance structure**

- Board size
- Committee structure

---

---

---

---

---

---

---

---

**4. Create a strong nominations process**

- Ensure representation from the membership
- Demographic representation
- Determine gaps in board skills and make an effort to recruit to fill gaps

---

---

---

---

---

---

---

---

### 5. Have a strong orientation program

- Establish standards for the board
- Ensure all board members are clear about strategic plans and goals
- Educate new members about the organization's history, financial situation, board culture, etc.

---

---

---

---

---

---

---

---

### 6. Oversee Risk Management

- Determine the credit union's financial capacity to accept risk
- Board understands the policies, procedures and controls used to manage significant risks
- Board is satisfied that information provided to it about the overall risk profile is timely, relevant, accurate and complete

---

---

---

---

---

---

---

---

### Conclusion: Governance is complex

- Involves balancing many priorities and acting in the best interests of the members while ensuring the business is sound
- Planning and evaluation play a key role in achieving full potential

---

---

---

---

---

---

---

---

Now some real life examples!!!

---

---

---

---

---

---

---

---

**MOVING a Co-operative System FORWARD**

Presentation by  
Fred Townley-McKay,  
Financial Services Consultant  
Canadian Co-operative Association  
November 2013

---

---

---

---

---

---

---

---

What are we trying to do?  
What's in it for SACCO's?

- We want to build/rebuild a sound, well-managed, safe and secure SACCO system providing a full range of financial services to it's members.
- We want to control our own destiny, and UCCFS has been designed to lead that.
- Member service needs to be the driver – Member benefits are what's in it for SACCO's!
- We need to keep our focus long term!

---

---

---

---

---

---

---

---

### My Focus

- To provide information, ideas and consulting to UCCFS Management and Board to.....
- Help in the development of UCCFS
- Help in the re-development of a SACCO System
- We want to take a long term, self-sufficiency approach, so any changes are able to be sustained.
- We want a strong, viable SACCO System for the future of the Uganda people.

---

---

---

---

---

---

---

---

### The Key to it All!

- Keep UCCFS focused on it's Co-operative Principles
- Get and keep your SACCO's and Co-operatives strong
- Never let go of the Co-operative nature of your businesses!!!!



---

---

---

---

---

---

---

---

How do you do this?

---

---

---

---

---

---

---

---

**Standards of Sound Business Practice**

- We need to get all SACCO's operating more effectively.
- If we don't we will fail!

---

---

---

---

---

---

---

---

**Standards of Sound Business Practice**

1. **Corporate Governance**  
SACCO's must develop, maintain and monitor corporate governance processes that address:
  - a) Everyone's Roles and Responsibilities

---

---

---

---

---

---

---

---

**Standards of Sound Business Practice**

2. **Strategic Management**
  - a) Corporate Mission and Business Objectives
  - b) Business Strategy and Business Plan
3. **Capital and Profitability**

---

---

---

---

---

---

---

---



### Board as a whole



- Are responsible to exercise the powers of the SACCO through the employees of the SACCO.
- They **DIRECT** the management of the business and affairs of the SACCO.
- They are ultimately responsible for ensuring the SACCO is managed and operated in a sound and prudent manner.
- They **don't manage** the SACCO....they **monitor performance** to plans, standards and legislated requirements.

---

---

---

---

---

---

---

---

### Board as a whole



- Have the responsibility for setting the Future Direction of the SACCO/UCCFS and monitoring and evaluating the General Manager/CEO's progress in implementing the approved Strategies and Business Plans to support the Strategic Plan.
- **They own the Strategic Plan!**

---

---

---

---

---

---

---

---

### Individual Board Members:

- You don't all have to be Experts!
- Meet qualifications of Co-operative Societies Act and Regulations.
- Act honestly and in good faith to the best interests of the SACCO.
- Exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances

---

---

---

---

---

---

---

---

**Individual Board Members:**

- Need to comply and cause the SACCO to comply with legislation, orders of the Registrar, orders of UCCFS, the Standards of Sound Business Practice, financial and business practice directives, and the SACCO's Articles and Bylaws.

---

---

---

---

---

---

---

---

**Management**

- Responsible for managing, monitoring and controlling the SACCO/UCCFS operations in accordance with all legislation, the Standards of Sound Business Practices, and Board Policy.

---

---

---

---

---

---

---

---

**Items now available for SACCO's Model Policies**

- 274 Policy Modules have been developed for SACCO's
- They cover the following 17 areas of operation: (Organization, Corporate Conduct, Membership, Board of Directors, Board Committees, The Work Environment, Employment, Capital Procurement, Capital Employment, Finance, Controls, Risk Management, Development, Sales and Marketing, Deposit Services, Credit Services, and Financial Services)

---

---

---

---

---

---

---

---

### Items now available for SACCO's **Enterprise Risk Management Guide**

- 84 Pages - detailed manual for Boards of Directors, Supervisory and Audit Committee members and Management of SACCO's
- An **easy to follow** self-assessment guide, to help you assess the risk levels in your SACCO.

---

---

---

---

---

---

---

---

### Items now available for SACCO's **Board Operations Manual**

- An all-encompassing manual filled with information to help Board's of Directors, Supervisory and Audit Committee members, and management better understand everyone's roles, responsibilities and requirements.
- It includes a Board Evaluation tool, and an individual Director Self-evaluation tool.

---

---

---

---

---

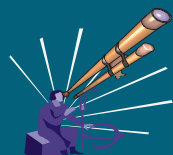
---

---

---

### Visualize a Self-sufficient SACCO system for Uganda

- I encourage everyone to look out 10 years and envision what this can look like!
- Together we can make it happen!



---

---

---

---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

---

2013

What has changed in Uganda?

---

---

---

---

---

---

---

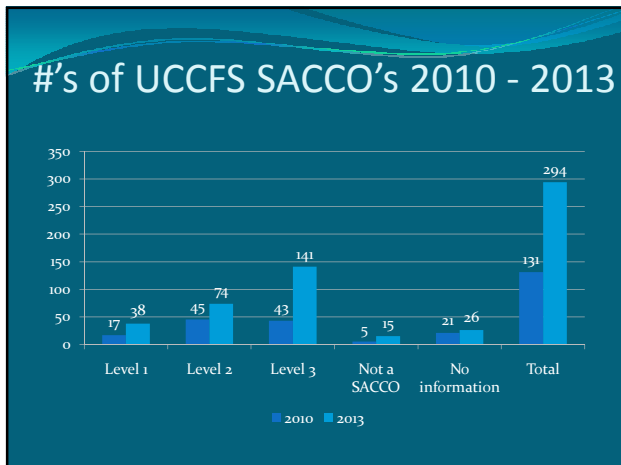
---

---

---

---

---




---

---

---

---

---

---

---

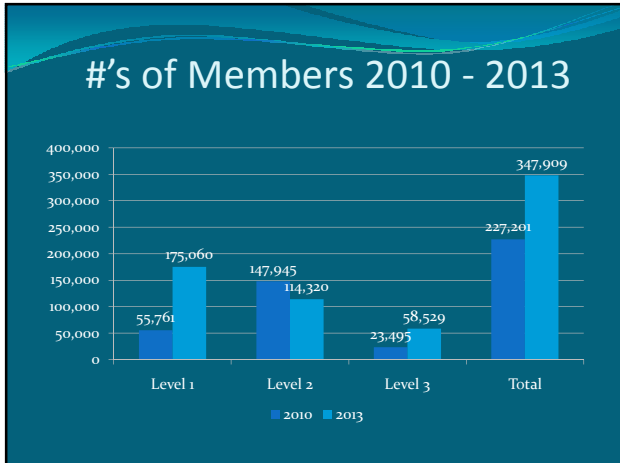
---

---

---

---

---




---

---

---

---

---

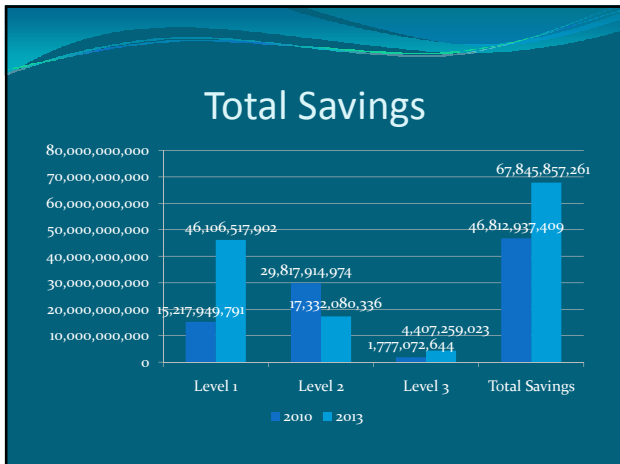
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

- UCCFS has grown!
- SACCO's have grown!
- New legislation is being developed!
- You have a new Strategic Plan!
- You are now working with new NGO's and Projects
- You have a new office and expanded staff
- **However, UCCFS is still very much dependent on outside financial assistance to survive! Keep going slow to reduce that!**

---

---

---

---

---

---

---

---

---

---

- Stay in Control!
- The Board need to own the Strategic Plans and set the direction, and ensure Management is implementing it!

---

---

---

---

---

---

---

---

- Even though these plans are still subject to change, my cautions to them are that
- 1. What would happen if the CEO died tomorrow....the new CEO would be moving the organization towards the existing Strategic Plans.

---

---

---

---

---

---

---

---

### Board's Change

- If new Board members join the team, ensure they understand your direction, history, values, etc.
- **NEVER, NEVER, LOSE YOUR CO-OPERATIVE IDENTITY!**

---

---

---

---

---

---

---

---

- The next information is intended to outline the importance of Good Governance....
- It is not intended to criticize any individual NGO

---

---

---

---

---

---

---

---

**2014 Strategic Plans**  
 2014 Strategic Plans keep working with them to implement the NGO's Plans.....

**Transformation Plan**

- Under the transformation plan UCCFS shall redefine its business format into a commercial bank over the next five years. UCCFS shall undertake significant, dramatic and pervasive changes encompassing but not limited to the following issues:
- Legal status and ownership;
- Governance, structure and board composition;
- Senior management and staffing;
- Organizational functions and systems;
- Organizational development;
- Business development and marketing;

---

---

---

---

---

---

---

---

**Be Careful!**




---

---

---

---

---

---

---

---

## UCCFS STRATEGIC MATRIX

• **Some Danger signals for me.....**

1. Increase the capital base from both internal and **external** sources.
2. **Diversify ownership** of UCCFS

---

---

---

---

---

---

---

---

## UCCFS STRATEGIC PLANS

• **Some Danger signals for me.....**

**Page 15 - Ownership**

1. The structure will change with the planned increase in equity to UGX 25 Billion in 5 years.

**Page 15**

2. During the next 5 years the board shall be reconstituted!

---

---

---

---

---

---

---

---

## UCCFS STRATEGIC PLANS

• **Some Danger signals for me.....**

- Page 16 - Board Composition**
1. A Commercial Bank requires a new mix of relevant skills...we will recruit to the new specifications.

**Page 16**

2. **Rapid Growth!**

---

---

---

---

---

---

---

---



### UCCFS STRATEGIC PLANS Some Danger signals for me.....

#### Page 18 – Equity

1. Need to capitalize the bank in the sum of 25 Billion UGX – we need deep pocketed investors to create the commercial bank.

#### Page 18

#### 2. Debt

2. The iNGO has shown interest in capitalizing UCCFS with credit and equity

---

---

---

---

---

---

---

---

---

---

### Questions: change in direction and focus?

- What will a Commercial Bank do that a Co-operative Central Financial organization can't do?
- What do you want?
- Is this the Board's direction?
- Is it Management's direction?
- Is it someone else's?

---

---

---

---

---

---

---

---

---

---

### Our observations and cautions to you....

- The iNGO were involved in the development of your newest Strategic Plans.
- It appears that these plans may well be designed by them rather than by you, the Board and Management of UCCFS.
- The NGO's management have given me the indication that they are not all that knowledgeable about co-operatives and how they work.

---

---

---

---

---

---

---

---

---

---

### Our observations and cautions to you....

- Their primary goal is to get their program out!
- They don't necessarily have the same goals as you....in going slow to grow UCCFS and your SACCO's into being self-sustaining organizations.

---

---

---

---

---

---

---

---

**• Don't get me wrong....there are some excellent things in their program**

• Just stay in control of your own destiny!

---

---

---

---

---

---

---

---

### Our observations and cautions to you....

- UCCFS and SACCO's are co-operatives.....
- Make sure you continue to live by the Co-operative Principles.....
- Don't let short term financial assistance, or influence by outside organizations ever change that....
- I want to come back in a few years time and see a stronger UCCFS and stronger SACCO's, truly growing the co-operative way!

---

---

---


---

---

---

---

---

**Another Caution!** 

Don't allow the fundamentals of UCCFS to ever change!

You are a Co-operative!

Be in control of your own destiny!

---

---

---

---

---

---

---

---

**Other words to remember....**

- As told to me by one of the Gender Trainers from We Effects on October 21<sup>st</sup> that you all need to remember.....
- "SACCO's & Co-operatives are one of the most legitimate organizations in the communities" and members of the communities see them mostly as organizations they can trust, who have their collective best interests at heart!

---

---

---

---

---

---

---

---

**Co-operative identity**

**Definition**

- A co-operative is 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.

---

---

---

---

---

---

---

---

## Co-operative values

**Values**

- Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity and solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

---

---

---

---

---

---

---

---

## Co-operative principles

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

---

---

---

---

---

---

---

---

## Things to take away!

Focus on a few things:

1. Review and commit to your Strategic Plans and Direction!
2. Improve UCCFS Financial Performance
  1. Increase Loans to SACCO's
3. Improve SACCO's Financial Performance
4. Ask for quarterly monitoring of results of SACCO's (the Key Results Areas)
5. Educate and train.....use outside resources
  1. UCCFS Board and Management
  2. SACCO's Boards and Management

---

---

---

---

---

---

---

---

**Things to take away!**

6. Start Marketing and Communicating who you are and your successes to Ugandans!

**7. NEVER, NEVER, LOSE YOUR CO-OPERATIVE IDENTITY!**

---

---

---

---

---

---

---

---

**Who does what?**

1. The Board need to take control of their Strategic Plans!
2. They need to ensure the Future Direction of their Co-operative Organization.
3. Management need to stay strong, focused, and be reporting information that supports how they are moving the organization towards that Strategic Direction.

---

---

---

---

---


---

---

---

**The Board - Focusing on strategy, not operations**

Steering....not paddling



---

---

---

---

---

---

---

---

### Operations vs. strategy

- Drawing the line between the board and management
- Setting strategic direction as a board with information and wisdom from the CEO
- Implementation falls to the CEO and their team
- Accountability and reworking strategy at a governance level is undertaken by the board

---

---

---

---

---

---

---

---

### 3. Choose an appropriate governance structure

- Board size
- Committee structure

---

---

---

---

---

---

---

---

### 4. Create a strong nominations process

- Ensure representation from the membership
- Demographic representation
- Determine gaps in board skills and make an effort to recruit to fill gaps

---

---

---

---

---

---

---

---

### 5. Have a strong orientation program

- Establish standards for the board
- Ensure all board members are clear about strategic plans and goals
- Educate new members about the organization's history, financial situation, board culture, etc.

---

---

---

---

---

---

---

---

### 6. Oversee Risk Management

- Determine the credit union's financial capacity to accept risk
- Board understands the policies, procedures and controls used to manage significant risks
- Board is satisfied that information provided to it about the overall risk profile is timely, relevant, accurate and complete

---

---

---

---

---

---

---

---

### All the Best for the Future!



*Fred*

---

---

---

---

---

---

---

---

A Plug for a CCA Program

- **Women's Mentorship Program**

---

---

---

---

---

---

---

---

- This is an education and training program for Staff working on day to day operations of Savings and Credit Co-operatives and Credit Unions.
- Some of the ladies at this conference have participated.

---

---

---

---

---

---

---

---

- Fully paid members of ACCOSCA are eligible to apply to be part of the CCA Women's mentorship program.
- Solomon from the CCA Office in Uganda has some applications available and would be happy to provide them to you.
- See him after the presentation.
- Or Contact Ingrid Fischer, Africa Region Director, CCA, Kampala, Uganda
- [ingyfisc@gmail.com](mailto:ingyfisc@gmail.com)

---

---

---

---

---

---

---

---