

MAKING MUTUALITY MATTER

The Building Society Sector Experience of Listening to Members
Third Edition



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The Building Societies Association is the trade association for the UK's building societies. There are 60 building societies in the UK with total assets of over £305 billion. Building societies have over 22 million investing members and over 2.8 million adults are currently buying their own homes with the help of building society loans.

FOREWORD



This report started out as a BSA research paper, written in 2003. At that time the Government was looking at how mutual models might work in the public sector. That positive spur to look at the experience of engaging members in the building society sector was followed very quickly by a negative reason. The experience of Equitable Life showed that members' input and understanding of the financial mutual they collectively owned is crucial.

While building societies are very different institutions, they too have a responsibility towards their members. That first paper revealed that thinking in the building society sector towards how to engage with members in an imaginative, realistic, understandable way, was quite far advanced. From member road shows, to revamping communication there was a lot of activity going on and the report formed part of the sector's response to the Myners Review into mutual life companies.

In September 2004, the paper was followed up by more research into the sector's activities. Meanwhile, the BSA had established a Member Communications Forum, for specialist communicators to get together and share best practice; ideas; and on occasion, things which did not work. A second paper was published giving more detail, as the sector developed its thinking in this area. The feedback from this paper was very positive and has been used extensively as a benchmark for activity, both within the building society sector and in the wider mutual and co-operative sectors.

So to 2007. Based on the original piece of research, the BSA once again surveyed its members. The resulting report demonstrates a breadth of initiatives which I am confident in saying is not matched in any other area of financial services in the UK.

As the Treating Customers Fairly initiative becomes ever more central to the ethos of providing financial products and services, this report shows the level of thought given to member communication by building societies. We know their mutual structure alone does not guarantee members will always be treated fairly in every circumstance. However, we do believe that societies on the whole put far more effort into genuinely communicating, in other words speaking and listening to their members, than banks do with their customers.

Just as there are 60 building societies, there are many ways of communicating, not all will be applicable or suitable for every institution. However, what distinguishes building societies is their willingness to engage, both with members and each other. This report is only possible because BSA members take the time and effort to record their actions, with the express purpose that others may find their activity and experience useful. For that time, we are very grateful.

Adrian Coles
Director-General
BSA

THE WAY WE WERE

Background

As mutual organisations, building societies are collectively owned by their members. As such they do not have to pay dividends to shareholders and so can offer better rates of interest on mortgages and savings. The earliest building societies can be traced back to the industrial revolution, when they were set up as small local organisations whose members pooled funds to allow them to purchase land and build houses. The first known building society was formed in 1775 in Birmingham and like most early societies was 'terminating', meaning the business was closed after all of its members had been housed.

This changed when societies started accepting deposits from individuals who had no desire to borrow to buy a home, but simply wished to invest their money. No longer terminating, these formed the basis of the 'permanent' societies we know today.

There are 60 building societies in the UK, with assets of over £305 billion; they hold residential mortgages of over £200 billion and over £190 billion of retail deposits. They employ almost 50,000 staff who work across the country in head offices and just under 2,150 branches, serving more than 22 million investing members and over 2.8 million borrowers.

Building societies currently account for 18% of all outstanding residential mortgages. On the savings side, building societies hold about 19% of all personal deposits.

The 1990s – demutualisations and carpetbaggers

The sector faced great difficulties in the 1990s. Faced with the dual threat of director-led conversions and so-called carpetbaggers, the remaining societies had to fight hard to retain their mutual status. However, the conversions created an expectation among the public that easy money could be made by forcing building societies to abandon their mutual status. This was something of a wake-up call. It became clear that societies had not been engaging with their members as much as they should have, but were now asking those members to vote against candidates who wished to demutualise the institution in return for a short-term windfall.

This caused societies to thoroughly review how they communicated and more importantly involved members in the society, its products, services and its organisation.

The sector is much more stable than it was during the spate of demutualisations in the late 1990s. Today all 60 members of The Building Societies Association are committed to retaining their mutual status and thanks to the campaigns run during the height of carpetbagger activity, far more people are now aware of the benefits of mutuality. Even the challenges to the board, which were once a regular occurrence, have now receded. It seems that those who continued to pursue demutualisations at great cost to local communities, in order to personally gain have, for the time being at least, given up.

However, carpetbaggers are getting more sophisticated in the way they approach the issue of attempting to force a society into demutualising. Some have reinvented themselves as democrats; they say they no longer want to demutualise but rather uphold good corporate governance and make societies more democratically accountable. The evidence does not suggest that this is genuine. For instance, in 2003 a candidate seeking election to a building society board on a good corporate governance ticket also ran the "carpetbagger.com" website.

A new millennium

But that was then, and this is now. One of the reasons it is much harder to attack societies for not being representative of their members is that they heeded that wake up call. In the last ten years societies have spent considerable time, effort and money to increase the level of member participation in the affairs of the society, especially voting, which is a fundamental part of the democratic process.

Today, there are many examples of societies genuinely seeking to engage members. Communication is a two way process, speaking and listening, and just as there are dozens of societies, there are dozens of ways of communicating.

The rest of this report highlights some areas where societies have been groundbreaking in their member communication. Given the amount of activity now taking place, it cannot represent an exhaustive list, more, it seeks to show how societies are making mutuality matter.

WHERE WE ARE NOW

Involving members – the commitment and the challenge

In 2002 the BSA published its first Corporate Social Responsibility (CSR) Survey, compiled from independent research by specialist CSR company, SMART. This was followed up in June 2006 by a second report – Societies in Society.

This report showed that members play a vital role in building societies and that over the last three years great steps have been taken to involve members more in the operation of the society, encouraging feedback and Annual General Meeting (AGM) attendance. In 2002, 70% of societies took steps to enable members to share their views, while 20% took steps to encourage AGM attendance. By 2005, 93% were supporting members in sharing their views, and 63% of societies were taking specific actions to encourage attendance at AGMs.

However, engaging people can sometimes be a tall order. In a world where there is ever more competition for an individual's time, attention and interest, voting in a building society's AGM may not be at the top of someone's priority list. One society told the BSA that a survey of members revealed that AGM voting ranked many places lower in members' priorities than voting for 'Man of the Match' on TV football.

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CASE STUDY

"A continual process of engagement"

The evidence from societies shows that increasing turnout at AGMs and general participation can be increased, if the interaction is sustained. For instance in 1996 Britannia Building Society only had 19,000 out of a potential 1.2 million members voting at their AGM. By 2006 Britannia had nearly 400,000 members voting at their AGM, more than 27% of eligible members.

In addition, Britannia had recently completed the remutualisation of the savings business of Bristol & West, a former building society which had been bought by the Bank of Ireland in 1997. Some 25% of newly qualified voting members also took part in their first Britannia AGM.

The society explains:

"This turnout is the result of a continual process of engagement with our members throughout the year, seeking member feedback after each AGM and applying the learning gained, advertising in our heartland areas to encourage participation, ensuring voting packs and the voting form are clear and simple to understand and donating 10p for every vote cast to charity. Britannia invites members to vote by post (in prepaid envelopes), in any one of our 253 branches, or online."

Getting out the AGM vote

CASE STUDY

“Over three times as many members attended”

The Furness Building Society used to hold its AGM at 2pm on a Tuesday afternoon in what was known as the ‘training room’. Members were rewarded with a cup of tea for attending. “And we wondered why no-one used to turn up” explains CEO, Rob Cairns.

“It was then that we decided to change it from a meeting to an event. We moved to this top hotel in Barrow-in-Furness on a Monday evening at 6pm. Members were given wine and canapés and a top industry speaker was invited - one Adrian Coles. The meeting was followed by a recital given by a young group of singers which the society sponsors. The result was that over three times as many members attended.”

“In addition, there was some excellent networking afterwards and we are now going to work on this for next year and are hoping to hold the AGM in the Dock Museum in Barrow-in-Furness, with a local history theme.”

Adrian Coles, Director-General of the BSA recounts his experience of the Furness’ AGM.

“It was a privilege to be asked to speak at the AGM of the Furness Building Society. Although I am sure members wanted to hear about the sector and the society, there was a real buzz when the young singers came on. They were tremendous and it was great to see a local mutual connecting so well with its community, from the sponsorship, to the relevance of the material given to members. Those I spoke to told me what a positive experience it had been and that they would be back next year.”

Many societies now take active steps to encourage members to vote at AGMs. As noted, creating enthusiasm and excitement can be a challenge, but one societies relish. The different approaches detailed here reflect the size and location of societies. One thing they have in common is the care and thought put into encouraging members to exercise their democratic right.

In 2006, the Yorkshire Building Society introduced online voting and a donation of 15p to their Charitable Foundation. In addition, the AGM booklet had a page explaining how members can have their say with the society. As a result more people voted. Other societies such as Chelsea, Bath, Leek United, Saffron, Newbury, Ipswich, Norwich & Peterborough, Mansfield, West Bromwich and the Derbyshire also chose to incentivise voting. Some societies, such as the Progressive, also give members the opportunity to have a say as to which organisations will benefit.

Other societies, such as the Market Harborough, Norwich & Peterborough and Furness hold informal meetings after their AGMs so that members can question members of the board in a more relaxed atmosphere after the formalities of the AGM are completed. Some societies, such as the West Bromwich, Mansfield and Ipswich are, like the Furness, opting for guest speakers at their AGM.

The Britannia Building Society has a dedicated phone line for members who wish to listen to the AGM, as do many other societies. Most societies also provide reply paid envelopes, publish the results of their votes on their Internet sites and appoint independent scrutineers.

The Derbyshire is one of several societies that ensure all members can have full access to the information, by making the AGM pack available in large print and Braille, and signing the AGM for members with hearing difficulties.

CASE STUDY

“A 50% increase in turnout”

In 2006, the Nationwide Building Society set itself the target of one million votes. They exceeded that target with 1.1 million of their 6.5 million members voting. This represented a year on year increase of 50% in the turnout, from 11% in 2005 to 17% in 2006.

In helping the society to exceed its target, Nationwide members raised £100,000 for charity.

The strategy for increasing the turnout was research based. In December 2005, it conducted a telephone survey to find out:

- If people voted
- What would make it easier?
- If not, why not?
- What would make it worthwhile?

In response, Nationwide made the following changes, running a “campaign” up to the AGM:

“Charitable donation – we pledged to donate 10p per vote up to £100,000 to Disability Sport Events, a charity that helps people with disabilities participate in sport.

Quick Vote Option – we simplified the voting process by introducing a Quick Vote option. If members supported the board’s recommendation they could sign and date the voting form in one place. Alternatively they could make their own choices for each of the candidates and resolutions.

Clearer voting pack – we restructured the voting pack with a hierarchy of messages, at the top of which was the importance of voting. We used shorter, more punchy copy and bold visual images that related to the charitable donation.

In-branch voting – we reintroduced the opportunity for members to vote in-branch. We put ballot boxes in the banking halls of all our branches and made it possible for branch employees to print personalised forms for members who wished to vote in-branch. Branch employees were reminded by a screen prompt to have a conversation with members about AGM voting and encourage members to vote. Branches also were equipped with campaign material, including posters, flyers and lapel badges.

Radio Advertising – we tested the effectiveness of using radio advertising to promote the AGM vote by running an ad in the Manchester area. It emphasised the mutual difference that means eligible members can vote with us, but only shareholders with banks.

Other media – we exploited other available media to raise awareness of the campaign and the importance of voting, including an e-mail to 250,000 eligible voters, messages on 800 cash machines and inserts in 2.2 million account statements.”

The Scarborough and Mansfield are among societies (others include the Cambridge, Cheshire, Dunfermline, Norwich & Peterborough, Skipton, West Bromwich and Leek United) which produce a member newsletter. The Scarborough's magazine, *Connect* is "peppered with messages such as 'Your AGM vote counts'. It is deliberately designed in a vibrant consumer magazine style, that hopefully encourages members to read it and digest the more serious messages contained in it."

Nationwide Building Society was the first financial services organisation in the UK to webcast its AGM and has done so for the last six years. Other societies such as the Newcastle Building Society also broadcast their AGM live on the Internet. Coming right up to date, in 2006, the Saffron was the first building society to make their Summary Financial Statement available as a podcast through their website. Members were encouraged to download it by giving them entry into a prize draw to win an iPod.

New technology

New technology is playing its part too and not just at AGM time. In 2002, Nationwide Building Society hosted its first online member's forum with Chief Executive, Philip Williamson, answering emailed questions online in real time. This was not only a first for Nationwide, but another first for a financial services institution. Since then the society has held nine "Online Talkbacks". Their event in February 2006 attracted over 500 questions from members.

Yorkshire Building Society held a similar event in 2003, attracting 180 questions from members. Since then similar events were held in 2004 and 2005, when 64 questions were answered by the chief executive. This kind of communication allows the society to come into contact with people who may not wish to attend an evening meeting, either because of their lifestyle or because it is not a forum in which they would feel comfortable raising an issue. In short it is immediate, accessible, less intimidating and, for some, more convenient.



...attract a new audience and make voting more convenient for those who use e-mail and the Internet regularly.

Some societies, such as the Hanley Economic, Ipswich and the Norwich & Peterborough, have introduced electronic voting for their AGMs. Some societies also offer the option of submitting AGM questions online, with more planning to do so. Again, this will attract a new audience and make voting more convenient for those who use email and the Internet regularly.

A number of building societies have also revamped their websites with members in mind. For instance the Newcastle Building Society, like many other societies, has the option for members to email a complaint, comment or question to a dedicated microsite, to which they will receive a response. The Scarborough uses their website to survey members on specific aspects of the society. In addition, they have taken great effort to make sure executives are "approachable" online, including photographs and details about them published on the site, with members clearly invited to contact the executive team direct if they have a point they wish to discuss.



CASE STUDY

“1,000 people from our local community joined us to celebrate”

The Scarborough Building Society takes every opportunity to organise events which involve its members and community partners. A good example was the recent grand opening of the society’s new flagship Scarborough town centre branch.

The society explains;

“We offered a range of entertainments to enable existing members and our local community to join in our celebrations. This provided an opportunity for people to speak to society staff about everything from their financial needs to the Scarborough’s future direction. This event was very well received – with approximately 1,000 people visiting throughout the day. Feedback from existing members on the day was very positive – with people being very pleased that the society was investing in the service it offers them. While the event, and the new branch itself, have attracted many new customers, they have also significantly increased existing members’ engagement with the organisation.

“We also organised a gala evening celebration for our business and community partners at the new branch, which featured cocktails, canapés, a presentation from our chief executive and an opportunity to meet and speak with members of our senior management team and staff.”

Meeting members 'Face 2 Face'

In addition to member magazines and written questionnaires, building societies also use what is known as "face to face" forms of engagement such as roadshow meetings with chief executives and their senior management teams. This is when members really get to see the "whites of the eyes" of those who run their society and look after their money.

Again this is an area which marks mutuals out as different, not only in their ethos but also in their actions. For instance, it is difficult to imagine many bank chief executives taking time out of their busy schedules to spend time talking directly to customers in such a comprehensive manner.

The Mansfield, Nationwide, Norwich & Peterborough, Yorkshire, West Bromwich and Newcastle Building Societies (amongst many others) all hold regular members' meetings and there continues to be an ongoing commitment to such meetings in the sector.

Societies recognise that attending a "member forum" of a building society may not always be the first choice for an evening out, so they have been creative in the way that they put these sessions together. The Cheshire Building Society combines a members forum with its Chairman and CEO with a free tour of a local place of interest such as historic houses. Britannia runs a programme with the half dozen football clubs with which it has affinity accounts. The society has held meetings at Ipswich, Liverpool, Manchester, Stoke and Sunderland Football Clubs. This gives senior building society staff the opportunity to talk to members and provides members with the incentive to attend.

To supplement these meetings, the society has also run a series of lunches for members, hosted by the chairman and chief executives, including events in Birmingham, Bristol, Crewe, Ipswich, Rochdale, Stoke and Torquay.

The Chelsea Building Society held its first Member Forum events at Bristol Zoo in 2005. These were held during the day at a venue which the society hoped would attract young families, especially young mothers, a group of people who are especially hard to reach. Nearly 100 members attended the sessions, giving members the opportunity to put questions directly to the CEO.

Following an evening with the Norwich & Peterborough Building Society, Peter Stowesand, a N&P member, commented: "It gave me an insight into how the society operates and its plans for the future. It was good to put a face to the name of chief executive Matthew Bullock. I came out of the meeting feeling that Norwich & Peterborough really cares."

Since 1997 Nationwide has held nearly 100 Member TalkBack Events across the UK. The society estimates that over 900,000 members have received a personal invitation to attend. Feedback shows that during 2006, 69% of members said they felt more valued as a member having attended an event and 87% said they feel they have had a say in the issues which affect them as a Nationwide member.

"Delighted to receive the personal invitation, warm, friendly greeting and all staff were excellent. Thanks for a great event." NATIONWIDE MEMBER AFTER A TALKBACK EVENT

Some societies have taken a different approach than a Q & A session. The Furness, in addition to their 'member talkbacks', is about to hold their first "Furness in the Community" evening. This event is designed to bring together members, local dignitaries and local businesses to hear a short address from the CEO and then hear short presentations from people and organisations for whom the Furness has made a difference.

For the past two years the Newbury Building Society has held an evening event at the Watermill Theatre in Newbury, a regular Watermill performance, preceded by canapés. Over 100 members and their guests attended and had the opportunity to meet executive and non-executive directors in an informal way.

The Newbury also holds a Directors' Question Time session in each branch every year. Attendees include all local stakeholders from members to intermediaries and local opinion leaders. The Derbyshire holds a Fairness Forum, which gives members and non-members the chance to give their feedback, direct to the chief executive, on how the society can offer fairer products and services.

CASE STUDY

“We can listen to concerns and even compliments from our members”

The Yorkshire Building Society has been holding regular informal meetings with members throughout the country since 2001. The format involves a short informal presentation about the society and current issues and a Q&A session followed by a buffet when members can talk to head office and local branch staff.

The CEO and, depending on the number of attendees, another director or general manager host the meeting.

In 2005, the Yorkshire sent out approximately 55,000 invitations, to cover seven meetings. This brings the total number of invitees during the last five years to more than 280,000. In 2006 there were six meetings, including a slightly different format ‘meet the chief executive’ meeting during the day. Approximately 53,000 invites were sent in 2006.

The society lists the following benefits of hosting member events:

- Enables senior management to listen to concerns (and compliments!) from members and respond directly.
- Comments made assist in the development of products and services. For example, a recurring theme has been ‘what is the Yorkshire doing for pensioners’ – our response was to launch in February 2005 our Access Saver Account for Pensioners.
- Raises awareness amongst members who are sent an invite that the society is being pro-active in canvassing members’ views.
- Tangible demonstration of the difference in behaviour between mutuals and plcs, which some members do acknowledge in their feedback comments.
- Interaction between staff from head office and branches on an informal basis.
- Generally positive comments received from members. For example:
 “I felt that the society has the interest of its members in the forefront of its dealings, which is so important for our confidence in the society.” MEMBER, TAUNTON, NOVEMBER 2005
 “A responsive, caring organisation that listens to and values its members.” MEMBER, COVENTRY, OCTOBER 2005

Face to face meetings do not always have to be so formal. For instance the Scarborough recently held a “Grand Opening” for their new flagship store, which saw over 1,000 local people walking through the door.

Britannia took the concept of a member’s day out to new heights when some 26,000 members joined the society to celebrate its 150th birthday in 2006. They attended a free concert and a free day’s racing at Uttoxeter racecourse. Each Britannia branch also held a birthday party.

Member panels

The Yorkshire Building Society member panel was one of the first to be established in 2001. At that time the society decided to establish a member panel whom they could involve in every aspect of the society. The response was overwhelming and they now have a regular panel of over 6,000 members. Members are contacted either by post or phone a maximum of twelve times a year about issues which affect them.

The feedback from the Yorkshire is that there is a genuine appetite for engagement among its members; people want to be involved and have jumped at the chance to do so.

In 2005 Yorkshire established a Members’ Forum, whose participants are drawn from the Member’s Panel. This forum of 17 members meets with the chief executive and other senior managers to provide focussed debate on issues such as Treating Customers Fairly, AGM packs, Internet operation, the branch network and involvement in local communities.

Britannia Building Society established its Members’ Council in 2002. The panel meets quarterly, for a whole day and sets its own agenda. In line with good corporate governance, all of the original members retired and new members are inducted each year, to keep a fresh perspective. Former council members are involved in an alumni network of social and working events.

“It’s obvious this building society is taking the trouble to listen to customers. If nothing else, the meetings have confirmed my view that Britannia is an organisation I can trust.”

BRITANNIA MEMBERS’ COUNCIL PARTICIPANT

Newcastle’s panel has 750 members from around the country. Their members are regularly consulted on new products and services and play a vital role in developing the society’s future strategy.

In 2005, the Derbyshire introduced its Fairness Forum, which gives members and non-members the chance to have their say on all aspects of the society’s business. The Fairness Forum has met with members in Derby, High Peak and Nottingham to hear directly from them as to how the society can deliver even fairer products and services in the future. The society explains “the Fairness Forum provides a channel for members to have a direct say in the way we do business with the Chief Executive, board directors, senior managers and branch staff.”

The Furness Building Society places posters in its branches encouraging members to tell the society’s chief executive, Rob Cairns, what they think about its products and services. The scheme has proved popular with members. The Cheshire Building Society has a similar scheme.

The Saffron has just completed a training session with volunteer members who have agreed to sit on the society’s literature approval panel, which signs off all society literature and advertising. These members will be providing a valuable perspective on the brand image and language of the society.

All of Britannia’s sales and corporate literature is also reviewed by a panel of members before it is published.

CASE STUDY

Hosting a members' conference

The Saffron building society spent 18 months developing the way it used member panels, which are set up on a local basis.

In March 2006, the society ran its first member conference. This was attended by around 50 members, who already sat on local panels. The conference was run over the course of a day and members received presentations on the society's progress and contributed to discussions around member engagement, treating customer's fairly, charitable donations and the society's change of name.

Feedback from members also helps in the development of new products. Yorkshire Building Society noticed that a recurrent theme at their meetings with members was "what is the Yorkshire doing for pensioners?". The society's response? To launch, in February 2005, their Access Saver Account for Pensioners.

Feedback - making membership meaningful

Listening to members is one thing, but acting on what you are told is quite another. Evidence that engagement really does make a difference is an area which societies have been concentrating on.

Member feedback has played its part in the launch of new products and the charitable donation strategy implemented by the Saffron Building Society.

At the Britannia Building Society Member's Council, issues such as improving service at the call centre, keeping members better informed of interest rate changes and changing the opening hours of some branches to better meet local needs have all been raised. Action has been taken as a result of the feedback, which is then communicated back to members.

Many societies undertake regular member satisfaction surveys. Some, such as the Scarborough, encourage feedback and communicate the results through a variety of channels such as magazines and the website. At Britannia, part of Britannia Group employees' bonuses are partly based on customer satisfaction scores.

The Skipton Building Society even included its members in the development of its first multi-media campaign for 15 years.

The Dunfermline Building Society holds member evenings around Scotland and has recently introduced member information afternoons; the Dunfermline's executive team regularly telephone randomly-chosen members and establish in a fairly short conversation, how the member feels about various aspects of the society; the Dunfermline also commissions mystery shopper exercises, carried out by leading market research companies, by personal visits to branches and through telephone calls to Dunfermline Direct.

CASE STUDY**One of our most successful products came from member feedback**

The Newcastle Building Society has been holding regular member roadshows for sometime. They highlight the fact that feedback from these roadshows helps the society develop new products and continually improve their service.

Indeed, one of the society's most successful savings products, Nova 55 – developed exclusively for the over 55s – was a direct result of a customer suggestion at a roadshow.

The society has taken the decision to set up a Priority Register, automatically notifying members of new products as they are launched, which also originated as an idea expressed at a roadshow.

**Member-nominated directors**

Another area where societies have extended engagement is in the boardroom. Corporate governance is becoming more and more important, especially in the post-Enron world and societies are addressing the issue of how to involve members at board level.

Grass roots representation is important, as it means that societies not only have members' input at the top level, but it is also a signal to all members that their interests are represented. Societies such as the Derbyshire, the Yorkshire, the Nationwide, the Cheshire, Cambridge, Ipswich, Leek United and the Norwich & Peterborough (and many others) have all advertised for non-executive board members to dispel any illusions that appointments are made at the 19th hole.

The Norwich & Peterborough Building Society advertised in East Anglia for two non-executive board members, specifically looking for people with local knowledge in order to become more closely involved in their communities. As a result two local people were appointed and members now have a dedicated phone line if they feel there are any enquiries their two local non-executive directors can help with. These directors 'retire' from the board in April 2007 and the society has repeated its local advertising for their replacements, to be announced shortly.

Grass roots representation is important, as it means that societies not only have members' input at the top level, but it is also a signal to all members that their interests are represented.

Some societies have taken the step of offering their members the opportunity to put themselves forward for appointment as a non-executive director. The Market Harborough Building Society has, as part of its AGM mailing, invited members to register their interest in becoming a non-executive director. The West Bromwich Building Society used their AGM and annual statement mailings to invite members to register their interest in becoming a board member. The Saffron has already invited members to register an interest in the non-executive director role that will become vacant early in 2007.

The Yorkshire Building Society had two new non-executive directorships to fill in 2006. In addition to advertising in the national and local press, the society proactively contacted those members who had expressed an interest in becoming a director in the interim period.

Four years ago, the Derbyshire created the new post of member-nominated director on its board to give members the chance to express their views by a direct phone hotline or via email.

Hinckley and Rugby Building Society seeks recommendations from its members when vacancies for non-executive directors arise. A number of directors elected to the society's board were recommended by members in this way.

Accessibility and appropriate representation for local communities to have their voice heard is vital to the engagement process.

Community involvement

Most building societies in the UK are regional organisations which still have their head offices in those areas where they were established. Even those which have a greater geographical spread engage locally with their members. The regional strength of building societies means that they are not homogenous, and do not have a "one size fits all" attitude, unlike many banks and other large corporates. This in turn means that they can be much more responsive to meeting the needs of their own local communities - being part of the fabric of those communities.

Commitment to the local community extends beyond financial or "in kind" support, to the use of local suppliers and engagement with local councils, development groups and schools. A more detailed BSA report on building society community activity is planned for 2007.

Corporate governance

Disclosure of directors' remuneration

Major steps have been taken by building societies to improve transparency in respect of directors' remuneration. In 2004 38 societies put details of their remuneration policies in their summary financial statement (SFS), rather than in only their much less widely read annual reports. Last year 61 out of 63¹ societies disclosed this information in their SFS. In 2006 61 out of 63 societies voluntarily asked their membership to participate in an advisory vote on directors' remuneration policy at their AGM, accounting for over 99% of all building society members. Neither of these initiatives were required by legislation.

¹ There were three society mergers in 2006

The Building Societies Association's involvement

As the trade body representing all building societies in the UK, the BSA is playing an active role in encouraging greater member participation and spreading examples of best practice.

Communication with members cannot be sectioned off into neat categories. People read newsletters, talk to branch staff and also receive communication direct from their society. Therefore the Association currently runs a PR Forum, an Internal Communications Forum (for communication to staff) and a Member Communication Forum. These allow practitioners from across the sector to come together and network, discuss current issues, practicalities and difficulties - and to share best practice; thus facilitating greater member engagement in the sector.

The Association encourages building societies to adopt standards of best practice in corporate governance and has developed guidance on the Combined Code on Corporate Governance to help societies to apply similar standards to those which apply to listed companies. Also, the BSA encourages societies to conduct advisory votes of their members on directors' remuneration, as well as providing details of such remuneration in their summary financial statements. In addition, the BSA was the first financial services trade body to publish sector-wide research, report and host a conference on corporate social responsibility activity undertaken by its members.

As a result of listening to our own members, the BSA is planning to host a seminar covering all aspects of member engagement in mutuals in 2007. The aim is to share societies' experience of talking and listening to members, so hopefully future experience of being a building society member will mean even more.



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CONCLUSION

The building society sector has realised that it is not enough for societies to go out and ask for members to support them against carpetbaggers once a year. They are now proactively engaged in communicating to members why mutuality delivers more benefits than plcs, but also listen and are responsive to the feedback they receive from members. There is little evidence that such time and effort is being put into the area of customer communication by the banking sector. This can be attributed to the different organisational structures. Building societies recognise that mutuality means more than just their structure, but informs the relationship they have with their members. Participation and engagement is key to connecting with those members and the evidence from the sector shows that members are keen to reciprocate this contact.