



# Another way to do business:

## An interview with the president and CEO of Desjardins Group

**Monique F. Leroux talks about the role cooperatives play in democratizing business and giving individuals and communities a means for shaping their future.**

**Vincent Bérubé and  
Eric Lamarre**

Desjardins Group is Canada's largest financial cooperative and the sixth largest in the world, with close to 200 billion Canadian dollars in assets. But the cooperative had humble beginnings: it was founded in 1900 to fill the gaps in a financial system that mostly served the wealthy (see "Pioneering a new banking model," page 64). Despite Desjardins' growth, the cooperative remains committed to its founding ideal, with a range of programs aimed at improving economic empowerment. To the casual observer who may have grown accustomed to taking a more cynical view of banking in the aftermath of the global financial crisis, that sense of purpose can seem a departure from the norm. McKinsey's Vincent Bérubé and Eric Lamarre

sat down with the president and CEO of Desjardins, Monique F. Leroux, to talk about the role the cooperative model plays in today's business environment.

**McKinsey on Cooperatives:** *You see historic parallels between the social and economic conditions that gave rise to Desjardins in 1900 and events unfolding today. Why?*

**Monique F. Leroux:** I think both periods featured populations who felt disenfranchised, shut out of the dominant financial paradigm, unable to understand the financial issues, and struggling to find a job or to grow their business.



For instance, just as class divides at the start of the 20th century kept many people largely excluded from the banking system, today income inequality and a growing concentration of wealth and power in the hands of a few have given rise to the perception that the interests of a minority of powerful stakeholders outweigh the majority. Back in 1900, the working class had little in the way of savings, making credit difficult to obtain. We have a similar result today, although the present situation, perversely, was caused by too much free-flowing credit and profit-driven attitudes that prioritized growth at any cost.

The irony is that today, despite advances that have made banking widely accessible, many individuals feel more detached than ever from the financial world. Complex financial instruments and pervasive market conditions can be hard enough for seasoned bankers to understand, much less the average person. The combination of events that led to the financial crisis can feel very far removed from the day-to-day life of ordinary people. Yet the results of the crisis, which have included increased government debt, credit worries, and high unemployment, are felt heavily and some believe unevenly by the middle and working classes. The result is that even though people are more sophisticated and educated than they were 100 years ago, the problems we face are similar.

In the same way that the Industrial Revolution was a major transformation for people, changes occurring today—such as technology and enhanced connectivity—mean a major new transformation to which people must adapt. Perhaps we are moving into a new era. The cooperative and mutual model could once again be a good way to help people find solutions

together to their common problems and realize their aspirations.

**McKinsey on Cooperatives:** *Are cooperatives an answer to the sense of disenfranchisement you describe?*

**Monique F. Leroux:** Yes, I think so. If we look back then, as well as to now, we see people who felt and feel voiceless and without a mechanism to understand and influence some of the economic changes they need. Cooperatives tend to rise and flourish in periods of unmet needs, specifically the need to have a voice. They give individuals a means to be active and engaged in learning about the economy and in shaping their own financial outcomes by getting involved instead of waiting for governments or others to solve their problems.

The cooperative model, with its member-ownership structure and community-based orientation, requires individual and community engagement to function. That democratizes the process. If you've ever been to one of our general meetings, you'll see this in action. We have more than 6,000 elected officers, each one with a voice in how Desjardins is run. At the end of the day, you have to rally the voice of the community, achieve consensus, and act. That can be challenging, but the ideology is inherently democratic, not only in granting people a say in the process and supporting majority rule but in fostering outcomes that benefit the group as a whole. The coop and mutual model is also based on people values; this brings a certain level of emotion and loyalty toward the organization.

I find this appealing because it really does conform to the democratic ideal of working together

for the common good. I think that is what is responsible in part for the strength and longevity of the cooperative model.

**McKinsey on Cooperatives:** *Given all that, is it reasonable to think that cooperatives should strive for a bigger role in the global economy and set themselves up as a complement to the current business model?*

**Monique F. Leroux:** Absolutely. I'm convinced they should. Far be it from me to claim that the cooperative model is the only way to do business, but it truly is a complementary model in a pluralistic economy and one that in my opinion should have better visibility in people's education about business, governmental, and economic matters.

The reason I think cooperatives serve as an effective complement is that the model intrinsically brings people together. They get involved in a collective business to meet the needs of their community. Take a struggling business, for instance. The typical commercial model sometimes has little incentive to keep the business going. It's draining resources and adding risk. Therefore, the vested interests running the business, who may be far removed geographically, may opt to shut it down. By contrast, member-owned cooperatives with deep roots in the community are often much slower to pull the trigger. Elected officers, managers, and employees—who are also members of the cooperative—will analyze the situation differently. The very fact that they have “skin in the game” makes them say, “We have no choice but to fix this. Let's get to work and figure it out.” This is one example; the cooperative model provides many similar opportunities.

I think culturally there is a shift under way in response to the economic upheaval of the past few years. Ordinary people want and need change but lack confidence in those in positions of influence, so they are more inclined to take the initiative and collaborate in a grassroots way to create the financial outcomes they need. In this way, I think there may be a kind of connectivity revolution going on, and I see the cooperative model fitting into it as a way of helping individuals and communities make that transition, to adapt to change.

**McKinsey on Cooperatives:** *In addition to helping individuals feel more directly connected to the decisions that affect their livelihood, are you suggesting that the cooperative model offers a more natural response to some of the biggest unmet needs today?*

**Monique F. Leroux:** Yes. The problem is that culturally, we often see social needs as separate from—and sometimes in opposition to—economic needs. The cooperative model can help to connect the two.

In many countries, the public sector and government agencies have delivered a range of services over the years that may now have become too costly to sustain given the state of public finances worldwide. As a result, governments may need to start offloading services that affect health, education, or social policies. The private sector doesn't seem the right fit, since these services require social outcomes that extend beyond traditional financial returns. Cooperatives, by contrast, do fit.

As a result, I think we'll see cooperatives supporting a range of services—such as health care, retirement housing, and education—in the years

to come. There may be workers' cooperatives forming around businesses that are in trouble, for instance, and health care cooperatives that perform services that governments can no longer afford to pay.

**McKinsey on Cooperatives:** *So, in your view, the cooperative model could see a boom because there are holes in the economy?*

**Monique F. Leroux:** Absolutely. I think coops sit somewhere between the public and the private sector. They are often more efficient in delivering

services than the public sector because they are member owned and close to people, and their members have a financial motive to be efficient. They usually have a longer-term outlook than the private sector because their fate does not hinge as much on stock-market sentiment and quarterly returns. While the global reach of many corporations allows them to do many things that smaller, member-based cooperatives cannot, corporations can sometimes seem removed—at the extreme, one might characterize them as dark pools of finance without a face. Of course, I'm exaggerating for effect, but I like the local

## Monique F. Leroux, CM, FCPA, FCA



### Vital statistics

Born August 11, 1954, in Montréal, Canada

Married, with 1 child

### Education

Conservatoire de musique du Québec à Montréal, diplôme d'études supérieures, 1975

Université du Québec à Chicoutimi, bachelor's in business administration, 1978

### Career highlights

**Desjardins Group**  
2001–present

Chair of the board, president, and CEO, 2008–present

Chief financial officer, 2004–08

President and CEO of Desjardins Financial Corporation, 2001–04

**RBC Royal Bank**  
Senior vice president, Québec division

**Ernst & Young**  
Managing partner

### Fast facts

President of the Order of Chartered Accountants of Québec, member of the board of directors and governor of the Canadian Institute of Chartered Accountants, 1993–94

Fellow of the Order of Chartered Accountants of Québec and the Québec CMA Order

Member of the Order of Canada

Chevalier (Knight) of the Legion of Honor

President of Conseil québécois de la coopération et de la mutualité

Member of the United Nations International Year of Cooperatives Advisory Group

Member of the board and executive committee of the European Association of Co-operative Banks

Vice president and member of the board of directors of the International Confederation of Popular Banks

Member of the Global Agenda Council, World Economic Forum

Given Woodrow Wilson Award for Corporate Citizenship

Involved in community work and numerous nonprofit organizations

aspect that cooperatives bring. Ultimately, what I like about the principle of the pluralistic economy is that if you have just one model, you get lazy. Having three models—the public sector, the private sector, and coops—keeps the world a little more honest.

I think community ties also make it easier for cooperatives to support responsible development. Because members tend to live in the communities where they do business, they are less likely to engage in massive development projects that could damage the community or drain its natural resources. There's a self-interested component that can help support sustainability. Cooperatives are and have been active in many business sectors, proving that the model can work.

**McKinsey on Cooperatives:** *But is that community aspect also limiting in some ways? How do you build consensus and make decisions when you have to listen to and negotiate with thousands of members?*

**Monique F. Leroux:** It takes a lot of time and communication. It is part of the cooperative educational and democratic process. Sometimes it is difficult to obtain a consensus. It's definitely one of the challenges in our model. In a publicly owned company, the goals are more defined: the primary objective is to generate return to shareholders. That financial rationale can clarify and speed decision making. In a cooperative, however, financial considerations are important, but they are not the only factor. We have to

## Pioneering a new banking model

Desjardins Group has a history dating back 112 years, to a time when the economy of Eastern Canada and Québec was outgrowing its solidly agricultural roots. At that time, the flood of immigrants that arrived to homestead and farm Eastern Canada created something of a population problem, leading many to move out across Québec, into urban environments such as Montréal, and down into the New England region of the United States. The fresh start they sought was complicated by a banking system that proved largely off limits and catered mainly to the wealthy classes. This left small businesses, farmers, poorer people, and the emerging middle class with few places to store savings and fewer options to secure credit.

Determined to give working-class French Canadians a shot at economic empowerment, Alphonse Desjardins—a journalist and stenographer for the Ottawa House of Commons—founded the first *caisse populaire*, a cooperative, member-owned, savings-and-loan bank intended to offer basic financial services. He also created the first credit union in the United States and has been recognized as the founder of the North American credit-union movement.

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navigate through a range of issues. The onus is on us to manage these points of view and mobilize people around a common vision. It really requires us to demonstrate leadership, conviction, and a solid commitment to long-term goals.

**McKinsey on Cooperatives:** *To return to three ideas you mentioned earlier, cooperatives can serve as a model for restructuring companies that are in trouble, a model for developing resources that we want to keep collective, and a model for offloading services from the public sector. Success in any one of those requires the cooperative model to redeploy in nontraditional areas. Given the inertia that can result from too much debate and so on, how do you align your membership to innovate?*

**Monique F. Leroux:** That's true and that is a challenge. There is a natural conservatism that comes from large numbers. That brings pros and cons. We may be slower to mobilize. It takes more effort to convince people to act. But once a decision is made, our model strongly mobilizes its people through change. In addition, better ideas emerge from a larger group of people with different points of view. Our investment horizon is also longer, and our community- and consensus-based model has the effect of balancing risk taking. When it comes to investing in new areas, for instance, we tend to bet on people or groups that we know. We also work with organizations that share the same values. That may make us more cautious, but it allows us to

build a more stable portfolio. We may not hit the highest highs as some in the private sector, but we tend to avoid the lowest lows.

Cooperatives are often particularly well positioned to leverage their understanding of local issues to identify and tap unmet needs. For example, Capital Régional et Coopératif Desjardins is an innovative retail-based fund that supports specific local and regional needs, whether it's providing a backstop to a business that is poised to close or venture capital to help other ones get started. In contrast to the type of blue-sky innovation that characterizes some private-sector pursuits, we provide a ground-level perspective that allows us to fill different niches when it comes to innovation.

**McKinsey on Cooperatives:** *What strengths should cooperatives look to in positioning themselves for growth?*

**Monique F. Leroux:** The relationships that cooperatives have forged in their communities is perhaps our greatest strength. Leveraging that will give us a strategic edge as we lay the groundwork to drive innovation. The second factor that stands in our favor is our long-term perspective. I don't believe in growth at all costs. Growth must be balanced, thought through, and lasting. I believe much more in a stable and evolving model than in a model aiming for lightning growth and creating a lot of volatility, both up and down. We do not have to worry about share prices or a hostile takeover,

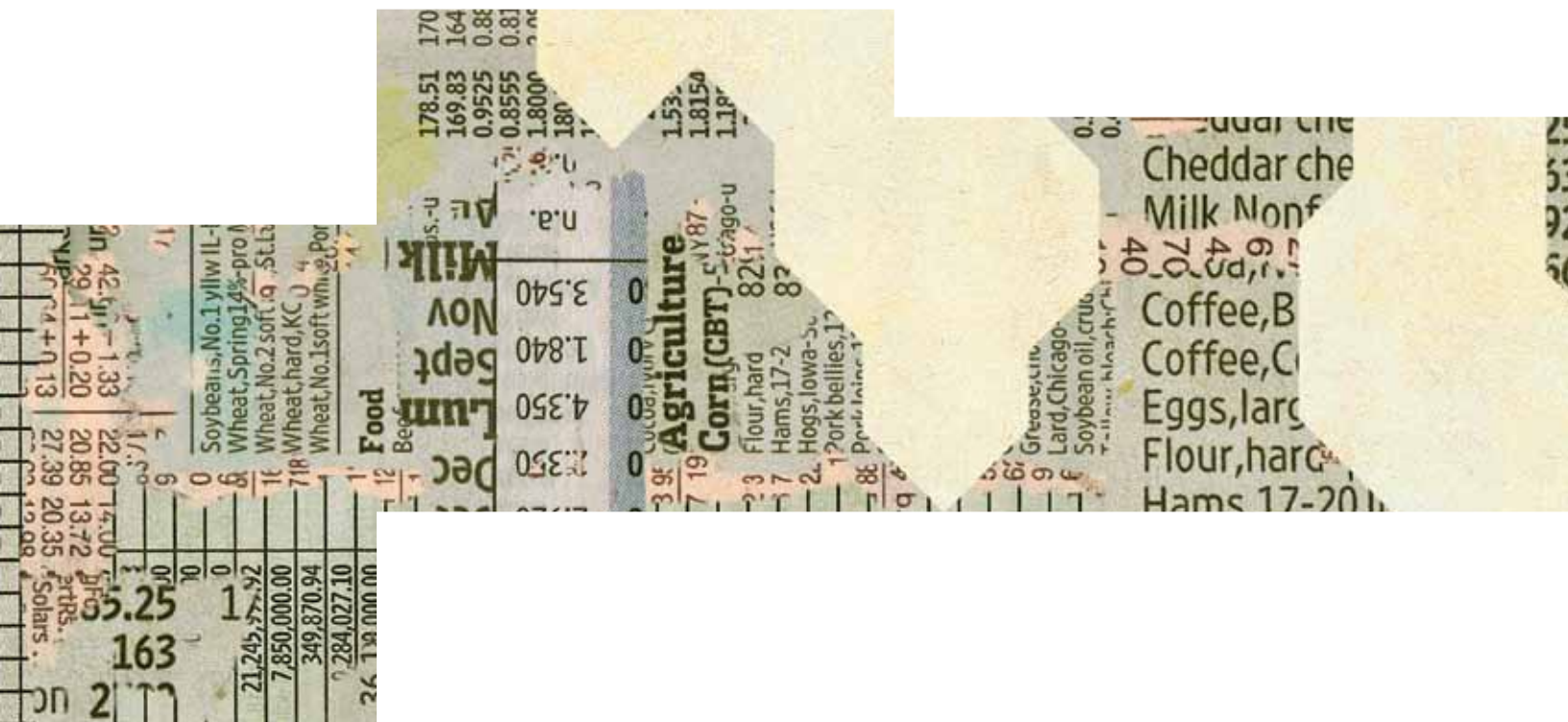


which lets us have an investment calendar that should give us a strategic edge. That approach has made Desjardins among the top 20 safest banks in the world, according to *Global Finance* magazine. Thirdly, because a community mind-set is hardwired into the way we do business, we are naturally suited to creating communities of interest in different spheres, be it on the Web or through a variety of partnerships. That can allow us to deliver new sources of value or fill gaps in partner portfolios by providing, for example, greater purchasing power, mobile payments, or a richer assortment of payment services. Over time, that ability to cooperate and ultimately, if you will, to intercooperate will be our competitive differentiator.

The informed leadership of our elected officers, senior executives, and general managers is essential to manage the challenges and opportunities ahead.

**McKinsey on Cooperatives:** *We've talked about opportunities. Do you have any particular concerns about cooperatives? Is there a word of caution?*

**Monique F. Leroux:** It's not really a worry, but it is a concern. By definition, the longevity and development of cooperatives comes through people's engagement. And this is especially important with respect to today's youth who will become the next generation of cooperative



members and leaders. A solid pool of talent, as well as strong leadership, is essential to the long-term success of cooperatives.

I would like to see the cooperative model be much better known among young people and to see its foundations being taught in school alongside other business models. But more importantly, I would like the youth to learn about the cooperative model and its values, because in the end, cooperation is about self-empowerment and working with others to resolve problems and have a positive impact on society.

**McKinsey on Cooperatives:** *You came up with the idea of organizing an international summit for cooperatives. What were the reasons to do so?*

**Monique F. Leroux:** The first reason was that the cooperative model, its performance, and its social and economic impact need to be better known and recognized by decision makers. Second, cooperatives need better data and knowledge to develop and grow. In that sense, the research developed in the context of the summit is a great start. ○

