SWOT Analyzing the Seven Cooperative Principles

Principle One: Voluntary and open membership.

Membership is open to all people who are eligible to join the credit union, without exception. Credit

unions are voluntary, not-for profit financial cooperatives, offering affordable financial solutions to those eligible and willing to accept the responsibilities and benefits of membership, without discrimination.

Thoughts and discussion points you may wish to consider for your analysis:

* This principle defines who can be a member of the cooperative and under what circumstances. At some co-ops, people may shop or access products and services whether or not they are a member (examples include REI, ACE Hardware and food co-ops), while other co-ops sell retail products anyone can buy (examples include Cabot Cheese and Welch’s juices). Electric co-ops have strict membership requirements based on service area, but no competition within that service   
  area.
* Credit unions may only serve people within their defined fields of membership.
* As you discuss the strengths, weaknesses, opportunities and threats of this principle, think about the field of membership restrictions as they apply to credit unions versus other types of cooperatives and even for-profit banks.

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Principle Two: Democratic Member Control  
Credit unions are democratic organizations owned and controlled by their members, with equal opportunity for participation in setting policies and making decisions. Board members are also members of the credit union, without exception.

Thoughts and discussion points you may wish to consider for your analysis:

* Many people feel that Principle Two is the key differentiator for credit unions since the oversight and governance of the institution is provided by the same people who are accessing its products and services. So in theory, the business incentives of the credit union line up with the interests of the membership.
* At a for-profit entity, directors are elected by shareholders, and have a clear mandate to maximize value (profits) to the shareholders. Customers are therefore provided a tangible service, but as a means to the ultimate end of making profits for the owners of the business.
* These first two points are a reminder that while credit unions and banks may often look alike and provide the same core products and services, *the business models that underpin them are   
  designed to be fundamentally different from one another.*
* As you discuss and analyze this principle, think about the health of democratic participation and engagement at credit unions generally. You may also wish to give thought to how difficult (or easy) it is to recruit talented, innovative people to serve on credit union boards

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Principle Three: Members’ Economic Participation

Members are the owners of credit unions. As such, they contribute to the capital of their credit union and directly impact its financial success. Members realize benefits in proportion to their relationship with their credit union and use of its products and services.

Thoughts and discussion points you may wish to consider for your analysis:

* This principle is a reminder that all the capital of the credit union is owned by the membership. It also shares an essential truth: the more that members transact business with the credit union, the more profitable a credit union will be. These profits are then invested back into the membership through pricing of products, dividends on deposits, as well as product and service enhancements.
* Principles One and Two speak to the equality of opportunity for members to participate in their credit union. These two principles are key differentiators for cooperatives and credit unions.
* Of course, some members use their credit union as their primary financial institution and return value to the overall institution and their fellow members. Others may have just a share account with no loans, or struggle to keep their loans current. In this way, all members may have equal rights, but not all members equally contribute to the well-being of the credit union.
* In your SWOT analysis of this principle, you may give thought to these different realities within   
  individual members.

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Principle Four: Autonomy & Independence

Credit unions are independent, self-reliant organizations controlled by their member-owners, not outside stockholders. Credit unions entering into agreements with other organizations must ensure continued democratic control by the members.

Thoughts and discussion points you may wish to consider for your analysis:

* This principle states that credit unions have to be careful when thinking about the outside   
  business contracts and partnerships they enter into. Any relationships developed or contracts signed have to have the core best interests of the membership in mind.
* This principle also applies to participation in the wider credit union community through trade   
  association affiliation, and how (or even if) the credit union interacts with their state and national associations.
* This principle and the above reality may at times come into conflict with Cooperation Among   
  Cooperatives – Principle Six. A clear example of this conflict is credit union advocacy with state and federal lawmakers as well as regulators. Not every credit union has an individual stake or is in agreement about the wisdom of proposed laws, regulations and other policies that govern the movement.
* When considering your analysis, you may wish to consider this tension with Principle Six.

Principle Six: Cooperation among Cooperatives

Credit unions serve their members most effectively and strengthen the cooperative principles by working with other cooperatives through local, state, regional, national, and international structures.

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Principle Five: Education, Training and Information

Credit unions educate and train members, employees and volunteers so they can contribute effectively to the development of the credit union. In addition, credit unions provide financial education for their members and the public.

Thoughts and discussion points you may wish to consider for your analysis:

* This founding principle in Rochdale continues throughout the worldwide movement. As you   
  discuss this in your group, do you feel credit unions are hitting the mark in training staff and   
  volunteers in order to effectively serve the membership? Are members receiving financial   
  education that results in their personal development, financial capability and their positive   
  contribution to the health and well-being of the credit union? Feel free to share examples of what’s working and what’s not as you look at the strengths, weaknesses opportunities and threats of this principle for credit unions.

SWOT Analyzing the Seven Cooperative Principles

Principle Six: Cooperation among Cooperatives

Credit unions serve their members most effectively and strengthen the cooperative principles by working with other cooperatives through local, state, regional, national, and international structures.

Thoughts and discussion points you may wish to consider for your analysis:

* This principle is both inspiring and also makes sense from the perspective of being able to   
  accomplish more by working together. In recent years however, the credit union system has adopted a more open membership structure. As a result, credit unions in some communities have become more competitive. Other stresses include a fast-paced environment that is constantly changing, making collaboration potentially harder.
* As you frame your SWOT analysis, you may give thought to the realities of the modern day credit union movement and consider whether this principle is still relevant – or is more important than ever - given the changes we’ve seen in the credit union system.

SWOT Analyzing the Seven Cooperative Principles

Principle Seven: Concern for Community

Credit unions work for the sustainable development of communities through policies developed and   
accepted by the members. Credit unions seek to achieve a greater good through responsible corporate citizenship.

Thoughts and discussion points you may wish to consider for your analysis:

* Concern for Community may be thought of in two ways. First, it is credit unions providing cash or volunteer assistance to charitable organizations. But it is also looking at the challenges facing the communities in which credit unions operate, and taking an active role in solving them. Examples may include access to affordable housing, access to transportation among low income persons, and the overall lack of opportunity in some communities due to changes in the economy.
* When considering the SWOT analysis, you may wish to think about these two types of Concern for Community.