21st Century Mutuals:
Creating a Dividend of Mutuality

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Risk in Recovery:
Views of Non Executive Directors of UK Building Societies

A research report from the
Financial Ethics and Governance Research Group,
University of Huddersfield
October 2010
The Mutual Concept

A mutual organisation is one that is owned by and run for the benefit of its current and future members. The mutual business model ensures that the long-term interests of the organisation and the members themselves are always paramount .... [Mutuals Yearbook 2009, p.3]
The past ....

- 14 million members of Friendly Societies
- Building Society in every town plus many work-based societies
- 30% of retail trade (a little under Tesco’s share now?) [Mills, 2009]

- 1864 the Huddersfield Equitable Permanent Benefit Society
- 1975 merger of Huddersfield and the Bradford Permanent Building Societies
- 1982 merger of Huddersfield & Bradford Building Society with West Yorkshire Building Society to form Yorkshire Building Society

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## The present: Mutuals Yearbook (2009)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
<th>Members</th>
<th>Employees</th>
<th>Assets (£)</th>
<th>Revenue (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Societies</td>
<td>52</td>
<td>22,000,000</td>
<td>42,300</td>
<td>341,000,000,000</td>
<td>4,000,000,000</td>
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<tr>
<td>Friendly Societies</td>
<td>200</td>
<td>6,000,000</td>
<td>5,000</td>
<td>17,000,000,000</td>
<td>1,646,000,000</td>
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<tr>
<td>Mutual Insurers</td>
<td>14</td>
<td>3,288,366</td>
<td>12,932</td>
<td>60,999,154,000</td>
<td>2,715,383,000</td>
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<tr>
<td>Other Financial Mutuals</td>
<td>2</td>
<td>2,001,200</td>
<td>13,397</td>
<td>70,329,400,000</td>
<td>4,534,800,000</td>
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<tr>
<td>The Co-operative Sector</td>
<td>4,630</td>
<td>10,650,338</td>
<td>167,519</td>
<td>7,872,948,119</td>
<td>24,488,183,181</td>
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<tr>
<td>Co-operative Trust Schools</td>
<td>28</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<tr>
<td>Credit Unions</td>
<td>487</td>
<td>747,230</td>
<td>950</td>
<td>592,000,000</td>
<td>63,000,000</td>
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<tr>
<td>Employee Owned Businesses</td>
<td>200</td>
<td>*</td>
<td>110,000</td>
<td>*</td>
<td>25,000,000,000</td>
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<tr>
<td>Football Supporter Trusts</td>
<td>169</td>
<td>100,000</td>
<td>100</td>
<td>5,460,000</td>
<td>5,460,000</td>
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<tr>
<td>GP Co-ops and Mutuals</td>
<td>40</td>
<td>*</td>
<td>8,000</td>
<td>*</td>
<td>150,000,000</td>
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<tr>
<td>Housing Associations</td>
<td>2,000</td>
<td>6,000,000</td>
<td>151,330</td>
<td>57,000,000,000</td>
<td>11,580,000,000</td>
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<tr>
<td>Leisure Trusts</td>
<td>120</td>
<td>*</td>
<td>26,000</td>
<td>*</td>
<td>625,000,000</td>
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<tr>
<td>Clubs &amp; Societies</td>
<td>11,600</td>
<td>7,000,000</td>
<td>20,000</td>
<td>220,000,000</td>
<td>463,000,000</td>
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<tr>
<td>NHS Foundation Trusts</td>
<td>115</td>
<td>1,500,000</td>
<td>398,196</td>
<td>17,790,000,000</td>
<td>22,770,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>19,657</td>
<td>59,287,134</td>
<td>955,724</td>
<td>572,808,962,119</td>
<td>98,040,826,181</td>
</tr>
</tbody>
</table>
Mutuality for me ....

A sub-prime property?

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A sub-prime borrower?
Mutuality for me ….

Something familiar, and of meaning?

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Mutuality – past & present

Mutuality was a response to a need, and when people realized how it could help them, it grew.

Mutuality went into decline because it was no longer fulfilling a mainstream need.

Mutuality will only work today in any context if it is reinterpreted, represented and explained to a largely ignorant audience.

[ Mills, 2009 ]

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The ‘dividend of mutuality’?

What does this mean in practice?

*Democratic Engagement with Members?*
*Keener Pricing Policies (without shareholder dividend)?*
*Member Friendly Practices?*
*Longer Term Policies and Commitments?*
*Mutual Culture?*
The ‘dividend of mutuality’?

‘I think the concept of mutuality is very confused in the building society sector, and possibly becoming more so. We need to start from the customer perspective and what mutuality can do for them, not the other way around.’

‘Our objective is to remain a local, independent mutually owned building society and we have no intention of living beyond our means by offering products we cannot afford’

‘It’s a matter of frequent discussion, usually prompted by NEDs, but it’s not fully understood by members and more could be made of it.’

Inspiring tomorrow’s professionals
A Mutual Health Service

Or even a Big Society

Mutual Benefit
Giving people power over public services

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The feelings mutual?

Converting failed financial institutions into mutual organisations

A Report from The Oxford Centre for Mutual & Employee-owned Business
Kellogg College, University of Oxford
Published for The Building Societies Association

September 2009
But, for a new audience …..

What does mutuality mean to them?

What is their ‘dividend’ of mutuality?