

**LA CAISSE D'ÉCONOMIE DESJARDINS DES TRAVAILLEUSES ET
TRAVAILLEURS (QUÉBEC):
A UNITED BANK WITH UNIQUE STRATEGIC COMPETENCIES¹**

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Introduction

The Caisse d'économie Desjardins des travailleuses et des travailleurs (CETT)⁴ is an example of a united bank, the activities of which are focused on the flourishing social economy sector businesses in Quebec.⁵ In 1995, the OECD recognised it as one of the most advanced cases of united banks internationally (Turcotte, 1998). In 1995, the CETT was named "Credit Union⁶ of the Year" within the Fédération des caisses d'économie Desjardins du Québec, of which it was a member at the time. In 1996, it received the 1996 Arts & Business Award from the Quebec City Chamber of Commerce. In 1997, its contribution to the province's socio-economic development was once again underlined when it was a winner in the *Mercuriades* awards, given out to exceptional Quebec businesses. As can be imagined, the CETT is not just another credit union. It sees itself above all as tool of social and economic development. As well, the CETT stands up very well to comparisons with other, more traditional financial institutions with regard to economic performance and growth.

This paper seeks to identify the foundations of its social and economic success. It is based on an examination of the organisation's strategic capacities. The authors delve into the

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⁴ *The Desjardins Workers Credit Union* (translator's note)

⁵ For a complete portrait of the social economy sector in Quebec, see the November-December 2000 issue of this Journal.

⁶ "Credit Union" is the English-language equivalent of "Caisse" and "Caisse Populaire" (translator's note).

heart of the organisation and its business processes by analysing its success from the perspective of its organisational competencies. It developed these competencies and applied them to the social economy, a sector which is generally very poorly served by the traditional banking system.

Economic Performance that Stands Up to Comparison

In 2000, following a merger the previous year, the CETT had assets of nearly \$250 million. It was ranked among the top 40 (out of 972) credit unions in the Desjardins Credit Union Movement, to which it belonged.⁷ Its loans, the main element of its balance sheet, for that year totalled \$158 million (Cdn), an increase of 2.7% over the previous year. Member savings amounted to \$215 million, an increase of 22.4% over the preceding year. Lastly, while the CETT had losses on loans of \$765,000, its surplus was twice as high, thereby covering by far the credit risks. It should be noted that such a low level of loss, in comparison to the amount loaned, is only rarely seen in traditional financial institutions, which supposedly have a reputation for being “prudent,” but where risk coverage is not as good. This phenomenon is all the more surprising given that the Credit union has a reputation for being a financial institution that accords loans where others have refused to do so. Between 1993 and 1998, the Credit Union’s average profitability was \$0.80 per \$100 in assets, whereas the average for all Desjardins credit unions was \$0.58. In 2000, this indicator showed a sharp improvement (\$1.21/\$100 in assets), but less so than for the average credit union (\$1.33/\$100 in assets), the size of which had increased because of a credit union merger process initiated by the Fédération des Caisses Populaires Desjardins.

Lastly, in an activity sector in which it has now become commonplace to change financial institutions for marginal differences in price and in which the owner-user status in itself no longer constitutes a sign of unconditional commitment, client loyalty has become a major issue. In this respect, the CETT performs quite well in that it has an enviable client retention rate due to a strategy based on strong identification with the community and clientele it serves. Moreover, the number of business loans went from 516 in February 1995 to more than a 1,000 in 2001, and the total amount of loans from \$77.6 million to \$170.5 million in the same period, that is, an increase of 120% in six years.

In 1999-2000, 29 new projects came into being with financial support from the CETT and its network of partners, representing \$44.4 million in loans. Among these projects, 17 were cooperative in nature. In global terms, during this time frame, the CETT made 330 new loans available to its associative members, for an amount that exceeded \$45 million.

Atypical Mission and Strategic Positioning

The CETT’s exceptional performance might come as a surprise given its positioning as a united bank. Yet it is precisely the coherence of its business model, constructed around

⁷ The Desjardins Credit Union Movement is Quebec’s largest financial institution, with assets of \$76 billion (Cdn) and more than 5 million members.

this specificity, that is its strength. From the moment of its creation in 1971, its founders sowed the ingredients of its current success.

Its ancestor, Caisse d'Économie des Travailleurs Réunis de Québec (CETR), was created by the initiative of one of the largest union organisations in Québec—the Confédération des syndicats nationaux (CSN). Initially, the idea behind this credit union was to counter over-indebtedness, an obvious and worrisome tendency among workers. Thus it was with the dual objective of serving its members differently and of contributing to the development of collective organisation that the CETT got underway. As such, it wanted to provide banking services free of charge to its members while educating them about family economy. As well, it based itself on savings accumulated in this way to finance and promote the development of collective projects.

Its underlying business spirit was based on a profoundly human and social motivation, a desire to foster justice by tackling the problems of poverty and development, as well as to find ways to meet human needs. The CETT's mission statement illustrates this action philosophy:

With a view to contributing to a fairer and more united Québec, [the CETT] supports the development of a united economy by relying on collective businesses, particularly within its four networks—union, cooperative, community and cultural.

To this end, the CETT makes all the required financial services available to the intended collective associations, organisations and businesses, in an approach in which the transfer of expertise is constantly favoured (Annual Report, 2000).

This mission, which was formulated in 1996, is now integrated in its very foundations. Despite the strong competitive pressure faced by all financial institutions, which lead to them to orient themselves towards the most lucrative markets, the CETT has remained faithful to its initial mission. Moreover, in 1996, it clarified its action foci by exclusively targeting its corporate interventions to social economy organisations. Within the framework of this mission, the CETT seeks to become, in Québec, the financier of united social economy businesses and of all those who wish to do business differently: “We have the responsibility to keep being this indispensable tool for forging a collective Québec” (Annual Report, 2000).

Consistent with its mission, the CETT has adopted an atypical business position relative both to private sector competitors and to territorial credit unions that are part of the Desjardins cooperative bank network. Whereas typical credit unions serve local clientele (individual or corporate), the CETT is particularly active in the corporate niche, in a manner increasingly similar to the “commercial bank” model. Indeed, this business clientele accounts for 75% of its lending portfolio, a proportion which, moreover, is on the increase. In addition, since 1996, the CETT's directors targeted more specifically four types of corporate clients, namely, cooperative, community, union, and cultural

organisations. The first three sectors each have a roughly equal share of business loans, and the union sector accounts for 10% of the lending portfolio.

The CETT is first and foremost a bank, and in this respect it provides the usual array of financial products and services. However, in a manner consistent with needs of its target clientele, the CETT's role with its clients goes much beyond that of a **banker**. Above and beyond the strictly financial approach taken by traditional bankers, the CETT seeks to accompany and advise its group clients in the accomplishment of their projects. This approach is intended to make its accumulated know-how available to its group clients. Indeed, from the moment of its creation, its founders stressed the importance of the CETT's role as a financial intermediary between savers and borrowers as well as its being a nexus for accumulating experience through its contact with the business community and its partners, and subsequently making it available to its group-clients in a personalised manner. Lastly, through its approach, the CETT has positioned itself as a socio-economic **developer**, in particular by encouraging interactions between its network of partners and group-clients, with a view to fostering the emergence of projects that will favour socio-economic and community development. The CETT sees itself as first and foremost a development tool:

Over and above being a financial institution, we view ourselves from the outset as being a development tool. In this connection, being a bank is a means and not an end. This starting point characterises our way of working (Annual Report, 2000).

With regard to the products and services it offers, the CETT, consistent with its mission and various self-defined roles, has adopted a personalised approach which sees it reinvent its financing arrangements for each new project. In this spirit, it goes much beyond financial products to offer made-to-measure financial packages. To do so, it draws on a series of resources—its own products, new product development, partnerships with financial institutions and private funds offering complementary products, and lastly, financial tools available on the market (government subsidy programs, loan guarantees, etc.). To this end, the CETT approach is centred entirely on the client. In contrast to the vast majority of financial institutions which only want to market their own products, the CETT adapts its products and services to the specific needs of its group-clients.

Among its so-called “united” products aimed at supporting social economy businesses, the CETT offers “social interest.” Set at a minimum of 2% of interest given or charged to individual customers, social interest generates savings which are given out as donations to organisations (non-profit associations) that share the CETT's values and aspirations (Annual Report, 1995).

Multi-faceted Governance

The specificity of the CETT's system of governance is articulated around a threefold arrangement: democratic organisation, component of a highly centralised sectoral federative structure, and philosophical adherence to a union structure,

As such, the CETT is a collective business owned by its member-users (individuals and organisations). In terms of Quebec's legislative framework, it is considered as a cooperative organisation and as such is subject to certain operating rules, including democratic decision making. Other than the members' meeting which occurs once a year, the Board of Directors is the second decision-making level of the governance structure. It is made up of 15 members elected at the annual general meeting. Though not formally entrenched in the bylaws, its makeup reflects the CETT's four action poles (cooperative, union, community and cultural), its territorial diversity (since it is province-wide in scope), and a certain level of gender balance. However, in light of its union affiliation, its Board of Directors has a strong union presence from all geographic areas and sectors.

One of the CETT's characteristics is its involvement in the CSN, one of Quebec's two largest union organisations. Indeed, the CETT was created through the initiative of active CSN militants. Though legally independent from the CSN, the CETT remains, along with other components developed through the CSN's initiative, one of its tools for collective economic and social action.⁸ In particular, the financial tool box developed by the CETT includes a series of financial products intended for workers.⁹ In the view of its current executive director, the CETT would not be what it is today were it not a member of the extended union family. This belonging is fundamental in the ideas it still advocates and its adopted strategic positioning, which is quite astonishing in the increasingly intense competitive environment of today's financial world. The links between the CETT and the CSN are philosophical and institutional. Although the CSN never directly intervenes in CETT affairs, it is the "watchdog" of its mission. Symbolically, the CETT's head office is still located in buildings occupied by the CSN.

Lastly, the CETT is a member of the Desjardins Credit Union network, a cooperative financial network that occupies a central place in Quebec's banking world in that it is the province largest financial institution. Over the years, and particularly as a result of competitive pressure, the Desjardins Movement has gone from being a decentralised network of autonomous local credit unions to having a more centralised structure that imposes increasingly strict strategic and operational standards on local units. Up until 2000, the network had a three-tiered organisation—credit unions, regional federations, and the provincial confederation. The CETT operated under the aegis of the Fédération des Caisses d'économie (FCE), which was not grouped into local credit unions, but into group credit unions (fire fighters, police officers, Portuguese, culture, unions, etc.). Although less centralised than its regional counterparts because of the wide diversity of its member credit unions, the FCE acted as a cushion between the CETT's needs for autonomy and the centralising tendencies of the national level. Since the spring of 2000,

⁸ In addition to the CETT, the collective action instruments created by the CSN include Fondation, a venture capital fund nourished by private savings and RRSP admissible, and the Quebec Advisory Group for the Creation and Retention of Jobs (Groupe-conseil MCE), which provides expert advice to businesses. With the CETT, these three collective tools are legally independent from the CSN, but have close links though the makeup of their respective Board of Directors and mission.

⁹ Among these is the Fonds de soutien des travailleuses et des travailleurs du Québec Inc. (*Workers' Support Fund*), the objective of which, as its name suggests, is to provide support for workers, particularly in the event of labour conflicts. Solidarity loans enable workers to obtain financial help during the conflict in the form of a loan, the interest on which is paid by the Fund for the duration of the conflict.

however, when the Desjardins Movement adopted a single federative structure, the CETT has been directly linked to the national level.

In 2000, the CETT, whose head office is in Quebec City, merged with the CSN's Montreal credit union, and its assets went from \$200 to \$250 million with a staff of 55 employees. Although both organisations were affiliated with the union, their strategic positioning, methods and culture were distinct—the Montreal credit union was not oriented specifically to social economy businesses and was not positioned to accompany its clients. Despite these differences, the directors decided that the Credit Union would only have one signature, that of the Quebec City Credit Union, and that the Montreal Credit Union would integrate the approach taken by the Quebec City Credit Union.

The CETT's governance structure both reflects its specific mission and tinctures its specific strategic position, as described above. More than just a structuring element for the organisation, this structure underlies many of its strategic capacities. This point is discussed in the following section.

Unique Management Processes

The CETT has thus adopted a highly particular strategic orientation. Neither solely a deposit institution nor a traditional commercial bank, its approach is both specific because of its clientele and broader given the roles—banker, agent of accompaniment, and developer—it has with its group clients.

Consistent with this novel business model, the CETT has established a series of key management processes reflecting its specificity. In this section, we draw out and discuss the strategic capacities of this uncommon bank. Four of these organisational processes are of central importance: the capacity for evaluating project potential; the capacity for providing accompaniment adapted to its group-clients; the capacity for making made-to-measure service offers, and its capacity for operating astride the line separating two weakly compatible universes—the financial and the social.

Capacity for Evaluating Project Potential

We make an effort to understand the project's potential and resources by beginning with the people, the group and the local community rather than focusing on weaknesses, absences and problems. For us, being a banker consists first and foremost in opening up to people, their needs and their dreams. In our examination, intuition and imagination have their place alongside rationality and mathematical calculation (Annual Report, 2000).

Like all financial institutions, the CETT has an approach to project analysis. However, it is different in many respects. One of the significant differences in its evaluation consists in its approach based on people rather than on financial data, that is, an evaluation more qualitative than quantitative. As such, the CETT looks first at the project in itself and the

people behind it. To do so, it has developed a global, integrated approach for evaluating projects that involves five questions:

1. Does the submitted project fit with the CETT's service offer?
2. Is the project viable or can it become viable?
3. Who is behind the project?
4. Which partners can this project derive support from?
5. What kind of accompaniment does this project need?

The first two questions are not specific to the CETT since all financial institutions must necessarily raise questions about a given project's financial viability and its ability to meet the needs of the client. Where the CETT's approach differs is in the way of viewing these two dimensions. With regard to the fit with the project-client, not only must the project must be a part of one of the four kinds of networks that the CETT has chosen to accompany, but the CETT must also see itself in the project in terms of values, respect, fairness, sharing, democracy and solidarity. To do so, CETT personnel discuss the project at length with its promoters in order to gain an understanding of its underlying motivation. Only when they are convinced of the full commitment of the individuals behind the project do they examine the project's economic viability. There have even been occasions when the CETT has refused to go along with an economically viable project because its objectives did not fit with its mission. In this sense, in the process of evaluating a project, its economic viability is always subordinate to its grounding in CETT values and strategic positioning.

While the project's viability is considered, the criteria applied go largely beyond financial indicators alone. The CETT is "patient" and comfortable with a long-term perspective with regard to the profitability of the projects it accompanies. It can take this long-term approach because of the very nature of the projects it finances. Inasmuch as the economic is subordinate to social and community development, the promoters of these projects are themselves generally more "patient" than capitalist entrepreneurs with regard to financial results. Profoundly committed to the collective project and often used to dealing with the kind of obstacles encountered not only by business, but also by those related to their financial marginality, collective businesspeople tend to be more persevering and fighters, characteristics which are an asset for any banker. One of the key dimensions that the CETT has learned over the years to assess well is the level of commitment of the projects "carriers," that is, real leaders, people who not only will stay with the project but who are also able to do so. Evaluating both their commitment and the priority they accord to the project in their life is one of the challenges of this project evaluation process.

The issues related to a given project's potential partners and the kind of relevant accompaniment are discussed below. These two dimensions enable us, however, to see already the CETT'S advisory and brokerage role with group-clients. More than simply a seller of financial products, the CETT looks at the group's needs in terms of the financial package.

This global approach centred on the project itself and its promoters acts as a kind of insurance for the CETT. Although from the point of view of a traditional banker the kind of organisations it supports is viewed as risky, the project evaluation process contributes significantly to reducing this risk. However, it creates heightened exigencies in terms of greater information needs and the active involvement of loan officers in the projects submitted to them, even before they are accepted. But because the CETT works daily in a network dynamic, it has access to a wealth of only more or less diffused and formalised information. In addition, one of the CETT's strengths is precisely its intimate knowledge of the social economy milieu. Indeed, this is one of the reasons why it decided to target its actions around the four networks for which it has developed an expertise and from which it can draw in-depth, relevant information for evaluating the projects submitted to it.

For loan officers, this approach makes certain demands. They have to be able to evaluate both the tangible and the intangible aspects of a given project. As such, the typical profile of a CETT business loan officer is quite different from the profile found in traditional financial institutions. They have a mixed profile including both relevant field experience and financial expertise. Moreover, with the experience it has acquired, the CETT favours recruiting individuals who have considerable social economy experience and whom it then allows to refine their skills in financial analysis. As such, its advisory staff has a strong grounding in the settings targeted by the CETT. They are largely individuals who come out of a union, social affairs and cooperative background. As such, they have a good understanding of financial tools as well as, and above all, the ability to understand the specificity of the businesses they are required to accompany.

Capacity for Offering Adapted Accompaniment

To ensure our role as a banker developer, the instrument of united development, we wear two hats: that of a banker and that of a consultant. As an asset, we have our knowledge of and faith in collective businesses, our particular expertise in financing and our complicity with partner networks (Internal source).

Over the years, the CETT has developed considerable expertise in the accompaniment of group-clients. But while the CETT involves itself in the projects it finances, it is aware that its expertise is above all in the area of the financing packages, where it is involved at the proposal stage as well as at the project realisation and follow-up stages.

The CETT is thus highly involved in its projects in various ways. To the extent possible, it is not the principal leader in the financing package (the product). According to its analysis, conducted at various points in the project's development, it puts the group-client with other actors in the social economy network who are in a position to work with it in a complementary fashion. In this regard, the CETT plays the role of an "orchestra conductor."

From the CETT's perspective, accompanying clients meets three main objectives. Firstly, this practice, which underlies the realisation of many social economy businesses, is part

of its very mission to contribute to developing this sector. Client accompaniment also makes it possible for the CETT to remain constantly informed about the project's state of advancement and to react quickly in the event of problems. This, in turn, enables better risk management and greater protection for the savings with which it has been entrusted. Lastly, this accompaniment practice, by optimising project realisation and limiting risk, enables the CETT to be profitable despite the fact that its clientele is made up of businesses viewed as risks by traditional bankers.

For the group-client, the main objective of this accompaniment is to achieve a more systematic integration of the project's economic dimension in its decisions, such that it can move towards greater economic independence. For the CETT, this kind of economic education of the group-client enables it to provide its members with the tools necessary for realising their project. It should be recalled here that the CETT's clientele is typically not all that comfortable with economic and financial matters, given that its objectives are first and foremost social, cultural and community oriented. In this regard, the accompaniment provided by the CETT is a vehicle for economic and management education in a setting that is generally poorly sensitised to this central element of all accompanied projects.

By relying on its know-how acquired from its clientele, the CETT is able to provide services in areas such as economic, accounting and financial audits, financial advice, management advice (optimisation of business processes) and organisational advice (management and structure).

With its experience, the CETT has developed a tool for classifying different kinds of accompaniment potential. Depending on the kind of need identified, the CETT offers five kinds of accompaniment, the names of which are indicative of the actions to be taken: Intensive Care, Incubator, Under Surveillance, Autonomy and Withdrawal (Table 1). Each kind of accompaniment corresponds to a particular kind of expertise, partners and investment in time.

Over and above these broad accompaniment types, each project receives a personalised follow-up. This capacity for accompaniment adapted to a given situation is a fundamental element of the CETT's distinctiveness inside a financial world that seeks standardisation. As is noted below, this ability is reinforced by the CETT's ability to mobilise its network of partners according to the needs of the group-client.

The individual skills of the CETT's advisors are not without impact in this regard. In the context of personalised accompaniment of collective businesses, more often than not operated by politicised volunteers who, given the marginality of their project, met with many failures before coming to the CETT, communication and relational skills (listening, advice, empathy, feedback) are necessary assets in the establishment of a constructive relationship. It is for this reason that these skills, which are more difficult to acquire than technical financial skills, are central criteria in the recruitment of these individuals.

Table 1
Accompaniment Types

Accompaniment Type	Situation	Actions
Intensive care	<ul style="list-style-type: none"> ▪ The business has major difficulties ▪ Its survival is at stake 	<ul style="list-style-type: none"> ▪ Lifesaving operation ▪ Network involvement ▪ The CETT leads the operation
Incubator	<p>A developing project:</p> <ul style="list-style-type: none"> ▪ Start-up of the business ▪ Restarting a project ▪ New important project 	<p>The CETT readies itself to make a proposal:</p> <ul style="list-style-type: none"> ▪ Monitor project development ▪ Foresee difficulties ▪ Rapid intervention ▪ Major involvement. “Hold it by the hand” until it can be classed as “Under surveillance” or “Autonomous.”
Under surveillance	<ul style="list-style-type: none"> ▪ Important project or financing for the CETT or the lender ▪ Important change in the business, but it has the necessary skills or resources and already has good experience with the CETT and is in its activity sector 	<ul style="list-style-type: none"> ▪ Monitor projects from a distance ▪ Telephone information, relevant documents ▪ Monitor project development until satisfied, then class in the “Autonomy” category
Autonomy	Project analysis reveals no particular need for specific monitoring	Monitoring occurs in line with the CETT general policy
Withdrawal	<ul style="list-style-type: none"> ▪ The CETT no longer sees itself in the project ▪ The relationship of trust and ease of relations are lost ▪ Viability is no longer assured 	<ul style="list-style-type: none"> ▪ A transfer is planned ▪ Advances are recalled

(Internal source)

In sum, the CETT’s accompaniment capacity is highly strategic. It enables it to act preventively, before problems can no longer be solved, an observation often made by traditional financial institutions that do not involve themselves in the projects they finance. The CETT’s ability to control risk through accompaniment is at the heart of its financial success.

Capacity for Making Made-to-Measure Service Offers

Artists of the stage, artists of finance, the CETT and the Cirque are rare allies who share the boldness to surpass themselves (La Passion des Êtres, March 2000)

These are the terms used by the most famous of the CETT's member-clients, the Cirque du Soleil, to describe the CETT's ability to continually reinvent its service offer according to the group-client's circumstances. A multinational circus of Quebec origin, the Cirque du Soleil has benefited from the CETT's innovative capacity since its creation, when no bankers believed in the potential of this reinvented circus form. In developing specific financial products for the specific needs of the uncommon business at each stage of its development and international growth, the CETT learned from this demanding client how to put its imagination to work for its members.

Underlying this significant capacity for made-to-measure service offers is an uncommon flexibility based on a permanent desire to innovate and on a capacity to mobilise a wide and diverse network of partners with which it has worked for many years.

The CETT operates at the centre of a network of financial and support partners that provide it with a great deal of flexibility in developing financial packages and support it in its accompaniment activities. The union, community, associative and cultural (public and private) as well as financial (public and private) networks are more than just clients, they are also partners who might be mobilised for a project-client submitted to the CETT.

With regard to financial packages, the CETT's group-clients can get, in addition to financial products, support from long-time partners. Financially active in the social economy and in union and government settings, they propose higher risk complementary products (venture capital, government guarantees, subsidies, etc.) than those provided by the CETT, which, as a banker, is not able to provide.

Over and above this network of partners, the CETT has developed a capacity for analysing and designing solutions for each project submitted to it by relying on the specific services offered by its various network partners. Identifying the relevant partners and defining their involvement in the project are dimensions that are integrated into the CETT's business process. In this connection, the CETT's method of operation is in many respects similar to a "project management" method.

The CETT's two kinds of partners (financial and support) are also rich and relevant sources of information about the social economy milieu and its various actors. Right from the initial stage of analysis, the CETT is thus able to obtain strategic information about the projects promoters, their network, their past experience, etc.

The great majority of the actors in the CETT's network are natural partners. Their respective missions are convergent and their fields of action and expertise in developing and financing social economy businesses are complementary. The CETT works closely and regularly with these various partners, which has the important advantage of enabling each of them to be more flexible in individual cases. At times it even enables them to

agree to make a special effort for certain projects, inasmuch as in their collective collaborations, they reach a kind of “compensatory equilibrium.” Over the years, considerable trust has developed within the CETT’s network of peripheral partners, which, in the words of the CETT’s directors, is strongly based on the CETT’s clear and unambiguous positioning. Therein lies one of the major advantages of working in a network of stable partners which provide the CETT with considerable flexibility and enable it to respond more adequately to the needs of its clients with made-to-measure solutions and to monitor the economic development of the group-client through its partners:

We have constructed this network over the years with unions and the community sector in particular. They belong to our world and we belong to theirs. With partners with such well-defined social positions, the exigencies of our day-to-day world are only made more intense. Indeed, having different values and respecting them in a way that differs from the way in which the financial world operates presents a considerable challenge for us. However, just as it has always been for Workers’ credit unions, and ours in particular, we feel that that there is a price to be paid for remaining who we are (Annual Report, 2000).

It is also interesting to note that the CETT operates in concert with its partners. The CETT identified new needs, and with the support of the CSN, it contributed to the creation of new partners, such as the Groupe de consultation pour le maintien et la création d’emplois in 1996, the objective of which was to provide groups and organisations with administrative and consulting services. As well, Fondation, which was created in 1995, emanated directly from the CETT-CSN partnership. This working in common contributes to strengthening the network and to developing synergies so as to provide better services to social economy businesses, which, in turn, is of benefit to the partners.

Capacity for operating astride the line between two universes—the financial and the social

You have to display a “friendly firmness” towards groups, and you have to know where you are and not forget that you represent the CETT. And you have to know how not to let the file get the better of you (Advisor, CETT).

The CETT is naturally situated in the very particular world of social economy. Its strong ties are based in this sector of economic and social life, and its strategic competencies largely derive from it. However, as a legally-recognised financial institution and a significant component of a larger financial network (The Desjardins Credit Union Movement), the CETT is subject to the same laws and exigencies required by its integration in this network as well as the larger financial world.

These exigencies derive at once from the tight legal framework of the sector and from market rules. As a cooperative institution, the CETT must combine market pressures and the needs of its members. However, the CETT’s strategic positioning within the social

economy creates significant challenges to its insertion in the financial universe. Indeed, even though it operates with a specific niche strategy aimed at organisations excluded by traditional bankers, it still has to respect legal standards. As well, even though its clientele is exceptionally loyal, once its clients' financial autonomy is assured, they never fail to compare the CETT to the competition, who, in light of this autonomy, begin to display their interest.

The CETT is thus subject to legal requirements in addition to those imposed by the Desjardins network. As a generalist, the Desjardins network, even more so than the CETT, is faced with intense competition. In this regard, in recent years it has undertaken a major effort to increase its operational efficacy—major reengineering of network and local credit union processes, credit union mergers,¹⁰ elimination of seven intermediate structures (regional and group structures), and consequently, heightened centralisation of national level powers. From the CETT's perspective, this has meant a tightening of financial and operational efficacy criteria, particularly in light of the fact that since its merger, its comparison group has become the 40 largest credit unions in the network, which also have grown constantly as a result of mergers. More than ever, therefore, the CETT is in the “major leagues,” and its actions must reflect this situation as a consequence.

As noted above, the CETT's financial results bear out its capacity for operating in the financial world by playing its banker role in a professional manner. This has required it to reconcile methods and practices that are not always compatible or which strike it at times as being less natural. As such, in the banking universe, the banker's independence *vis-à-vis* his or her client is a necessity. However, the active and close accompaniment process favoured by the CETT raises precisely the challenge of maintaining this integrity. In this joint process in which a strong affective link is created between the advisor and the group-client, this objective distance is crucial both from a legal and a professional point of view. In contrast to consultants, the CETT as a banker has to financially commit itself and, eventually, its network of partners. As well, as much as close accompaniment is a source of the CETT's success with this client type, it also carries with it the danger of losing sight of one of the economic dimensions of the credit union to which members entrust their savings. As such, even though because of their relationship of trust and their expertise, loan officers are regularly invited to sit on the decision-making bodies of their group-clients, a CETT directive explicitly prohibits this kind of action.

With respect to the management of its lending portfolio, the CETT has, over the years, adopted a series of policies specific to its activities. The equilibrium of his group-client portfolio is managed according to two kinds of considerations: risk equilibrium and accompaniment resource equilibrium.

As is the case for all financial institutions, the CETT's portfolio is built around the concept of risk equilibrium. However, the CETT's specific strategic positioning is reflected in the risk profile of its loans. The financial risk of certain projects is balanced by its positioning, now deliberate, on the social housing market which provides material

¹⁰ In five years, the number of local credit unions went from 1,200 to less than 1,000.

guarantees. Over the years, the CETT has thus become the City of Montreal's main partner in its social housing subsidy program. In April 2001, 25% of its portfolio was made up of real estate loans. This proportion, which is lower than average for its reference group in the Desjardins network, is compensated by a greater importance accorded to loans having intangible guarantees. The financing of projects likely to receive intangible guarantees (loan guarantees, for example) constitutes another approach to risk management. In this regard, government partners as well as sectoral ministries enable it to provide certain projects with these kinds of guarantees. The same is true for its privileged positioning in the area of accompanying day care centres, largely financed and regulated by the Quebec government. Overall, then, more than 35% of the lending portfolio is protected by loan guarantees, which constitutes a much higher proportion than the average for the Desjardins network.

Its group-client portfolio is also balanced by the kind of accompaniment required. "Incubator" and "Intensive Care" projects are high consumers of resources (largely human) whereas group-clients at the "Autonomy" stage contribute more than they consume in resources to the organisation. In January 2002, the CETT's accompaniment portfolio was very balanced in that less than 30% of the projects were in one of the three categories requiring regular monitoring (1.1% in Intensive Care, 6.1% in Incubators, 21% Under Surveillance, 6.1% and 71.8% in Autonomy). Although at one time this way of attaining a balance in the CETT's resources was not explained to members, it is now clearly explained at the annual general meetings. This occasion also serves to emphasise the solidarity among member-clients, who for the most part have been in the positions of "Incubator" or "Intensive Care" at one moment or another.

In sum, the CETT's professional capacities are undeniable. Despite its positioning astride the line between two universes whose performance criteria are not always compatible, the CETT has managed to equip itself with risk management tools that are both unique and adapted to the financial universe. Be it with regard to financial risk equilibrium or the equilibrium of its human resources investment in projects, the CETT's performance is quite comparable to financial sector organisations.

Conclusion: Learning at the Heart of the Organisation Model

The CETT's success is based on the strategic capacities it has developed since its creation in the early 1970s. However, its directors have done more; they developed their strategic competencies in light of the challenges faced by the CETT and by its many partners.

It is thus clear that organisational learning plays a central role in this organisation's success. It has provided it with a clear competitive advantage (Hamel, 2000). This strategic transversal skill lies at the heart of its key management processes and can be seen its relations with its clients, its partners, its internal collaborators and even individuals. Learning quite literally appears to be at the heart of this organisation, and has enabled the CETT to progress and to renew itself. One of its most important and exceptional strategic capacities is no doubt its ability to adopt a learning posture, one of

the characteristics of which is to draw from the actors (partners and group-clients) situated on the horizon of its boundaries.

As such, even though its clientele is often “underprivileged” with regard to economic skills, the CETT learns from its relations with its group-clients. Given that one of its biggest challenges is to understand and reconcile its projects’ economic and social dimensions, its privileged relationship with its group-clients and its non-financial partners enables it to acquire the “social competencies” related to its role as a social economy banker. It is this ongoing learning that provides the CETT with its capacity and its motivation to innovate. Flexible both with respect to its service offer and in terms of the nature of its accompaniment, the CETT displays the characteristics of a business that is capable of learning. The capacity for developing its service offers is also related to the learning posture it adopts *vis-à-vis* its network of financial partners, from whom it acquires technical and sectoral expertise.

The CETT is currently faced with a number of important challenges—the restructuring of the Desjardins Movement, mergers and the eventual changing of the guard in its team of directors. Its capacity for learning from all the actors surrounding it is without doubt a key asset that will enable it to meet these challenges head on.

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