



**Association of British Credit Unions Ltd
Community Development Finance
Association Ltd**

Credit Union and CDFI Training and Development Needs Analysis

***A research report into the training and
development needs of credit unions and
community development finance institutions.***

Summary Version

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The research – background and methodology

In March 2007, the Government announced that it was concerned to increase the coverage and capacity of third sector lenders so that financially excluded people nationwide would have access to a source of affordable credit¹. This Training and Development Needs Analysis (TDNA), commissioned by the Department of Work and Pensions, aims to inform the strategic development of credit unions and community development finance institutions (CDFIs) delivering the Financial Inclusion Growth Fund, both currently and in the future.

The research team was led by the Association of British Credit Unions Ltd (ABCUL) in collaboration with the Community Development Finance Association Ltd (**cdfa**) and the Research Unit for Financial Inclusion at Liverpool John Moores University. Small Change (N.I.) Ltd acted for the **cdfa**. The research took place from the mid-March to May 2007.

The research methodology was based on desk research into the development of the credit union and community development finance sectors, on a series of case studies, on focus groups of credit union and CDFI managers, on in-depth interviews with experts and stakeholders in the sector and on an online survey open to all credit unions and CDFIs in Britain. 554 respondents completed the online TDNA survey. Of these, 94% were credit union respondents and 6% were from CDFIs. 91% of Growth Fund credit unions were represented in survey returns and 100% of CDFIs.

The training and development needs revealed through the research were extensive. They touched on most aspects of the organisation, management and governance of both credit unions and CDFIs. This is to be expected as the development of any organisation touches on multiple aspects of its governance, management and operations simultaneously. However, clear themes do emerge though somewhat differently for the credit union and CDFI sectors. Training needs in governance, finance, business administration, marketing, credit administration and credit control appear common to both sectors.

This summary report is based on the full report submitted by ABCUL, LJMU and Small Change (N.I.) Ltd to the DWP.

Key research findings

Credit unions

An expanding and strengthening sector

The credit union sector is strengthening and many credit unions are working towards becoming quality organisations. Yet not all credit unions are at the same stage of development. Some have grown significantly and are already professional financial institutions. Others exhibit the potential and capacity for growth and, with support, could establish themselves as secure and effective organisations. Others remain vulnerable and need targeted interventions if they are to become stabilised and effective organisations.

The delivery of the Growth Fund has highlighted many training and development needs in the sector as well as reinforcing those that were already evident. The extent and depth of training needs, as revealed in the full report, underlines the fact that credit unions require distinct interventions depending on their circumstances and stage of development.

A focus on board members and employees

The greatest training needs concern board members and employees. Governance and operations were the two key headline training areas that surfaced constantly in the research. The first was to be expected. Strengthening boards of directors has been noted as a training and development need for some time². Training needs in relation to

¹ HM Treasury, (2007) Financial Inclusion: the way forward. HM Treasury, London.

² Jones, P.A., (2005). Creating Wealth in the West Midlands through Sustainable Credit Unions. ABCUL, Manchester.

operations, however, has surfaced in a new and distinct manner. Traditionally, operational training has been relatively general and mostly targeted at volunteers. In this TDNA, it was the training and development needs of paid full-time and part-time staff that emerged as a priority.

Accreditation, transferability and the development of a career path

48% of Growth Fund credit union respondents to the online survey were paid full-time or part-time staff members. This high response rate from paid workers, not only characterises the changing nature of the credit union sector, but has resulted in training needs being strongly linked to accreditation, to transferability within the financial services industry and to the development of a career path.

Barriers to training

Finding trainers with the skills and expertise to delivery high level training surfaced as a key barrier to effective training in the sector. Moreover, the identification of appropriate training was also problematic for many. Managers sought training that would develop staff members professionally and have a direct impact on the effectiveness of the organisation. Cost and finding the time for staff to attend training were common barriers in many credit unions

Motivating factors

Credit union participants identified that they are motivated to participate in training if it is:-

- *Accessible, local and affordable.*
- *Relevant, appropriate and specific.*
- *Recognised by accrediting and validating bodies.*
- *Part of a professional development plan tied to career progression.*
- *Delivered by skilled and competent tutors.*
- *Enabled by finding replacement staff to cover for staff absence.*
- *Based on sharing learning with other credit unions.*

Key areas of training need for credit unions

Training needs were identified in a range of aspects of governance, management and organisation. However, the greatest training needs were identified in the following areas:-

- *Governance* - strengthening the skills and competences of directors and developing the leadership and effectiveness of the board.
- *Risk management* - Credit union personnel are not always familiar with the language of risk management, yet many training and the development needs related to protecting resources and assets from loss or damage:-
 - Person risk management - board recruitment and succession planning and assisting credit unions not to be over-reliant on a few individuals, whether directors, the manager or staff.
 - Financial risk management – training in how to base analysis, decisions and planning on verified financial and statistical data.
 - Credit risk management - training in all aspects of credit administration, loan granting and credit control (cf. FSA 2006) and in measuring loan portfolio quality, performance and profitability. This was a particularly strong training need in regard to operating in the low-income market. An associated training need relates to the development of products for wider, more moderate-income segments of the market in order to ensure long term stability and capacity to serve the financially excluded.
 - Administrative risk management – training in this area includes the production of financial reports and statements, the principles and practice of risk management and internal control systems.
 - Internal audit - an issue high on the agenda was internal audit, which included training in setting the terms of reference for the internal audit or

supervisory committee. Internal audit was seen as a training and development issue as the creation of a back office credit union internal audit service was judged a priority.

- *Financial management* – training in financial ratio analysis (such as PEARLS) and the development of technical skills in financial modelling and planning.
- *Strategic management* – a priority for both directors and staff is training in the strategic planning process, in setting achievable and measurable business goals, in developing a sustainable business plan based on realistic assessments of market demand, available resources and relevant products and services, and the monitoring and evaluation of progress.
- *Human resource management* - regarded as an increasing training need in regard to all aspects of the recruitment and management of staff and volunteers.
- *Managing operations* - 56% of Growth Fund survey respondents considered that the sector is in need of support in understanding systems and procedures, especially administrative and communication systems. 50% of middle managers and administrators seek training in quality standards and procedures.
- *Marketing*. Marketing and outreach into the community were identified by 51% of Growth Fund survey respondents as a key training need in their organisation.
- *Customer care* - understanding the needs of financially excluded members and knowledge of the low income market surfaced as strong training needs in the case studies and focus groups. 40% of online survey respondents sought training in the workings of the low income financial market.

Number of people seeking training in the credit union sector

In the online survey, 80 Growth Fund credit unions and 38 additional credit unions, interested in delivering the Growth Fund in the future, expressed an interest in participating in training opportunities. From the survey responses, it is estimated that over 900 directors, supervisors, managers and operational staff would participate in further training, and many of these would want to engage in multiple training opportunities. 43% of volunteer directors in Growth Fund credit unions, for example, also had operational roles and would wish to access both director and operational staff training.

Key areas of development need for credit unions

In the research, it was repeatedly stressed that training and development needs often overlapped and were interdependent. The 10 key development needs of the sector as a whole, as identified in the online survey, were identified, in order of priority, as:-

1. Recruiting new board members with a range of skills and abilities
2. Introducing staff training and development programmes.
3. Selling the credit union story to the wider world (cf. development of a marketing strategy)
4. Requiring directors to regularly undertake needs assessments and core training
5. Introducing new financial products and services for the low income market
6. Upgrading the quality and standard of credit union premises
7. Developing stronger links with the Citizens Advice Bureau and the money advice sector and other partners such as registered social landlords.
8. Enabling more credit unions to offer the new credit union current accounts
9. Introducing back office support for credit unions (in such areas as administration, product development, financial planning, new technology etc.)
10. Establishing a central finance facility (e.g. where funds for on-lending could be obtained at affordable rates)

Community Development Finance Institutions

Community Development Finance Institutions (CDFI's) are a new financial vehicle for social, economic and physical renewal in under-invested communities. The Growth Fund is playing a significant role in accelerating their growth and in supporting CDFIs to reach new customers with new products.

Unlike credit unions, CDFI's are almost entirely staffed by paid staff, with volunteer roles usually restricted to Board and Credit Committee membership. CDFI staff fall into fewer categories than those of credit unions, which perhaps makes it easier to design support programmes aimed at junior or senior management.

Training for Trainers

The sector is short of experienced CDFI professionals who are also trained trainers. CDFI staff want specific, relevant and accredited training designed to meet their needs and delivered by trainers who know the theory and practice of CDFI work.

Training for Directors

Board training needs centre around the domains of governance and finance. New CDFI Directors or those lacking previous CDFI or governance experience need a basic introduction to the CDFI sector. More experienced directors identified the need to assess Board performance, to take a strategic approach to Board development, to develop positive relationships with external stakeholders and to understand and interpret their CDFI's performance in relation to its peers and to best practice.

Leadership Training and Development for CEO's

Their survey returns gave a picture of CEOs and managers sometimes struggling to meet their own development needs, for example in terms of assessing their own performance and identifying their own training needs. Other areas they highlighted included HR management, policies and procedures, credit control, including for lending and administration, quality systems and "*Change Matters*", the CDFI Performance Framework. Marketing was regarded by CEOs as a core weakness and a strong training need.

Financial Services Management Programme for CDFI's

CDFI's employ junior or middle managers in a range of roles, including finance officers, managers and administrators and loan officers. The CDFI sector needs to build a cohort of well-trained managers who will move into leadership positions over time. A CDFI-specific accredited Financial Services Management Programme is needed that would use training, exchange visits, peer support and networking. This would focus on the principles and philosophy of community development finance, lending policies and procedures, financial management and reporting, administrative systems and procedures, the "*Change Matters*" Performance Framework, quality systems, risk management and time management.

Foundation Course in Community Development Finance

The CDFI sector needs a foundation stone for all training and development work in the sector. This would be a core introductory course to community development finance which all new staff would be encouraged to attend.

Training Demand and Supply

From the research, about 108 unit beneficiaries in the CDFI would take up new training opportunities if they were available. The 108 are not individual as a significant number of people would undertake multiple training opportunities.

A least one new director would attend an introductory governance courses and five directors per CDFI would attend an intermediate governance course held specifically for that CDFI. One-third of CEO's and more junior managers would be interested in taking advantage of a free, accredited train the trainers course. All of the existing Growth Fund CEO's and a further four CEO's involved in personal lending would participate in some of the accredited Leadership Programme. At least one junior manager from each Growth Fund CDFI would participate in some of the accredited Financial Services Management

Programme. CEO's and managers from 66% of participating CDFI's would attend the Working in Partnership workshops. Half of CEO's and seventy-five per cent of managers would attend the Market Research and Marketing workshops. These estimations are based on figures generated through the research.

Combined credit unions and CDFI findings.

Credit Unions and CDFI's embody two different organisational approaches to tackling shared problems of financial exclusion and poverty. It is not surprising that they share training needs in relation to understanding the environment in which they are working and working more effectively in partnership with other agencies tackling financial exclusion. The three main areas in which training needs are shared and could be addressed jointly by ABCUL and the **cdfa** are working in partnership, market research and marketing.

Recommendations

The following recommendations reflect the key training and development needs as identified through the online survey, credit union and CDFI case studies, focus groups and interviews with external stakeholders. They represent the key issues as assessed by the research team and agreed by ABCUL and the **cdfa**.

1. Credit union recommendations

Training

1. Training priorities

- 1.1. That credit union training prioritises governance, risk management (person, financial, credit, administrative and internal audit), financial management (including PEARLS), strategic management, operational and human resource management, marketing and customer care of the financially excluded. Training should focus on the needs of the board and of operational staff.

2. Accreditation and career development

- 2.1. Training in all aspects of management and credit union operations should be developed in the context of assisting the career development of staff members.

3. Delivery plan

It is recommended that a training delivery plan is based on the following actions, interventions and delivery channels:-

- 3.1. **Modules.** The development of training modules in all key aspects of governance and management, as prioritised in the report. These need to be written by people familiar with credit union management, organisation and operation. These modules need to be accredited by an agency within the financial services industry.
- 3.2. **Online modular delivery.** The development of an online modular delivery infrastructure accessible by credit union personnel.
- 3.3. **PEARLS.** Access to training in PEARLS³ financial management methodology and analysis for all credit unions delivering, or intending to deliver, the Growth Fund. This will involve developing an online PEARLS software facility that will be made available to participating credit unions.

4. Management consultants

- 4.1. It is recommended that each Growth Fund credit union will have a management consultant appointed to work with operational staff on progress with PEARLS, on

³ Richardson, D.C., 2001, PEARLS Monitoring System. World Council of Credit Unions, Madison.

an assessment of organisational structures, systems and procedures and on the formulation of an organisational development plan.

5. Regional training workshops

5.1. It is recommended that a series of one day training workshops be organised to address the key areas of training need. It would be preferable if these were organised over a 3 year period as research confirms that the process of change takes time to embed itself within any organisation (Jones 2005). These would take place quarterly in 5 locations throughout the country.

6. Accredited external educational courses

6.1. It is recommended that external educational and training courses in business and financial management, similar to those promoted in the banking sector and accredited by the Institute of Financial Services or another accrediting agency, are identified and made available to managers and staff members. It is recommended that a system of bursaries for management and operational staff to undertake accredited training with external educational and learning institutions be established.

7. Action learning short high level intensive courses

7.1. In collaboration with recognised training providers, it is recommended that local, short, intensive, high level and problem solving courses, based on action learning models, are developed for managers and key staff members.

8. Coaching and mentoring

8.1. It is recommended that an inter-credit union system of coaching and mentoring be developed. This would involve experienced and skilled credit union staff offering one-to-one coaching and mentoring within the work setting.

9. Board training

9.1. The appointment of an organisational development management consultant to work with the Growth Fund boards over a 12 month period. The consultant would construct a skills audit of board, identify gaps in skills, knowledge and experience and work with the board on the production of a development plan (this would include a recruitment and succession plan). Preferably this would be the same consultant who is working with the manager and staff (see 4.1 above).

9.2. It is recommended that the consultant, working with the Chair of the Board and manager, draw up an individual training plan for individual board members based on the skills audit. It is suggested that there be an obligation for board members to participate in training as a condition of delivering the Growth fund.

9.3. It is recommended that a three monthly monitoring report on board development progress be submitted by the Chair of the Board, in consultation with the manager and consultant, to ABCUL and the DWP.

9.4. It is recommended that credit unions whose boards are failing to develop, and are clearly not in control of the business, be recommended to transfer engagements to neighbouring credit unions if new and skilled board members are not found within a 12 month period.

Development

The following are the key development recommendations identified in the TDNA research:-

10. Back office services

10.1. It is recommended that the feasibility of back office services for credit unions be explored. These would include treasury and liquidity management, payments services (including current accounts), information technology support, assistance with premises and staff, marketing, publicity and promotion (including press office), credit control, debt collection and internal audit.

11. Benchmarking and data collection

- 11.1. It is recommended that a benchmarking online service facility be developed. This would be linked and based on the PEARLS financial management system. It would allow credit unions to benchmark and compare progress in key areas, in relation to peer group credit unions, according to the PEARLS ratio analysis.

12. Human resources health check

- 12.1. It is recommended that a professional human resources health check is conducted in credit unions delivering the Growth Fund.

13. National campaign to recruit board members

- 13.1. ABCUL and other national trade associations are recommended to develop a high-level national campaign to recruit new and skilled board members.

14. Corporate Governance Code

- 14.1. Resources should be made available to implement the new ABCUL Credit Union Corporate Governance Code throughout the credit union movement.

15. Product and service development

- 15.1. Support needs to be offered to credit unions to develop products and services within low income communities. This would include assisting credit unions to introduce current accounts and to explore new product developments, such as a not for profit doorstep lending service and alternatives to pay day lending.

16. Compliance implementation plan

- 16.1. A compliance implementation plan needs to be developed to ensure credit unions are compliant in all regulatory and legislative respects..

17. National audit of IT systems

- 17.1. It is recommended that a national IT audit is carried out which would lead to the development of a movement-wide IT strategy for credit unions.

18. National marketing plan

- 18.1. The implementation of a national marketing plan is recommended. This would involve market research including a demographic and market segmentation analysis on which the plan could be based. The aim is to develop a common credit union identity that would appeal to both moderate and low income groups.

19. Credit union national coverage

- 19.1. The development of the national coverage of credit unions is a central development issue. New forms of common bond need to be developed that combine different opportunities for varying fields of membership. Organisational common bond membership is also key to the expansion of national coverage.

2. Community development finance recommendations

The following courses are recommended for the CDFI sector:-

1. Training the Trainers

- 1.1. There is a shortage of professional trainers with CDFI experience, particularly in the personal lending/financial exclusion sector. It is proposed that the skill-level of the sector be substantially enhanced by running an accredited "Training the Trainers" course for staff from Growth Fund CDFI's.

2. **Board Training and Development**

Two courses are recommended to be developed for CDFI Boards:-

- 2.1. An introductory CDFI governance course aimed at new and inexperienced CDFI Directors. This will be delivered annually at a **cdfa** event.
- 2.2. An intermediate CDFI governance course, delivered in-house for each CDFI and covering performance management, strategic board development, risk management and stakeholder relationships

3. **CEO Training and Development**

- 3.1. CEO training and development is crucial as they play a key leadership role in the growth and development of the sector. The recommendation is to offer a CEO Leadership Development Programme, which would be an accredited programme addressing networking, peer support and training on leadership, financial management, strategic planning, performance assessment and management, fund management and impact assessment;

4. **Management Training and Development**

- 4.1. The TDNA study highlighted the issues of management and career development and succession-planning in the sector. In order to address these issues, it is proposed to run a CDFI management programme for more junior managers. It would provide an accredited grounding in CDFI management, using training, exchange visits, peer support and networking.

5. **Introduction to Community Development Finance**

- 5.1. Finally, the foundation stone for all training and development work in the sector is an introductory course in community development finance that would cover the background, principles and philosophy of CDFI's, the financial needs of people on low income, how the low income financial market works and working in partnership with other organisations. It is proposed that this be delivered annually at a **cdfa** event and that all new staff in personal lending CDFI's already working with or interested in the Growth Fund be encouraged to attend.

3 **Combined credit union and CDFI recommendations**

The following one-day workshops are recommended to be designed and commissioned by ABCUL and **cdfa** jointly and delivered jointly on a regional basis.

- **Working in Partnership.** Workshops could be organised on a regional basis, with participation from credit unions and CDFI's, CAB's, money advice organisations and other organisations working with low income groups and with a commitment to tackling financial exclusion. The workshops could be jointly facilitated by ABCUL and **cdfa** regional staff.
- **Market Research and Marketing.** Understanding the low income market is an issue that surfaced as a training need for both credit unions and CDFIs. Workshops could be commissioned jointly by ABCUL and **cdfa** to develop expertise in the areas of market research and marketing within low income communities.