

The origins, present and future of the Raiffeisen idea in Switzerland

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The origins of Raiffeisen Switzerland are typical of an intrinsically motivated loan or business cooperative launched in the early years of the 20th century. Today, the bank is looking for ways to remain successful in the market with cooperative values, while staying true to its own entrepreneurial self-image. There are digital challenges that Raiffeisen, like all companies, must master. Raiffeisen has the advantage that the cooperative model sets it apart from all other banks in important ways. Raiffeisen can look forward to a sustainable future, if two conditions are met: If it is possible to bring the unique entrepreneurial heritage and the special commitment of its members into the digital age in a timely and demand-driven way.

This essay offers an historical review to illustrate how successful dialogue around values, together with the call for a radical Raiffeisen reform, can turn origins into a concrete future.

Part 1. The origins

Raiffeisen's idea in Switzerland

No one ever 'invented' the cooperative – not even Friedrich Wilhelm Raiffeisen, who was born in the Westerwald region of Germany on 30 March 1818, i.e. 200 years ago. As it did during his lifetime, the cooperative still stands to this day for a basic form of human cooperation: self-help. Raiffeisen himself, however, summed up the cooperative idea in simple words: 'What is impossible for the individual can be achieved by many.' After the initial successes of the Raiffeisen banks in Germany, his principles – self-help, self-management and individual responsibility – served as the basis for setting up cooperative banks in Switzerland.

The liberal cantonal government official and national assemblyman in Bern, Edmund von Steiger (1836-1908), visited Raiffeisen in the Westerwald region in 1885. Inspired by the idea of the cooperative credit union, and impressed by Raiffeisen personally, he returned to Bern. As the person in charge of the Bernese agricultural policy, he called for awards of prize money for the establishment of credit unions under the Raiffeisen

system. The money achieved the desired effect. The first three Raiffeisen credit unions were established: Schosshalde/Bern (1886), Zimmerwald (1887), Gurzelen (1888).

But it was not Edmund von Steiger who laid the cornerstone for today's Swiss Raiffeisen Group in Protestant Bern. It was Fr. Johann E. Traber (1854-1930) who did so, in the Catholic, eastern Swiss canton of Thurgau. In 1899, together with 45 men and his sister Veronika (13th member), he created the savings and loan association in Bichelsee-Balterswil. Just three years later, ten credit unions joined the Swiss Association of Raiffeisen Banks that Johann Traber had founded: Bichelsee, Beromünster, Seewen, Sempach-Neuenkirch, Ettingen, Waldkirch, Niederhelfenschwil, Quarten, Einsiedeln, and Yberg.

As with Raiffeisen, the village, the small unit, was Traber's creed, field of action and lifeblood. After returning from studies in Würzburg and Leuven, he remained in eastern Switzerland for the rest of his life. For Traber it was the focus on the village-based credit union that formed the basis for his success. He stated his first fundamental principle in the style of Raiffeisen: 'The Raiffeisen Credit Union Association is limited to a narrow area, typically a local community, and its members must have their place of residence in the area of operation of the association.' He described the ideal as 'a church or political community, preferably one of 1,000 to 3,000 inhabitants'.

For decades, the emphasis on the independence of the small unit served as the credo of the Raiffeisen network in Switzerland. A presentation held at the conference to mark the 75th anniversary of the Swiss Raiffeisen Bank Association in 1977 at the University St. Gallen identified the strength of the Raiffeisen organisation 'on the one hand, in the decentralisation of the individual banks in accordance with the federalist principle of our state, and on the other hand in their combination at national level. (...) Because the banks are strongly rooted in the communities (...), both the banking postulate of security and that of market proximity are optimally realized.' The presentation found agreement on the 'harmfulness of the concentration process in general and within the

cooperative organisation in particular. (...) The merger of Raiffeisen banks – as, for a long time, the merger of banks generally – is a taboo topic in Switzerland.’ A deterrent example is ‘German fusionitis’. It is feared that the process of contraction in Switzerland could be similar to that in Germany, where only 2900 (merged) independent credit unions were forecast for 2003, compared to 4800 in 1978.

Denominationally neutral

Around his place of residence in Bichelsee, the Catholic parish priest Johann Traber quickly became known as the ‘Swiss Raiffeisen’. The first years of the association went well. He was able to persuade, motivate and organise. Traber set the pace. It may be surprising that Traber was committed to ensuring that his credit unions were not dominated by the demands of a Roman Catholic or Protestant reading of Christianity. According to the association’s first annual report, the Raiffeisen organisation was not to be the ‘domain of any confession or political party, but should instead take root as a free organisation wherever a Christian and non-profit sensibility offer it fertile ground. (...) Catholic and Protestant ministers should compete in the effort to establish Raiffeisen banks.’ Initially, Traber viewed the Raiffeisen banks as ‘a work of Christian charity (...) with ideal aims’. To him, they were never a ‘mere business’. Even later on, this attitude remained the doctrine postulated by association management. The banks should ‘never degenerate into everyday banks’.

The shared use of the village church by religious communities of both denominations is part of everyday life in Bichelsee in the Hinterthurgau region. This experience contributed to Traber’s religious tolerance. He was accustomed to pragmatic cooperation with the reformists. A law dissertation dating from 1923 states that it is not justified suspecting that ‘the Raiffeisen movement has a denominationally Catholic character’. The following arguments were put forward in support of this statement: ‘Accident’. It was by accident that Traber, a Catholic clergyman, successfully launched Raiffeisen banks. Moreover, Raiffeisen banks were

also ‘being set up in purely reformist parts of the country’. After all, the ‘socio-ethical leitmotif’ was characteristic not only of churches and political parties, and ‘it is at the very root of the idea of the cooperative.’ Reference was also made to Raiffeisen, who, as a Protestant, had maintained ‘his independence from all religious dogma’.

Putsch against the pioneer

After the first ten successful years of the association, a dispute arose between the pioneer Johann Traber and the local banks. He sought to install a central bank in Bichelsee through which all of the member banks’ financial transactions would be handled. This was something the local banks were not willing to accept. They wanted to continue to have the power to decide for themselves with which banks they would conduct business. The systemic tension between central authorities and local units that every federalist organisation must balance led to a bang and cost Traber his position as head of the organisation. The democratic coup against the pioneer occurred in 1912. Traber, who was also stubborn and set in his ways, did not realise that the time for a central bank was not yet ripe. Just four years later, the association, which now relocated from Bichelsee to St. Gallen, had a central bank of its own.

Traber rebelled against his dismissal. He founded an oppositional newsletter, the ‘Raiffeisen Messenger’ [‘Raiffeisenbote’]. He hoped this would provide him with a way to continue to contribute his ideas to the association. The strategy failed. The new managers of the association offered him a position as editor-in-chief of the association publication. Personally insulted, he turned their offer down. In 1913, Traber wrote that he had been ‘revolted away from the association for political reasons’. Frustrated, Traber withdrew to Bichelsee. He remained president of the supervisory board of the credit union there until 1921.

Traber was invited to St. Gallen as a guest of honour for the association’s 25th anniversary in 1928. He gave a speech in which he suggested there were only two things that could ‘kill’ the Raiffeisen organisation: ‘1. It itself, if it should de-

viate from its golden principles, which are built on the eternal basic law of love for God and neighbour. 2. Brutal violence, if we should be faced with Russian-Communist conditions that destroy all justice and trample all private initiative.'

Johann Traber died on 29 October 1930.

Traber's legacy

To Traber, the cooperative was a programme, but not primarily a political mission. Far be it from him to advocate for a 'comradship-in-arms' of the sort that Viktor Aimé Huber, for example, proposed in 1841 as the basis for a conservative party in Germany. In 1906, however, Traber was a co-founder of the Catholic Conservative People's Party in Thurgau Canton. He did not draw up a differentiated cooperative treatise. The 'practical script' for the 'Management, bookkeeping and accounting of Raiffeisen credit unions' (1901) is his main concern. Or, in 1909, the short and easy-to-read 'instructions' "Bookkeeping and accounting for Raiffeisen credit unions" His area of expertise is the practical, the applicable side, not comprehensive analysis and presentation. He offers the following advice to the beginning Raiffeisen cashier 'who only succeeded well in primary school': "Do not read the instructions all at once. Instead, read only exactly what you need and have to put to immediate practice."

During the founding years around Traber, the term 'corporate governance' – on which the Swiss Raiffeisen Group is currently working intensively – was not yet known; what was known were the principles of good management by executive board (management), supervisory board and cashiers (calculator, bookkeepers, administrators). In Raiffeisen banks, there should be no 'accumulation of offices, i.e. hoarding of all kinds of office in a single person'. He saw a risk of 'irregularities', 'breaches of office' or 'loss of overview'. Some people had already been 'made unhappy' in this way.

Traber articulated selection criteria for managers based on these considerations. 'No one should be appointed to the executive board, let alone the supervisory board, who is already very busy. Above

all, you should not choose people who brag; focus instead on men who are recognised as capable, industrious and simple in their own profession and business; they need not be career civil servants.' On the qualities that make a person suited for the office of cashier, he noted, 'commercially trained people may be good for this, but they are not necessary.' Traber relied on farmers, craftsmen, clergymen, teachers, labourers and office workers. If there was no other way, it could also be a civil servant. 'Thanks to its simplicity, the good management of a Raiffeisen bank requires little more than would the work of managing a municipality, church or school fund. The most necessary requirement is conscientiousness and punctuality.'

The cashier holds a key position in a bank, even if he or she is only an 'employee of the board' who is to be 'moderately compensated' for his or her 'efforts'. As a precautionary measure to 'prevent the emergence of an omnipotent bank administrator (...) alongside which the boards and supervisory boards sink into insignificant tools or idle spectators', he or she should not hold a position on the board or supervisory board.

When selecting members for the own Raiffeisen bank, the board 'must not be shy, but must preserve the security and honour of the firm. E.g. it can hire drunkards on a trial basis. And help them in exchange for good security and on the condition that their condition improves. But if they are incorrigible, the board should bravely exclude them.' Traber cautioned against the award of loans to what is known as a 'so called big shot'. He advised others to be suspicious of 'bold entrepreneurs and speculators'. According to Traber, the best kind of creditworthiness was 'founded on a simple lifestyle befitting one's social status, and a diligent and economical housewife brings more credit to her husband than do daughters who live beyond their status or sons engaged in sports.'

Reading Traber's writings, it becomes clear: His attitude is close to Friedrich W. Raiffeisen's, too. According to Alfred Böhi, Traber's first biographer and a contemporary, it was the 'most sacred duty' of the 'executors of Traber's will' to ensure that his 'splendid thoughts remain pure and unadulterated.'

Raiffeisen as a 'farmers' bank'

As early as 1916, the Swiss Raiffeisen Association joined the Swiss Farmers' Association 'as a supporting member'. It was not until 1919 that it became a member of the Swiss Bankers' Association. Later on, in the 1920s, the association noted that 'groups of large banks and (...) in some cases cantonal banks' were looking out for Raiffeisen banks as 'supplementary banks with a right to exist'. This appreciation was not yet certain at the time, however. From 1927 onwards, the Raiffeisen Association had the expressed hope of 'occasional joint representation of interests' on the part of 'small and medium-sized banks' and 'rural savings and loans'.

It was not until the 1960s that, thanks to strong growth in mortgage loans, Raiffeisen went from being a farmer's bank to a retail bank that began awarding consumer loans as well. In order to avoid the dependence on business with interest rate differentials, an initial diversification strategy was launched in the 1980s, which further developed Raiffeisen to be the house bank of the broad middle class. With 1,229 independent banks, the maximum number of independent Raiffeisen banks was reached in 1986. From then on, business expanded, and banking mergers began.

Part 2. The present

The dynamics of development as a group

As the leading Swiss retail bank and the third-strongest force in the Swiss banking market, Raiffeisen now has around 2 million cooperative members and 3.8 million customers. The 246 legally independent and cooperatively organised Raiffeisen banks (as of May 2019), which together operate around 900 bank branches, are all merged into the Raiffeisen Switzerland Cooperative. This organisation exercises the strategic leadership function for the entire Raiffeisen Group. With group companies, cooperation arrangements and investments, Raiffeisen offers private individuals and companies a compre-

hensive range of products and services. The current balance sheet total stands at CHF 225 billion (31.12.2018). In 2014, the Swiss National Bank declared Raiffeisen a banking group with systemic national relevance.

The ambition Raiffeisen has today is to actively assist its customers in all situations throughout their lives. Along with a historic focus on private and investment customers (with services in the areas of payments, savings, financing, old-age provision and investing), Raiffeisen has diversified its business fields in recent years and expanded its business with both corporate customers and wealthy private customers. As a domestic bank, however, Raiffeisen deliberately refrains from expanding the market to other countries in parallel with its diversification.

Federalism and democracy

As has been the case since the founding of the Swiss Raiffeisen Bank Association, Raiffeisen still has multi-level decision-making and authority levels that are structured according to the principles of federalism and subsidiarity. For these reasons, the strategic development of the Group, the central bank, risk management, product management, marketing and sponsorship, as well as IT, are concentrated at Raiffeisen Switzerland. For their part, the 246 local, independent cooperative banks look after marketing, pricing and provision of needs-tailored banking services.

Through the 'one person, one vote' principle and involvement by the membership, cooperatives are geared towards long-term success for the benefit of their members and are anchored locally. With their voting rights, members participate in and decide during local general meetings, thus forming the highest body of their local Raiffeisen bank. They elect the governing board, for example, and issue decisions on topics such as mergers or modifications of the network of branch offices. Cooperative members also benefit from attractive interest rates on their share certificates, preferred conditions on banking services and attractive leisure activities (sports, culture, travel).

For their part, the Raiffeisen banks are owners of the Raiffeisen Switzerland Cooperative, which ensures democratic participation at this level as well. Together, the Raiffeisen Group forms a community of joint liability. For members and customers, thanks to a well-funded solidarity fund, mutual liability on the part of Raiffeisen banks amongst themselves and via Raiffeisen Switzerland means a high level of security for members and customers. Stability results from mutual control and checks and balances between the elected bodies of the cooperative group.

The cooperative structure does not call Raiffeisen's economic success into question – on the contrary: cooperative stability and the reinvestment of profits generate new business opportunities. The question of whether a cooperative can react quickly enough to such opportunities is chiefly a question of structure (hierarchical organisation) and of the culture of leadership and cooperation. Precisely because of the complex and democratic structure of a cooperative with a large number of different communication platforms, overarching strategic decisions, taken jointly, are generally better accepted and actually implemented when compared to those of public limited companies.

In relation to the Raiffeisen banks, Raiffeisen Switzerland is, to begin with, a 'serving institution', as the mission of the cooperative, within the meaning of Art. 828 (1) *Obligationenrecht* (OR) [Swiss Civil Code on Obligations], is '... primarily to promote or safeguard certain economic interests of its members...'. Nevertheless, in addition to services, the association exercises actual corporate management functions and has statutory strategic and supervisory functions. A circular governance structure in the cooperative association has the capacity to reduce this immanent tension between headquarters and primary banks, but it cannot be eliminated (see paragraphs below *Everything turns out quite differently as well as Reform 21*).

Value debate and basic strategy

Although the co-operative pioneers were debating the design of the system even in the 19th century

(e.g. Raiffeisen versus Schultze-Delitzsch), there are two elements of cooperatives to be highlighted that still apply to this day: First, there is the 'liberal axiom' of self-help or help for self-help. Raiffeisen is committed to this approach – complementary to its 'dualism of utmost religious idealism and a sober sense of reality'. The second element that should be mentioned is the significance of participation (the 'one person, one vote' principle, among others) 'as the central narrative (...) of the cooperative'. This describes how decisions are organised and implemented within a self-determined, self-administered economic structure.

In 2010, Raiffeisen decided to take a unique approach towards expressing cooperative participation inside the organization as well. Through the development of a new basic strategy of the Group by dialogue. At the time, the number of employees in the Raiffeisen Group had doubled since 2000 to around 11,000. To decide against a strategy imposed from headquarters, or from on high, is to bring employees' dedication and broad personal expertise into a creative process. Raiffeisen sought a systematic dialogue that would not only integrate employees' ideas and experience, but also repeatedly take the expectations of a host of external stakeholders into account. To achieve this, the organisation needed a basis in values, shared by all employees, that would prove itself sustainable even in the face of significant shifts in social, political and economic framework conditions.

Over the course of four phases of the project, content was developed and networking among the various departments ensured. An entire organisation (from the individual Raiffeisen bank to headquarters staff) had to adapt to this logic. The consequence of this highly dynamic setting was that the interfaces had to be renegotiated and arranged at practically every stage of the project. But it is these discussions that helped stakeholders evolve in their respective self-conceptions, both in and on behalf of the organisation.

The process for developing and anchoring the basic strategy was divided into four phases (elaboration, discussion, finalisation, anchoring). Procedurally speaking, the dialogue level (value

debate) was distinguished from the instrumental and structural (structural strategy) level. During the elaboration phase, a foundation for discussion based on the existing thrust was created for the first dialogue event, with strategy and banking experts contributing guiding topics (e.g. productivity, sales). The design core for all of the intermediate steps of strategy development can be found in various dialogue forums in the years 2012, 2013 and 2014, with (interim) results fed back and bundled by the employees or suitable bodies. This is how each forum constituted the basis for the next qualitative step.

Because of their clear cooperative value orientation sets, Raiffeisen banks, contrary to their competitors, an independent project stream was set up for the values. As a foundation, 22 documents by and about Raiffeisen were analysed, with 230 values identified. Finally, four core values emerged from a variety of workshop discussions with the management and the division heads: credibility, sustainability, proximity and entrepreneurship.

The major effort invested to cope with the complexity of the project proved worthwhile: the large forums identified aspects that had not been anticipated by either the project team or the specialists who were involved in the preparations. Working groups delved into key operational issues in greater depth to develop concrete results during the course of the process at the request of management. This includes, for example, assigning concrete courses of action for the four core values that had been developed. But there was also discussion of the membership model of the future, and of the requirements for the next generation of bank managers.

Right from the outset, an axiom of the strategy process was that all banks should have an opportunity to comment on all topics. Quality factors of such a dialogue-based strategy are interdisciplinarity in the blend of methodologies, the fullest possible integration of decision-makers at the key stages of decision-making, closed feedback loops for all phases and inputs of interested parties, and adaptability of the project to any new developments that might emerge from the content developed. Ultimately, complete transparency about

methods, objective, procedure and processing is essential for the success of the project, which consists not only in developing the basic strategy, but also has to prove itself through application of the content and values by each individual employee in his or her work with the customer.

Management took delivery of Version 1 of the basic strategy in February 2013. This marked the end of the discussion phase and the beginning of the finalisation phase.

'Version 1' was evaluated with the banks at an extraordinary forum for presidents and bank managers. An online survey was conducted to systematically prepare for these forums. Accordingly, the text of the strategy contains 68 'uncritical' and 33 'controversial' topics. Seventy percent of the content of the strategy had thus already been established after the 'first round'. The remaining 33 controversial topics were discussed in extraordinary forums for bank managers. Thanks to digital technological support, it was possible to map and condense complex, interactive integration processes with many stakeholders.

The governing board approved 'Version 2' on 29 January 2014. Due to critical feedback received from the presidents of the regional associations, four of articles on the basic strategy were amended once more in consultation with the presidents of the regional associations, the chairman of the governing board of Raiffeisen Switzerland and by circular resolution, and were finally enacted as 'Version 3'.

The anchoring phase for the new strategy began under the title 'Working together to create the future'. The 2014 dialogue convened some 600 participants from the more than 300 Raiffeisen banks in Lucerne with the aim of making the new basic strategy operational. By that point, the focus was no longer on whether, but on how. With bank managers and governing boards working with the new basic strategy based on the newly defined or adapted canon of values, they themselves began the process of anchoring these values. For employees, the new basic strategy and values were anchored with the aid of a common team excursion. Each bank hiked the 'Raiffeisen path' in its local surroundings. Using an Augmented Reality

app, at the ten virtual stops along the way, participants discussed, experienced and translated the ten most important messages of the basic strategy into the real world. These hikes were held from summer 2014 to summer 2015.

On 26 September 2015, the ‘Raiffeisen Dialogue’, this unique ‘self-help’ strategic project, concluded with a unique event held at the trade fair facility in Basel. All of the roughly 11,000 employees and managing board members of Raiffeisen Switzerland and the local Raiffeisen banks gathered in large workshops to discuss their own contribution to the success of the entire group. This made working in and for the Raiffeisen cooperative a thing participants could physically experience.

This marked the preliminary conclusion to the unprecedented, in-depth interplay of deepening and broadening, group processes, interactivity and negotiations around the new strategy and the values of Raiffeisen Switzerland. The Raiffeisen strategy is thus more than just strategic corporate development. It is a highly complex process of understanding with which the Raiffeisen Group makes itself capable of engaging in dialogue with the future, for the future.

The result was a value strategy that employees do not simply accept in order to proceed to ignore it in everyday business. Instead, they can now apply this strategy each and every day to concrete reality, because they were involved in the process from start to finish and had an opportunity to help shape it. For once, it can actually be said that those affected, from A to Z, were and are still involved.

Part 3. The future

Strengthening member participation

In the transition from an industrial society to a society of knowledge and expertise, the requirements for modern (cooperative) companies will evolve as well. Technology- and knowledge-based value creation places far higher demands on sustainable corporate leadership and cooperation, as well as on the performance of corporate communication. To this extent, digitalisation proves to

be a cultural challenge, as today’s companies ultimately represent something like knowledge cultures. A culture like this must be in a position to connect people in a positive spirit, creating value from productive networks in the process.

In the economy of the future, the cooperative principles – participation, cooperation and self-help – will have an important role to play. It is the citizens, the corporate citizens included, who, in their capacity as entrepreneurs, workers, family members or consumers, insist upon sustainability, proximity, credibility and participation in and from the economy. This also increases the demands on large cooperatives to actually and credibly practice the core entrepreneurial values that set them apart from other forms of undertaking. A next step in the process of the cooperative development process Raiffeisen will be to strengthen and, at most, expand the participation of members (cooperative members) in the regions. Accomplishing this does not require a centrally managed process, but rather inspiration and innovation on the part of local banks. One idea is the Raiffeisen Community: with it, the members can participate to an even greater extent and, above all, digitally. Together with the employees, they are involved in the (further) development of products. Their participation will increase, and faith in Raiffeisen as a life-long partner in financial matters with local roots will be sustainably strengthened.

Particularly in the difficult phase in which the cooperative model is also criticised by external actors, Raiffeisen must make every effort to ensure that the cooperative remains an attractive, democratically-based, subsidiary economic form in the digital 21st century, with up-to-date, cooperative structures, processes and tools. The conditions for accomplishing this are favourable. There are two sources for this optimism: the origins and the future of participatory, democratic business.

With the dialogical development of the new basic strategy and the basic values (2010-2015), Raiffeisen created an essential condition for a successful path into its own, cooperative future. The basic values – proximity, credibility, sustainability, entrepreneurship – are the updated ideal sub-

structure, so to speak, for the conversion and new construction already under way with the project name ‘Raiffeisen foundations’ [‘Raiffeisen Grundlagen’]. Specifically, this is a fundamental revision of the Raiffeisen constitution, its statutes.

Statute revision in two stages

The Statute revision – planned in two stages: 2018 and 2019 – will make the Raiffeisen cooperative future-proof again for at least one generation. The revision will meet the needs and challenges of the digital 21st century. The first stage (2018) takes into account the requirements of an entrepreneurial cooperative bank. Unsecured loans will be possible – and the statutes will be adapted accordingly. This is admittedly a truly big step for Raiffeisen. After all, ever since Raiffeisen was founded, the rule has been: loans only in exchange for collateral. Nevertheless, this innovation in lending makes sense. After all, it is an essential mission of a bank to take balanced, calculated credit risks vis-à-vis SMEs, the backbone of the Swiss economy. This takes seriously, above all, the focus on entrepreneurship decided in the strategy on basic values, but also the values of proximity and credibility.

It is in the nature of the matter that the value of sustainability cannot be the main deciding factor in business with unsecured loans. (Sustainable) SME development often begins with an unsecured loan. This is a promise in the competence, determination and motivation of entrepreneurs and their compelling idea for a product or service. An unsecured loan is a promise and a sign of entrepreneurial faith in the future, in continued development of the SME sector as the basis of our successful social and prosperity model in Switzerland. For the honourable (banking) merchant and the honourable Raiffeisen (banking) merchant, it goes without saying that the chances of success will be reliably clarified in any case. Because what is at stake is the faith the Raiffeisen cooperative bank places in its customers – and vice versa.

The second stage (2019) must become even more radical for the Raiffeisen organisation. It must literally (the Latin word “radix” means root, origin) reach to the very roots of the cooperative. The organisational foundations of the coopera-

tive must be determined in a new and democratic way, in a modern and future-oriented spirit. The mission must be to strengthen Raiffeisen Switzerland’s cooperative model as a modern, sustainable, independent, subsidiary, participatory form of society and business. The primary aim is to use the revision of the statutes to render the four fundamental values that have been defined, the meanings of which are complementary and equivalent – credibility, sustainability, proximity, entrepreneurship – operational for the practice of cooperative banking. The fact that Raiffeisen is systemically relevant nationally and at the same time ranks among the important regional economic categories with the many smaller local banks, makes the task particularly challenging.

Everything turns out quite differently

The planned corporate and banking reform projects (‘Fokus21’), which St. Gallen headquarters, Raiffeisen Switzerland, wants to implement under its management, are the impetus for the putsch of the primary banks and regional associations. During a plenary in Berne in September 2018, the grassroots rebel (well prepared) against the future programme of the head office. It is not possible to dismiss certain parallels to 1912, with the putsch in Olten against the founder of the association Johann Traber, who failed with his fixed programmatic idea to set up a central bank against the will of the Raiffeisen banks.

The fact that Dr. Pierin Vincenz, Raiffeisen’s CEO for many years, who resigned in 2015, was detained for three months in February 2018 for opaque, personal investment businesses he had still carried out in his CEO function, contributes to the heated mood in the Raiffeisen Group in 2018. Allegations and accusations that have become public are currently the subject of investigations by public prosecutors, which is why the presumption of innocence naturally applies (as of May 2019). From spring to autumn 2018, it feels like almost every day Raiffeisen appears in the media with negative headlines.

The members of the Board of Directors from the Vincenz era are urged to resign at the Annual Gen-

eral Meeting in Lugano in June 2018. Likewise, the last hour has struck for the Executive Board, which claims to have not known anything about the business of their boss. November 2018 makes everything new. At the Extraordinary Delegates' Meeting in Brugg, the Board of Directors - with the exception of two persons - is newly elected. Guy Lachappelle, former CEO of Basler Kantonalbank, becomes Chairman. There, under pressure of the Raiffeisen primary banks, the 'Reform 21' project is approved. Kurt Sidler, President of the Conference of Presidents of the Regional Associations, and Guy Lachappelle are appointed co-managers of the major Raiffeisen conversion and renovation project. In 2018, Raiffeisen Switzerland - Executive Board and Board of Directors - goes through the biggest reputation crisis in its history. The local Raiffeisen banks nevertheless manage to be successful. With their aggregated annual results, together with the business activities of the head office, they deliver the second-best result in Raiffeisen's history.

Reform 21

Today, after the biggest reputation crisis in 2018, Raiffeisen Switzerland is once again at the very beginning. The foundation of cooperative activity, the three values - Liberality (self-help, subsidiarity), Democracy (head vote principle, participation) and Solidarity (cooperative association, joint liability) are to be reinterpreted in a modern way and to be designed and lived in the organisation suitable for everyday use. This task is more radical - not least because of the reputation crisis - than the dialogue project 2012-2015. If the result of this dialogue was a quartet of four entrepreneurial values - proximity, credibility, sustainability, entrepreneurship - it is now a matter of reinterpreting the cooperative Raiffeisen bank in the 21st century, making it fit for the future and regaining trust in all dimensions of one's own Raiffeisen activities.

The Reform 21 project also focuses on the basic cooperative values - liberality, democracy and solidarity. The reform approach wants (and must) give back the appropriate weight to the participation of the local Raiffeisen banks, the owners

of Raiffeisen Switzerland. The federal-subsidary cooperative model, lived in an association, must find appropriate modern processes, means and ways not only to endure the tension inherent in the system between head office and decentralised banks, but also to shape it positively. Raiffeisen must develop its own tailor-made, suitable cooperative model. In this way, it can meet its specific needs for modern self-help, its own benefits, self-organisation and participation.

Within the cooperative democratic banking enterprise, the individual local Raiffeisen cooperatives are characterised by a high degree of diversification and difference (individuality). They live a duality of local-regional, economic characteristics with considerable scope for decision-making, as well as organisational framework conditions with mutual support (joint liability) within the Raiffeisen Group.

In the Reform 21 project, all Raiffeisen banks are for the first time jointly developing an owner strategy and a new corporate governance (e.g. one bank, one vote) for a modern and sustainable, as well as a regional and marketable, cooperative model. The catalogue of tasks and services of the head office in St. Gallen will also be redefined, to be provided more strongly in future on behalf of and in accordance with the needs of the local banks. The owner strategy and the new corporate governance are to be incorporated into the Raiffeisen statutes and adopted at an extraordinary meeting of delegates in Crans Montana in November 2019. The third main element of Reform 21, the revised catalogue of services (including a new price and cost model), must be completed by summer 2020. This will allow operational measures to be taken and investments to be made in order to start the 2021 business year with the right changes to the corporate identity (not with a completely new concept). Once again, a start or a modern interpretation of the cooperative has been made.