

Using Waterford Credit Union as an exemplar of the larger Irish credit unions, what is the capacity and propensity of Irish credit unions to develop their current business model?

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## Abstract

The Irish Credit Union Movement has achieved remarkable success since it was first established fifty years ago. However fears are increasingly emerging that Irish credit unions may now be facing decline with a changing Ireland beginning to pass them by. There is an urgent need for credit unions to modernise their operations in order for them to survive. The Credit Union Development Association (2006) has made a timely call for action proposing that all of the basic elements of the Irish credit union business model now be revisited.

The purpose of this study is to examine the current business model of Irish credit unions, and to identify the ways in which it may need to be renewed so that the Movement might continue to progress in light of its changing social, economic and political environment. The study also investigates the capacity and propensity of Irish credit unions to implement any necessary changes to their business model.

A qualitative methodology was employed in achieving this study's research objectives. Seven semi-structured interviews were carried out with key individual stakeholders of the Irish Credit Union Movement. Semi-structured interviews allow for an in depth understanding of a situation or phenomenon. This method was therefore deemed the most suitable due to the exploratory nature of the research objectives. A particular focus was placed on Waterford Credit Union (WCU) as an exemplar of the larger and more progressive credit unions of Ireland and therefore three of the interviewees selected had a direct connection with WCU.

A number of significant findings have emerged from the primary research. The interviewees revealed that a number of key business model changes are required in order for Irish credit unions to continue to grow and develop. The main changes proposed include diversified product offerings, I.T. infrastructure and distribution channel development and rationalisation of The Movement. The participants have indicated that Irish credit unions are capable of making these changes with a loyal membership base, good reserves and an excellent reputation found to be its greatest assets that will assist it during the change process.

However, a number of difficult challenges will be encountered in implementing change also. There is a clear absence of leadership in the Movement and as a result a lack of strategy and direction exists. The other key challenge involves persuading some individuals who have been deeply involved in The Movement for many years to accept that change is necessary in order for Irish credit unions to progress.

The Irish Credit Union Movement has a central role in Irish society however the existing research on it is very limited particularly surrounding its business model and its change capacity. The author hopes therefore that the additional knowledge gained in this study will contribute to the existing body of knowledge in the area. In a practical sense the recommendations provided in this study may be beneficial to the Irish Credit Union Movement in its attempts to progress successfully from the stage which it is currently at in its evolution.

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I would like to say a special thank you to each of my classmates, for all the great times that we've had throughout this year and for all your help and encouragement throughout the dissertation process in particular.

## Declaration

I hereby declare that the material is entirely my own work and has not been submitted as an exercise or degree at this or any other higher education establishment. The author alone has undertaken the work except where otherwise stated.

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Laura Forsey

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# Chapter One: Introduction

*A journey of a thousand miles must begin with a single step.*  
- Chinese Proverb

## **1.1 Introduction**

The purpose of this chapter is to provide the reader with an overview of the study. It begins by outlining the rationale for undertaking this research and the nature of the research objectives. Following this is a brief description of the methodology used in achieving the research objectives. This chapter also presents an outline of the structure of the study and concludes with the benefits of undertaking it.

## **1.2 Rationale behind the Study**

The idea for this research came from a report published by the Credit Union Development Association (CUDA) (2006): “*A Call to Action*”. In this report CUDA expresses much concern that The Irish Credit Union Movement is currently at a significant crossroads in its development. Credit Unions have become a phenomenal success in Ireland since they were first founded in 1958. However it is feared that these institutions may now be facing decline with a changing Ireland beginning to pass them by. The social, economic and political environment of Ireland today is vastly different from what it was when Irish credit unions were first established.

A ‘business model’ can be described as the engine of a business. It provides an architecture for the product, service and information flows of the business and is the core logic for creating value. CUDA (2006) stresses that the business model which is employed by credit unions across the country today is the same one which was founded 50 years ago in an Ireland which is very different to the Ireland which exists today. They have proposed that in order for The Irish Credit Union Movement to grow and mature all of the basic elements of its business model need to be revisited and renewed accordingly.

In light of CUDA’s recommendation, the purpose of this study is therefore to examine the current business model of Irish credit unions and to identify any aspects of it that may need to be renewed so that the Movement might continue to progress. The author also

wishes to investigate the ability of Irish credit unions to implement any necessary changes to their business model acknowledging how challenging this feat may prove to be.

### **1.3 Research Question and Objectives**

The focus of this research is to establish the main aspects of the business model of Irish credit unions and to identify any aspects of it that may need to be renewed. The researcher also wished to investigate the capacity and propensity of Irish credit unions to implement those changes. The research question is therefore:

**Using Waterford Credit Union as an exemplar of the large Irish credit unions,  
what is the capacity and propensity of Irish credit unions to develop their current  
business model?**

A number of research objectives have stemmed from the research question:

Objective One: To examine Waterford Credit Union's current business model as an exemplar of the large credit unions in the Irish Credit Union Movement.

Objective Two: To assess whether this model will enable or inhibit development along the stages envisaged in Ferguson et al's (1997) typology of credit union evolution.

Objective Three: To investigate the capacity of an Irish credit union to undertake change in its business model.

### **1.4 Methodology**

After much careful consideration it was decided that a qualitative approach would be taken in achieving the research objectives of this study. While a number of other techniques were considered it was decided that the semi-structured interview would be the most suitable method of primary research due to the exploratory nature of this particular study. Seven semi-structured interviews were carried out with various

stakeholders of the The Irish Credit Union Movement. A particular focus was placed on Waterford Credit Union with three of the respondents having a direct connection with it. The main benefit of using the semi-structured interview as a data collection method is that it allows the research to probe further when more in-depth opinions or explanations are needed.

## **1.5 Dissertation Structure**

This dissertation consists of eight chapters. This chapter provides an overview of the study. It outlines the nature of the study as well as the research question and objectives. Included also is a brief description of the methodology chosen to achieve the research objectives. Finally the relevance and contribution of the study is presented.

*Chapters Two to Four* are comprised of the existing literature relating to the subject area of the study. Chapter two outlines a typology of credit union evolution emphasizing three stages which credit unions movements experience in their development. The chapter highlights the transition which The Irish Credit Union Movement is currently going through in its development. It also presents the prerequisites for progressing successfully from this stage to a stage of maturity.

*Chapter Three* provides an understanding of the ‘business model’ concept. It also addresses the need for business model renewal and how organizations can recognise that need. Following this some of the key factors which will determine the capacity of an organization to successfully change its business model are outlined.

*Chapter Four* presents a Business Model Ontology. This provides a template with which to examine a business model. The perceived current business model of the Irish Credit Union Movement is subsequently examined followed by an examination of the mature US Movement’s business model

*Chapter Five* describes the research methodology used in this study. It identifies the research problem and from this the research question and objectives are derived. The

nature of the study is discussed and the data collection methods used to achieve its objectives are outlined and explained. The author provides the rationale and justification for choosing this method and also presents its drawbacks. A description of the qualitative data analysis process is also presented.

*Chapter Six* presents the key findings of the primary research which was obtained through seven semi-structured interviews that were conducted with various stakeholders of The Irish Credit Union Movement.

*Chapter Seven* provides a critical interpretation of the research findings discussing the key themes that have emerged from the study. The primary research findings are compared to the existing literature which was presented in *Chapters Two to Three*.

*Chapter Eight*, the final chapter outlines the conclusions of this study from which a number of recommendations are made. The chapter also outlines the limitations of the study and the author presents opportunities for further research in the area.

## **1.6 Benefit of the study**

This research has benefits of a personal, practical and academic nature. From a personal perspective the author has been given the opportunity to research an area that she is particularly interested in. The author has gained additional knowledge and a deeper understanding of The Irish Credit Union Movement and more specifically its ability to develop its business model. The study has also allowed the research to practice and develop her research skills.

From a practical perspective this study provides information and recommendations that can be used by the Irish Credit Union Movement as it attempts to mature and grow. It is of particular benefit to the larger Irish credit unions with an emphasis being placed on them throughout the research design process. The study has highlighted the ‘pinch points’ which these credit unions may face as they attempt to implement changes to their business model and will therefore alert credit unions to them.

Academically, this research is also of great benefit. The Irish Credit Union Movement is a significant part of Irish society however the existing research on it is very limited particularly research surrounding its business model and its change capacity. The author hopes therefore that the additional knowledge gained in this study will contribute to the existing body of knowledge in the area.

### **1.7 Chapter Summary**

This chapter has provided an overview of the study. It has explained the rationale for undertaking this research, presented the research question and the primary research objectives. Following this, the chapter provided a brief description of the methodology used in achieving the research objectives. The structure of the dissertation was presented and the benefits of undertaking it from a personal, practical and academic perspective were discussed.

## Chapter 2: The Irish Credit Union Movement: An Industry in Transition

*It is not the strongest of the species that survives, nor the most intelligent,  
but the one most responsive to change.*

*- Charles Darwin*

### **2.1 Introduction**

The purpose of this chapter is to highlight that the Irish Credit Union Movement is currently going through a significant transition in its development. It firstly provides an overview of the Irish Credit Union Movement and a description of the defining characteristics of credit unions. This leads to a discussion of the three main stages of credit union evolution, emphasizing that the Irish Credit Union Movement is at a crossroads in its development. The prerequisites for progressing successfully from this transitional stage and the solution provided by the Credit Union Development Association (CUDA) are subsequently presented. The chapter is structured in this way so as to highlight the present situation of the Irish Credit Union Movement and the challenges which it faces.

### **2.2 The Irish Credit Union Movement: A modern financial phenomenon**

*“Credit unions have become so much an intrinsic part of daily Irish living that it is difficult to imagine what Ireland would be like without them.”*

McCarthy, Briscoe and Ward (2000)

Credit unions have transformed into a flourishing nationwide network since they were first founded in Ireland during the late 1950's. At that time nobody could have possibly anticipated how successful the Credit Union Movement in Ireland would become. Today combining The Republic of Ireland and Northern Ireland, there are over 600 credit unions located across the country, serving over 3 million members. According to McKillop et al (2006a) it can be said that the Irish credit union movement has been a true modern financial phenomenon with *“unique market penetration, even in a global context”*.



### **2.3 The uniqueness of credit unions**

Credit unions occupy a unique category within the sector of financial institutions. McKillop et al (2006) explain that credit unions possess a number of distinct characteristics that distinguish them from commercial banks and other financial institutions. First and foremost credit unions have a public purpose as their underlying ethos is that they exist in order to provide basic financial services to individuals of modest means who may not have obtained finance elsewhere. In this sense they can be considered the providers of “microfinance”. According to the World Savings Banks Institute (2006) microfinance aims to bring those members of the population who are financially excluded “closer to finance” and is a means of tackling financial exclusion.

Ward et al (1996) stress that credit unions are not only an intriguing form of financial institution, they are also considered to be an unusual form of co-operative. Credit unions are a co-operative organisation with a not-for-profit motive. Each one is limited in its membership to those sharing a common bond and operates on the democratic governance structure of ‘one member, one vote’. They collect savings from members by issuing shares to them. They also use this revenue to issue loans to members. Usually co-operatives either purchase from external entities for their members or sell to external entities for them, however in the case of the credit union the users, management and benefactors of the credit union are all the one party. Credit unions clearly have a unique relationship with their members as they are owned, run and used by them and therefore Croteau (1963) considers them to be the purest form of co-operative.

### **2.4 The Development of Credit Union Industries**

Sibbald et al (2002) state that there is a need for a more complete understanding of credit union industry development. They propose that a typology first put forward by Ferguson et al (1997) be used to categorise the various stages that credit union industries go through in their evolution. In this typology three discrete growth stages are outlined: nascent, transition and maturity. As a credit union increases its membership base and assets it will consequently move from its birth through adolescence to full development. Table 2.1 illustrates the three different stages of growth, the typical attributes of the

industries that are in each stage and examples of each of these industries. (See Appendix 1). According to Thomas and Ballock (2004) credit unions in the nascent (birth) stage are purely run by volunteers. They are missionary in nature and their main aim is to help provide financial services to people of modest means. They offer basic saving and lending facilities and possess only small assets. The Credit Union movements of Poland and Russia are currently at this stage of their development.

### **2.5 The Irish Credit Union Movement: An industry in transition**

Sibbald et al (2002) categorise the Irish Credit Union industry as one that is in the transition stage of its development displaying a number of typical transitional characteristics. Firstly, while they still have many volunteers credit unions now employ over 3,500 people throughout the country too, according to the ILCU (2008). They have also improved upon the basic range of services which they traditionally offered their members with life insurance, travel insurance and special savings facilities amongst their current product offerings. Irish credit union membership has also developed. It has become far more socially diversified in recent years including the unemployed but also middle class income earners. While the movement has clearly developed, Sibbald et al (2002) warn that it is difficult for a movement to bridge the gap between the transition and maturity stages.

### **2.6 The prerequisites for progressing to maturity**

There are a number of key prerequisites for developing to a stage of maturity. Ferguson et al (1997) stress that Irish credit unions firstly need to adopt a more commercialized or business-like philosophy. Industries in the mature category include the US, Canada and Australia. They are driven by state of the art information technology and professional staff operating multi-product services including mortgages and telebanking. Sibbald et al (2002) elaborate on this explaining that the Irish Movement has become firmly located in the transition stage because of setbacks in the development of its I.T. infrastructure. The ILCU attempted to solve the movement's I.T. problems in 2000 by investing in a project known as ISIS which had the ambitious aim of creating an all-Ireland integrated I.T.

communication system. However their efforts proved to be disastrous as the €34.28 million invested in the project over a three year period saw no tangible return whatsoever.

Another of the prerequisites is that a credit union industry needs to vastly increase its member base in order to mature. McCarthy et al (2000) claim that there is much concern over the Irish industry's ability to sustain and grow its current member base as it is currently experiencing an ageing membership problem. The challenge therefore lies in trying to attract a younger generation of members. CUDA (2006) maintains that most credit union movements also have the added challenge of trying to progress a "two tier movement". They explain that there are huge differences between the larger, more progressive credit unions of Ireland and the smaller ones who usually have only voluntary staff and therefore argue that a "one-size-fits-all strategy" won't work.

## **2.7 The key to future industry growth and success: The Business Model**

Even though there is much concern surrounding the future progress of the Irish credit union movement, McCarthy et al (2000) believe that the credit unions of Ireland have the capacity to transform the challenges which they face into positive outcomes and that they should be viewed as stepping stones for the Irish credit union movement towards greater sustainability. According to The Credit Union Development Authority of Ireland (2006) the key to the Irish Credit Union Industry's ability to overcome these challenges lies in the development of its business model.

The business model still employed by many credit unions throughout the country today is the one that was first developed in an Ireland that was very different from today's Ireland. This model was founded at a time when basic financial services were unaffordable or unavailable to a great portion of the population. The credit unions provided the answer. People wanted basic financial services without complication. They wanted to be able to save their money, earn a decent return and have access to small lending facilities. However this Ireland no longer exists. There has been a remarkable change in the Irish economy and society in general and a parallel change in the financial services industry also. For instance according to The World Economic Outlook Database (2007) in euro

terms the gross domestic product per capita for the year 1980 was €13,253 and by 2006 it had soared to €38,428. CUDA (2006) stress that credit unions must now confront the reality that their products, delivery systems, marketing approaches and methods of management, all of the basic elements of their business model need to be updated in order for credit union's to continue to grow and reach a stage of maturity.

## **2.5 Chapter Summary**

This chapter has firstly clearly outlined the significant transition that The Irish Credit Union Movement is currently going through in its evolution. Next, it has outlined the main prerequisites for progressing successfully from this stage of development and some of the challenges which they will entail. Finally the chapter has outlined the action which CUDA (2006) believes needs to be taken in order for the Movement to examine how it might progress: a re-examination of all of the basic aspects of its current business model.

## Chapter Three Business Model Change

*“It takes a lot of courage to release the familiar and seemingly secure, to embrace the new. But there is no real security in what is no longer meaningful. There is more security in the adventurous and exciting, for in movement there is life, and in change there is power.”*

*- Alan Cohen*

### **3.1 Introduction**

Chapter Three has a number of purposes. It firstly provides a thorough understanding of the “business model” concept, outlining its importance and emphasizing the need for business model renewal. Following this the researcher critically analyses the literature surrounding the recognition of the need for business model change and some of the factors which may determine the capacity of an organization to successfully implement the required changes. It is structured in this way to allow the reader to recognise that while business model renewal is often necessary and beneficial, its successful implementation will ultimately be determined by The Credit Union Movement’s capacity to change.

### **3.2 Definition of ‘The Business Model’**

According to Magretta (2002) the concept of the business model has become quite a popular one in recent years particularly due to the surge in new types of businesses often created using the internet, that have required new models. However, much confusion still exists surrounding the definition of a business model. Magretta explains that a good business model answers Peter Drucker’s age-old questions: “Who is the customer? And what does the customer value?” It also answers the fundamental questions that every manager must ask: “How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?”

One of the most cited examples of a business model definition is that of Timmers (1998) who describes it as:

*“an architecture for the product, service and information flows, a description of the benefits for the actors involved and a description of the sources of revenue”.*

Some other variations of the definition have also developed since Timmers (1998). For instance, Weill and Vitale (2001) believe that a business model should describe:

*“the roles and relationships among a firm’s customers, allies, and suppliers, major flows of product, information, and money, and major benefits to participants”.*

On the other hand, Rappa (2003) simply defines the business model as

*“the method of doing business by which a company can sustain itself”.*

What appears to be common to all understandings of the term “business model” is a description of how a company makes money and can sustain itself by providing more value to its customers than the competitors. An understanding of customer priorities is therefore central to it and awareness of competition in all its manifestations is implicit.

### **3.3 The importance of a business model**

Linder and Cantrell (2000) describe the importance of having a good business model: *“An operating business model is the organisation’s core logic for creating value. Since organizations compete for customers and resources, a good business model highlights the distinctive activities and approaches that enable the firm to succeed to attract customers, employees, and investors, and to deliver products and services profitably”.* An effective business model can therefore give an organization a competitive advantage over its rivals as can be seen in the case of Dell. As Magretta (2002) points out Dell’s business model which is based on a direct selling and low cost model made the company different in ways that competitors found difficult to imitate.

### **3.4 Business model renewal**

Magretta (2002) and Petrovic et al (2001) stress that in order for a business model to sustain its effectiveness, sometimes the basic principles underlying that model may need to be renewed in line with changing circumstances. They distinguish between single and double loop learning in a business model development context. Single loop learning occurs when errors are detected and corrected while the basic principles of the model remain unchanged. However, double loop learning may be considered a more advanced form of learning. It replaces a reductionist and short run and static view of the world with a holistic, long term and dynamic view. It occurs when in addition to the detection and correction of problems, the organization also questions and modifies the existing policies or principles of the business model. Petrovic et al (2001) suggest that managers need to adopt this frame of mind and acknowledge that their business model should be flexible and open to change.

### **3.5 Recognising the need for change**

Weston (2007) comments that Irish Credit Unions have seen a decline in the rate of their savings and loans growth in recent times. He adds that these two areas have always been the core activities of credit unions. Magretta (2002) warns that profits and performance are key signals as to whether your business model is working or not. If an organisation is not realising the results it had expected to achieve than management must reexamine their business model. Magretta compares business modeling in this sense to a scientific process, whereby management start with a hypothesis which they can then test in action and revise when necessary.

However, Chaharbaghi et al (2003) emphasise that as the organisation's external environment changes, this may also signal the need to re-examine the organisation's business model. They stress that all business models are contextual, as the environment within organizations operate shapes the assumptions that underpin their model. Therefore as business models are only useful and valid within the context in which they are considered, it is critical that as the organisation's environment develops so does their business model accordingly.

CUDA (2006) believes that the Irish credit union industry's environment has changed dramatically in recent years due to changing economic circumstances and internationalisation and as a result they stress that the time has come for the credit union's business model to be re-examined. Mr. Brendan Logue, the Registrar of Irish Credit Unions (2006) has also warned that the Irish financial services environment has become increasingly competitive in recent years and that as a result credit union's need to remain "open-minded" in their endeavors to progress.

### **3.6 The capacity to change**

The Irish Credit Union Movement's traditional ethos remains as an intrinsic feature of its current business model according to CUDA (2006). Balogun et al (2003) warn however that such organizations can become "*captive of their own cultural heritage*" which may lead to the development of future strategies that are "*adaptations of the past*". They emphasise that from this perspective change will involve breaking loose from the "strategic inertia" which has become embedded in the company's culture. They caution that a struggle can sometimes ensue between members of the organization who are open to change and diversity and those who wish to firmly adhere to past philosophies.

Sibbald et al (2002) believe that leadership is "an imperative ingredient to progression". They advise that each credit union movement is individual and should therefore elect a form of leadership that is most appropriate for it depending on the stage that it is at in its evolution. They stress that this will be a critical factor in determining the capacity of the organization to develop its business model. The two main types of leaders that they suggest are managerial leadership and visionary leadership. Managerial leaders focus mainly on the present situation of an organization. They tend to be task and goal oriented ensuring they make the best use of the resources at their disposal. Visionary leaders on the other hand, paint a picture of what an organisation can aspire to become. They point towards the future, providing direction and encouraging others to embrace change.



Luecke (2003) agrees that leadership plays a huge role in determining the success of change. However, he stresses that there will be many other people with varying roles in the Movement who will also have an impact. He compares organisations or movements to “social systems”. The people involved in such systems have identities, communities, attitudes and differentiated powers. Successful management of change therefore requires that the primacy of people factors and the social systems in which they operate are recognized. Luecke (2003) maintains that communication is one of the most fundamental and effective tools in overcoming change resistance from any of these parties. It is critical that communication is ongoing throughout the change process in order to motivate others and obtain their support.

Freedman et al (2004) stresses that an even more fundamental aspect of organisational change than communication is the challenge involved in the establishment of an appropriate timeframe. While this appears obvious it is often overlooked and given little thought. The timeframe can be open to review and modification as the project goes forward however they stress that it is necessary to establish one as it provides a more concrete vision and direction for all parties involved.

### **3.7 Chapter Summary**

This chapter has provided a good insight into the business model concept. It has outlined the importance of a business model and the need for its renewal. It has also emphasized how organizations can recognise the need for business model change and some of the factors which may determine their capacity and propensity to implement those necessary changes.

## Chapter 4

### Examining a Business Model

#### **4.1 Introduction**

This chapter presents Osterwalder's (2004) business model ontology. This provides a comprehensive understanding of the main aspects that are included in an organisation's business model. The ontology is firstly used to examine the current business model of the Irish Credit Union Movement as perceived in the existing literature followed by an examination of the US Credit Union Movement's business model. The chapter is structured this way so as to provide the reader with an example of the business model of an industry in transition and that of a mature industry allowing for comparisons to be made.

#### **4.2 The Business Model Ontology**

While many different conceptualisations of business models exist which enable us to examine an organisation's model, Osterwalder's (2004) ontology is perhaps the most widely used one. Influenced by Kaplan and Norton's (1992) balanced scorecard approach he identifies four main pillars of the business that the business model encompasses: product, customer interface, infrastructure management and financial aspects. He has subsequently broken these areas down into nine interrelated building blocks as illustrated in table 4.1. (See Appendix 2 for a description of each) If manager's effectively measure and monitor each of these indicators then business should be conducted successfully.

**Table 4.1 The nine business model building blocks**

<b>Pillar</b>	<b>Building Block of Business Model</b>
<b>Product</b>	Value Proposition
<b>Customer Interface</b>	Target Customer
	Distribution Channel
	Relationship
<b>Infrastructure Management</b>	Value Configuration
	Capability
	Partnership
<b>Financial Aspects</b>	Cost Structure
	Revenue Model

## **4.2 An application of the Business Model Ontology to the Irish Credit Union Industry**

In order to gain a better insight into the business model of the Irish credit union industry as presented in the available literature it is necessary to examine each of the four categories as described in Osterwalder’s ontology with reference to the industry.

### **4.3.1 Products**

According to the Credit Union Development Authority of Ireland (2006) Irish credit unions have two core product offerings, savings and lending facilities. Irish credit unions aim to be the “pre-eminent” source for consumer savings and loans. They try to achieve this mission by offering very competitive rates and terms in comparison to the rest of the market thereby giving consumers a better deal on basic financial services than is offered anywhere else. Due to their co-operative nature credit unions have some natural advantages in providing value for consumers over other providers of banking services.

Since their only owners are their depositors, credit unions do not have another group of investors to share their profits with and therefore all of the profits belong to their members who are not subject to income tax at the credit union level.

Sibbald et al (2002) highlight that Irish credit unions have in recent years greatly extended their product offerings as they now offer a range of services other than their core products including life and travel insurance, special savings facilities and death benefits. However there still appears to be much room for improvement as McCarthy et al (2000) express much concern that credit union members are feeling the need to turn to commercial banks for the use of money transmission services such as credit card facilities and widespread ATM networks.

According to the ILCU (2006) in recent years there has been a decreasing trend in the loan component of credit union balance sheets. CUDA (2006) attributes this worrying trend to the credit union's 'one-size-fits-all' pricing strategy. For example on very small loans credit unions offer competitive rates as many banks are not interested in dealing with small lending facilities. However credit unions offer the same rates on most of their loans no matter what the loan size, and due to the volume of larger loans that commercial banks sell they are able to offer very competitive rates for large loans. This coupled with the inconvenience of waiting for credit committee loan approval means that many consumers turn to commercial banks instead of their local credit union for large loans.

#### **4.3.2 Customer Interface**

McCarthy et al (2000) explain that credit unions' initial target market was comprised mainly of low-income earners who would have found it difficult to obtain finance elsewhere. However they now have an increasing amount of business clients and high-income members. In fact with nearly half the Irish population as members, the greatest portion of credit union members are now middle-class earners who have prospered in line with Irish society in general.

As already outlined in section 1.2 credit unions have a unique relationship with their members as they do not only provide services to them, they are also owned by them. Emmons et al (1998) explain that credit union members by law must share a common bond. They are based around industry, community or parish associations. It is thought that the common bond encourages member loyalty and reduces bad debts as a result. However, according to Sibbald et al (2002) in the transitional stage of credit union development often a relaxation in common bond restrictions occurs. A tight common bond can be seen as a potential limitation to future growth as it confines the potential member base to a finite group. The Credit Union Act (1997) enabled the widening of the Irish Credit Union common bond. For example it stated that members of credit unions that had a residential bond no longer had to be living in that area to qualify for membership. They could also be eligible if they were working in the area.

According to CUDA (2006) the credit union's main distribution channel is based on the ethos of "high touch" and is still very much valued today. However they argue that members need an increase in the "high tech" aspect of credit union service delivery also whilst maintaining the "high touch" ethos. Members very much value the high touch aspect of their distribution channel as they want complicated products to be explained to them etc. However people's hectic lifestyles nowadays mean that members are becoming increasingly impatient in long teller queues. Increasingly people want to do their banking by phone, online or at an ATM and credit unions need to improve this "high tech" aspect of their operations.

### **4.3.3 Infrastructure Management**

CUDA (2006) has expressed much concern over the credit union industry's lack of investment in their I.T. infrastructure. They believe that there is a need for credit unions to upgrade their IT systems and other operational systems so as to achieve greater efficiency and safety of data. As mentioned above it is feared that credit unions have not prioritized the provision of convenient services for their members and if they are to do so then they must upgrade their I.T. infrastructure. While the current infrastructure may seem cost effective CUDA argues that all it is achieving in the long run is false

economies as it is driving up other costs due to the increasing reliance on manual processes. Perhaps the most negative fallout from the failed ISIS project was that the fear of another similar failure has deterred the ILCU from making further attempts to radically improve the credit union I.T. infrastructure.

The development of a credit union industry from one stage of growth to another largely depends upon the quality and professionalism of its employees and volunteers. Sibbald et al (2002) point out that the ILCU provides formal training for all credit union officers in order to raise the level of expertise and professionalism of all volunteers and staff. However, credit unions tend to pay relatively low salaries in comparison to other financial institutions and this may be inhibiting them from attracting the best college and university graduates into the industry.

Credit unions are currently expanding their network, engaging in a number of different partnerships with other financial service providers in an attempt to improve current product and service offerings. For instance according to the annual Waterford Credit Union financial report 2007, Waterford credit union was one of the credit unions to form a relationship with EBS Building Society in 2006 in order to make mortgages available to their members. The two organizations appear to be well suited partners as EBS share some similar philosophies to credit unions. They are also of a mutual nature in that they are established and run on behalf of their members.

#### **4.3.4 Financial Aspects**

According to McKillop et al (2006) Irish Credit Union gather most of their revenue through loan interest income. However, they mention that there has been a downward trend in credit union lending figures over the last decade. They attribute this down turn to a number of different factors. Firstly, competition has intensified in the financial sector. Secondly they believe that regulation has played a role as the Registrar has been reluctant to allow credit unions to provide additional products. Finally the failure of credit unions to successfully develop its information technology infrastructure has inhibited the ability of credit unions to effectively market and sell their loan products.

#### **4.4 An application of the Business Model Ontology to mature credit union industries**

Having examined the current business model of the Irish credit union industry, an industry in transition, it is now necessary to examine the business model that has been employed by mature credit union industries in order to establish the main factors which have influenced their achievement of full growth. CUDA (2006) recommend that Irish credit unions should take a similar approach in the development of their business model to the approach that mature industries such as the U.S., Canada and Australia have taken. These industries have experienced similar environmental changes such as the challenges currently facing the Irish credit union industry and have adapted successfully, sustaining their competitiveness.

In order to examine how the matured industry business model compares to the Irish credit union industry model let us examine the most mature credit union industry of all, the US credit union industry by applying Osterwalder's ontology to it.

##### **4.4.1 Products**

Goddard et al (2002) explain that deregulation since the 1970's has had a major impact on the kinds of products and services that U.S. credit unions are entitled to provide. As a result U.S. credit unions do not focus as much on the traditional core credit union products of basic deposit accounts and lending facilities. Instead they offer a much more diversified portfolio of products and services to their members including mortgages, overdraft facilities and 24 hour telephone banking. In fact Sibbald et al (2002) highlight that because U.S. credit unions are now offering so many products that are typically associated with retail banks, the distinction between credit unions and retail banks in the U.S. has become somewhat blurred.

##### **4.4.2 Customer Interface**

According to Goddard et al (2002) deregulation of the 1970's was accompanied by the introduction of a much loosened interpretation of the common bond requirement for membership of U.S. credit unions. Sibbald et al (2002) believe that this legislative

freedom paved the way for achieving maturity as it led to a great increase in member growth.

Sibbald et al (2002) claim that there is a philosophy amongst US credit unions that they key to a successful credit union and indeed a successful credit union movement lies in its ability to use technology to establish multiple service relationships with their customers in the marketing and sales of their products and services. CUDA (2006) stress that U.S. credit unions have been able to modernize their distribution channel by investing large sums of money in high technology. As well as having the “high touch” or personal aspect of their service they have also developed the “high tech” aspect providing well-developed convenient services such as widespread ATM networks and online banking facilities which members expect nowadays. CUDA points out that while Irish credit unions dedicate only 1% of their annual expense budgets to I.T., U.S. credit unions spend approximately 5%.

#### **4.4.3 Infrastructure Management**

Emmons and Schmid (2000) believe that the technological infrastructure of the U.S. credit union industry is at the same level of sophistication as retail banks and other financial institutions. Technological advancements have enabled the provision of sophisticated centralized financial services and products. A number of corporate credit unions have been established and all other natural credit unions belong to one of them and maintain deposits there. These corporate credit unions serve as a bank for their member credit unions accepting deposits and lending to them at times when loan demand is particularly high. They also provide cheque clearing facilities for their credit unions meaning that they don't need to rely on other financial institutions for such services.

Sibbald et al (2002) point out that the professionalism of U.S. credit union employed staff has greatly developed. This development can be traced back as far the 1940s when a management institute was founded in the form of the National Association of Managing Directors, representing paid staff of state leagues. Managers in the US have also organized themselves into the Credit Union Managers Society, later called the Credit



Union Executives Society. An Association of State Credit Union supervisors was also established in order to deal with the problems of credit union supervisors. There have been no professional bodies such as these have yet been established in Ireland.

#### **4.4.4 Financial Aspects**

The US Credit Union Movement is characterised by large asset sizes and high growth levels. Similar to the Irish Credit Union Movement, the US industry according to Goddard et al (2002) has most of its assets tied up in the provision of consumer loans. They stress however that by diversifying into different product and service areas US credit unions have limited their reliability on loan interest income as they now have numerous different revenue streams. This highlights a clear limitation of the Irish Movement in comparison. A recent loosening of regulations has allowed the credit unions of the US to compete on a level similar to banks and it looks like their assets are going to continue to grow as a result.

#### **4.5 Chapter Summary**

This chapter has presented Osterwalder's (2004) Business Model Ontology. The model provides a template that can be used to examine a business model. It was applied to two credit union movements both at different stages of credit union evolution. Firstly the main aspects of the Irish credit union business model were presented. This was a broad examination of the model as perceived in the existing literature so as to allow the reader to gain a better understanding of the industry. However as outlined in the next chapter, one of the research objectives of this study will be to determine the main aspects of the current business model of specifically large Irish credit unions in greater detail. This chapter has also examined the business model of the US credit union industry, a movement that has reached maturity.

## Chapter Five

### Primary Research Objectives and Methodology

*“Research is to see what everybody else has seen, and to think what nobody else has thought.”*

*-Albert Szent-Gyorgyi, (1893-1986) 1937 Nobel Prize for Medicine.*

#### **5.1 Introduction**

This chapter provides an overview of the research objectives of this study and the methodology used to achieve them. As a starting point the research problem is identified from which the research question and research objectives stem. A description of the research design follows this including the methodology chosen and the rationale for choosing this particular method of data collection and analysis. A detailed account of the qualitative interview technique chosen is presented including the appropriateness and the limitations of this method. The concepts of validity and reliability in research design are also discussed.

#### **5.2 Research Problem**

Kumar (2005) asserts that formulating a research problem should always be the first step in the research process. He explains that it “identifies the researcher’s destination”, informing both the researcher and the readers of the subject area that is being researched.

Sibbald et al (2002) describe the Irish Credit Union Movement as an industry that is currently going through a transition stage in its development. They warn that the movement is facing a number of immediate challenges and concerns that must be addressed if it is to progress. CUDA (2006) also recognises that Irish Credit Unions are currently “at a crossroads” in their evolution. It is fearful that the movement, which has become an intrinsic part of Irish society, may be facing decline as a changing Ireland starts to pass it by.

Linder and Cantrell (2000) emphasise the significance of an organisation’s business model declaring that it is the “core logic for creating value”. The business model currently employed by credit unions throughout the country is one that was first

developed in an Ireland that is very different from the Ireland that we live in today. CUDA has made a timely call for action and proposes that all of the basic elements of the current Irish credit union business model are now revisited in order to examine how Irish Credit Unions might continue to progress. The researcher wishes to investigate this area further with a particular focus on the business model of the larger and more progressive credit unions in Ireland.

### **5.3 Research Question**

The research question of this study follows from the research problem that has been identified in the literature:

**Using Waterford Credit Union as an exemplar of the large Irish credit unions,  
what is the capacity and propensity of Irish credit unions to develop their current  
business model?**

Yin (2003) believes that defining a research question is perhaps the most important part of a research study. A clearly defined research question allows the study to progress in a planned and efficient manner. Slack et al (2006) maintain that a research question is usually one of three types: *explanatory, descriptive or exploratory*. Explanatory research is causal in nature, meaning that it is used to examine cause and effect relationships between variables. Descriptive research aims to analyse a particular phenomenon in great depth and usually requires the use of secondary data that already exists surrounding the subject matter.

#### **5.3.1 Exploratory Research**

Yin (2003) clarifies that the above research question is one of an exploratory nature. Exploratory research aims to uncover facts about a certain subject or setting. The particular subject area of this study is one where there has been few earlier studies conducted. The goal of the researcher is to discover as much additional knowledge as possible about the capacity and propensity of the Irish Credit Union Movement to

develop its current business model and subsequently to develop hypotheses, ideas and propositions that can be investigated at a later stage.

#### **5.4 Research Objectives**

Cohen et al (2000) assert that after a research question is established it should then be translated into the objectives of the study. The following are therefore the key objectives of this study:

**Objective One: To examine Waterford Credit Union's current business model as an exemplar of the large credit unions in the Irish Credit Union Movement.**

The researcher seeks to establish the main aspects of the current business model of large Irish credit unions. The business model will be examined using the four categories outlined in Osterwalder's (2004) Business Model Ontology as a template.

**Objective Two: To assess whether this model will enable or inhibit development along the stages envisaged in Ferguson et al's (1997) typology of credit union evolution.**

This objective explores the ability of the Irish Credit Union Movement to develop and grow using its current business model. The researcher seeks to identify any amendments that may need to be made to the model so that the Movement might progress to a mature state.

**Objective Three: To investigate the capacity of an Irish credit union to undertake change in its business model.**

The researcher aims to examine the capacity of Irish Credit Unions to implement any necessary changes to their business model that may be needed in order for them to develop. The goal is to identify the main enablers and challenges that the Movement may face in attempting to alter their business model.

## **5.5 Research Design**

Having identified the research problem and objectives, the task that follows is the preparation of the research design. Kothari (1990) explains that the research design is the “*conceptual structure within which the research is conducted, it constitutes the blueprint for collection, measurement and analysis of data*”. However, Wailes (1999) cautions that choosing the most suitable methodology can be quite challenging. He stresses the importance of choosing the appropriate research design in order to suit the nature of the research problem. As this study is one of an exploratory nature, a research design must be used which is sufficiently flexible to provide the researcher with opportunities for considering different aspects of the research problem.

### **5.5.1 Qualitative Research versus Quantitative Research**

When choosing the most appropriate methodology, the biggest challenge lies in deciding whether to use quantitative or qualitative research methods. Neither approach is superior to the other but usually one will be more suited to a particular research topic than the other. MeKenzie (2001) makes a clear distinction between the two rationalizing that “the aim of qualitative research is to achieve depth of understanding whilst the aim of quantitative research is to achieve greater breadth”. This explains why quantitative research usually involves studying broad samples while qualitative research focuses on exploring small samples in greater detail. Goulding (2002) describes two conflicting paradigms of research, the positivist/scientific approach that is associated with quantitative research and the phenomenological approach of qualitative research.

### **5.5.2 Phenomenological Research**

This study is a phenomenology based piece of research. Rudestein et al (1992) state that phenomenology “*attempts to describe and elucidate the meanings of human experience*”. Remenyi et al (1998) elaborate by explaining that the essence of phenomenology is “*an attempt to delve below the surface to understand the essence of what is happening*”. In using a phenomenological approach the researcher looks beyond what is happening in a situation to discover the reality behind the situation. This research paradigm is often considered the “interpretative” approach implying that every single event that is studied

is individual and different in its own right. Hyde et al (2004) informs that an interpretative study desires to capture perceptions of reality. It focuses on how individuals perceive reality rather than objective measurements of reality. The aim is not to concentrate on a broad population but rather to gain a more in-depth knowledge or richness of data from a specific group. The nature of this study warrants a phenomenological and interpretative approach and therefore a qualitative methodology will be employed.

## **5.6 Rationale behind chosen methodology**

The business model of the Irish Credit Union Movement is a complex phenomenon which the researcher aims to become familiar with, in order to uncover knowledge from which hypotheses and propositions can be later developed. The use of interviews is therefore the most suitable qualitative method for carrying out research in this area. Kvale (1996) declares that if one is to gain an in depth understanding of another person's world, life, feelings or experience the best way to do so is to have a conversation with them. He explains that the qualitative research interview *“attempts to understand the world from the subjects' point of view, to unfold the meaning of peoples' experiences, to uncover their lived world.”*

Emory et al (1991) agree that the use of interviews as a method of primary research is well suited to exploratory studies. They assert that interviews are considered to be the most effective research method in situations where research questions are complex or open-ended and also where the order and logic of questioning may need to be varied.

### **5.6.1 Types of Interviews**

Gray (2004) reviews several different types of research interviews which exist. Interviews may be highly formalized and structured using standardized questions for each of the participants or they may take the form of more informal and unstructured conversations. Interviews may therefore be categorized as either: structured, semi-structured, or unstructured interviews.

Saunders et al (1997) regard the semi-structured form of interview as the most effective method for gaining in-depth information surrounding a particular topic. This form of interview allows the researcher to probe views and opinions when an expansion of the respondent's answer is required thereby allowing great depth to be achieved. Such probing may direct the interview into pathways which the interviewer had not previously even considered. The semi-structured interview is therefore employed as the primary method of research whereby a common set of questions based on a review of previous literature are devised. This allows for the findings to be easily compared and contrasted however, freedom to move beyond the standardised questions is also an important part of the research process as the researcher aims to uncover such a complex phenomenon.

### **5.6.2 Personal Interviews**

Interviews can be carried out in a number of different ways including personal face-to-face, telephone or by post. All of the interviews conducted in this study were carried out as personal face-to-face interviews. Bernard (2000) emphasises a number of advantages of using this method. Firstly, if a participant doesn't understand a question the researcher can explain it more clearly. Secondly, research interviews usually take at least an hour to be completed. Respondents are more likely to engage in the process when the interview is carried out face-to-face as opposed to the difficulty involved in getting participants to spending an hour or two filling out a postal questionnaire.

### **5.6.3 Limitations of Personal Interviews**

Bernard (2000) warns that by using the face-to-face interview style there are a number of potential drawbacks that the researcher should be aware of. Firstly, it can be quite challenging for an interviewer to remain unbiased during a personal interview. Yeung (1995) warns that qualitative interviews may become influenced by the relationship that develops between the researcher and the interviewee causing bias, inaccurate results. Personal interviews are costly also both in terms of time and money and securing participants can prove to be quite difficult. Another common drawback of using this method is that participants may be reluctant to give particular information for a number

of reasons. They may want to impress the interviewer or may be embarrassed about their true opinions or feelings on the subject area.

As the researcher was aware of these potential drawbacks, attempts were made to overcome each one. The interview questions were carefully devised so that the researcher concealed her feelings on the subject area from the participants. (See appendix 3). The researcher had the personal experience of working in Waterford Credit Union and the research Supervisor had some personal contacts which greatly aided the process of securing interviewees. Interviewees were also ensured that confidentiality would be respected. A transcript of each participant's interview was returned to them so that they had the option to question any particular aspect of the interview that they were unsatisfied with. In an attempt to overcome the cost of time, the researcher scheduled the interviews so that several of them could be carried out in the same location or on the same day where possible.

#### **5.6.4 Sample**

Seven semi-structured personal interviews were conducted with individuals knowledgeable in the domain of the Irish Credit Union Movement. A particular focus was placed on WCU with three of the respondents having a direct relationship with it. The other four respondents each have different roles within the Movement and are not directly connected to WCU. This would allow for a broad range of perspectives to be obtained and a greater generalization of the results. Table 5.6 illustrates the relationship between each interviewee and the Irish Credit Union Movement.



**Table 5.6 Interviewees**

<b>Interviewee</b>	<b>Relationship</b>
Ms. Kathleen Barrington	Sunday Business Times Journalist
Mr. Michael Doherty	Manager of Waterford Credit Union
Mr. John Knox	Research Division of ILCU
Ms. Claire Lawton	Manager of St. Canices Credit Union
Ms. Mary Leamy	Chairperson of Waterford Credit Union
Mr. Brendan Logue	Registrar of Irish Credit Unions
Ms. Eileen Quealy	Long term employee of Waterford C.U.

### **5.7 Data Analysis**

Hesse-Biber et al (2005) emphasise the importance of beginning the data analysis process soon after the data collection begins. In fact they assert that these two processes should almost occur simultaneously. The researcher in this study found that almost by default this did happen as after the first and second interviews it became very apparent that a couple of common issues kept reoccurring throughout the data. More of an emphasis was placed on them in the following interviews as a result.

Breakwell et al (2006) review a number of various approaches that can be used to interpret data after all interviews have been conducted. When all seven interviews were completed, a thematic approach of interpretation was firstly adopted which involved identifying common themes emerging from what the respondents said. A networking process was then employed whereby linkages were formed between the various themes that had been identified by the researcher. This ensured a holistic representation of the data collected, serving to summarise it in a coherent manner.

## 5.8 Validity and Reliability

Concepts such as credibility, trustworthiness confirmability and data dependency are usually associated with research designs that are of a good quality. Yin (2003) informs that the quality of any research design can be judged by four common tests of validity: construct validity, internal validity, external validity and reliability. Construct validity refers to whether the research design is adequate to measure the concept being studied. The researcher has established construct validity by considering the nature of this study's research question and the available options of primary research methods. Many similar studies of an exploratory nature have used personal interviews as the main method of primary research so it was considered a valid option.

External validity was carefully considered in this study as this concept refers to the extent of which the research findings can be generalised. Much of an emphasis was placed on Waterford Credit Union in the research process. Three of the research participants have a direct involvement with Waterford Credit Union. However, four external interviewees were also included so as to ensure external validity. See figure 5.6.

Reliability refers to the consistency of the study. It demonstrates that the data collection methods of a study can be repeated to produce the same results. Waltz et al (2004) critique that while there are a number of reliability tests that can be carried out on structured interviews, given the inconsistency that can occur in the questions of semi-structured and un-structured interviews traditional reliability testing is "virtually precluded".

Some precautions were taken however in order to ensure that reliability was controlled where possible. First of all each of the respondents was given as much time as needed to answer each question. Waltz et al (2004) caution that if participants are rushed than they may not give accurate or complete information thus inhibiting the reliability of the data. The second precaution taken by the researcher was the use of a dictaphone to record the interviews. Open-ended questions can often generate complex information so recording

interviews can help to limit any misunderstandings, thereby improving the quality of the data collected and increasing the reliability.

## **5.9 Limitations**

One of the main limitations of this research design is that it focuses mainly on the business model of one credit union in Ireland. Critics may argue that it is therefore difficult to generalize this piece of research; however attempts have been made to overcome this limitation by including four other external interviewees to provide a broader perspective on the subject and to ensure that the research is relevant to other credit unions throughout the country. A second limitation involves the size of the research sample. Given that the Irish Credit Union Movement is such a large social system, the researcher would have preferred to carry out a larger number of interviews enabling her to include other individuals who would have been relevant to the research. However, considering time constraints the researcher is satisfied that the seven in depth interviews constructed do offer an accurate and broad range of perspectives on the research objectives of the study.

## **5.10 Chapter Summary**

This chapter has explained and justified the research methodology used in this study. Firstly, the research problem was identified from which the research question and objectives were derived. A qualitative approach was chosen as the most suitable given the exploratory nature of the research question. A detailed account of the interview type selected together with its benefits and drawbacks were presented. The data sample was outlined and the data analysis process which took place was described. The limitations of the research were also highlighted.

## Chapter Six Primary Research Findings

*"All men by nature desire knowledge."  
-Aristotle*

### **6.1 Introduction**

The objective of this chapter is to present the main results that were obtained from the research undertaken in this study. It outlines the main findings that have been gathered from the in-depth personal interviews that were conducted with seven individuals, each possessing a different relationship with the Irish Credit Union Movement. This chapter firstly provides an overview of Waterford Credit Union as this particular credit union is used as an exemplar of the larger credit unions in Ireland for the purpose of this study. The main findings from the primary research are then presented in an integrative manner under three subsections based upon the main research objectives of the study. The chapter is structured in this way so that the all of the significant information gathered relating to each objective can be clearly identified.

### **6.2 An Overview of Waterford Credit Union**

Waterford Credit Union is one of the largest and most progressive credit unions in Ireland with total assets amounting to €178 million in 2006. (Annual Report 2007) It is also a prime example of an Irish credit union that is at a crossroads in its development. Over the last decade Waterford Credit Union has evolved dramatically and has undergone some tremendous changes. Most recently in April 2008, Waterford Credit Union made headlines as it became the first financial institution in Ireland and second credit union in the entire world to achieve ISO 27001 certification. This means that Waterford Credit Union has identified, managed and minimised a range of threats to its members' confidential data, thereby ensuring that this information is secure and protected.

Table 6.2 highlights the major progressions that have been made in Waterford Credit Union's evolution over the last decade.

**Table 6.2 Waterford Credit Union’s Development**

<b>Year</b>	<b>Development</b>
<b>1998</b>	<b>First Irish credit union to reduce loan interest rates since 1958</b>
<b>2001</b>	<b>Establishment of a second office</b>
<b>2006</b>	<b>New products introduced including mortgages and ATM</b>
<b>2006</b>	<b>Online presence developed</b>
<b>2007</b>	<b>Electronic Fund Transfer service made available to members</b>
<b>2008</b>	<b>ISO 27001 Certification</b>

### **6.3 Waterford Credit Union’s Current Business Model: An Exemplar of the Larger Credit Unions in Ireland**

Using the four categories of Osterwalder’s 2004 Business Model Ontology as a template, the main aspects of Waterford Credit Union’s Business Model were established through the interviews conducted.

#### **6.3.1 Products**

Michael Doherty, Manager of Waterford Credit Union commented that Waterford Credit Union has two main functions, that is to provide “*savings and loans products*”. He made a distinction between the “*traditional*” products provided under each of the above categories and the “*extension*” of products that have been added to each of these product lines. For instance there is now a range of various savings accounts including term accounts and a stamp account which are available to members in addition to the basic ‘shares’ account which the Credit Union was “*traditionally founded for*”. Similarly he described a number of lending products that have been developed an addition to the basic short term loan that is traditionally associated with Irish Credit Unions. Such products include “*secured loans and mortgages on an agency basis through EBS.*”

Claire Lawton, Manager of St. Canices Credit Union which is a similar size to Waterford Credit Union emphasised the importance of focusing on providing the traditional core credit union services. *“There’s plenty of other people doing insurance services and things like that, our real reason for being there is to satisfy the needs of people who may not have access to all other financial services....”*

Eileen Quealy who is an experienced staff member of Waterford Credit Union elaborated that in addition to the “main products” a number of other products are also offered including *“various insurance products such as health, travel, savings insurance and repayment protection insurance, foreign exchange, electronic fund transfer services, an ATM service and some investment products that are provided by Eagle Star”*. Mr. Brendan Logue, Registrar of Irish Credit Unions referred to these products as *“peripheral”* products and considers them to be *“minor”* functions when compared to the core functions of savings and lending.

### **6.3.2 Customer Interface**

#### **6.3.2.1 Target Members**

John Knox of the research division of the ILCU explained that *“credit union membership is open to all”* and that larger credit unions target all sectors of the population. However he rationalised that credit unions tend to serve more members of the lower income groups of society than other financial institutions and have prided themselves on doing so for 50 years now. *“If you do that awful segmentation of the population where you divide it into groups, the A category would be the ‘Sean Quinns’ of this world whereas the E category would have the people living on welfare. Credit unions would have a high proportion of the people in the lower rankings such as the E category”*.

Ms Quealy agreed that Waterford Credit Union targets all age groups of society however she also said that at present a particular focus is being placed on attracting younger members as she claims *“They are our future after all. If you get members in when they are young it is likely that they’ll stay with you.”* Kathleen Barrington who is a journalist with The Sunday Business Times agreed that many of the larger credit unions are now

targeting a younger member base as they are currently experiencing an ageing membership dilemma. *“credit unions in a lot of cases have an older customer base and those customers are savers primarily and because they are not getting in enough new members they don’t have enough borrowers resulting in a mismatch then between their assets and their liabilities and that creates big problems”*.

Brendan Logue, the Registrar of Irish credit unions provided the legal perspective on credit union membership. He insisted that each credit union is restricted to offer membership to only those people who are within it’s common bond area. However he explained that common bonds have *“tended to erode considerably because people move around a lot more now than they did before. They’re allowed to transfer their membership with them, so the common bond concept has weakened to some degree”*. He believes that the challenge would therefore be for credit unions to adapt to this change in demographics.

### **6.3.2.2 Distribution Channel**

Mr. Knox described the distribution channel of credit unions as still very much *“high touch”* oriented whereby most business is conducted through members coming into the office. He assured that this delivery style satisfies members. *“We recently did a survey and we did a similar one about 10 years ago, and time and time again people say what they like about credit unions is the face to face contact.”*

Mr. Knox suggested that it would be a *“big culture-shock”* for credit union members if credit unions were to focus mainly on a high-tech delivery style. Mr. Doherty is conscious of that aspect and explained that Waterford Credit Union’s distribution channel is therefore *“a mixture of the two styles”*. He believes that there is a need to have an online presence, whereby people can pay bills from the comfort of their own home and their own offices. *“I think that is the key to the future of the service we offer, while still maintaining the open branches for those people who want to use them”*. Ms Leamy also supported the idea of having a balanced approach whereby the *“convenience of online banking”* is offered but asserts that the personal touch should never be lost.

### **6.3.3 Infrastructure Management**

#### **6.3.3.1 Information Technology Infrastructure**

Each of the interviewees confirmed that information technology (I.T.) plays a tremendously important role in a credit union's operations. Ms. Leamy captured the significance of its role most effectively when she states *"It's vital, absolutely vital."* Ms. Lawton elaborated that credit unions like most other modern organisations depend on I.T. for a number of different functions. It allows them to meet the demands of their various stakeholders, from supplying reports that are required by the registrar and Board of Management to keeping members accounts accurate and safe.

Ms. Quealy pointed out that while I.T has a very important role in credit union operations, the technological infrastructure of Irish Credit Unions is not as advanced as some of the other progressive movements worldwide such as The Australian Movement. *"The credit unions there are well developed large corporations and only sophisticated technology would allow them to achieve that. They have state-of-the-art systems and are very much equal to the banks in their countries"*. Mr. Logue provided further evidence of the bridge between the Irish Movement's I.T. infrastructure and other movements worldwide. He revealed that *"the history of credit unions in Ireland and technology is poor."* He mentioned the League's attempt to establish an all-Ireland integrated system, the ISIS project, which experienced notable lack of success.

#### **6.3.3.2 Quality and Professionalism of Personnel**

Mr. Doherty reflected upon the professionalisation of Waterford Credit Union staff which has occurred over the last decade. *"I think most of our most recent appointments would generally be coming as graduates from Waterford Institute of Technology."* He mentioned that it is now becoming compulsory for employees to have qualifications such as the Qualified Financial Advisor exams. Soon that will be applying to largely all staff irrespective of how they arrived in the credit union so certainly that will result in more professionalism. He added that this is in stark contrast to 15 years ago when personnel would have been largely comprised of volunteers.



### **6.3.3.3 Business Network Partners**

The interviews have highlighted that each individual Irish Credit Union is part of two significant networks; an external network and an internal network.

Ms. Quealy explained that Waterford Credit Union has a number of important external network partners including EBS and Eagle Star. She believes that Waterford Credit Union does not have the capacity to supply certain complex products such as mortgages and investment products on their own, however by teaming up with such external companies it allows them to provide those services to their members. Ms Barrington believes that this is a good initiative as *“it might be a good way for credit unions to learn about mortgage provision without getting too deep in the initial stages and they could do their own later on”*.

Ms. Leamy focused on the internal network partners of Waterford Credit Union informing that there is close cooperation between all of the credit unions in the local area. She added that the League is the most significant internal partner explaining that it provides support and assistance for individual credit unions however she points out that this can sometimes inhibit rather than stimulate credit union growth. *“It can restrict what an individual credit union wants to do at times. I think part of their problem is that they haven’t moved as quickly as some of the larger credit unions in the country. But I still think that they’re useful, because there is strength in unity and if you want to go to the department or IFSRA, if you go as a movement it can be sometimes easier than going as an individual credit union”*.

### **6.3.4 Revenue Model**

Mr. Knox explained that a credit union’s income is largely comprised of interest income which means either loan interest or investment interest. Ms Barrington is concerned about the tendency of credit unions to depend more on investments in recent times as their lending levels have fallen. She observed: *“One colleague of mine described credit unions to me as dysfunctional investment clubs rather than financial institutions in the traditional sense.”* Ms Lawton admitted that investment management has become a

significant part of St. Canices Credit Union’s business model as investments are now in fact its biggest income generator.

However Mr. Doherty maintained that Waterford Credit Union’s main revenue stream is still that of loan interest, accounting for 70 percent of their total interest income while investments account for 30 percent. In terms of costs, Mr. Doherty asserted that the 3 most significant costs of Waterford Credit Union are salaries, bad debts and savings and loan insurance. These would account for at least 70% of costs He confirmed that *“controlling those particular 3 is the key to being in a position to pay a strong dividend”*.

#### **6.4 Business Model Development**

The interviewees described a number of key areas of the credit union business model that they believe may need to be amended in order for Irish Credit Unions to progress. The social or commercial imperatives that are driving these developments were also discussed. A summary of these findings is presented in Table 6.4 followed by a discussion of the issues that arose most often by the respondents.

**Table 6.4. Key areas of business model development and their drivers**

<b>Area Being Developed</b>	<b>Driver of Change</b>
Products	Increased Competition, members more aware of their choices
Distribution Channel	Changing Lifestyles, competition
Co-operation within the Movement	Survival of smaller credit unions, rising costs
I.T. Infrastructure	Need for new products and for integration of credit unions
Cutting of Costs	Loss in Loan Interest Income

#### **6.4.1 Product Development**

Mr. Logue was adamant that the services which credit unions are currently providing need to be developed. He warned that the loyalty of members should never be taken for granted because *“if the services aren’t competing with the rest of the market, there will be the temptation to switch, particularly with the younger members. People are more aware of their choices nowadays”*.

Ms. Quealy expressed concerns that with regard to the diversification of products, it is difficult for credit unions to compete with banks and other financial institutions. *“Each credit union is a separate organisation while the banks are a huge collaborative organization with a large financial backing and network so therefore they are able to supply more of a variety. We have to compete with that.”*

#### **6.4.2 I.T Infrastructure Development**

Mr. Knox cautioned that an integrated I.T. platform needs to be developed so that credit unions will be able to develop their products and distribution channel. He explained that the difficulty in developing electronic services such as ATM systems and bill payment systems lies in trying to integrate credit unions throughout the country. *“The problem we have as a movement is that there are about 12 different I.T. suppliers. They might have 300 credit unions between them but their systems can’t talk to each other so that prohibits credit unions entering into electronic fund transfer services.”*

Mr Knox reflected on the failed ISIS project which was an attempt by the ILCU to develop an integrated I.T. system. Losses amounted to an enormous 27 million pounds, however he believes the loss in confidence that resulted was even more costly. *“The confidence set back was probably an even bigger one than the financial setback”*. He acknowledged that the League has worked hard to try to regain the trust of the credit unions and has somewhat succeeded. *“There appears to be an appetite beginning again within the movement to have maybe not a centralized system but at least an I.T. system that allows credit unions to provide some services that they can’t currently such as electronic fund transfers.”*

There's a credit union owned company called C.U. Solutions that is trying to come up with a solution for the problem. Mr Logue agreed that a *"common platform is probably very desirable but not immediately achievable"*. He warned *"one thing that is for certain, is that unless credit unions can get their act together in terms of technology they are going to fall behind"*.

### **6.4.3 Rationalisation**

Ms. Leamy pointed out that individual credit unions usually support and interact with each other particularly at local level. Mr. Logue believes that this cooperation can be taken a step further suggesting that it would make sense for a number of credit unions in close proximity to integrate but admits that this would be a challenge. *"I think rationalization will happen, the question is will it happen in a planned way or a chaotic way, and when? It should happen because credit unions individually will no longer be able to sustain the cost levels of things like employment, legal services, accounting, finance, investments, all those things. They will increase their leverages against their providers if they stick together. But then again each credit union is very independent"*.

Mr Doherty is also in favour of rationalization occurring. He remarked that it would give credit unions the strength to develop their own in-house products rather than *"taking off the shelf products from somebody else"*.

## **6.5 The Capacity to Change**

### **6.5.1 Enablers**

It is very apparent from these interviews that the Irish Credit Union Movement's reputation can be considered one of its greatest assets. Ms Barrington commented that *"fundamentally the words 'credit union' still evoke a warm response. It is quite a powerful term and people would have a sense that credit unions are the good guys and that the banks are more aggressive"*. Mr Knox agreed that credit unions have *"a great track record"* and a well established membership base of three million people throughout

the country. He added that those members are loyal to their credit union and therefore credit unions should get the trust and support that is needed during change.

Ms. Leamy stressed the importance of an effective Board of Management to lead the change process. She acknowledged that Waterford Credit Union's Board of Management have an "open and tolerant attitude" towards new ideas and products and feels that this has been the key to the credit union's progression over the last number of years. Ms Quealy also emphasised the significance of an effective board. "*We need board members with good ideas, a good vision, practicality and specific skills. Unfortunately its sometimes difficult to get these people involved nowadays.*"

Mr. Doherty and Ms Lawton both mentioned that larger credit unions are more "*financially capable*" of making any necessary change to their business model than the smaller credit unions of Ireland. Ms Lawton added that she believes that St. Canices Credit Union is in a good position to embrace change "*with the comfort of good reserves*". Ms Quealy agreed that this allows larger credit unions to take more risks and chances as opposed to some of the smaller credit unions.

### **6.5.2 Challenges**

While it is apparent that there are a number of enablers that will allow credit unions to embrace change, Mr. Logue persisted that there is a "*clear absence of leadership*" within the Movement and hence an absence of high level strategy. Ms. Barrington agreed that a leader needs to be appointed and a strategy agreed. "*I definitely think that in a structure where there's no centralized power to dictate you need a winning personality to drive change going forward*".

Mr. Knox envisages it being difficult to get people to accept that change might be needed. He cautioned that "*a bloodbath will occur when you begin to have discussions around changes as people will say you're going away from the ethos, you're breaking the philosophy.*" Mr. Doherty agreed that there are some individuals within the movement who have been involved for many years and it can be difficult to persuade them that

change is necessary. He used the example of the rationalization process to illustrate this challenge. *“We think that one of the priority areas is rationalization. The biggest challenge is getting other people to actually see or accept that this is the way credit unions need to go.”*

Ms Quealy admitted that communication will be another challenge. *“Management need to communicate with staff effectively during change and likewise staff need to fill our members in on what’s going on. A positive message about change needs to be communicated effectively.”* She believes that people need to be given all of the relevant information so that they will overcome any fears that they may have about the change. She stressed: *“Rather than fear it they need to embrace it”*.

Each of the respondents were questioned about the market research activities of the Credit Union Movement and the overwhelming response was that while efforts are being made the interviewees felt that more could be done in that area. Mr. Doherty admitted that it has been four or five year since WCU carried out a large scale piece of market research however, he points out that there has been some customer satisfaction research done over the last couple of years.

## **6.6 Chapter Summary**

This chapter presented the primary research findings collected from the seven semi-structured interviews that were conducted with various individuals knowledgeable in the domain of The Irish Credit Union Movement. The main aspects of the current business model of a large Irish credit union were established. The respondents revealed that some aspects of this model need to be renewed in order for credit unions to progress, mainly in the areas of product development, I.T. infrastructure, distribution channel development, rationalization and the cutting of costs. There are a number of enablers that will allow The Movement to make such changes however a number of difficult challenges were also outlined by the interviewees such as an absence of leadership, lack of direction and getting people to accept that change is necessary.

## Chapter Seven: Discussion

*Knowledge is a process of piling up facts; wisdom lies in their simplification."*

*-Martin Fischer*

### **7.1 Introduction**

The objective of this chapter is to analyse the significant findings presented in Chapter Six in greater detail. The implications of these findings will be discussed. A sequential model is presented which highlights the urgency of each of the challenges that the Irish Credit Union Movement must overcome in order for it to progress. The previous literature presented in Chapters One to Four that is relevant to the findings will be used throughout the discussion. This allows both the researcher and the reader to easily identify how the findings of this study relate to the current available literature on the subject area.

### **7.2 Summary of Main Findings**

Chapter Six outlined the significant findings of this study. The key aspects of the business model of a large Irish credit union have been identified using Waterford Credit Union as an exemplar. The respondents have highlighted the areas of the current business model that they believe need to be developed in order for the Irish Credit Union Movement to grow and mature. Both the enablers of change and the challenges that will be faced in implementing change have also been established. The overall research question of this study is:

**Using Waterford Credit Union as an exemplar of the large Irish credit unions, what is the capacity and propensity of Irish credit unions to develop their current business model?**

### 7.3 The Capacity to Change

The findings provide evidence that there are a number of enablers which will allow the Irish Credit Union Movement to develop its business model. Croteau (1963) stresses that credit unions have a very special relationship with their members. He explains that credit unions are owned, run and used by their members. Similarly McKillop (2006) points out that the relationship that credit unions have with their members is one of the main differences between them and other financial institutions. The findings of this study provide evidence that the good relationship between credit unions and their members which they pride themselves on has now become their “*main asset*” according to Mr. Logue. He believes that credit unions have a “*strong reputation*” and a “*loyal member base*” which should provide the support that it needs during a change process.

Another key finding was that capital appeared to be one of the main factors which the respondents believed would enable change to happen. The larger credit unions have the “*comfort of good reserves*” as Ms. Lawton and Mr. Doherty remarked that will allow them to take more risks and implement changes more so than the smaller credit unions. This finding is consistent with the existing literature. In Chapter Four’s examination of the US Credit Union Movement, CUDA (2006) maintains that US credit unions have grown and matured largely due to the large revenues that they have. For instance US credit unions have been able to invest large sums of capital in their IT infrastructure which is now highly sophisticated and on a similar level to the IT infrastructure of commercial banks.

Luecke (2003) stresses that the people in a social system are one of the most important factors in determining the success of a change implementation process. He highlights that support needs to be obtained from all of the various parties or communities within the system during change. The findings of this study have indicated that this will be a difficult task for The Irish Credit Union Movement to pass as there are such conflicting opinions within it as to the direction which the Movement should now take. However, Ms. Leamy and Mr. Doherty have both highlighted that where individual credit unions do have the support of all parties involved in the change process then it is more likely to be a



success. Ms. Leamy commented that WCU have a Board of Directors who have been “open and tolerant” regarding change over the last number of years. Mr Doherty added that WCU also had the support of professional staff and management. Both interviewees suggested that this is one of the reasons that WCU has progressed so much over the last decade.

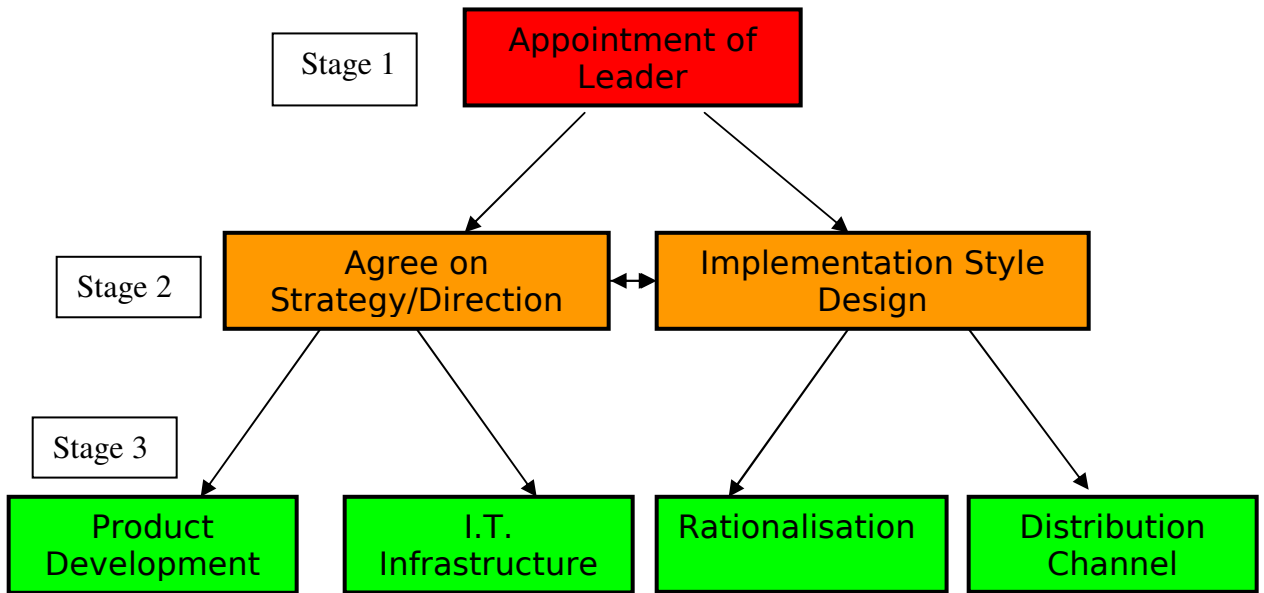
## **7.4 Challenges**

The findings of this study have also revealed that there are a number of significant challenges that the Movement will face in implementing change. It is apparent that besides the specific challenges associated with changing individual aspects of the business model there are also a number of broader challenges that need to be tackled in order for any of the more specific business model changes to be successfully implemented. After all a business model is a tool that is only as effective as the environment it is employed in and the people who implement it.

### **7.4.1 The ‘Traffic Light Model’**

A three dimensional metaphorical model, *‘The Traffic Light Model’* has therefore been proposed as outlined in Figure 7.1. According to the Oxford English Dictionary (2008) a metaphor is “*a figure of speech in which a word or phrase that ordinarily designates one thing is used to designate another, thus making an implicit comparison*”. It allows us to make connections between unfamiliar concepts and familiar concepts. “*The Traffic Light Model*” can be used to represent a sequence of different levels of challenges that the Irish Credit Union Movement needs to tackle. How the movement deals with these challenges will determine the success of their business model change implementation.

**Fig 7.1 The Traffic Light Typology**



#### **7.4.2 Leadership: ‘The Red Light’**

It is apparent from the findings presented in Chapter Six that there is a clear absence of strategic leadership within the Irish Credit Union Movement. Ms. Barrington postulates: *“I think the problem is that the credit unions haven’t found the leader yet who will drive change”*. The available literature supports her opinion that this issue is cause for much concern as Ferguson et al (1997) stress in their typology of credit union development that leadership is one of the main factors which determines the progression of any credit union movement. Leadership has been classified as the “red light” stage in the traffic light typology. This means that it is the most urgent and significant challenge which the movement currently faces in implementing change.

Sibbald et al (2002) advise that each credit union movement is individual and should therefore elect a form of leadership that is most appropriate for it depending on the stage that it is at in its evolution. The two main types of leaders that they suggest are managerial leadership and visionary leadership. Managerial leaders focus mainly on the present situation of an organization. They tend to be task and goal oriented ensuring they make the best use of the resources at their disposal. Visionary leaders on the other hand, paint a picture of what an organisation can aspire to become. They point towards the future, providing direction and encouraging others to embrace change.

Perhaps a visionary leader then would be the most suitable leader in order to drive the Irish Credit Union Movement forward. The Credit Union Movement is steeped in history as Ms. Barrington has mentioned. Therefore a chosen leader must have a good understanding and appreciation of the underlying ethos of the movement also.

#### **7.4.3 The Amber Lights**

The following two challenges of direction and implementation style design are classified as the ‘*amber lights*’ in the Traffic Light Typology. Once the most significant or ‘*red light*’ challenge of leadership has been overcome, the appointed leader should have the ability to tackle these problems. It should be noted that these lights are at the same level

of the traffic light model and therefore neither of them should be prioritized to the other. On the contrary the leader and the leader's team will ideally address these challenges simultaneously. The outcome of these challenges will determine if the Movement can progress to the green light stage in the typology.

#### **7.4.3.1 Direction**

The Irish Credit Union Movement is currently at a crossroads in its development and there is an obvious ambiguity surrounding the direction the movement should now go in. An experienced staff member of Waterford Credit Union, Eileen Quealy remarked that *“it is difficult to decide on the direction that we need to take. We need to decide what we want to become and what we actually are, where we are heading and what are our goals? All of these questions need to be answered.”*

Sibbald et al (2002) believe that in the past the ILCU was effective at providing direction for the movement. However due to failures such as the ISIS project, confidence has been lost in them which John Knox of The League also admitted in his interview. As a consequence there is now a directional *“vacuum”* as described by Mr. Logue. The interviewees all agreed that the challenge in agreeing on a direction lies in reconciling the internal conflict of opinions regarding the relevant importance of the traditional credit union ethos in embracing change. Balogun et al (2003) caution that a struggle can sometimes ensue between members of the organization who are open to change and diversity and those who wish to firmly adhere to past philosophies. If members of the Movement can't resolve this conflict and decide on its future direction than it will be very difficult to move to the *“Green Light Stage”* of Business Model change.

However both Ms. Leamy and Mr. Doherty appeared to have an effective solution. They believe that a balance should be achieved whereby the ethos and the tradition of the credit union are still given much consideration in future strategies but stress that the ethos should not be given priority over new policies that are necessary for progression. Ms. Leamy commented that the traditional ethos may be used as an advantage as *‘something that's different to the other financial institutions.’* However she maintains that credit

union management needs to be aware of environmental changes in order to remain relevant as she emphasises: “*you have to be outward looking all the time, see what’s happening and try to address peoples’ needs*”.

#### **7.4.3.2 Implementation Design**

Freedman et al (2004) explain that an important task of implementing a change strategy is to decide on a plan and the rate at which the plan will be implemented. They warn that this is an important aspect of the process as it makes the change vision more concrete however it often gets overlooked. The research carried out in this study provides evidence that it is difficult for the Irish Credit Union Movement to progress due a lack of concrete planning and appropriate timeframes. Ms. Lawton revealed that “*Change is historically very slow in credit unions, and when something is very slow it tends to lose momentum*”. The appointed leader therefore has the challenge of choosing the most appropriate style of change implementation.

#### **7.4.4 The Green Light**

The idea for this study came from analyzing a report published by CUDA in 2006. CUDA (2006) proposed that it is time for all of the basic elements of the Irish credit union model now be revisited in order for credit unions to progress. Once the Movement has successfully come out of the ‘*amber light stage*’ it will have reached the ‘*green light stage*’ of the model. At this stage the Movement should have the proper structures in place to allow them to successfully implement changes to specific areas of their business model.

The findings suggest that there are a number of significant changes that will need to be made confirming that CUDA’s (2006) concerns are justified. The changes most commonly mentioned by the interviewees as the ones that are most required are product developments, IT infrastructural development, distribution channel sophistication, the cutting of costs and rationalization of the movement. Interestingly Goddard et al (2002) have listed similar areas of operations that were developed by the US industry and ultimately allowed that Movement to progress to maturity.

## **7.5 A Paradigm Shift**

The findings of this study and the discussion so far have emphasized that The Irish Credit Union Movement does not only require some specific business model changes. In order for it to progress successfully from its period of transition it is evident that a paradigm shift of some form is required. A paradigm involves the set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them.

Petrovic et al (2001) distinguish between single and double loop learning in a business model development context. Double loop learning may be considered a more advanced form of learning. It replaces a reductionist and short run and static view of the world with a holistic, long term and dynamic view. It occurs when in addition to the detection and correction of problems, the organization also questions and modifies the existing policies or principles of the organisation. This form of learning needs to be adopted by The Irish Credit Union Movement particularly given the historical nature of their underlying ethos. They need to continue to question and challenge their principles and policies in order for them to remain relevant and continue their success. In order for them to become more aware of their environment a good starting point would be to invest more in market research. The findings highlighted that very little market research is being carried out by Irish credit unions at present with Mr. Doherty admitting that “*more could be done*”.

## **7.6 Conclusion**

This chapter has interpreted the main findings of the primary research carried out in this study. It highlights that the Irish Credit Union Movement does have the potential to make some significant changes to its existing business model that are needed in order for it to develop and grow. However there are a number of difficult challenges that it needs to tackle in order to do so. A metaphorical model has been proposed which highlights the sequence with which the researcher believes that these challenges should be addressed. The paradigm shift and the subsequent change in attitude that is needed by the Movement in contrast to smaller more specific operational changes have also been discussed.

## Chapter 8

### Conclusion

*“Great is the art of beginning, but greater is the art of ending.”*  
*-Henry Wadsworth Longfellow*

#### **8.1 Introduction**

This purpose of this study was to explore the capacity and propensity of the Irish Credit Union Movement to develop its business model so that it might progress from the transition that it is currently going through in its development. The primary research of this study involved the use of seven semi-structured personal interviews, the results of which have been presented and discussed in Chapters Six and Seven. The purpose of this chapter is to draw conclusions from those findings and from the study as a whole. Also presented are the limitations of the study and recommendations for future studies.

#### **8.2 Conclusions**

The main aspects of the current business model of a large Irish credit union were established using WCU as an exemplar. The respondents revealed that some aspects of this model need to be renewed in order for credit unions to progress, mainly in the areas of product development, I.T. infrastructure, distribution channel development, rationalization and the cutting of costs. The main drivers of these developments were found to be increased competition in the financial services sector and changing lifestyles.

There are a number of enablers that will allow The Movement to make such changes. The one mentioned most commonly by respondents was that of its *“strong reputation”* and *“loyal member base”*. Others include the degree to which a Board of Directors is open and tolerant to change and the level of reserves that an individual credit union has. However a number of difficult challenges were also outlined by the interviewees such as an absence of leadership, lack of direction and the difficult task of getting people to accept that change is necessary.

The researcher has developed a three dimensional metaphorical model, '*The Traffic Light Model*' that presents a framework of the various levels of challenges faced by credit unions based on the sequence in which she proposes they be tackled in order for business model change to be successful. How the movement deals with these challenges will determine the success of their business model change implementation.

In order for the Movement to progress from its period of transition it is evident that a paradigm shift of some form is required rather than small operational changes. A paradigm involves the set of assumptions, concepts, values, and practices that constitutes a way of viewing reality for the community that shares them. The researcher believes that a holistic, long term dynamic view of the world needs to be adopted by the Movement by engaging in a process of double loop learning. This will allow them to gain a more timely understanding of changing environmental circumstances and to strike the appropriate corresponding balance between the relevancy of their traditional ethos and new strategies and policies.

### **8.3 Limitations**

The main limitation of this study is that the research focuses mainly on a small number of credit unions and therefore the research results may not be generalisable. WCU was selected as an exemplar of the larger credit unions in Ireland with three of the interviewees having a direct relationship with that particular credit union. St. Canices Credit Union is also represented as Ms. Claire Lawton, Manager of St. Canices Credit Union was another of the interviewees selected. It is worth noting therefore that this piece of research may be particularly useful to only those specific credit unions that have been dealt with. However, attempts have been made to overcome this limitation by including four other interviewees that do not represent any individual credit union. This allows for a greater generalization of the research.

A second limitation involves the size of the research sample. Given that the Irish Credit Union Movement is such a large social system, the researcher would have preferred to carry out a larger number of interviews enabling her to include other individuals who



would have been relevant to the research. However, considering time constraints the researcher is satisfied that the seven in depth interviews constructed do offer an accurate and broad range of perspectives on the research objectives of the study.

#### **8.4 Recommendations for future research**

From the limitations of this study a number of opportunities for future research have emerged. Primarily it is proposed that a similar study be carried out on a larger scale. In this study seven semi-structured interviews were conducted however a doctoral study would allow for a much greater number of interviews to be carried out due to less time constraints. Such a study would ensure a greater representative sample of the entire Irish Credit Union Movement. This would make the research more relevant and applicable to more than just a handful of credit unions such as the ones that were dealt with in this particular study thereby allowing for much greater generalization of the study's results.

One of the most significant findings from this research is the absence of leadership in The Irish Credit Union Movement. The area of leadership is a complex one in itself with many different dimensions to it. A sequential piece of research could therefore be conducted in order to examine the style of leadership that is needed. For instance how much power should the appointed leader be given and how much flexibility should the leader allow individual credit unions in implementing a chosen strategy given the diversity of credit unions within the movement. This area needs to be further explored.

#### **8.5 Personal reflection of the author**

This study has given me the opportunity to gain a much greater understanding of a subject area that I am deeply interested in. It has also allowed me to practice and develop my research skills. I believe that my personal experience of working in WCU greatly aided the research process as I had a good existing knowledge of the area and a genuine interest in it. The research process was at times quite challenging, however the support of my family, my supervisor and my peers made it a lot easier. The experience of undertaking a dissertation has proved itself to be very rewarding and satisfactory as I write this conclusion.

## **8.6 Chapter Summary**

This chapter provided a summary of the main findings and conclusions of the study. The limitations of the study were outlined and the researcher presented recommendations for future studies in the area. The personal reflection of the author on concluding this study was also included.

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# Appendices

# Appendix 1

**Figure 2.1 Stages of Credit Union Development**

<b>Nascent Stage</b>	
<b>Key Attributes</b>	<b>Industries</b>
Small asset size Highly regulated Tight common bond Strong emphasis on voluntarism Serve weak sections of society Single savings and loans product High commitment to traditional self-help ideals	Britain Poland Russia Ukraine
<b>Transition Stage</b>	
<b>Key Attributes</b>	<b>Industries</b>
Large asset size Shifts in regulatory framework Adjustments to common bond Greater product diversification Emphasis on growth and efficiency Weakening of reliance on voluntarism Recognition of need for greater effectiveness and professionalism of trade bodies Development of central services	Ireland New Zealand
<b>Mature Stage</b>	
<b>Key Attributes</b>	<b>Industries</b>
Large asset size Deregulation Loose common bond Competitive environment Electronic technology environment Well organized progressive trade bodies Professionalisation of management Well developed central services Diversification of products and services Products and services based on market rate structures Emphasis upon economic viability and long term sustainability Rigorous financial management of operations Well functioning deposit insurance mechanism	United States Canada Australia

## Appendix 2

**Table 4.1 Osterwalder's Business Model Ontology**

<b>Pillar</b>	<b>Building Block of Business Model</b>	<b>Description</b>
Product	<b>Value Proposition</b>	A value proposition is an overall view of a company's bundle of products and services that are of value to the customer.
Customer Interface	<b>Target Customer</b>	The target customer is a segment of customers a company wants to offer value to.
	<b>Distribution Channel</b>	A distribution channel is a means of getting in touch with the customer
	<b>Relationship</b>	The relationship describes the kind of link a company establishes between itself and the customer.
Infrastructure Management	<b>Value Configuration</b>	The value configuration describes the arrangement of activities and resources that are necessary in order to create value for the customer.
	<b>Capability</b>	A capability is the ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer.
	<b>Partnership</b>	A partnership is a voluntary initiated cooperative agreement between two or more companies in order to create value for the customer.
Financial Aspects	<b>Cost Structure</b>	The cost structure is the representation of money of all the means employed in the business model.
	<b>Revenue Model</b>	The revenue model describes the way a company makes money through a variety of revenue flows.

## Appendix 3

## Interview Questions\*

- What are the main products and services that an Irish credit union offers its members?
- Who are the target customers of Irish credit unions?
- How would you describe an Irish credit union's distribution channel? Is it one which emphasises a "high touch" or "high tech" deliverance style?
- What kind of a role does information technology play in The Irish Credit Union Movement's operations?
- What are the main elements of a credit union's current revenue model (i.e. how the organisation makes money)?
- How much does an Irish credit union rely on its network partners in order to provide a variety of products and services to its members?
- Which aspect of the Irish credit union business model is currently being developed: products, customer interface, infrastructure management or its revenue model?
- What is the commercial or social imperative that is driving the need for this development?

- What changes do you envisage occurring in the Irish Credit Union Movement's environment in the coming years?
- What kind of demands will these changes place on credit unions?
- Do you think a corresponding change in any aspect of the credit union business model may be required in light of these environmental changes?
- What is the relative importance of maintaining the tradition of Irish credit unions and the importance of embracing change that will allow credit unions to remain relevant to their members?
- Does the Movement undertake much market research?
- What do you think are the main enablers that will allow Irish credit unions to grow and mature in the coming years?
- What kind of challenges do you think credit unions will face in implementing any necessary changes to their business model?

*\* For each interview this was the template of questions used however they were slightly altered for some of the interviewees. For instance when Mr. Michael Doherty was questioned Question 1 would have been:*

*“What are the main products and services that **WCU** offers its customers?”*

*In contrast, when Mr. Knox, an ILCU representative was interviewed the question became more generalized:*

*“What are the main products and services that **a large Irish credit union** offers its customers?”*



## Appendix 4

Appendix 4: A Summary of the Sources used in this dissertation

	<i>2002-2008</i>	<i>1990-1999</i>	<i>1980-1989</i>	<i>Pre 1980</i>	<i>Total</i>
Academic Journals	8	6			14
Texts	16	3		1	20
Reports	4				4
Financial Press	3				3
Websites	2				2
Total	33	9		1	43

## Appendix 5

## **Operating Principles**

### Democratic Structure

- Open & Voluntary Membership
- Democratic Control
- Non-Discrimination

### Service to Members

- Distribution to Members
- Building Financial Stability
- Service to Members

### Social Goals

- On-Going Education
- Cooperation Among Cooperatives
- Social Responsibility

## **Consumer Protection Principles**

- Disclosures of Rates and Fees
- Periodic Statements
- Honest and Non-Deceptive Promotions
- Fair Credit Practices
- Dignified Collection Practices
- Members' Consent to Share Information
- Dispute Resolution Services
- Education About Thrift and Wise Use of Credit
- Fair and Forthright Conversions

## **Governance Principles**

### External Governance

All financial institutions, regardless of type, are expected to comply with these basic standards of transparency, auditing and financial reporting. Credit unions should comply with the International Credit Union

Safety and Soundness Principles and their national legal and regulatory frameworks.

#### Internal Governance

Unlike for-profit entities, credit unions exist to serve their members. Thus, credit unions must address this additional layer of governance related to their democratic, member-driven nature. This includes a commitment to “one member, one vote,” as well as adherence to the International Credit Union Operating Principles and the role of the general assembly as the highest governing body.

#### Individual Governance

In order to perform their collective duties, the individual board members and managers have an obligation to maintain ethical conduct and professionalism and to speak with a single voice once board decisions have been made. Board members are also expected to possess the skills and technical capacity necessary to fulfill their duties.