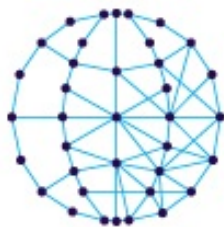


Cooperatives' Power of Innovation

Texts selected from the international call for papers

MEASURING THE IMPACT OF CREDIT UNIONS ON WEALTH BUILDING IN COMMUNITIES: IDENTIFYING THE APPROPRIATE INDICATORS

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Abstract

The authors explore whether or not credit unions provide unique measurable benefits to all stakeholders. We outline the arguments for wealth accumulation through cooperative ownership, and report on our exploration into identifying and testing a set of indicators that would increase our understanding of the economic impacts of credit unions on their local economy, including impacts on the wealth building of their members. We include as indicators economic activity, quality of employment, enterprise-level asset ownership, financial transparency, accessibility and affordability of goods and services, profit sharing, individual/member asset building, economic linkages, direct donations, cultural development, policy advocacy, education and training, and social capital. This study uses a mixed methods approach to identify, categorize, and measure a variety of impacts and benefits of two credit unions in Saskatchewan, Canada. This article reports on preliminary findings about the robustness of the indicators.

Résumé

Les auteurs étudient si les coopératives d'épargne et de crédit offrent ou non des avantages mesurables uniques à toutes les parties prenantes. Nous présentons les grandes lignes des arguments en faveur de l'accumulation de richesse par l'entremise de l'appartenance à une coopérative et rapportons les constats de notre travail exploratoire d'identification et d'analyse d'une série d'indicateurs qui augmenteraient notre compréhension de l'impact économique des coopératives d'épargne et de crédit sur l'économie locale, incluant l'impact sur la création de richesse chez leurs membres. Nous incluons comme indicateurs : l'activité économique, la qualité de l'emploi, la possession d'actifs au niveau de l'entreprise, la transparence financière, l'accessibilité des biens et des services, le partage des bénéfices, l'accumulation d'actifs par les individus ou les membres, les liens économiques, les dons directs, le développement culturel, la promotion des politiques, l'éducation et la formation, et le capital social. Cette étude utilise une approche de méthodes mixtes pour identifier, classer et mesurer une variété d'impacts et d'avantages de deux coopératives d'épargne et de crédit de la Saskatchewan, au Canada. Cet article rend compte des résultats préliminaires sur la solidité des indicateurs.

Resumen

Los autores estudian si las cooperativas de ahorro y crédito ofrecen o no beneficios mensurables únicos a todas las partes interesadas. Presentamos las grandes líneas de los argumentos a favor de la acumulación de riqueza a través de la pertenencia a una cooperativa, y damos cuenta de las constataciones de nuestro trabajo exploratorio para identificar y examinar una serie de indicadores que permitirían aumentar nuestra comprensión de los impactos económicos de las cooperativas de ahorro y crédito en la economía local, incluyendo el impacto en la creación de riqueza de sus miembros. Incluimos también como indicadores: actividad económica, calidad del empleo, propiedad de activos a nivel de empresa, transparencia financiera, accesibilidad y asequibilidad de bienes y servicios, participación en los beneficios, acumulación de activos por los individuos o los miembros, vínculos económicos, donaciones directas, desarrollo cultural, promoción de políticas, educación y capacitación, y capital social. Este estudio utiliza un enfoque de métodos mixtos para identificar, clasificar y medir una serie de impactos y ventajas de dos cooperativas de crédito de Saskatchewan, Canadá. Este artículo da cuenta de los resultados preliminares en la solidez de los indicadores.

Introduction

Individual asset building and wealth accumulation are assumed to be outcomes of cooperative ownership. This is in addition to individual and community benefits such as job creation, education and training, income generation, quality products at affordable prices, social capital development, and economic stability (Gordon Nembhard, 2002, 2004). Many cooperative studies scholars and coop practitioners believe that successful cooperative businesses create wealth and help their members accumulate wealth and/or assets. In this article we apply this notion to credit unions and explore whether or not credit unions provide unique measurable benefits to all stakeholders. We outline the arguments for wealth accumulation through cooperative ownership, and report on our exploration into identifying and testing a set of indicators that would increase our understanding of the economic impacts of credit unions on their local economy, including impacts on the wealth building of their members.

Wealth inequality in Canada, as in the world, is increasing, especially between racial and ethnic groups, within groups, and between men and women (see for example Jackson, 2013). Many social welfare scholars now believe that wealth inequality is a better measure of economic inequality than income inequality is, and that its mitigation is a better mechanism for alleviating poverty (see Gordon Nembhard & Chiteji, 2006). Strategies for asset building and financial literacy, particularly among low-income populations, have become increasingly popular but seem to make only a marginal difference. The field of cooperative economics has neither well-studied nor well-understood mechanisms of wealth accumulation in this context. Cooperatives, however, are one of the major community-based institutions that democratize capital. Research in this area would help us better understand the impacts and benefits of cooperatives, and their contribution to community asset building.

The question remains: how best to identify and measure outcomes, impacts, benefits, and especially asset building from cooperative ownership. This study aims to better understand the precise benefits that credit unions provide their members and communities, and the specific ways that credit unions help their members create wealth, financial stability, well-being, and leadership skills.

This article begins with a discussion of the social accounting challenges of social enterprises, particularly cooperatives, and of our broad research question about how to measure the impact of community-based, collectively owned enterprises such as cooperatives, and credit unions in particular. We then outline the methodology for our current research on the impact of credit unions. We delineate the derivation of our indicators, and explain our choice of interview and survey questions. We summarize our pilot study and end with a discussion of our lessons learned so far.

Cooperatives in the Context of the Broader Social Economy: The Question of Accountability

Measurement and evaluation of impact necessitates accountability of a social nature. Accountability, especially the need to measure and demonstrate results, permeates discussions and research on the social economy. Social economy organizations are “established primarily to meet social objectives rather than to make a profit” (Quarter, Mook, & Richmond, 2003, p. 4). A critical issue then, as McPhee and Bare state, is the “ability of nonprofit organizations to fulfill their missions in an effective manner” (as cited by the Foundation Centre, 2003, p. 1); this applies also to for-profit social enterprises. Canada and the U.S. are among the many countries whose social economy sector faces increasing

pressure to provide quantification of results and proof of legitimacy in order to acquire funding (Barman, 2007; DeVita, 2005; McGregor-Lowndes, 2007; Pearce and Kay, 2008; among others). This requires that they demonstrate impact and organizational effectiveness through the achievement of performance indicators (or some other predefined measure of results) or, at a minimum, show progress toward intended outcomes.

While the definition of the social economy has been a subject of ongoing debate (Quarter et al., 2003; Restakis, 2006; among others), there is general agreement that private sector community organizations, the focus of this paper, are included. The private sector social economy enterprises are profit-oriented organizations that are taxable entities responsible to their shareholders, and in the case of cooperatives and credit unions they are member based. Because private social economy organizations differ in numerous ways from public sector social enterprises, which are generally established by law and funded by taxes (ACSB, 2008), a new kind of social accounting that extends beyond traditional financial accounting for net income and income for tax purposes is needed. Generally Accepted Accounting Principles (GAAP), which facilitate accountability for the financial and economic perspectives of activities, leaves enterprises largely “unaccountable for the non-economic dimensions of their performance” (Gray & Bebbington, 2006, p. 333). Social economy organizations are outwardly accountable to demonstrate the achievement of their goals of providing benefits from their services to recipients and to society (Parsons, 2003). Further, their stakeholders consist of more than just shareholders; rather, they extend to include both the environment in which they operate, and to society in general. Social accounting, as such, “requires a great understanding of and appreciation for social capital and social outputs, and for transactions that do not take place through the market” (Quarter et al., 2002, p. 4). As Gray and Bebbington suggest, perhaps it is precisely because few formal mechanisms are in place that an opportunity is presented for the creation of innovative measurement and reporting measures (2006, p. 334). Discussions of accountability issues, measurement concerns, and an examination of various reporting methods will assist in providing a more comprehensive understanding of the impact of social enterprises on community, social, and economic life, and in generating knowledge that is critical for informed decisions and policy making.

While social accountability, too, has numerous definitions, it is often referred to as “an approach toward building accountability that relies on civic engagement, i.e., in which it is ordinary citizens and/or civil society organizations that participate directly or indirectly in exacting accountability” (Malena, Forster, & Singh, 2004, p. 1). Auditing in this case is preceded by clarification of mission, goals and activities to support those goals, and by selection of performance indicators, both qualitative and quantitative, with which to report actual performance against mission and goals (Pearce & Kay, 2008, p. 9). Mechanisms that promote social accountability include, for example, contributions to “improved governance, increased development effectiveness through better service delivery, and empowerment” (Malena et al, 2004, p. 1), all of which could directly benefit the recipients of their services and society in general. Social accounting and auditing frameworks attempt to take externalities into consideration. Monitoring these mechanisms is possible by using social accounting and auditing frameworks that build on existing internal financial recording and reporting systems to “develop a process whereby it can account for its social, environmental and economic performance and impact” (Pearce & Kay, 2008, p. 9). Intended to extend beyond financial accounting, then, social accountability is multidirectional and complex. See Appendix 1 for a comparison of the major elements and measurement methodologies in a variety of social accounting and auditing frameworks.

Asset Building through Credit Union Participation: Defining and Measuring the Economic Benefits and Impacts of Credit Union Services, Programs and Activities

The remainder of this paper utilizes the above perspective on social accounting and auditing of social enterprises to investigate ways to measure the benefits credit union services, programs and activities provide for all stakeholders (members and their families, employees, clients, and their communities), and how credit unions help their members and communities build assets and accumulate wealth. By wealth we mean both asset ownership and net worth, but also a personal and community sense of financial stability and well-being – i.e. quality of life.⁴ We identify potential mechanisms and indicators to measure impacts of all kinds, and describe the methodology we use in our ongoing research project. While interested in answering these questions for all cooperatives, we focus on credit unions at this point mostly because they are financial services cooperatives and, as such, are directly involved in their members' asset building and keep detailed financial records.

The Research Problem

How do we measure impacts, well-being and wealth through cooperative ownership? There is not a strong body of scholarly data or analysis on wealth accumulation from coop business ownership in general (Gordon Nembhard, 2008). Most cooperatives retain the coops' wealth within the enterprise rather than distribute it, often do not distribute dividends, and do not trade publicly or even trade stock. This makes it very difficult to use traditional indicators (such as value of stock) to measure investment value of, or business equity in, a cooperative (Gordon Nembhard, 2002, 2008). We can gather existing evidence anecdotally, from isolated examples in case studies of specific cooperatives that report equity values, refunds, patronage refunds, or reduced costs of goods and services, and employee benefits. Moreover, cooperatives often face what appear to be conflicting goals of affordability and capital appreciation (Gordon Nembhard, 2002, 2008). Many members have ambivalent feelings about whether or not they should be in the business of appreciating assets. If wealth creation is not the primary goal of a cooperative enterprise, how do members "legitimately" accumulate it and benefit from it? (Gordon Nembhard, 2008). There is a need to clarify conceptually and empirically the elements by which, and mechanisms through which, cooperative businesses contribute to wealth building, i.e. help their members build assets and create wealth for stakeholders and community.

To address some of the data limitations, as well as tensions around wealth accumulation goals in coop enterprise missions, here we focus on credit unions whose purpose is to provide its members with access to savings and investment instruments, and opportunities for asset accumulation. The problem in studying asset building through credit unions is that members do not always recognize their use of financial services as an asset building strategy, and do not always recognize their credit union as a cooperative or democratic organization. Below we delineate the processes we have gone through to identify appropriate indicators of asset accumulation and other economic as well as nonmarket benefits from engagement in credit union services, programs and activities.

The following are the research questions we apply to this study: How do credit unions benefit their members and surrounding communities? Do and how do credit unions create wealth, develop assets, and/or help their members (and their families, employees, and communities) build assets, accumulate wealth, and increase the quality of life? What benefits do credit unions provide, and how do they

contribute to enhancing the wealth of their members and their communities? What mechanisms and structures do credit unions use to facilitate asset building and wealth accumulation among their members? Do and how do credit unions contribute to wealth accumulation and the democratization of capital for under-served and marginalized populations?

Methodology

This research project uses a mixed-methods approach to identifying, categorizing, and measuring a variety of impacts and benefits of credit unions. Partners in the research initiative include Affinity Credit Union (a large, multi-branch financial cooperative with a head office in Saskatoon, Saskatchewan), and Advantage Credit Union (a medium-sized, multi-branch financial cooperative with a head office in Melfort, located in the north east of Saskatchewan).⁵ After studying the literature on assessment, evaluation, and social accounting, particularly for social enterprises, we have identified several potential indicators of positive economic impact and wealth building by credit unions on communities (see Table 2). We began to test our indicators using interviews, focus groups, and a survey with members from the two credit unions; as well as with managers, staff, and board members from the credit unions. Additional in-depth interviews with board members and management are underway to identify, measure, and access the different opportunities to accumulate wealth through cooperative ownership of a financial institution; and to finalize our indicators and identify sources of data that will help us measure impact. Once we identify the most effective kinds of information, we will also identify the most appropriate questions to ask. We will then develop online surveys of members to provide additional input. The strengths and weaknesses of these methods are also being analyzed in this phase. Two case studies will be constructed to discuss our preliminary findings. Appendix 2 provides an overview of the types of indicators under consideration. Appendix 3 provides sample questions corresponding to several of the indicators chosen in the pilot study of Advantage Credit Union.

Overview of our Methodological Process:

- Literature review and analysis of existing data
- Draft indicators table
- Draft interview questions
- Credit union partners chosen, after potential partners were approached and interviewed
- Initial (pilot) test of questions particularly with managers and directors, with first CU partner

We began with an inquiry into a variety of measurement strategies and explored the existing literature about evaluation and assessment of social enterprises to document what is already known and understood in this field. We identified the following existing indicators and measures that could be used in our study: Financial Analysis; Sustainability Reporting; Balanced Scorecard & Strategy Mapping; Expanded Value-Added Statement; Social and Economic Footprints; Genuine Progress Indicators; and Index of Well Being. Table 1 provides a comparison of measurement methodologies for use in social economy analysis, delineating the advantages and disadvantages of those existing measures. The following three points summarize the advantages and disadvantages of various existing accounting and reporting strategies:

1. Existing formats provide basic performance measures; establish benchmarks with some accounting of externalities, some social and environmental indicators, and some qualitative and quantitative measures.

2. Hybrid approaches, such as Sustainability Reporting, combine quantitative and qualitative methods and experiment with nonprofit auditing.
3. Many existing formats include social auditing and accounting methods to quantify the value of volunteer labour, and use ratio and cost-benefit analysis as numerical or quantitative models that have been developed by accountants and economists to calculate externalities.

Previous research (summarized by Gordon Nembhard, 2004, 2008; Thomas, 2009; also see Garoyan & Mohn, 1984; Lyon et al., 2002) suggests identifying broad and various relevant indicators to measure a wide variety of kinds of impacts; the importance of using multiple measures and multiple methods (being interdisciplinary); and integrating without relying on accounting methods. We therefore focus on developing methods and identifying indicators to measure traditional and non-traditional, market and non-market, economic and social impacts of the social economy on members, employees, their families, and their communities. In the process of finalizing our indicators, we examined available/existing data and the range of annual statistics already collected, particularly by credit unions. We postulated that the examination of various reporting methods (social accounting, environmental impact, social responsibility) would assist us in providing a comprehensive understanding of credit unions' impacts as socially mandated enterprises on community, social, and economic life. In addition, we hypothesized that the examination of both the assets that credit union members hold, and the ways credit union borrowers use their loans would contribute to understanding how assets are built through use and ownership of a cooperative financial institution. We use participatory community-based research to involve coop members, coop leaders and coop developers in articulating social, cultural and political as well as economic impacts. We are working specifically with credit union managers, directors, and members.

Understanding and documenting the variety of cooperative outcomes requires an "expanded notion" of impacts and outcome measurement, and "the creative use of interdisciplinary and possibly newly designed tools" (Gordon Nembhard, 2004). In this study we focus on impacts. Unlike most other investigations such as social audits, social accounting and performance evaluations of cooperatives and social enterprises, this study is most concerned with measuring credit unions' impacts on communities and credit unions' role in asset building. Therefore, while performance and business viability are important, as are their environmental practices, we also focus on credit union services, programs and activities, and how the way they conduct themselves affects their stakeholders and the communities in which they are located and function. We want to ask questions about how the treatment of employees, benefits to employees, and the education and training of members and employees, as well as the public education that many cooperatives provide, impact the members and the community(ies). We examine the effects of economic interrelationships, leveraging, and business spillovers on local economies and communities.

We thus chose the following set of indicators (or categories of possible indicators) and measures of impacts and benefits of credit unions. Interestingly, as we developed these indicators from our own participatory research and thorough research of the literature, we found the Lyon et al. (2002) study. We borrowed their format for our table of potential indicators (Appendix 2). They divide the effort into identifying types of impact, types of indicators, specific indicators, and the particular questions that address the specific indicators. While their findings of impacts and indicators are similar to ours, many of our other references in the literature also indicate the importance of using many of the same

measures (see also Bouchard, Ferraton, & Michaud, 2006; Deller, Hoyt, Hueth, & Sundaram-Stukel, 2009; Fairbairn, Bold, Fulton, Hammond Ketilson, & Ish, 1991; Foundation Centre, 2003; Garoyan & Mohn, 1984; Gordon Nembhard, 2004, 2008; Gordon Nembhard & Blasingame, 2002; Quarter et al., 2002). In addition, we added categories from Credit Union Central of Canada's social responsibility index (Credit Union Central, 2007). Credit Union Central of Canada has continued to ask Canadian credit unions to report on corporate social responsibility (CSR) to demonstrate ways that credit unions balance social, economic, and environmental factors with business decisions to improve services and increase benefits to stakeholders. They include the following categories of credit union practices: Governance, ethics and management systems; Environment; Community involvement; Employee relations; Member (customer) relations; Products and services; Supplier and business partner relations; Human Rights, Aboriginal Relations, and Communications (Canadian Credit Union Social Responsibility, n.d.; also see Corporate Knights, 2006; Desjardins, 2010; Strandberg, 2010). See Appendix 2 for a delineation of our instruments and examples of how we framed specific questions to identify impacts. Below we briefly explain the terminology and elements we include as indicators: economic activity, quality of employment, enterprise level asset ownership, financial transparency, accessibility and affordability of goods and services, profit sharing, individual/member asset building, economic linkages, direct donations, cultural development, policy advocacy, education and training, and social capital.

We use economic activity and viability along with scope and scale of business to gauge the credit union's impact on the local economy. There is significance in how effective the enterprise is, how big it is, and if it can grow, which all reflect on how much it can impact the community. Types of transactions (monetary, local currency, volunteer, barter, in-kind transactions) help to gauge the kind of exchanges, how many of each kind are taking place and whether the credit union is engaging in community-friendly or community-engaged forms of exchange. Access to capital signals health, stability and ability to grow, which are important for the enterprise's viability. (Also see Bouchard et al., 2006; Desjardins 2010; Lyon et al., 2002).

Standard employment data about how many people are employed by an enterprise and general conditions in terms of how much they are paid, if paid living wages, etc., also provide information on the credit union's impact on the community and contribution to community stability and quality of life. Also, some employees may be members of the credit union. Job creation and steady jobs with good wages are important impacts on communities. Job ladder opportunities retain and develop the best employees and increase stability. Many credit unions pride themselves on being good employers. Allowing their employees to volunteer in the community provides another kind of asset to the community. In addition, good benefits to employees provide a safety net and asset accumulation, which help to stabilize a community if the employees are from the community, as most credit union employees are. High job turnover and grievances and low job safety indicate that the jobs are low quality, and employment is not helping the community and is not stable. If many, even most, employees are members of the neighbourhood or community, then the enterprise is creating or stabilizing employment and strengthening a community with good jobs. Also, wages and salaries then re-circulate throughout the community and create a multiplier effect (see Fairbairn et al., 1991; Gordon Nembhard, 2008; Lyon et al., 2002; National Cooperative Business Association, 1998).

In investigating enterprise-level asset ownership, we explore if the credit union owns real estate, its own office building and equipment, and therefore has assets and invests in the community. This indicates

enterprise impact in terms of stability and income generation. If the credit union owns its own property and other real estate, it is more stable and has supporting income, but also contributes to the tax base and its community more broadly. Many credit unions also use their real estate to support community economic development projects, and allow community organizations to utilize or rent space.

Financial transparency signals community-friendliness and helps all stakeholders better understand the enterprise, its viability and potential impact on the community. Open book accounting policies may also train stakeholders in financial literacy, which is a community benefit and could spill over into increased civic participation, as credit union members now expect transparency in other enterprises and transactions. (See Desjardins, 2010; Gordon Nembhard & Blasingame, 2002; Strandberg, 2010; about transparency for example.)

Accessibility and affordability of goods and services (or at least accessibility to competitively priced goods and services) are an important benefit, as they reduce costs and increase quality of life. How to measure affordability and accessibility is the challenge. A researcher can compare the enterprise's products/services to others accessible by the same people, the "mark-up" policy/procedure, even the offering of stable prices and/or member/employee discounts, or special access (see Gordon Nembhard, 2004, 2008; National Cooperative Business Association, 1998).

Dividends, patronage refunds, and profit sharing formulas all help to show how members and/or employees may benefit from a surplus and how profits are distributed in the enterprise. As part of understanding individual asset building, wealth of the enterprise, and democratization of capital, the ways that credit unions distribute savings and surplus to members and use surplus in the community are important (see Chesnick, 2000; Gordon Nembhard, 2002, 2008 for example).

At the member/employee/stakeholder level, individual asset building can be measured by the value of the member's equity share, savings and investment accounts, and/or the opportunities to invest in and own financial assets. Does access to a loan for a vehicle, house, real estate, or business ownership increase the credit union member's asset holdings and net worth? Does access to credit union services and programs increase financial stability? (Gordon Nembhard, 2008).

Economic linkages of the enterprise help to gauge how connected the enterprise is to the local economy. Does the credit union buy supplies and procure inputs from and/or sell supplies, goods and service to local enterprises? If so, how many and how often? How connected is the credit union to the community economically, and does its presence have an economic impact on the community? This information will help develop a multiplier and measure re-circulation of resources in a local community. Additional positive externalities or side effects that may be unintended from the way the credit union does business with local businesses and organizations and how it treats its employees are also relevant. Buying local can support and stimulate other social enterprises and other business activity. New business can develop, or existing businesses may expand because of the business from the credit union, because of the business atmosphere or economic stabilization provided by the credit union, or because of a loan from the credit union. In addition, a credit union may use its own resources (monetary donation, equipment, use of office space or administrative services, volunteer time) to leverage other resources for its stakeholders and the community. Some will help a community to raise money for a special project beyond the specific amount an enterprise donates. (See Desjardins, 2010; Fairbairn et al., 1991; Gordon Nembhard, 2008; Lyon et al., 2002).

Direct donations and contributions to community organizations, projects and activities tell a lot about what a “good neighbour” the enterprise is and the extent of its involvement in the community. The kind of neighbourhood projects the credit union supports provides information about how embedded in the community the credit union is, and how much the local community is impacted by the credit union. Staff, board and member volunteer hours contribute to a community. Giving employees time to volunteer; encouraging employees, boards and members to be active in the surrounding community: all are substantial contributions of one kind or another that indicate a measure of benefit to a community. (See Credit Union Central, 2007; Desjardins, 2010; Gordon Nembhard, 2004; Lyon et al., 2002; Quarter et al., 2002).

Cultural development and support in the form of buying art, displaying art, supporting cultural activities and promoting cultural development also directly impact and support communities, particularly different racial and ethnic groups, nationalities, and women. This can be direct financial help if the credit union buys art from local artists, but also can be more symbolic and cultural support (Gordon Nembhard, 2004).

Policy advocacy is another non-traditional indicator. Do members/staff of the credit union play an active role in developing and/or lobbying for certain policies to support efforts or constituents, to promote the allocation of public funds and/or to devise, uphold or change regulations? This usually supports the mission of the organization in a more proactive and public way. In addition, the activity and education around policy development and policy advocacy, as well as the policy itself, impact the community (see Gordon Nembhard, 2004; Gordon Nembhard & Blasingame, 2002).

Education and training includes: human capital development; member and employee orientation, training programs and opportunities (frequency, content, products such as an employee or member manual); board training; public education such as informational brochures and flyers, information boards, website (and number of hits), public presentations and programs; leadership development among members, staff/employees, and board; social capital development and conscious leadership development; quality circles, team or committee management; women and youth development; even expenditure on employee training (Cooper, 2004, p. 97; also Garoyan and Mohn, 1984; Gordon Nembhard, 2004, 2008).

People who participate in democratic organizations and education and training opportunities develop social capital or expertise and comfort with interpersonal interactions, social networking, leadership development, concern for community, and human development activities (see Gordon Nembhard, 2004, 2008; Shipp, 2000). Staff and members develop the capacity to work well in teams, to utilize cultural attributes in a positive way, to bring people together and/or to strengthen the enterprise. Participation builds trust and solidarity among members and staff. Leadership development also occurs. Leadership development among staff, board and members strengthens families and increases civic participation, as well as strengthens the enterprise (Gordon Nembhard, 2004; Gordon Nembhard & Blasingame, 2002). Members and staff often increase their effectiveness in the enterprise and in the community, and go on to participate in other community organizations and run for political office, etc. (Gordon Nembhard, 2004). (See also Lyon et al., 2002.)

Next steps

After developing this extensive list of measures and indicators, we identified specific indicators and fashioned questions to tease out each indicator listed. We then had to reduce the number of questions

and target the audience. We created sets of questions targeted specifically at credit union managers, staff, board members, and members (see sample indicators and questions used in the pilot study with Advantage Credit Union in Appendix 3).

Gathering such information is easier if you use organizations that already have mechanisms for self-evaluation, provide public reports, and communicate regularly with their members and the public. Both Advantage Credit Union and Affinity Credit Union have such mechanisms, including periodically surveying their members and/or involving their members in focus groups. We pilot tested our first group of questions using individual interviews and focus groups with Advantage Credit Union staff and members. We have begun to evaluate how well the answers to our questions reveal the information we seek. We are finding that many of our questions are difficult for credit union members to answer, probably because they haven't been asked before about such nontraditional benefits, and do not often think about evaluating their credit union in the ways we ask. We are in the process of further refining our indicators by talking with managers at Affinity Credit Union, and redesigning questions to use both in focus groups with Affinity's members and in the development of an online survey instrument for Affinity members, to reach a larger number of subjects. We will pre-test the survey, and then offer it to as many Affinity members as possible. We will follow up the survey with targeted face-to-face interviews to obtain additional information. We will then be able to compile a case study of Affinity Credit Union's impact on members and community well-being.

Results from the First Pilot Study: Advantage Credit Union

Responses from the first pilot interviews are best summarized in the answers to three questions: What do credit unions do best? What are the most important services your credit union provides? and How do credit unions help build assets?

What credit unions do best according to our respondents is to be involved with schools; provide useful, understandable information to members about their accounts; provide personalized service; and in general be involved with its surrounding community. In addition, most respondents agreed that credit unions "do a really good job of knowing our members."

The services respondents felt were most important were simply being in the community and donating to the community; and providing regular service to all members regardless of location. Also, providing financial services that are sensitive to the life cycle stages (which change as you go through life) as the credit union has services for each life stage and provides personalized information to members. Providing fairly priced, competitive financial services was also considered very important.

Respondents believe that credit unions do help in asset building because they make many financial products available to all members, even in small communities. Moreover, some financial products are not available anywhere else. They also note that credit union's provision of financial literacy and access to credit are important to asset building, especially among the low-income and under-served.

Discussion

Unlike most other investigations such as social audits, social accounting and performance evaluations of cooperatives and social enterprises, this study is most concerned with measuring social enterprise and cooperative business impacts on communities. Therefore, while their performance and business viability are important, as are their environmental practices, we mostly focus on the ways in which

social enterprises' activities and conduct affect their stakeholders and the communities in which they are located and function. We ask questions about how the credit unions' treatment of employees, benefits to employees, and the education and training of members and employees impact communities. We examine the variety of services, programs and activities in which credit unions engage.

Most respondents in the pilot study answered that asset building would occur regardless of whether or not they were using a credit union. The task for researchers and our project, then, is to determine if asset building access and opportunities are the same at other financial institutions, and if not, what is different? What is the Credit Union Value Added in terms of asset building? Also, how will our research and findings help credit unions and their members and other stakeholders recognize and articulate these impacts and advantages?

From our interviews and focus group discussions we did begin to get answers about what credit unions do well and what are their most important services. The credit union provides access to comprehensive financial services, personalizes the services, and sometimes customizes services, and is active in the community. Participants were not able, however, to articulate how what the credit union does well differs significantly from other financial institutions or businesses. Therefore, the credit union value proposition needs strengthening. In addition, the questions used failed to elicit detailed answers about the actual impact of credit union activities on members and the community. Respondents, for example, listed what their credit union did in the community, but few gave specific examples of the impact of those activities. The fundamental challenge of the study remains to discover what difference the credit union makes in its community. The next phase of the study will attempt to get closer to that answer.

Lessons Learned

We have begun to explore what kinds of questions might get at the distinction between services and impacts. We began to revise some of the questions. One new question we have now added is to name the credit union activity in the community and then ask specifically how it benefits the community. For example: "Your credit union participates in the "Relay for Life." How does this event help the community? Do you know anyone who has personally benefited from the money raised through this or other events?" Another revision asks specifically about impacts rather than what events staff participate in: "The staff participate in many local events. How would the community be impacted if they reduced the number of volunteer hours?"

We have learned that when asked, credit union staff and members can delineate significant credit union services and programs. However, they have more difficulty answering questions about outcomes, and articulating the impact and significance of those services and programs on individuals and the community. It is important to ask directed questions about how a service or program helps someone and what would be different if the credit union did not engage in an activity. In addition, understanding and documenting the full panoply of credit union impacts on community and wealth accumulation requires an expanded notion of impacts and outcome measurement, and the creative use of interdisciplinary and possibly newly designed tools. This is a process that takes years and successive trials, so is not a short-term, single-survey endeavor. On the other hand, asking credit union staff and members difficult questions about impact provides important and unique information, and often increases the insights of both the interviewee and the interviewer.

Notes

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⁴ See Rabb, 2010, for example: "Success should be based not just on achieving something for our personal ends, but creating an enterprise that benefits society at large. Most businesses serve local communities. If you can be prosperous and in the process help your community, whether by providing living-wage jobs, improving the environment, or simply supplying a needed service, that should define success" (130).

⁵ During the course of our research Affinity and Advantage Credit Unions amalgamated. We conducted our research with Advantage three years prior to any public discussion of an amalgamation, while it was still an independent local credit union.

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Appendix 1 Comparison of Measurement Methodologies for use in Social Economy

Method	Advantages	Disadvantages
Financial analysis	<ul style="list-style-type: none"> Ease of data collection and analysis Establishes benchmarks Ease of comparison Subject to independent verification 	<ul style="list-style-type: none"> Potentially incorrect data on forms Measurable does not mean relevant Risk of oversimplification Efficiency 'number crunching' versus effectiveness 'to be meaningful' Risk of short-term pursuits Misleading without qualitative data Consider materiality: Too much detail for clarity or usefulness
Sustainability reporting	<ul style="list-style-type: none"> Visually pleasing with pictures, charts and graphs Easy to read and understand Familiar format, like annual report Accessible on web sites Increasing voluntary reporting Opportunities for innovation as no regulations are provided Popular and influential 	<ul style="list-style-type: none"> Inadequate coverage of social, environmental, and ethical issues Lack of context and standards No consideration for materiality. Clutter with little useful information. Loss of the 'big picture' Time-consuming and costly Cherry-picking for greenwashing Not readily subject to independent verification
Balanced scorecard and strategy mapping	<ul style="list-style-type: none"> Visually pleasing and easy to read Attempt to balance qualitative and quantitative measures 	<ul style="list-style-type: none"> Most implementations fail Biased toward financial metrics Problem selecting adequate measures Emphasizes short rather than long term Lacks credibility Attempts to assign numbers to qualitative characteristics
Expanded Value-Added Statement	<ul style="list-style-type: none"> Uses familiar income statement format Attempts to extend to externalities as impacts Easy to use 	<ul style="list-style-type: none"> Uses assumptions for valuation e.g. volunteer labor Lacks application to prove usefulness Ignores the entity concept, so credibility is an issue
Other: Social & Economic Footprints, Genuine Progress Indicators, Index of Well-being	<ul style="list-style-type: none"> Innovative in attempting to recognize externalities Attempt to recognize context Recognize the social construction of reality Recognize that measurement of impact is more than numbers 	<ul style="list-style-type: none"> Reasonableness of assigning numbers to qualitative characteristics Numerous assumptions for what "ought to be" for context New, so lack exposure to application to determine practical usefulness Direct and indirect impact considered Some use feedback for evaluation

Summarized from Thomas, (2008)

Appendix 2 List of Potential Indicators

Types of impact	Types of indicators	Specific indicators	Questions	Informant*
Community Involvement	Investments Donations In kind donations Sponsorships	<ul style="list-style-type: none"> Amount of in-kind /donations Recipients: <ul style="list-style-type: none"> cultural groups sports groups other local clubs, organizations 	<ul style="list-style-type: none"> How much does the CU donate as a percentage of profits? 	M
			<ul style="list-style-type: none"> Please list all the community activities the CU was involved with or donated to in the past 6 months? Is this typical for a six-month period? 	M
			<ul style="list-style-type: none"> How many organizations have benefited from donations from the CU over the past year? 	M
			<ul style="list-style-type: none"> What types of organizations have received donations? 	M
			<ul style="list-style-type: none"> What about sponsorships? 	M
	Scholarships/ Bursaries	<ul style="list-style-type: none"> Amount of Scholarships /Bursaries Types of scholarships. I.e. do they focus on: <ul style="list-style-type: none"> On marginalized groups? Different educational institutions 	<ul style="list-style-type: none"> How many scholarships or bursaries does the CU award each year? What is the amount of these scholarships? 	M
			<ul style="list-style-type: none"> Do you award these to specific groups of people (low income, residence of community)? 	M,S
			<ul style="list-style-type: none"> Are members of branches eligible for these awards? 	M,S
	Student Placements	<ul style="list-style-type: none"> Number of summer students Positions for young employees 	<ul style="list-style-type: none"> Do you offer summer positions at the CU? 	M
			<ul style="list-style-type: none"> Do you have graduate recruitment programs? 	M,S
	Promoting the community as a good place to live	<ul style="list-style-type: none"> Advertising/promotional material 	<ul style="list-style-type: none"> Describe how your credit union promotes the community 	M,S,C
Improving the image of the community and/or branch communities	<ul style="list-style-type: none"> Campaigns 	<ul style="list-style-type: none"> Describe how the CU works to improve the image of the community. 	M,S,C	

Types of impact	Types of indicators	Specific indicators	Questions	Informant*
	Volunteerism	<ul style="list-style-type: none"> Volunteer hours within work hour Volunteer hours outside work 	<ul style="list-style-type: none"> Do you or do you know of CU staff that volunteer in community activities? Does the CU allow for employees to volunteer during work hours? How many hours can they volunteer as part of work? 	M,S
	Participation in groups/clubs	<ul style="list-style-type: none"> Number of staff that participate on local boards or committees Number of staff that provide financial and management expertise to local clubs or organizations 	<ul style="list-style-type: none"> Do you know of any CU employees that sit on other boards or committees in the community Do you or other employees offer your expertise to clubs or organizations? 	M,S
	Fundraising activities	<ul style="list-style-type: none"> Number of fundraising activities in the past year 	<ul style="list-style-type: none"> Does the CU participate in fundraising activities? If so, what were they for? What was the extend of the CU's involvement? 	M,S
	Policy advocacy	<ul style="list-style-type: none"> Specific policies or legislation supported/ promoted by CU 	<ul style="list-style-type: none"> Has your credit union been involved in policy advocacy – supporting financial policies or regulations or other legislation (prov. or fed.) that would help your members or the community? 	M,S
	Culture	<ul style="list-style-type: none"> Purchasing / displaying local art Support or offer cultural programs – painting, music, photography, second language, etc. 	<ul style="list-style-type: none"> How does your CU express cultural appreciation? Does it buy and/or display local art? Does it hire local talent for events/activities (e.g. local bands, musicians, etc)? Does your CU support or offer cultural programs in the community? 	M,S M,S M,S,C
Community Economic Development	Encouraging people to start or grow a business	<ul style="list-style-type: none"> Number of business start-up in community through CU loans 	<ul style="list-style-type: none"> How many business start-ups has your CU been involved with over the past year? 	M,S
		<p>Multipliers:</p> <ul style="list-style-type: none"> Number of employees at new business 	<ul style="list-style-type: none"> How many employees does the new business have? 	M,S

Types of impact	Types of indicators	Specific indicators	Questions	Informant*
	Sustaining businesses	<ul style="list-style-type: none"> • Number of failed businesses in community over past year • Continuing education programs for staff/owners of established businesses 	<ul style="list-style-type: none"> • Do you know how many businesses were closed in the past year? 	M,S,C
			<ul style="list-style-type: none"> • What does the CU do to help keep businesses viable in the community? 	M,S,C
	Financial services to community	<ul style="list-style-type: none"> • Lower interest rates on loans • Higher interest rates on deposits • Waived service fees for organizations 	<ul style="list-style-type: none"> • How does the rates of CU compare to rates of competitors (interest rates for loans and deposits) • Does the CU waive or reduce service fees for organizations in the community? How often does this occur 	M,S
	Specific community development programs	<ul style="list-style-type: none"> • Affordable housing programs • Grants to local organizations for specific development projects • Programs for disadvantaged /underserved members (disabled, visible minorities, elderly, remote) • Training programs • Small business micro-lending • Special financing for non-profit organizations • Mentoring programs • New immigrant programs 	<ul style="list-style-type: none"> • Does your CU offer any special programs for the community (affordable housing programs, special grants, etc)? • Are these offered at all the branches? 	M,S,C
				<p>Multipliers:</p> <ul style="list-style-type: none"> • Number of disadvantaged that have found employment • Number of new living spaces in community



Types of impact	Types of indicators	Specific indicators	Questions	Informant*
	Economic linkages	<ul style="list-style-type: none"> Amount spent on supplies purchased from local businesses Use of local services 	<ul style="list-style-type: none"> Where do you buy your supplies? Are there local companies that you try to deal with? 	M,S
			<ul style="list-style-type: none"> What other services do you use that are local (cleaning company, catering, marketing, publishing, etc)? 	M,S
		Multiplier: <ul style="list-style-type: none"> Recirculation of dollar spent by CU 	<ul style="list-style-type: none"> Think about how your CU buys local products and uses local services and estimate how many times a dollar spent by the CU recirculates around the community before leaving. Do the dollars also return to the CU? 	M,S
		Examples of helping local businesses	<ul style="list-style-type: none"> Can you give examples of how the CU helped out a local business? 	M,S
Service provision	Types / quality of services	<ul style="list-style-type: none"> Savings and Investment instruments Quality of services 	<ul style="list-style-type: none"> Please list all the savings and investment products your CU offers. Do these products help your members build assets? 	M,S,C
			<ul style="list-style-type: none"> What do you think are the most important services your CU provides to its members / community? 	M,S,C
			<ul style="list-style-type: none"> What does your CU do best? What could it do better? 	M,S
	Number of communities served Number of new members	<ul style="list-style-type: none"> Number of branches Percentage of community served by CU Increase/decrease in membership 	<ul style="list-style-type: none"> How many members do you have? 	M,S
				Public perception
	<ul style="list-style-type: none"> What makes the CU different than a bank? 	M,S,C		

Types of impact	Types of indicators	Specific indicators	Questions	Informant*
	Personalized service	<ul style="list-style-type: none"> Face-to-face interactions 	<ul style="list-style-type: none"> Is it important to you to talk directly to a person? Do you prefer to use the internet? 	C
			<ul style="list-style-type: none"> Can you give examples of the CU giving personalized service to its members? 	M,S
	Professionalism	<ul style="list-style-type: none"> Number of complaints from members 	<ul style="list-style-type: none"> How does your CU handle member complaints? How many complaints have you received in the last week or month? What is the average? Are there typical complaints? 	M,S
	Unbanked communities	<ul style="list-style-type: none"> Number of surrounding communities without a financial institution 	<ul style="list-style-type: none"> What does the CU try to do for people in communities without a financial institution 	M,S
	Branches	<ul style="list-style-type: none"> Percentage of members at branch locations Percentage of branches where CU is only financial institution Number of branch closures 	<ul style="list-style-type: none"> How many branches do you have? How many of these are the only financial institution in the community? Has the CU ever closed a branch? 	M
Skills and leadership development	Participation on board Participation at annual meeting Training programs	<ul style="list-style-type: none"> Number of participants in the programs over last 5 years / over last year 	<ul style="list-style-type: none"> Do you participate in the annual meeting, elections for board members 	M,S,C
			<ul style="list-style-type: none"> Have you ever sat on the board or been a committee member? Why or why not? 	C
			<ul style="list-style-type: none"> What skills have you developed due to your involvement with the coop? 	C
		<p>Multiplier:</p> <ul style="list-style-type: none"> Participation in other organizations because of involvement in CU 	<ul style="list-style-type: none"> Have you been involved in other organizations (board member, politics, etc.) because of your involvement with the CU? 	C
Environment	Environmental programs: <ul style="list-style-type: none"> Carbon 	<ul style="list-style-type: none"> Number of green initiatives 	<ul style="list-style-type: none"> Does your CU have any environmental programs (reduce reuse, recycle)? 	M,S

Types of impact	Types of indicators	Specific indicators	Questions	Informant*
	<ul style="list-style-type: none"> neutral programs Green buildings Recycling 	<ul style="list-style-type: none"> Amount of paper saved/ recycled Conservation policies (water, energy) Participation in community events 	<ul style="list-style-type: none"> Has the CU introduced any carbon neutral programs (planting trees to offset carbon emissions) 	M,S
			<ul style="list-style-type: none"> Has the CU ever measured its environmental footprint (total impact on environment) ? 	M,S
			<ul style="list-style-type: none"> What other activities does the CU do related to the environment? 	M,S
Employment	Salaries Retirement programs Hiring practices Employee support (childcare, health and dental insurance)	<ul style="list-style-type: none"> Number of jobs/ number of full-time jobs How many of these are from the local community? Number of jobs at branches/ number of full-time employees Salaries compared to competitors Benefits Executive/employee salary ratio Proportion of visible minorities and women on staff Proportion of different age groups 	<ul style="list-style-type: none"> Is the CU a good place to work? Has it received any awards or recognition for being a good employer? How does it compare to other places you have worked? 	M,S

*M – management; S – staff; C – customer/member; BM – board member

Source: Adapted by the authors with Dwayne Pattison (research assistant), from Lyon, F. Bertotti, M. Evans, M., Smallbone, D. Potts, G. and Ramsden, P., 2002; and Credit Union Central of Canada, 2007.

Appendix 3 Advantage CU Indicators from Pilot Study

Types of Indicators/Impact	Sample Questions
Community Involvement (investment, scholarships, policy advocacy)	<ul style="list-style-type: none"> •How much does your CU donate to community (as % of profits)? •Community activities your CU gets involved in? •Do CU staff volunteer in the community, how, and what impact does it have?
Community Economic Development (enterprise development, financial services, community programs, local procurement, affordable housing, micro lending)	<ul style="list-style-type: none"> •Does the CU provide competitive rates on deposits and loans? •What does the CU do to help keep community businesses viable? •Does your CU support special CED programs such as affordable housing, social investment, community grants? •Does the CU buy locally (local procurement)?
Service Provision (types, quality, professionalism, innovations, personalized, only financial institution)	<ul style="list-style-type: none"> •Savings and investment products your CU offers? •Can you give examples of the CU giving personalized service to its members? •What does the CU do for communities without a financial institution? •How do you handle complaints, do you have a grievance procedure? •Public perception of the CU?
Skills and Leadership Development (training programs – staff and member, member participation at AGM, participation on board)	<ul style="list-style-type: none"> •Board trainings? •Special workshops for members or staff? •Participation in other organizations and leadership positions because of participation in CU?
Employment (Salaries, benefits, hiring practices)	<ul style="list-style-type: none"> •Is your CU a good place to work? Has it received any awards or recognitions? •Does your CU hire local residents? •What benefits does your CU offer employees?
Environment and Sustainability (green buildings, recycling)	<ul style="list-style-type: none"> •Does your CU have an environmental program (reduce, reuse, recycle)? •What kind of green initiatives does your CU participate in or sponsor?

Directors of the call for papers of the 2014 International Summit of Cooperatives

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