

ACCOSCA PRESENTATIONS

SUMMARY

8TH SACCO LEADERS FORUM

ACCRA - GHANA

STRATEGIC MANAGEMENT

- -Saccos are expected to have in place a comprehensive strategic plan supported by realistic financial budget and financial projections.

STRATEGIC MANAGEMENT

- **Basic Strategic Management Process in a Sacco**
- The goals and objectives of the Sacco;
- Analysis of the Sacco's economic, social, technological and competitive environment
- The current and anticipated member product and service needs;
- A comprehensive and realistic appraisal of the existing business model including

STRATEGIC MANAGEMENT

- -analysis of the Sacco's income and expenditure and financial position,
- -membership and common bond, competitive capabilities, governance arrangements
- -risk management and operational capabilities;

STRATEGIC MANAGEMENT

- Independent evaluations and reports made by the external auditor, operational reviews, internal audit reports, Regulator's inspection reports and any other third party report.
- A strategic plan clarifies a Sacco's overall purpose, defines goals and priorities and determines practical approaches for achieving targeted priorities.

STRATEGIC MANAGEMENT

- -Sacco should ensure that they have made proper alignment of internal resources and processes and, if necessary, managed all change issues (such as those arising from institutional or cultural changes) to facilitate the achievement of desired outcomes.

RISKS

- **Main sources of Strategic Risk**
- **The compatibility of a Sacco's strategic goals**
- **the business strategies developed to achieve the goals**
- **the resources needed to carry out business strategies both tangible and intangible**
- **the resources deployed in pursuit of these goals,**

- **-Regulations**
- **-Adequacy of work processes and procedures and**
- **Adequacy of information for decision-making.**
- **Uncontrolled investment in non-core business lines i.e land and building**

RISK MANAGEMENT FOR CREDIT UNIONS

- **What is Risk**
- **A risk is an exposure to the chance of loss.**
- **Risks are not inherently bad. Sometimes, it is necessary to take risks to accomplish worthy and meaningful goals.**
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- **This is especially true in Credit Unions where loan officers take risks every day by lending money to people without credit histories, without business records and often without**

RISK MANAGEMENT

- **One has to take risks to operate a successful Credit Union. However, it is important to take calculated risks.**
- **For a risk management to be successful it must be:**
 - **Flexible**
 - **Open and updated regularly**
 - **Enhanced by the assignment of roles and responsibilities**
 - **Structured, consistent and continuous and applied across the organisation**

RISK MANAGEMENT

- **Goals of Risk Management**
 - Protect and enhance members funds and opportunities.
 - Link strategy and risk profile
 - Recognise and manage integrated/cross organisational risks
 - Enhance risk based decisions
 - Capital management and preservation
 - Size opportunities
 - Disciplined culture

RISK MANAGEMENT

- **Categories of Risks**
- **1. Institutional Risks**
- **Vision Risk**
- **Social Mission risk**
- **Commercial Mission Risk**
- **Governance Risk**
- **Human Resource Risk**
- **Dependence Risk**
- **Bylaws, policies, standards and Manual Risk**

RISK MANAGEMENT

- **Operational Risks**
- **Credit Risks –**
- **Operational Errors Risk**
- **Fraud Risk**
- **Security Risk (Internal and External)**
- **MIS Risk**
- **Image/Reputation Risk**

RISK MANAGEMENT

- **Financial Risk**
- **Asset and Liability Risk**
- **Interest rate Risk**
- **Liquidity Risk**
- **Inefficiency Risk**
- **Investment Risk**
- **Accounting Errors Risk**

RISK MANAGEMENT

- **External Risks**
- **Regulatory risk - Credit union Regulations and other laws**
- **Competition Risk – Staff, Products and Service**
- **Physical Environment Risk – Natural disasters**
- **Demographic Risk – Characteristics of the target market**
- **Macro Economic Risk – Inflation, depression devaluation, currency**

RISK MANAGEMENT

- **The Risk Management Process**
- **Identify and Assess the risk**
- **2. Prioritise and measure the risks**
- **3. Design Policies and Procedures to Mitigate the Risks**
- **4. Implement controls and Assignment Responsibilities**

RISK MANAGEMENT

- **Always remember these two rules about Banking**
 - “Rule Number 1 is never lose money”
 - Rule Number 2 is “never forget rule Number 1”

GOVERNANCE

- **Governance is...**
 - **Setting strategic direction**
 - **Serving as a steward for the organization**
 - **Ensuring oversight**
 - **Keeping members' best interests in mind**
- **Contextualised leadership**
- **-This can be classified into four themes (Hackman (2006))**

GOVERNANCE

- **(a) Leadership is about**
- **WHAT YOU ARE**
- **(b) HOW YOU ACT**
- **(c) WHAT YOU DO**
- **(d) HOW YOU WORK WITH OTHERS (Poulin, et al 2007:302**
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THE ROLE OF THE APEX

- **THE NATIONAL ASSOCIATION**
- **Advocacy**
- **Representation –Nationally& Internationally**
- **Legislation and Policy review**
- **Encouragement of Good Practices and Performance Standards**
- **Managing the MIS for the sector**

- **Role of National Association**
- **Aims of National Associations**
- **To represent, protect and expand the financial cooperative movement and enhance its reputation**
- **To develop skills & competencies**
- **Set standards for financial cooperatives**
- **To enable the movement to benefit from economies of scale through shared services**
- **To ensure that financial cooperatives are safe and sound and comply with statutory requirements**

- **The Role of National Association in the CU integrated system**
- **National Associations are the Pivot of which the integrated Credit Union system Revolves**
- **The National Associations need to have a determined effort to move credit unions from Phase one to Three**
- **No one credit union can achieve phase three development of the Industry without the National Association playing pivotal role.**

- **A centralized apex presupposes close conformity of operational systems, policies and norms, products and the institutional image**
- **Strict and explicit rules of operation with power to intervene**
- **System standardization is one of the most constraining criteria for financial cooperatives and the one which offers the most structure for a network**
- **Single institution image**
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BUILDING AN INCLUSIVE CO-OPERATIVE BUSINESS

- **-The African from time immemorial have been living co-operatively. Every village has an organize groups either by occupation, profession or by ethnics and as such make the organization of co-operatives among them to be much easier**
- **-People organized co-operative purposely to received benefits promised by the Government without perceiving it as a business entity.**

- **-Some of the problems faced by the early co-operatives were as follows:**
- **Poor orientation for members on cooperatives as private business entities**
- **Governments interference**
- **Lack of business orientation**
- **The Dependency Syndrome**
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- **SAVING MOBILIZATION**
- **SMALL SCALE BUSINESS ENTERPRISES**
- **THE SITUATION OF WORKERS (EMPLOYEES)**
- **EMPLOYMENT**
- **SOCIAL OBLIGATIONS**
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- **WHERE DO WE GO FROM HERE? WHAT CHANGES CAN WE MAKE?**
- **Registration requirements that ensures that the Co-operative will be sustainable in the long term**
- **Institutionalizing Co-operative education**
- **Cooperative Leaders adopting business based approach**
- **Continuous Education at all Levels**
- **How to market the Co-operative Model**
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Analyzing Integrated SACCO Business Model

- **SACCOs are growing into larger institutions**
- **Many SACCOs are putting up permanent and well-furnished structures.**
- **Others are computerizing their operations as more people continue to join and use their services.**
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- **What should be done**
- **The need to increase the Capital base- Shares and Reserves**
- ***The need to increase the membership base***
- **The need to be profitable**
- **Introduction of new products and services based on members needs.**
- **And the desire of the Board, Management and the membership to transform the SACCO into a sound co-operative financial institution.**

- **REVIEW OF REGISTRATION REQUIREMENTS**
- **GOVERNANCE**
- **LOANS**
- **PROFITABILITY**
- **LIQUIDITY SUPPORT**
- **MARKETING**

- **To many SACCO leaders marketing is not part of their budget line item.**
- **What marketing tools and methods do your SACCOs use?**
- **Are there any benefits?**
- **DEPOSIT QUARANTEE SCHEME**
- **How do you assure members that their deposits with the SACCO is safe.**
- **In case a SACCO collapses how will members get their savings/deposits back?**

CREDIT UNION OPERATING PRINCIPLES – **(WOCCU VERSION)**

- **Open and voluntary membership**
- **Democratic member control**
- **Non-Discrimination**
- **Service to Members**
- **Distribution to Members**
- **Building Financial stability**
- **On-Going Education**
- **Cooperation Among Cooperatives**
- **Social Responsibility**

FINAL SUMMARY

- 1. GOVERNANCE / LEADERSHIP
- RISK MANAGEMENT
- IMPORTANCE OF NETWORKING
- THE ROLE OF THE APEX – PIVOT TO SACCO DEVELOPMENT
- IMPORTANCE OF SACCO REGULATION
- THE DEPOSIT GUARANTEE SCHEME

CONCLUSION

- ***“TO BE BORN POOR IS UNFORTUNATE BUT TO DIE POOR IS A SIN”***