

# Employee Perceptions of Credit Unions: Implications for Member Profitability

**John B. Gatewood, PhD**

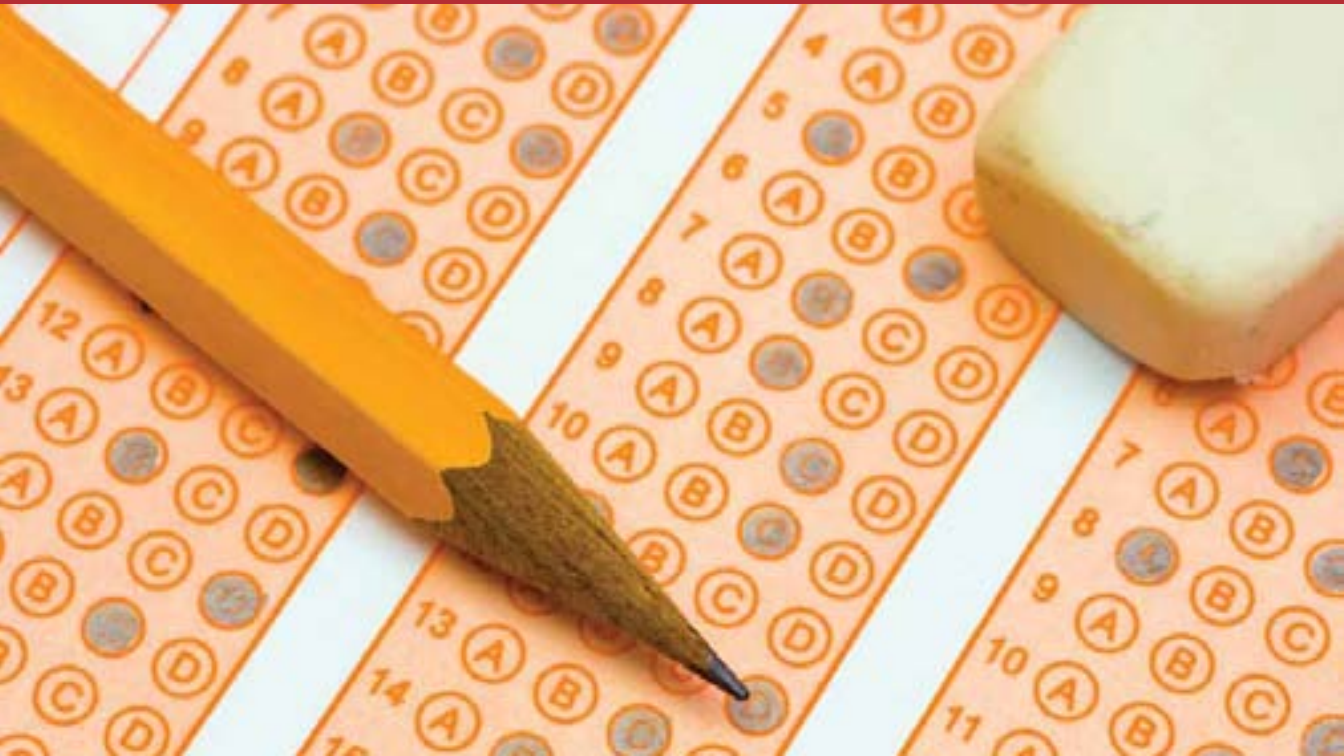
*Professor of Anthropology and  
Director of the Cognitive Science Program  
Lehigh University*

**John W. Lowe, PhD**

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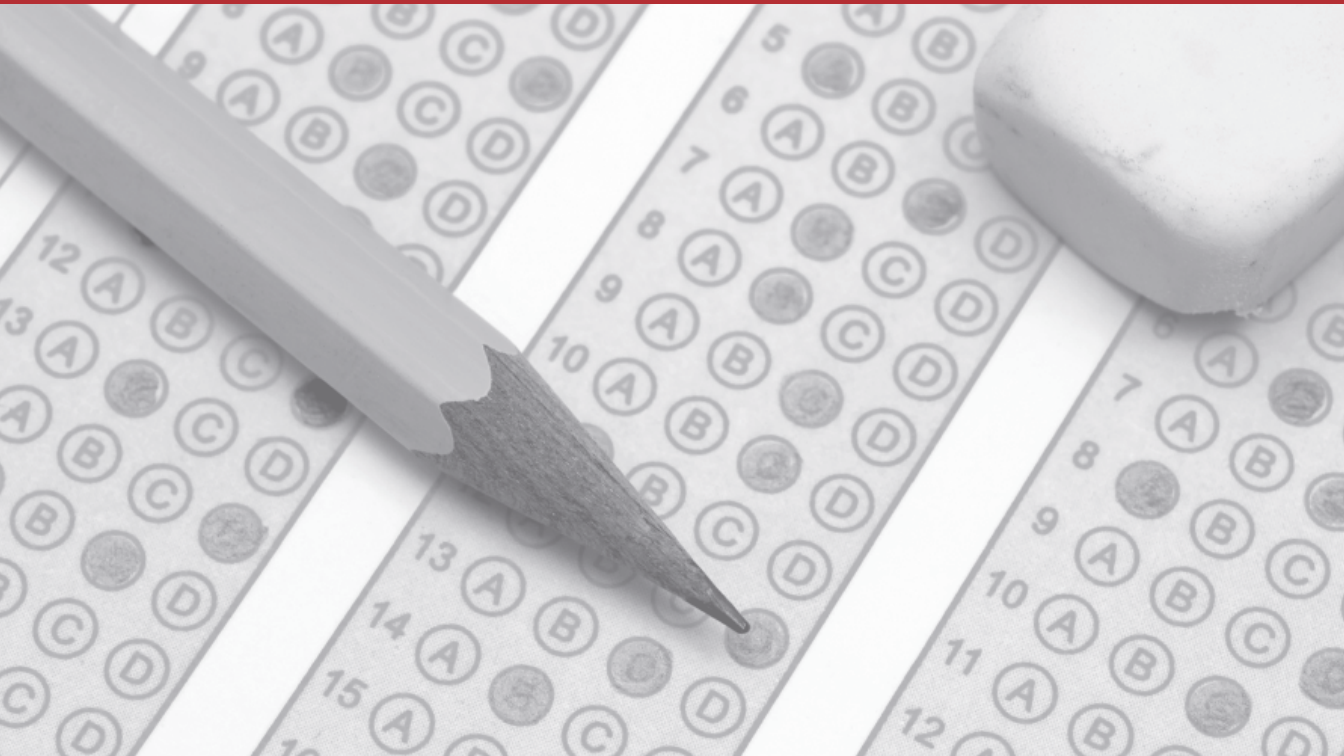
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Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process.

The Filene Research Institute is a 501(c)(3) not-for-profit research organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance. Through independent research and innovation programs the Institute examines issues vital to the future of credit unions.

Ideas grow through thoughtful and scientific analysis of top-priority consumer, public policy, and credit union competitive issues. Researchers are given considerable latitude in their exploration and studies of these high-priority issues.

The Institute is governed by an Administrative Board made up of the credit union industry's top leaders. Research topics and priorities are set by the Research Council, a select group of credit union CEOs, and the Filene Research Fellows, a blue ribbon panel of academic experts. Innovation programs are developed in part by Filene i<sup>3</sup>, an assembly of credit union executives screened for entrepreneurial competencies.

The name of the Institute honors Edward A. Filene, the “father of the U.S. credit union movement.” Filene was an innovative leader who relied on insightful research and analysis when encouraging credit union development.

Since its founding in 1989, the Institute has worked with over one hundred academic institutions and published hundreds of research studies. The entire research library is available online at [www.filene.org](http://www.filene.org).



*Progress is the constant  
replacing of the best there is  
with something still better!*

— **Edward A. Filene**



The researchers would like to thank the numerous people who made this study possible. George Hofheimer and Josey Siegenthaler of the Filene Research Institute were very helpful in identifying and making initial contacts with particular credit unions for the study. The CEOs of the participating credit unions graciously granted their employees time off to be interviewed and/or surveyed. Members of senior management teams in each credit union were crucial in both arranging personal interviews with a cross section of their employees and managing the nuts and bolts of the survey. Without this sort of cooperation, the study would not have been possible. We are especially grateful to all the credit union employees who provided their insights and opinions, both those whom we interviewed and those who returned their questionnaires. Their goodwill, forthrightness, and cooperation are very much appreciated. Lastly, we would like to thank members of the Filene Research Council who gave us invaluable feedback in Houston, Texas.





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# Executive Summary and Commentary

By George A. Hofheimer,  
*Chief Research Officer*

Please get out your number 2 pencil and take this short multiple-choice test.

1. Our credit union's core competency is
  - a. Balance sheet management
  - b. Marketing
  - c. Exceptional service
  - d. Superior pricing
  - e. None of the above
2. Our credit union's greatest asset is
  - a. Our loan portfolio
  - b. Our investment portfolio
  - c. Our employees
  - d. Our branch network
  - e. None of the above
3. Our credit union's largest noninterest expense is
  - a. Promotional expenses
  - b. Consulting expenses
  - c. Employee compensation and benefits expenses
  - d. Office operation expenses
  - e. None of the above

If your credit union is like most credit unions, you probably answered the following:

- C. Our credit union's core competency is exceptional service.
- C. Our credit union's greatest asset is our employees.
- C. Our credit union's largest noninterest expense is employee compensation and benefits.

This study hypothesizes that credit union success is *critically dependent* on the credit union's employees and, in turn, is likely to be strongly colored by the employees' own perceptions of, and attitudes toward, credit unions. Employees' beliefs about and attitudes toward credit unions influence their behavior at work and their interactions with credit union members. These same beliefs and attitudes also affect the way employees talk with potential members, family, and friends about credit unions and, hence, play a significant role in employees' abilities to recruit new members through word of mouth.

To test this hypothesis, we asked anthropologists John Gatewood, PhD, from Lehigh University, and his colleague John Lowe, PhD, from the Cultural Analysis Group, to ask the following research questions:

- How do employees think about credit unions?
- Do they all think about them the same way? What are areas of consensus and of disagreement?
- Do knowledge and attitudes toward credit unions vary in a meaningful way among credit unions?
- How deep does their commitment to the ideology of credit unions go—is it understood, is it internalized, how does it affect behavior?
- What are the implications of employee performance, and how is the image of credit unions projected to members?

## What Did the Researchers Discover?

After interviewing employees at 10 credit unions of various sizes across the United States, Gatewood and Lowe report six key research findings:

- **Credit unions are different:** Employees can't neatly compartmentalize how a credit union fits into our society, which creates a host of communication challenges and opportunities.
- **Employees are “almost there”:** Employees exhibit a tremendous amount of consensus about the “credit union idea” but have a very difficult time explaining the idea to external parties. In the words of the authors, “The shared understanding [of credit unions] remains mostly implicit and is not readily articulated.”
- **“Ours is not to reason why”:** Employees can identify the parts of the credit union puzzle, but they don't see how it all fits together. For example, employees know that credit unions are not-for-profit institutions, but they don't make the connection that this status allows credit unions to provide better pricing to members.
- **Trust may be a hidden strength:** When employees were asked how well different adjectives describe credit unions, “trusted” was the highest rated characteristic, and it was second (right behind honest) when describing the ideal financial institution. Yet, employees seldom mention “trust” or “trusted” when describing credit unions spontaneously.
- **Some employee groups are not as “on board” as others:** Employees younger than 30 and those with higher levels of educational attainment expressed less commitment and consensus about credit unions.
- **Local institutional cultures do matter:** This study worked with 10 credit unions from across the United States, and most of the results in this study are aggregated findings. However, we observe significant variance across institutions in employee commitment and in the consensus of what a credit union represents.

## Practical Implications

It turns out that credit union employees perform really well on multiple-choice tests like the one at the beginning of this execu-

tive summary. For instance, if given a set of characteristics used to describe credit unions, employees across a variety of institutions report a great deal of consensus about what a credit union is and what it does. They can easily fill in the circles. However, if asked to do the same task in an essay-question format, this consensus falls apart. Unfortunately there are very few occasions when credit union employees are faced with a multiple-choice test when dealing with member questions.

Differentiation is the process of distinguishing one offer from other offers, to make it more attractive to a particular target market. Many firms, especially in the financial services industry, present hollow claims on differentiation. But credit unions are truly different. This study indicates that differentiating factors map very well to what many people view as the ideal financial institution. In short, credit unions have a unique story to tell, and like most really good stories, it takes time to get the pitch right.

If you agree with the hypothesis of this research study, getting the pitch right is critical to credit union growth, success, and awareness. It involves two big steps: (1) reading this report and understanding employees' current perceptions of credit unions, and (2) practicing the pitch. The first task is easy; all you have to do is turn the page. The second task may take some more time; therefore, in the physical mailing of this report I have included some old-school blue essay books. Encourage your employees to write an essay on what a credit union is, how it is different, and why it should matter to members. I'm serious! This practice may help hone the message to the point where a light switches on in your staff members' brains and the aha moment arrives.<sup>1</sup>

1 CommonWealth Credit Union in Alberta, Canada, has launched the best consumer-centric credit union pitch I've ever seen: [www.youngfreealberta.com/blog/the-difference-between-banks-and-credit-unions-part-one](http://www.youngfreealberta.com/blog/the-difference-between-banks-and-credit-unions-part-one) and [www.youngfreealberta.com/blog/the-difference-between-banks-and-credit-unions-part-two](http://www.youngfreealberta.com/blog/the-difference-between-banks-and-credit-unions-part-two).

## HOW TO READ THIS REPORT

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This report is an extremely detailed analysis of employee perceptions of credit unions. The nontechnical reader will find Chapters 1 and 7 to be the most beneficial sections of the report. Individuals tasked with organizational development, training,

human resources, and strategy will find the details in Chapters 2–6 to be supportive of the study's conclusions. Finally, a brief interview with the study's authors will reside on [www.filene.org](http://www.filene.org) shortly after the printing of this publication.





### **John B. Gatewood**

John B. Gatewood is professor of anthropology and director of the Cognitive Science Program at Lehigh University. He teaches in the areas of sociocultural anthropology, cognitive anthropology, linguistics, research methods, and environment and the consumer society. He holds a PhD in anthropology from the University of Illinois. Gatewood has published numerous articles in respected academic journals, such as *American Anthropologist*, *American Ethnologist*, *Current Anthropology*, *Human Organization*, and *Ethnology*. He has also written numerous papers on the application of anthropological techniques to advertising and marketing research. His current work includes research sponsored by the National Science Foundation on residents' understandings of tourism and its impacts in the Turks and Caicos Islands.

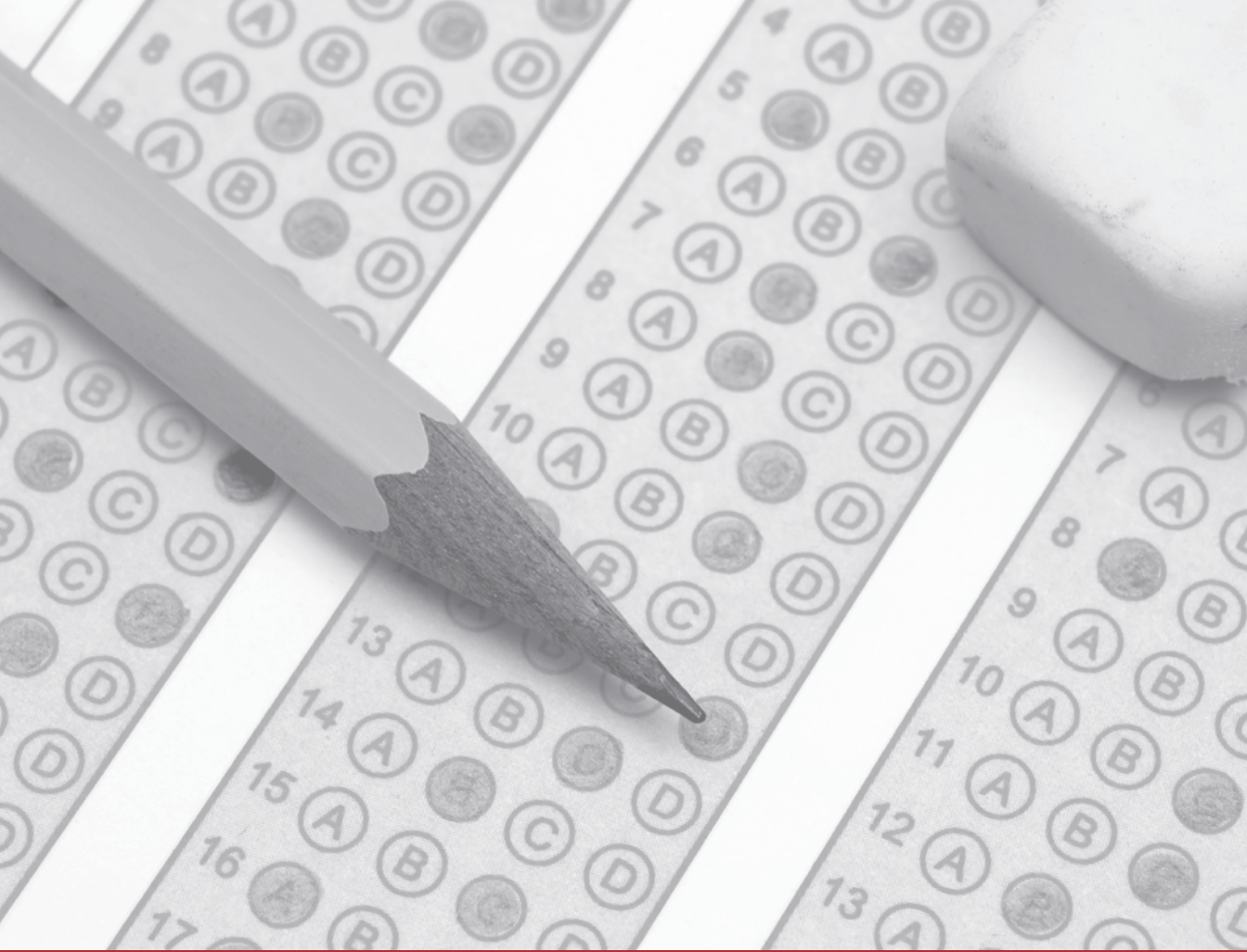


### **John W. Lowe**

John W. Lowe is president of the Cultural Analysis Group in Demarest, New Jersey, and an expert in applying anthropological techniques to evaluate organizational cultures and consumer behavior. He served as senior vice president in charge of the Cultural Analysis Division of Holten North America, New York. Lowe holds master's and PhD degrees in anthropology from the University of Illinois. He is the author of a book and of numerous articles and book chapters, and he has presented papers on cultural analysis in academic research and business applications. He has applied these techniques to a wide variety of business issues in consumer and organizational analysis. Clients have included General Electric, American Express, General Motors, Pfizer, and Coca-Cola.







## CHAPTER 1

### Plan of the Study

*Employees' beliefs about and attitudes toward credit unions influence their behavior at work and their interactions with credit union members. These same beliefs and attitudes also affect the way employees talk with potential members, family, and friends about credit unions and, hence, play a significant role in employees' abilities to recruit new members through word of mouth.*



Building on the findings from a pilot study (Gatewood and Lowe 2006), this expanded project was designed to assess how credit union employees from different parts of the country think about credit unions in general and the extent to which their understandings and attitudes are shared, both within their own institutions and among different credit unions.

Employees' beliefs about and attitudes toward credit unions influence their behavior at work and their interactions with credit union members. These same beliefs and attitudes also affect the way employees talk with potential members, family, and friends about credit unions and, hence, play a significant role in employees' abilities to recruit new members through word of mouth.

Often, however, the beliefs and attitudes that exert the strongest influence on behavior are implicit and not easily articulated. A teller may intuitively sense that credit unions are somehow different from banks. He or she may be unable to explain the organizational differences between the two types of financial institutions, but his or her intuitive understanding might lead to treating members as "family" rather than as anonymous customers, thereby affecting how he or she interacts with members.

In order to understand employee behavior, the researchers probed this layer of unarticulated, yet influential, beliefs and attitudes. They needed to go beyond the superficial responses that employees give in conventional surveys.

There are two ways to conduct a national survey of credit union employees:

- Look at a small number of employees in a large number of institutions. The advantage of this sampling strategy is that it is relatively straightforward for testing how different kinds of credit unions in different circumstances (e.g., regions of the country) influence employee attitudes.
- Look at a large proportion of employees within a smaller number of institutions that are in some sense typical of the kinds of credit

unions out there. The researchers chose this strategy because it is more amenable to integrating survey findings with on-site, in-depth personal interviews. And, it is by combining qualitative and quantitative approaches that one can come to a more complete understanding of the way employees think and feel.

Whereas in the pilot study we focused on only 2 credit unions in New Jersey, the results here derive from 10 credit unions across the nation. Two were on the East Coast, four in the Midwest, and four on the West Coast. The credit unions themselves ranged in size from one with 17 employees and \$50 million in assets to two with hundreds of employees and over a billion dollars in assets. Partly as a response to the progressive consolidation of credit unions, which seems to be in no danger of halting, our study was weighted toward the larger credit unions. Figure 1 shows the breakdown of the 10 credit unions in our sample with respect to institution size, based on information supplied by the Filene Institute in the spring of 2006.

*Figure 1: Characteristics of the 10 Credit Unions Participating in This Study*

Number of employees	Assets in millions	Number of credit unions
Fewer than 100	Less than \$100	2
100–199	\$300–\$599	4
200–299	\$600–\$699	1
300–399	Less than \$1,500	2
400 or more	Less than \$1,500	1

As with the previous study, we first conducted open-ended personal interviews with a cross section of employees (from executives to part-timers), then followed up with a survey of employees. To obtain a feel for local issues and concerns, one of the coauthors visited each credit union and conducted 5–20 interviews. In the course of 93 in-depth interviews, certain recurring sources of tension showed up in the following areas:

- The movement from a service culture to a sales culture.
- The introduction of new services—insurance, investments, mortgages, etc.—that have brought in employees with different sets of attitudes.
- Issues of scale—as credit unions become larger and larger, do they still have the opportunity to get better or can they get too large?
- Generational tension—younger employees were described as less motivated by credit union ideals and more concerned with immediate recognition and reward.

On the other hand, compared with employees of a typical U.S. financial institution or corporation, many employees (though by no means all) were remarkably fervent about what they were doing. In that respect, credit unions have some of the qualities of a voluntary organization.

One task elicited notable results. When we asked, “A credit union is a kind of \_\_\_\_\_?,” the response was typically some initial confusion. After a pause, the answer, without much certainty, was usually some variant of either (1) a financial institution or (2) a kind of bank. One rather rare answer was a kind of co-op. The difficulty with the first answer is that while a credit union certainly is a financial institution, it is unlike any other. One difficulty with the second answer is that a credit union is like a bank in terms of the services offered, but very different in terms of an emotional experience.

A companion question—“What other organization or institution is most like a credit union?”—produced a similar scatter of unenthusiastic responses. People typically fit things within a hierarchical conceptual structure, rather like Chinese boxes or Russian dolls, whether the concept is a kind of tree, a truck, the Treasury Department, or the Salvation Army. Credit unions, however, do not readily fit into an overarching conceptual structure, which creates a tincture of distance and a sense of unnaturalness that make credit unions more difficult (though not impossible) to advertise. The term “credit union” is hardly self-explanatory, and the co-op template is increasingly rare in the contemporary world. One consequence is that employees need a clear and consistent idea of what a credit union is, what it is not, and what it is all about.

Utilizing the wealth of knowledge obtained from in-depth interviews, we constructed and disseminated a survey to randomly selected samples of employees in each of the 10 participating credit unions. Collectively, the 10 credit unions employ about 2,200 people. We sent out 415 survey forms, and 343 were returned (for an aggregate response rate of 82.7%). The remainder of this report focuses on the survey results. The survey itself consisted of four parts:

1. Demographic/background questions—age, gender, education, what department of the credit union the individual works in, number of years working at credit union, etc.
2. Part A—33 adjectives or phrases were listed, and respondents were asked to rate how well they applied to credit unions, banks, and an ideal financial institution.
3. Part B—110 questions relating to credit unions and relevant issues, e.g., “Can a credit union get too large?”
4. Part C—25 questions exploring the employee’s personal preferences toward credit unions, e.g., “Do you keep your money in a credit union?” “Would you use a credit union if you were not working in one?”

The univariate results for the whole sample are presented in the appendix. In Part B of the appendix, a few of the 110 questions were reordered from the original to better reflect the subcategories discussed in Chapter 3.

## Culture and Consensus

The concept of culture has crossed into the mainstream. In the late nineteenth century, something like its present meaning was known to only a tiny few. Now, everyone knows what culture is, and the concept has become crucial in marketing, economic development, and management consulting.

But what is culture really? We tend to think of it as an invisible “fluid” of values, orientations, beliefs, techniques, etc., in which a group “swims.” There is a natural inclination to picture culture as passive (something an individual learns) and uniform (something everyone has in common). Yet neither would be true of even the simplest, most primitive cultures—say, that of a troop of baboons, much less a modern corporate culture. If culture were entirely passive or uniform, possessing it would be far less interesting and useful.

Culture is much more in play than is generally envisioned. Ideas transmitted from one individual to another are not only received, they are modified, even transformed. As a consequence, true uniformity never prevails. Members need only share enough in common to be able to cooperate effectively. Cultural diversity is not only natural, it is highly adaptive—the information capacity of the group becomes much greater than that of any individual (Gatewood 1983).

But if on the whole cultural diversity is good, is there not a point at which diversity is too large, where, as Yeats put it, “The center cannot hold, things fall apart”? The answer, of course, is yes. If everyone rides off in different directions, there is lots of diversity but no coherence; or if strong factions develop, unity of action can easily evaporate into conflict.

Consensus theory is a quantitative approach anthropologists have developed to address this issue. Cultural consensus breaks down if

a culture becomes sufficiently disorganized or if it fractures into two or more distinctive subcultures. Consensus analysis provides a useful statistical test to gauge the degree of sharing,

to determine whether the interindividual variation is so great that it would just be wrong to ascribe *a culture* to the group.

A culture exhibits consensus when it has a clearly defined central tendency (a single set of “correct” answers). “Correct” belongs in quotes because it really means an answer that is most representative of the group.

If everyone rides off in different directions, there is lots of diversity but no coherence; or if strong factions develop, unity of action can easily evaporate into conflict.

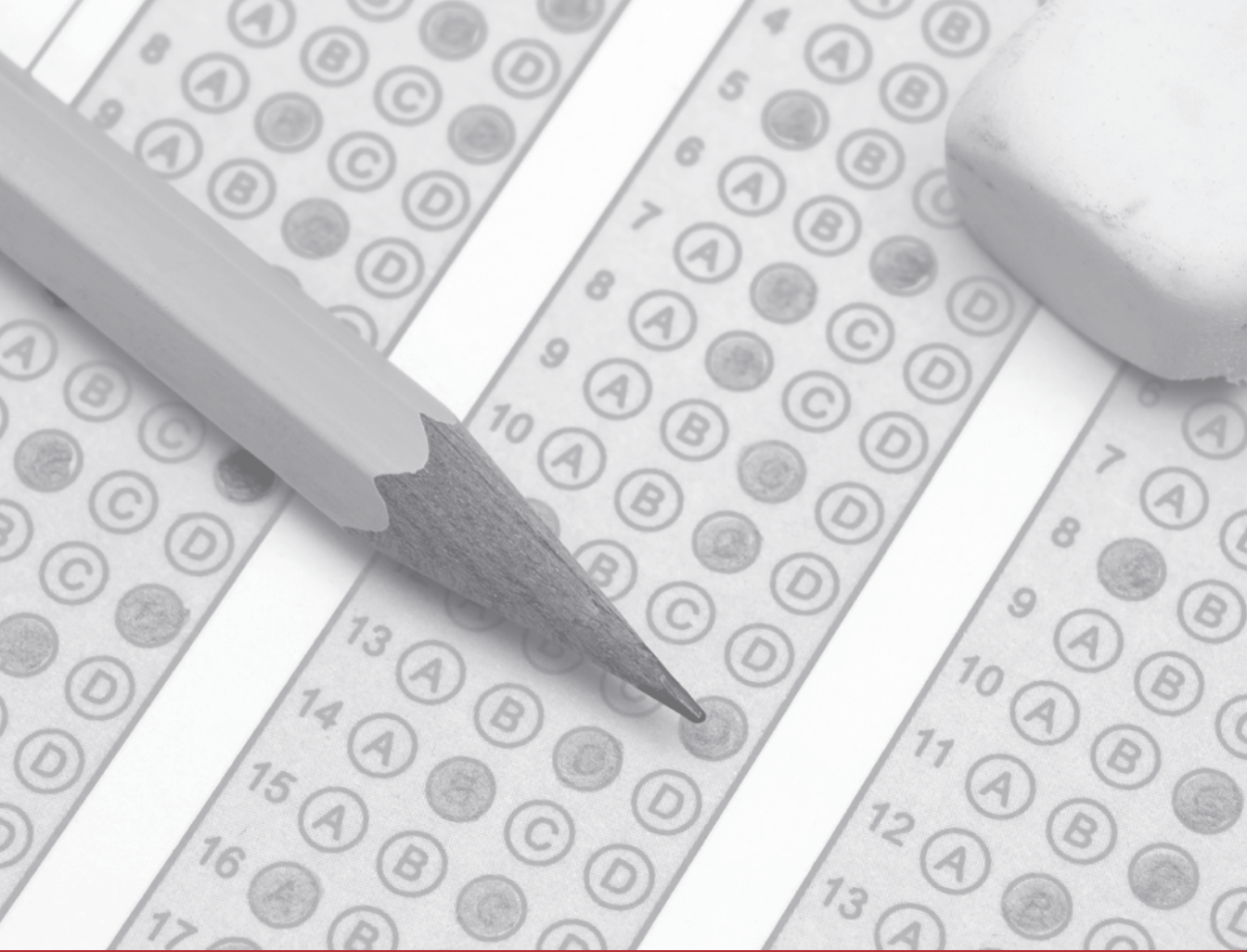
Consensus analysis focuses on the correlations among respondents, and the existence of consensus is indicated when the ratio of the first and second eigenvalues is greater than 3.5, the eigenvalues being derived from a minimum residual factor analysis of the correlation matrix of respondents. If the largest factor is very large, variation may exist, but there is a clearly defined central tendency—the culture is strongly centered around a specific set of beliefs, opinions, and expectations.

Applying cultural consensus theory to the entire survey, we see solid consensus overall. Despite an inability to explain credit unions spontaneously, employees have high convergence around common answers when particular statements are presented to them in a questionnaire. While each credit union creates its own local culture, consensus analysis suggests that in credit unions across the country—large or small, urban or rural—employees share, in a fundamental sense, most of their conceptions concerning what a credit union is all about. Although statistically significant differences exist among the 10 credit unions (in answers to particular questions and in larger issues such as job satisfaction, commitment to the idea of a credit union, and so forth), the similarities among employees across the nation far outweigh the differences.

As one might expect, there is more consensus with respect to some topics than others (see Figure 2). Specifically, ideal characteristics of financial institutions, symbolic attributes of credit unions, and credit union values are all profoundly shared. Indeed, the only area lacking consensus is not about credit unions at all, but rather the second section of Part A concerning the attributes of banks. Similarly, the section in Part B of the survey that is lowest on consensus also concerns the contrast between credit unions and banks.

*Figure 2: Cultural Consensus by Topic Area*

Section of survey	Ratio of eigenvalues	Average consensus score	Number of questions
A3: Ideal characteristics of a financial institution	58.00	0.927	33
A1: Attributes of a credit union	24.70	0.849	33
B: Credit union values	15.58	0.806	17
C: Personal appeal of credit unions	10.96	0.731	25
B: Role of employees	9.77	0.772	16
B: Basic idea of credit unions	8.08	0.750	15
B: Larger context of credit unions	7.49	0.675	24
B: Consumer attitudes toward credit unions	6.52	0.673	15
B: Credit unions and banks	5.83	0.686	23
A2: Attributes of a bank	1.74	0.530	33



## CHAPTER 2

### Symbolic Dimensions

*From their face-to-face interviews with 90+ employees, the researchers identified 33 words and phrases commonly used by employees to describe credit unions and banks. Subsequently, survey respondents were asked to rate how well these 33 descriptors apply to credit unions, banks, and the ideal financial institution. The researchers then analyzed the survey data to reveal the underlying symbolic meaning of credit unions as well as how credit unions and banks differ in their connotative meanings.*



Symbolism is not just about stars, crosses, circles with a horizontal S, and so forth. *Anything* can be a symbol. It refers to an associative way of thinking. The logic of symbolism is not true-false; it is the logic of related or not, and to what degree. All symbols have a referent (whether it is the flag, blood, the moon, or in this case “credit unions”), and one or more associations of that referent. These associations are typically emotionally charged, so this kind of analysis permits insight into how employees *feel* about credit unions versus how they think about them logically or rationally. We elicited a set of associations for credit unions by a series of tasks in the qualitative portion of the study. For instance, interviewees were asked to tell a story that captures what a credit union is all about, given projective tasks such as “If a credit union were an animal, what kind of animal would it be?” and asked “What pops into your head when you think of credit unions?”

From the 90+ face-to-face interviews, 33 recurrent attributes were elicited that seem to capture the variety of responses. Seventeen were adjectives (professional, rigid, efficient, unreliable, etc.), and sixteen were short phrases (easy to use, cannot be trusted, provides great service, etc.). Thirteen were phrased negatively and twenty positively. This set of salient descriptors was incorporated into Part A of the questionnaire.

Survey respondents were asked to indicate how well each adjective and short phrase described credit unions. Choices ranged from 1 (strongly disagree) to 5 (strongly agree), with 3 being neutral. The means for all 13 negative attributes were less than 3.00, and for all positive attributes they were greater than 3.00. Employees were positive toward credit unions on all 33 dimensions, but, of course, they were far more adamant about how well certain traits described credit unions than others (see Figure 3). Here the traits are ranked in terms of their transformed mean (the magnitude of their deviations from 3.0), and *for clarity, negative traits are reworded positively.*

The questionnaire referenced throughout this chapter can be found at [www.flene.org/publications/detail/employee-perceptions-of-credit-unions](http://www.flene.org/publications/detail/employee-perceptions-of-credit-unions) or by searching for the keyword Gatewood and Lowe.



Figure 3: How Well Each Attribute Describes a Credit Union

	Credit union attribute	Transformed mean	St. err.		Credit union attribute	Transformed mean	St. err.
1	Trusted	1.60	0.031	18	Comfortable	1.23	0.033
2	Warm	1.57	0.032	19	Good value	1.21	0.031
3	Long-term partner	1.54	0.032	20	Easy to use	1.16	0.037
4	Helpful	1.48	0.029	21	Growing	1.14	0.047
5	Not manipulative	1.48	0.037	22	Competent	1.03	0.039
6	Reliable	1.43	0.038	23	Low fees	1.00	0.045
7	Relaxed	1.41	0.037	24	Flexible	0.99	0.048
8	Great service	1.36	0.033	25	Efficient	0.99	0.041
9	Honest	1.33	0.036	26	Distinctive	0.86	0.039
10	Professional	1.31	0.036	27	Range of products	0.77	0.058
11	Caring	1.29	0.037	28	Convenient	0.76	0.050
12	Dignity and respect	1.28	0.041	29	Leader	0.74	0.054
13	Personal	1.28	0.043	30	Noticed	0.73	0.052
14	Safe	1.26	0.036	31	Low loan rates	0.60	0.046
15	Competitive financial product	1.25	0.048	32	Powerful	0.41	0.048
16	Not greedy	1.24	0.045	33	High savings rates	0.30	0.049
17	Treats as individual	1.24	0.036				

Note that the top trait and 4 of the top 10 traits are ethical/moral attributes. This sense of doing the right thing is one of the intrinsic pleasures of working in a credit union. Yet, these ethical/moral qualities were rarely cited directly by employees in interviews, suggesting that either (1) these are features that should be demonstrated—earned, not claimed—or (2) more likely, these are things that are implicitly important but not top of mind. Interspersed among the top 10 are human qualities related to providing great service, such as warm, helpful, relaxed, etc. Number 3—*wants to be your long-term financial partner*—seems to combine ethical treatment with great member service.

At the other extreme, in the bottom 10 are institutional and financial features such as high savings rate interest, low loan rates, noticed not ignored, a leader not a follower, convenient, wide range of products, efficient, etc.

In the third section of Part A, employees were asked to value each of the 33 attributes as good or bad for a financial institution, where the response scale was from 1 (very bad) to 5 (very good). Figure 4 shows these findings. As before, the transformed mean is the magnitude of the difference between the actual mean and 3.00, and *negative attributes have been changed to their positive equivalents*.

*Honest* and *trusted* are number 1 and 2, respectively, while *powerful* and *leader* brought up next-to-last and last place. However, in terms

Figure 4: How Well Each Attribute Describes an Ideal Financial Institution

	Ideal attribute	Transformed mean	St. err.		Ideal attribute	Transformed mean	St. err.
1	Honest	1.83	0.024	18	Caring	1.54	0.033
2	Trusted	1.82	0.031	19	Long-term partner	1.53	0.032
3	Easy to use	1.75	0.026	20	High savings rates	1.52	0.037
4	Dignity and respect	1.75	0.026	21	Competitive financial product	1.51	0.043
5	Efficient	1.74	0.024	22	Low loan rates	1.50	0.037
6	Helpful	1.74	0.026	23	Personal	1.49	0.041
7	Not manipulative	1.74	0.028	24	Good value	1.49	0.032
8	Great service	1.74	0.031	25	Low fees	1.44	0.034
9	Convenient	1.71	0.026	26	Comfortable	1.39	0.035
10	Reliable	1.70	0.040	27	Noticed	1.31	0.037
11	Treats as individual	1.70	0.026	28	Growing	1.24	0.041
12	Competent	1.69	0.029	29	Flexible	1.22	0.044
13	Professional	1.69	0.026	30	Distinctive	1.20	0.043
14	Safe	1.69	0.028	31	Range of products	0.89	0.050
15	Not greedy	1.69	0.033	32	Powerful	0.58	0.046
16	Warm	1.64	0.029	33	Leader	0.52	0.057
17	Relaxed	1.59	0.029				

of their importance (not how well they describe credit unions), other attributes emerge in the top 10, in particular, easy to use, efficient, and convenient. We suspect bank employees might weigh some of these attributes differently, both in terms of what best describes a bank and in terms of what is important. Another point of comparison would be the rankings of credit union members versus nonmembers.

### Credit Union versus Bank

Since employees rated banks on the same 33 attributes, it is possible to compare credit unions and banks on each attribute. What do credit union employees see as the competitive strengths and weaknesses of credit unions vis-à-vis banks? Figure 5 shows these comparisons, using the transformed means and *negative attributes rephrased to their positive equivalents*.

This is, of course, not an objective evaluation but rather the perspectives of individuals working in credit unions. Nonetheless, it is a window on what employees perceive as credit unions’ competitive strengths and weaknesses. The foremost advantage of credit unions is *not being greedy* (as exemplified by high fees), followed closely by how they treat the customer (warmly, personally, and with dignity and respect). At the other extreme, banks have a capability to mold events to their benefit, something that credit unions usually lack, and a larger footprint, with more branches conveniently located.

Figure 5: Credit Union Mean Minus Bank Mean (by Attribute)

Credit union–Bank		Mean	St. err.	Credit union–Bank		Mean	St. err.
<b>Strongest advantage over banks</b>				<b>More modest advantage</b>			
1	Not greedy	2.07	0.073	22	Competent	0.62	0.058
2	Low fees	1.95	0.066	23	Safe	0.61	0.052
3	Warm	1.94	0.065	24	High savings rates	0.55	0.080
4	Personal	1.91	0.064	25	Efficient	0.50	0.061
5	Dignity and respect	1.91	0.065	26	Easy to use	0.45	0.060
<b>Still very strong advantage</b>				27	Growing	0.44	0.072
6	Treats as individual	1.72	0.061	28	Professional	0.39	0.044
7	Not manipulative	1.68	0.065	29	Leader	0.36	0.076
8	Great service	1.64	0.059	30	Noticed	0.20	0.077
9	Caring	1.63	0.061	31	Range of products	0.17	0.073
10	Relaxed	1.52	0.066	<b>Disadvantage</b>			
11	Flexible	1.52	0.069	32	Convenient	-0.17	0.071
<b>Substantial advantage over banks</b>				33	Powerful	-0.71	0.068
12	Honest	1.32	0.55				
13	Comfortable	1.29	0.058				
14	Helpful	1.26	0.052				
15	Good value	1.25	0.055				
16	Competitive financial product	1.24	0.070				
17	Trusted	1.20	0.055				
18	Reliable	1.14	0.062				
19	Long-term partner	1.07	0.065				
20	Low loan rates	1.02	0.076				
21	Distinctive	0.99	0.060				

Employees give credit unions high marks, only granting banks superiority in 2 of 33 attributes, but as will be explored in Chapter 5, employees are actually somewhat more ambivalent and even apprehensive over credit union competitive advantages.

Factor analysis (see Figures 6 and 7) suggests there are three underlying dimensions of contrast for credit unions versus banks.

The above comparison of the mean differences of credit unions to banks suggests that, in employees’ minds at least, credit unions’ primary advantage lies along the F1 dimension, i.e., with respect to ethical–emotional–human characteristics.

## Credit Union versus the Ideal Financial Institution

Where do employees see credit unions as most deficient? As discussed previously, the traits most valued are not necessarily the ones that best describe credit unions. This can be seen by taking for each

*Figure 6: Factor Analysis of Credit Unions versus Banks*

Credit union–Bank	Factor 1	Factor 2	Factor 3	Adj. mean	
				Credit union	Bank
Cold	-0.7764			-1.5673	0.3787
Greedy	-0.7419		-0.1145	-1.2441	0.8142
Manipulative	-0.7333	-0.1076	-0.1735	-1.4777	0.1976
Treats as individual	0.6913	0.2881		1.2420	-0.4763
Comfortable	0.6838	0.1924		1.2324	-0.0590
Caring	0.6817			1.2933	-0.3373
Impersonal	-0.6732			-1.2770	0.6353
Great service	0.6703	0.3488		1.3607	-0.2714
Dignity	0.6657	0.1372	0.1376	1.2828	-0.6283
Honest	0.6227	0.2143		1.3333	0.0088
Helpful	0.6174	0.1922	0.1199	1.4781	0.2189
Tense	-0.6060	-0.3270	-0.113	-1.4111	0.1042
Unreliable	-0.5997	-0.3177		-1.4286	-0.2870
Rigid	-0.5756		-0.1162	-0.9913	0.5252
Not trusted	-0.5480	-0.3285		-1.5977	-0.3953
Good value	0.5064	0.2912	0.3079	1.2082	-0.0414
High fees	-0.4756		-0.2971	-0.9971	0.9438
Uncompetitive	-0.3584	-0.1256	-0.2428	-1.2537	-0.0208
Powerful	-0.1593	<b>0.6488</b>		0.4106	1.1213
Competent	0.3030	<b>0.6402</b>	0.1693	1.0350	0.4036
Efficient	0.2301	<b>0.6023</b>		0.9853	0.4838
Easy to use	0.2881	<b>0.5494</b>		1.1637	0.7071
Convenient	0.1146	<b>0.5489</b>		0.7566	0.9145
Follower	-0.1373	<b>-0.5307</b>	-0.1423	-0.7434	-0.3851
Growing		<b>0.5204</b>		1.1433	0.7101
Professional		<b>0.5021</b>	0.1669	1.3129	0.9265
Ignored		<b>-0.4842</b>		-0.7347	-0.5339
Safe	0.3544	0.4260		1.2573	0.6499
Long-term partner	0.3930	0.4066		1.5351	0.4551
Range of products	-0.2197	-0.3599		-0.7713	-0.5994
Distinct	0.2789	0.3113	0.1597	0.8626	-0.1161
Interest on savings			<b>0.6867</b>	0.3041	-0.2433
Loan interest rates	0.1532	0.1177	<b>0.6702</b>	0.5994	-0.4172

Extraction method: Principal axis factoring.

Rotation method: Varimax with Kaiser Normalization.

Factor 1: ethical–emotional–human dimension

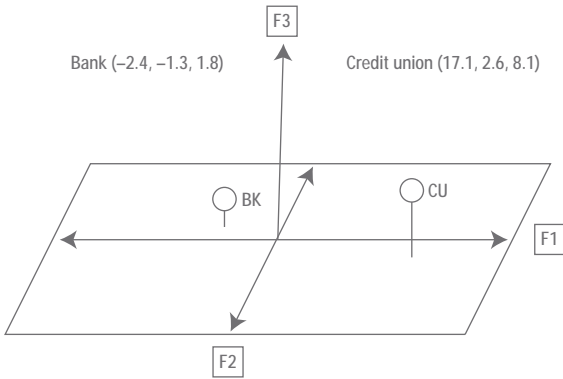
Factor 2: performative–institutional dimension

Factor 3: rates–financial edge dimension

Please note that very weak factor loadings (between -0.10 and +0.10) have been left blank.



**Figure 7: Credit Union and Bank Locations in the Three-Dimensional Factor Space**



Note: The position of banks on each dimension is found by multiplying the adjusted means of each attribute for banks by its weighting on the three factors listed above. Factor 1 weights “cold” by  $-0.7764$ , while the adjusted mean for banks is  $3.3787 - 3.00 = 0.3787$ , and so on for the other attributes, e.g.,  $-0.7419 \times 0.8142$  for “greedy,” etc. Consequently, the  $-2.4$  on the F1 dimension for banks is calculated as  $(-0.7764 \times 0.3787) + (-0.7419 \times 0.8142) + (-0.7333 \times 0.1976) + \dots + (0.1532 \times -0.4172)$ . Likewise for credit unions,  $(-0.7764 \times -1.5643) + (-0.7419 \times -1.2441) + \dots + (0.1532 \times 0.5994)$  produces the  $17.1$  position of credit unions on the F1 axis.

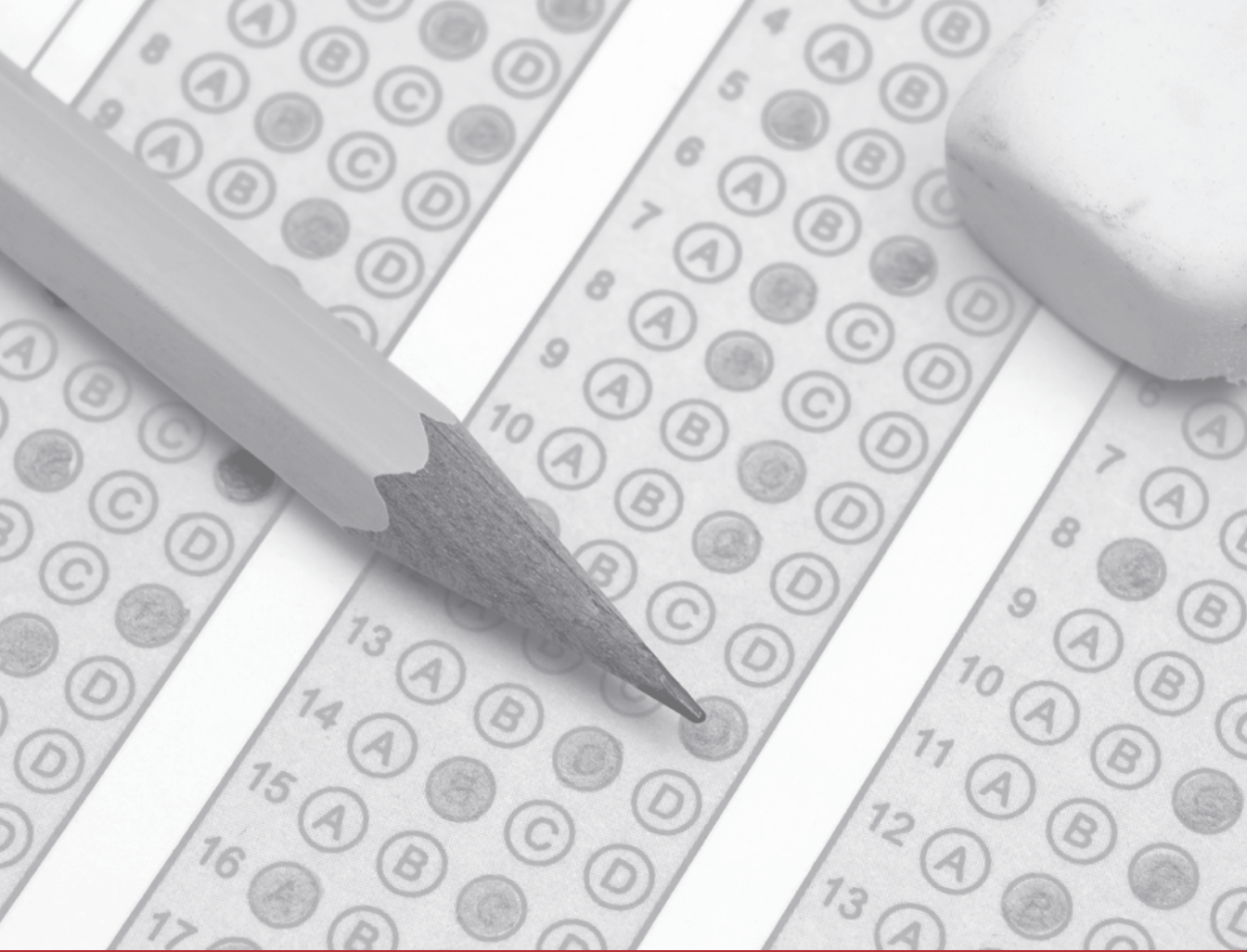
characteristic the *difference* between its credit union mean and its perceived importance in an ideal financial institution (see Figure 8, where *negative traits have been rephrased in their positive equivalents*). The result is the gap between credit union reality and the ideal.

Employees feel credit unions do a fine job as a long-term financial partner and are only minimally deficient in terms of warmth and in creating a comfortable and relaxed environment. Employees also appear to be relatively satisfied with credit union growth and range of products. Moral/ethical attributes occupy the middle, with *trusted* appearing 9th on the list, *not manipulative* 15th on the list, *reliable* 17th on the list, *not greedy* 23rd, and *honest* 26th. Bringing up the rear are financial characteristics and more objective measures of service, e.g., competence, efficiency, convenience, and ease of use.

**Figure 8: Credit Union versus the Ideal Financial Institution**

	Credit union–Ideal financial institution	Mean	St. err.		Credit union–Ideal financial institution	Mean	St. err.
1	Long-term partner	0.01	0.037	18	Distinctive	-0.33	0.049
2	Warm	-0.07	0.035	19	Great service	-0.37	0.041
3	Growing	-0.10	0.054	20	Professional	-0.38	0.039
4	Range of products	-0.12	0.067	21	Safe	-0.43	0.038
5	Comfortable	-0.15	0.036	22	Low fees	-0.44	0.051
6	Powerful	-0.17	0.056	23	Not greedy	-0.45	0.051
7	Makes me relaxed	-0.17	0.039	24	Treats as individual	-0.46	0.037
8	Personal	-0.21	0.049	25	Dignity and respect	-0.47	0.041
9	Trusted	-0.21	0.041	26	Honest	-0.50	0.039
10	Leader	-0.23	0.07	27	Noticed	-0.58	0.056
11	Flexible	-0.23	0.056	28	Easy to use	-0.59	0.042
12	Caring	-0.25	0.040	29	Competent	-0.66	0.045
13	Competitive financial product	-0.26	0.058	30	Efficient	-0.76	0.044
14	Helpful	-0.26	0.034	31	Low loan rates	-0.90	0.053
15	Not manipulative	-0.27	0.037	32	Convenient	-0.95	0.052
16	Good value	-0.28	0.037	33	Interest on savings	-1.21	0.060
17	Reliable	-0.28	0.052				





## CHAPTER 3

### Survey Topics

*Employees were asked questions in the following six subsections: basic idea of credit unions, credit unions and banks, consumer attitudes toward credit unions, role of employees, credit union values, and the larger context of credit unions.*



At the heart of the survey were 110 questions we asked 343 respondents about credit unions. Wherever possible, we attempted to express these ideas in the actual words used by employees in face-to-face interviews. To obtain better empirical results (that is, to avoid respondents simply checking box 6 on every page), questions were phrased both negatively and positively in approximately equal numbers.

Answers to these questions range from 1 (strongly disagree) to 6 (strongly agree). Unlike Part A, this is a forced-choice scale, because totally neutral is not an option. The center, or neutral position, is 3.50. Deviation from 3.50 in either direction is a measure of employee intensity or fervor. An average value above 4.50 or below 2.50 represents solid endorsement or rejection by employees, e.g., 4.50 marks the boundary between 4 (slightly agree) and 5 (agree). A mean above 5.00 or below 2.00 represents near unanimity in the sample.

Many of these questions were redundant, just different phrasings of the same underlying idea, allowing us through measures of internal consistency to better gauge whether employees *really* thought about credit unions in certain ways and were not just responding to a particular word or phrasing. Slightly less than half (50 of the 110) of the Part B questions were designed to test an explicit cultural model of credit unions, which was developed from qualitative interviews and in the pilot study; but more about that in Chapter 4.

The questionnaire referenced throughout this chapter can be found at [www.fileene.org/publications/detail/employee-perceptions-of-credit-unions](http://www.fileene.org/publications/detail/employee-perceptions-of-credit-unions) or by searching for the keywords Gatewood and Lowe.

Attitudes toward and knowledge of credit unions can be understood by grouping the questions into six subsections:

- Basic idea of credit unions.
- Credit unions and banks.
- Employees' notions of consumer attitudes toward credit unions.



- Role of employees in a credit union.
- Credit union values.
- Larger context of credit unions.

Statistical significance is explored using analysis of variance. The SPSS package employed here tests not only for significant differences among the means of subpopulations, but also the significance of a general trend in the means. When there is a significant trend, we report the correlation,  $R$ , as well as its significance. In a handful of cases where both variables are continuous (depicted by a scatter plot), significance is tested using the standard correlation coefficient, and the  $R$  value is reported as well as the probability that the obtained correlation might occur just by chance.

## Basic Idea of Credit Unions

The basic idea of credit unions subsection exhibits consensus: The ratio of the first eigenvalue to the second eigenvalue is 8.1, quite respectable. This does not mean that important differences within the population are absent (see Figure 9), but rather that on this topic, employee culture was coherent—there is a clear central tendency and an absence of coexisting distinctive employee subpopulations.

*Figure 9: Basic Idea of Credit Unions*

Survey item	← Disagree			Agree →			Mean
The members of a credit union actually own the credit union.	3	5	10	25	120	178	5.31
Whether a member has \$5 or \$50,000 on deposit, it is “one member, one vote” when electing the credit union’s board of directors.	4	3	9	23	160	137	5.21
At its core, a credit union is a not-for-profit financial institution.	4	19	13	22	134	149	5.08
Fundamentally, a credit union is a pooling of the members’ financial resources for the members’ benefit.	0	6	13	66	188	55	4.83
A credit union exists to provide members with a low cost option to save and to borrow.	2	17	14	71	167	70	4.74
Credit unions throughout the land cooperate with one another in significant ways.	3	11	20	75	162	62	4.71
If credit unions were for-profit institutions, then they would eventually just become banks.	4	34	27	94	131	48	4.36
A credit union’s board of directors sets the tone for the institution and has the ultimate power to set policies.	2	38	38	79	140	37	4.28
Basically, a credit union is a co-op.	12	48	28	44	123	60	4.26
Credit unions focus on individual accounts, not business accounts.	39	82	43	54	94	28	3.49
Credit unions are supposed to return “profits” to members in the form of lower fees and better interest rates, but they seldom do.	42	150	82	36	17	10	2.60
It’s just wrong to think of a credit union as some sort of financial cooperative.	43	141	84	39	18	5	2.58
The board of directors of a credit union has little real effect in setting a credit union’s direction and policies.	74	153	58	31	11	4	2.29
The people on a credit union’s board of directors are paid for this service and receive special discounts when using the credit union for their personal banking needs.	148	133	26	12	4	4	1.79
Members who have more money in their depository accounts have more say when it is time to elect a credit union’s board of directors.	151	135	28	14	2	4	1.78

Perhaps not surprisingly, most fervently held is the primacy of *member ownership*—over half the sample strongly agreed. Close behind are two questions dealing with *one-member, one-vote* governance policy (the last question is an inverse of the second) and a third dealing with the fact that board members are *not paid* (negatively phrased). The near unanimity on these aspects of governance hints that such structural issues do indeed set the tone for the entire organization. In two out of the three questions, the modal value (the most commonly picked answer) was at the very end of the range of possible responses.

That credit unions are *not-for-profit* institutions is far more salient than that they are *co-ops*. Employees are familiar with the idea of *pooling financial resources*, but the concept of a co-op varies regionally and is foreign to many except at the highest levels.

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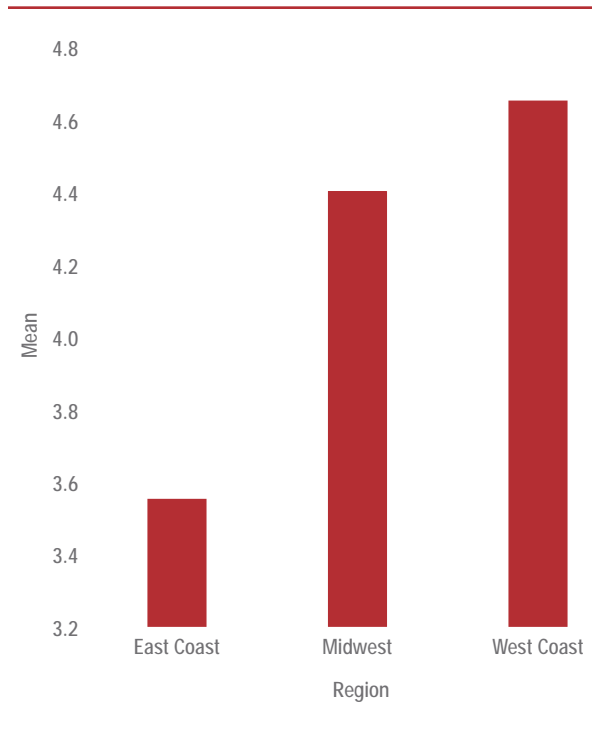
Familiarity with the idea of a co-op varies by region ( $p = .000$ ) and by hierarchical position ( $R = +.14, p = .011$ ); see Figures 10 and 11, respectively. Note that in each figure the differences are exaggerated by focusing on only a portion of the total possible range (which always runs from 1.00 to 6.00).

Returning to Figure 9, there is near unanimity that credit unions are not for profit (where the most common answer is at the end of the scale, “strongly agree”). Less certain is the *criticality of that not-for-profit status*—that if a credit union were *for profit*, it would eventually evolve into a bank.

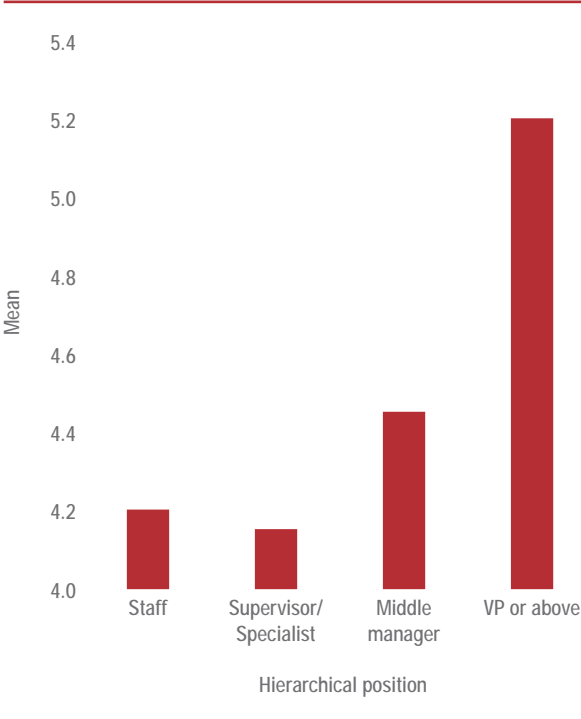
In contrast to the not-for-profit characteristic, employees’ responses are bimodal when judging whether credit unions are co-ops. It is particularly interesting that there are more employees who believe a credit union is *not* a co-op than employees who are simply unsure. The bimodality in this case is, in part, a local credit union effect. Some credit unions, and the environment in which they are situated, highlight the co-op nature of their enterprise to employees (one credit union had a mean of 5.19), whereas others do not (another had a mean of 3.24).

Also representing a split among employees is whether credit unions should *focus more on busi-*

**Figure 10: Credit Union Is a Co-op (by Region)**



**Figure 11: Credit Union Is a Co-op  
(by Hierarchical Position)**



ness accounts. Here the mean is dead neutral. Not surprisingly, the importance of a business focus versus an individual focus also varies widely by credit union, ranging from a mean of 4.89 down to a mean of 2.68. Of possible interest, employees with two or more years of banking experience are significantly ( $p = .002$ ) more likely to agree that credit unions should concentrate on individuals.

Employees are less certain about the power of the board to set policies than they are about the board’s composition. Likewise, employees are significantly more likely to believe that credit unions are a *low cost option to borrow and save* than that credit unions are *supposed to return “profits” to members*.

### Credit Unions and Banks

For the battery of questions (see Figure 12) comparing credit unions and banks, consensus is much less strong. The ratio of the first eigenvalue to the second eigenvalue is 5.83, the lowest of any section in Part B but still well above the 3.5 indicative of consensus. Consensus is reduced because (1) some credit unions may not stress to

their employees just how different they are from banks, (2) about one-third of the credit union employees have worked at a bank and bring varying perspectives from that work, (3) some employees may be thinking of large money-centered banks with a national or international footprint, while others are thinking of local community banks, and (4) some credit union employees have never dealt with a bank and simply have no idea. During the qualitative interviews, three distinct attitudes toward banks emerged from the employees with bank experience:

- “Thank heavens I am working at a credit union and not a bank.”
- “Some banking ideas/practices could enrich and improve credit unions, but credit unions demonize them too much.”
- “I wish I was working in a bank and not here.”

It is perhaps no accident that the highest mean does not explicitly compare credit unions to banks; rather, it says that the *volunteer, unpaid* nature of the governing board of directors is highly salient in employees’ minds. Also below 2.00 or above 5.00 (reflecting near unanimity) are the distinctive nature of *eligibility requirements* at credit unions, their *superior service*, and their distinctive “*community feeling*.”

Figure 12: Credit Unions and Banks

Survey item	← Disagree			Agree →			Mean
A distinguishing feature of credit unions compared to other financial institutions is that their board of directors is made up of unpaid volunteers elected by the members of the credit union.	1	3	10	26	154	137	5.24
Members expect better service from their credit union than they would get at a bank.	0	4	9	47	181	100	5.07
There is more of a community feeling in credit unions than in banks.	1	7	9	54	172	96	5.00
Credit unions cooperate with one another more than banks do.	2	12	16	61	142	91	4.86
Whereas banks simply try to maximize profits, credit unions have to balance profitability against their members' desires for better rates.	2	15	15	54	185	66	4.79
There is much more of a sense of "we're all in this together" in a credit union than in a bank.	2	13	14	76	153	75	4.77
Whereas a bank can issue stock to raise capital, the money available to a credit union comes almost entirely from its members' depository accounts.	8	14	12	62	157	69	4.72
People are friendlier in a credit union than in a bank.	3	12	27	95	136	61	4.59
It is the customer's total "experience" that differentiates credit unions from banks, not the rates or products.	5	22	37	104	114	50	4.36
Unlike banks, all credit unions have restrictions on who is eligible to become a member.	20	35	26	59	142	55	4.28
Credit unions value their employees more than banks do.	4	32	35	105	102	43	4.24
Credit unions do more than banks to help the communities in which they are located.	4	34	49	104	88	47	4.16
Opportunities for employees are better in a credit union than in a bank, because credit unions tend to promote from within.	11	34	50	96	107	35	4.08
Any product or service you can get at a bank, you can get at a credit union.	15	59	51	68	112	34	3.90
Opportunities for employees are better in banks than in credit unions, because banks are larger and more likely to grow.	14	92	80	100	34	9	3.23
There is no more sense of "us-ness" among the members of a credit union than there is among customers of a bank.	48	104	82	48	37	8	2.83
The quality of service provided to members of a credit union is about the same as they would receive at a local bank.	36	115	97	59	23	4	2.79
Credit unions are no more member-focused than banks are customer-focused.	70	121	58	37	35	14	2.67
Banks tend to be more involved with local community activities than credit unions are.	33	127	120	23	15	7	2.63
Credit unions may like to think they are warm, friendly, and welcoming, but they aren't really different from local banks in this regard.	71	118	66	53	19	8	2.57
There is no pooling of resources in a credit union. The money a credit union loans to people comes from the institution's capital reserves, not from other members' deposits.	72	140	48	19	22	7	2.35
Credit unions, like banks, can issue stock to raise capital.	133	103	34	23	13	5	2.02
Anybody can become a member of any credit union they want. There are no restrictions on membership.	147	135	33	10	14	4	1.90

As in the basic features section, the *cooperation of credit unions* with one another is well known. There is also solid agreement that credit unions better *balance their profits against members' desire for better rates*, producing more of a sense of "*we're all in this together*," which is not unrelated to the fact that the *money in a credit union comes from members' deposits*, not from issuing stock like a bank.

Employees are less certain that credit unions *value their employees* more than banks do and that credit unions have the *full range of products* that banks have. They are even less sure that *banks do not*

*offer better opportunities* (where the most popular choice was “slightly agree”). Employees with two or more years of banking experience are significantly less certain that credit unions offer a comparable range of products ( $p = .015$ ).

## Consumer Attitudes toward Credit Unions

The section covering consumer attitudes toward credit unions also exhibits consensus, although the ratio of 6.52 is lower than for any other section except credit unions versus banks. Nonetheless, it is one of the most interesting sections because it demonstrates a certain collective unease among employees about how credit unions are perceived by others. Nowhere in this section was “strongly agree” (or “strongly disagree”) the most common response, and in a few cases, the modal response was “slightly agree” (or “slightly disagree”), as Figure 13 shows.

The two questions employees are most adamant about are (1) *being there when really needed* and (2) *credit unions serve ordinary people, not just the rich*. When we get to members’ attitudes and motives, certainty drops sharply—only one is strongly held, that *members do*

*Figure 13: Consumer Attitudes toward Credit Unions*

Survey item	← Disagree			Agree →			Mean
Credit unions exist to serve the needs of ordinary people, not just rich people.	0	4	4	26	190	118	5.21
If people in general knew more about the historical and legal differences between credit unions and banks, more of them would join credit unions.	6	20	25	107	123	49	4.42
Initially, a lot of members think a credit union and a bank are the same thing.	3	27	44	112	133	22	4.21
Most members don't care about being loyal to their credit union. They care about rates being as good as or better than other institutions.	2	54	70	129	60	23	3.77
Most members cannot explain what a credit union is.	4	51	72	135	64	14	3.72
People often think that credit unions are not as secure as banks, which are federally insured.	13	70	51	130	62	10	3.56
Members care more about the competence and efficiency of credit union employees than how friendly the employees are.	9	60	100	96	60	12	3.52
When people first hear about “credit unions,” they often think these have something to do with labor unions.	9	82	59	102	66	6	3.47
Most people think that credit unions are not as skilled in financial matters as banks.	25	105	69	88	41	5	3.09
The “credit union philosophy” has little or no influence on why people join credit unions.	32	107	75	77	39	7	3.01
The name “credit union” sounds like a place for blue collar workers who can't get loans elsewhere.	37	138	67	50	36	5	2.77
Credit unions are not very successful at making members aware of the different services and products they offer.	43	141	74	51	27	6	2.70
People often interpret the friendliness of credit unions as a cover-up for lack of skill.	75	166	58	29	7	0	2.19
The members may think they own the credit union, but it is not really true.	98	145	48	30	9	6	2.18
Credit unions are there for members, except when a member really needs them.	128	153	45	8	4	3	1.87

*not interpret friendliness as a lack of competence.* Three questions are indistinguishable from neutral:

- Members care more about competence and efficiency than friendliness (where employees with a postgraduate education are significantly more likely to say yes).
- People tend to confuse credit unions with labor unions (note the bimodal distribution).
- Consumers often think credit unions are not as secure as banks (also a bimodal distribution with the most common answer being “slightly agree”).

Only modest disagreement exists among employees in that most people think credit unions are *not as competent in financial matters as banks* and that *credit union philosophy has very little to do with why members join*. There is weak agreement that *most members cannot explain what a credit unions is* and that *rates trump loyalty*. Even stronger agreement exists that *initially members think a credit union and a bank are the same thing*.

Not a great deal of difference exists between those employees describing themselves as “front line” and those describing themselves as

“back office.” Employees dealing directly with members are more likely to agree that credit unions are successful in *making members aware of the products and services they offer* ( $p = .010$ ),

perhaps because that is often their job, and to disagree that *people interpret friendliness as a lack of skill* ( $p = .023$ ) and that *credit union philosophy has no influence on why people join* ( $p = .037$ ).

The two questions employees are most adamant about are (1) *being there when really needed* and (2) *credit unions serve ordinary people, not just the rich*.

## Role of Employees in a Credit Union

There is far more consensus on the role of credit union employees. The ratio of the first and second eigenvalues is 9.77, comparatively high, even though none of the questions is the modal score at either extreme. The particular items and their response frequencies are shown in Figure 14.

A number of questions dealt with employee knowledge of credit unions. Employees are most certain that *knowing a lot about credit unions is NOT a waste of time*. They solidly reject the notion that employees *don't need to know the details of how credit unions differ from banks*. And they agree that *leadership believes it is important for employees to know the difference*. These last two responses are somewhat ironic because in the section on banks it would seem that such knowledge is not particularly widespread.

*Figure 14: Role of Employees in a Credit Union*

Survey item	← Disagree			Agree →			Mean
Employees at credit unions tend to go “above and beyond” for their members.	0	3	7	70	163	99	5.02
The more employees know about the nature and meaning of credit unions, the better able they are to explain why credit union products and services are superior.	0	13	14	50	175	89	4.92
All the employees of credit unions—from top to bottom—should know the defining characteristics of credit unions and the history of how they came to be.	1	8	12	67	166	87	4.91
The leadership of credit unions think it is important for all their employees to know how credit unions differ from banks.	0	6	23	48	185	78	4.90
The better employees understand the distinguishing characteristics of credit unions, the better they are able to serve members.	1	5	20	71	166	80	4.85
Employee word of mouth is a significant source of new members for their credit union.	3	20	31	91	144	50	4.48
Credit union employees are clear and in agreement with one another concerning the special “experience” that members are supposed to have.	3	29	37	92	147	26	4.28
As someone who works at a credit union, you are not so much concerned with how much money you make as with the opportunity to help other people.	21	88	78	94	49	12	3.29
Some credit union employees are very committed to the “idea” of a credit union. These employees should be rewarded more than those who work hard but just see their job as a stepping stone to something better somewhere else.	28	99	72	72	52	15	3.20
You make more money working in a credit union than you would make doing a similar job elsewhere.	59	121	76	50	24	3	2.60
You would be rewarded if your employer thought you knew more about credit unions.	51	148	75	36	18	5	2.51
Among credit union employees there is probably more “dead wood” than in a bank.	49	155	53	32	16	6	2.45
Credit unions talk a lot about providing great service to members, but in reality there is nothing exceptional about the services provided.	66	158	68	35	11	5	2.36
Employees with banking backgrounds are at a disadvantage working at a credit union.	76	187	55	16	4	2	2.09
Most employees of credit unions don’t need to know the details of how credit unions differ from banks.	103	160	48	20	11	1	2.06
Speaking just for yourself, knowing a lot about credit unions is a waste of time.	117	176	31	12	5	2	1.89

There is also solid endorsement that:

- The more employees know about credit unions, the better able they are to explain why their products and services are superior.
- All employees should know the history of credit unions and their defining characteristics.
- The more employees know, the better able they are to serve members.

Employees solidly reject the notion that *the more they know, the more they will be rewarded by their employer.*

Not surprisingly, only 10 respondents disagree that *employees go “above and beyond” for members.* Interestingly, employees with two or more years of banking experience are significantly less certain ( $p = .045$ ), a result mirrored in the negative version of this question—*there is nothing exceptional about the service in credit unions.*

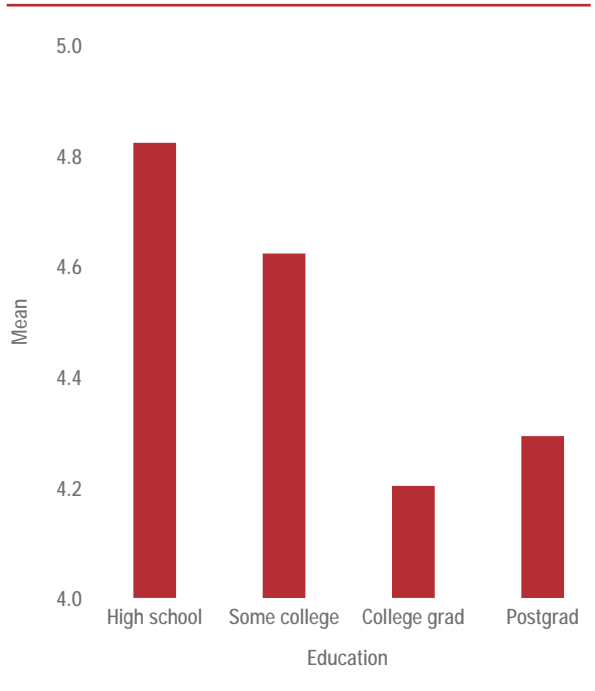
The idea that *employees with a banking background are at a disadvantage in credit unions* is solidly rejected, but those with two or more years of banking experience are significantly *less* certain ( $p = .013$ ). Also solidly rejected is the notion that there are *more nonperforming employees at credit unions than banks*, and those with two or more years of banking experience are significantly more certain that there are *not* ( $p = .008$ ).

Employees generally do not agree they could *make more money in a credit union* than working elsewhere, but they are split as to whether *credit union employees care more about helping people than making money*. They are also split on the statement that employees *should be rewarded for commitment to the “idea” of credit unions* beyond how well they do their jobs. These two questions tend to delineate two kinds of employees—the careerists (the realists) and the true believers (the idealists).

Whether they are male or female, working in headquarters or in a branch office, front line or back office, young or old, staff or executive, employees generally agree that *word of mouth is an important source of new members*. But employees with different levels of formal education vary significantly in this regard ( $p = .001$ ), as Figure 15 illustrates.

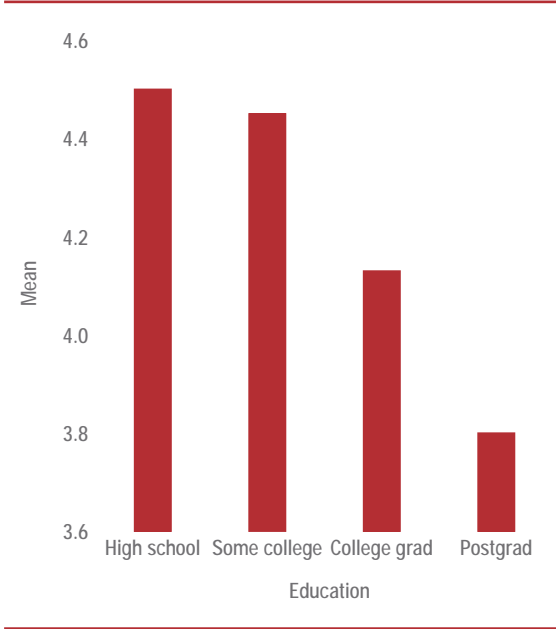
Likewise, there is general agreement with the proposition that *employees all agree as to the nature of the credit union “experience” that members are supposed to have*, but there are significant differences by education ( $p = .007$ ), by hierarchical position ( $p = .009$ ), by gender ( $p = .018$ ), and by front line or back office ( $p = .001$ ). See Figures 16–19.

**Figure 15: Importance of Word of Mouth (by Education)**

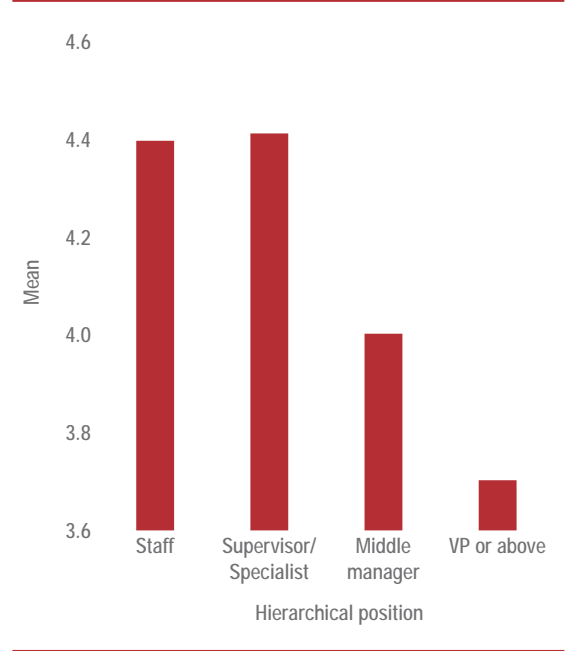




*Figure 16: Credit Union Experience (by Education)*



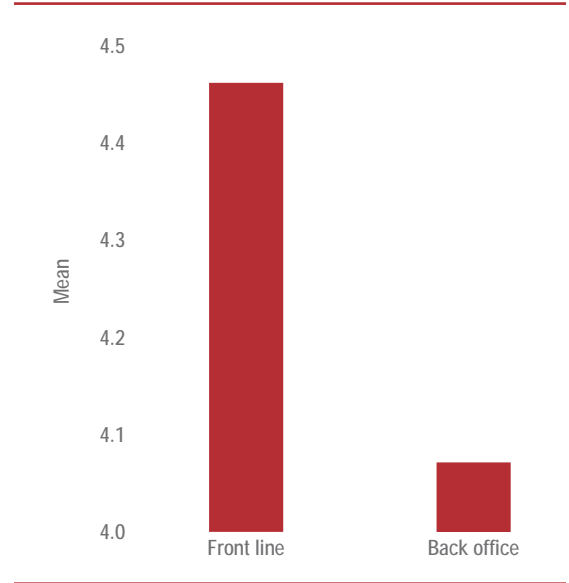
*Figure 17: Credit Union Experience (by Position)*



*Figure 18: Credit Union Experience (by Gender)*



*Figure 19: Credit Union Experience (Front Line versus Back Office)*



## Credit Union Values

The credit union values section (see Figure 20) has far and away the highest consensus—the ratio of the eigenvalues is 15.58—suggesting that these propositions are an important aspect of the “glue” that binds employees together.

Employees are most fervent about these value questions, in particular the top two—the *friendly and authentic emotional tone* of credit unions and the *primacy of service to members*. In both questions, nearly half the respondents checked “strongly agree.” In addition, there is very strong agreement concerning the *importance of community service* and *looking out for member’s financial well-being*. For all four of these questions, opinion approached unanimity (the mean is either greater than 5.00 or less than 2.00).

In fact, there are only a handful of questions that employees do not “solidly” endorse/reject (the mean is either greater than 4.50 or less than 2.50). For instance, although most members basically agree, they are somewhat ambivalent about the *reality of the member equality* ideal and

Figure 20: Credit Union Values

Survey item	← Disagree			Agree →			Mean
A defining feature of a credit union is great member service.	0	1	4	32	134	170	5.37
Credit unions should be involved in a variety of public service activities, such as visiting high schools to teach students about personal finances. Community service of this sort is part of the credit union philosophy.	0	1	4	43	160	134	5.23
The basic idea of a credit union is to look after the member’s well-being and not push them into something they don’t want.	2	2	14	47	144	133	5.13
The phrase, “People helping people,” accurately describes what credit unions are all about.	1	4	9	64	171	93	4.99
Credit unions make a difference in people’s lives.	0	7	6	76	150	101	4.98
In a credit union, it’s all about the members.	0	8	24	48	168	93	4.92
A key value underlying credit unions is equality among members.	1	16	24	45	171	81	4.81
Credit unions tend to be more lenient toward their members’ financial difficulties.	9	17	30	96	137	49	4.43
The members of a credit union are like one big family.	7	31	35	135	92	40	4.16
One of the things credit unions struggle with is the “equality of members” idea.	42	126	72	45	34	8	2.78
Growing the total assets of a credit union is more important than providing members better rates and more financial services and products.	40	158	97	35	9	1	2.46
The only reason credit unions should get involved in public service activities is if it makes good “business sense” to do so, that is, if community service recruits new members or increases deposits.	63	152	61	31	24	6	2.46
Perhaps “People helping people” used to be true, but it no longer captures what credit unions are all about.	70	148	68	42	7	6	2.37
Teamwork, yes; but there is nothing “family-like” about credit unions.	81	144	65	32	12	6	2.32
Credit unions take good care of members with money and power, but are not so concerned about the little guy.	107	149	45	28	7	5	2.10
The basic idea of a credit union is to make as much money as possible from the people using it as their financial institution.	123	133	38	24	16	5	2.09
One way you know you are in a credit union is you see a lot of fake smiles.	174	139	21	5	1	0	1.59

the *family-like* nature of a credit union. But as will be explored in Chapter 6, variation along certain variables—in particular, the notion *credit unions make a difference in people's lives* and their *family-like* quality—are decisive in predicting commitment to the credit union philosophy.

## Larger Context of Credit Unions

The items dealing with the larger context of credit unions are shown in Figure 21. The consensus as measured by the ratio of the eigenvalues is 7.49, a respectable value. This battery of questions is best understood as comprising three subsections: (1) strategies for success for credit unions, (2) sources of tension for credit unions, and (3) possible causal relations.

Employees strongly believe that *credit unions should provide a full range of products and services*, the smaller credit unions agreeing just as vigorously as the larger ones. Likewise, employees strongly agree regarding the *importance of innovative and adaptable leaders*. At the other extreme, they heartily reject the idea that *cooperation among credit unions* is worthless and that *credit unions need to become more banklike*. Interestingly, employees are confident that a credit union's *ties to an employer and word of mouth from coworkers* bring in new members (mean = 4.27 = (3.50 + .77)), and they disagree with the notion that *mass advertising just doesn't work for credit unions* (mean = 2.71 = (3.50 – .79)).

Several other questionnaire items point to sources of tension arising from the larger context in which credit unions operate today. We will discuss those items in Chapter 5 (see, especially, Figures 54 and 56).

Figure 21: Strategies for Success for Credit Unions

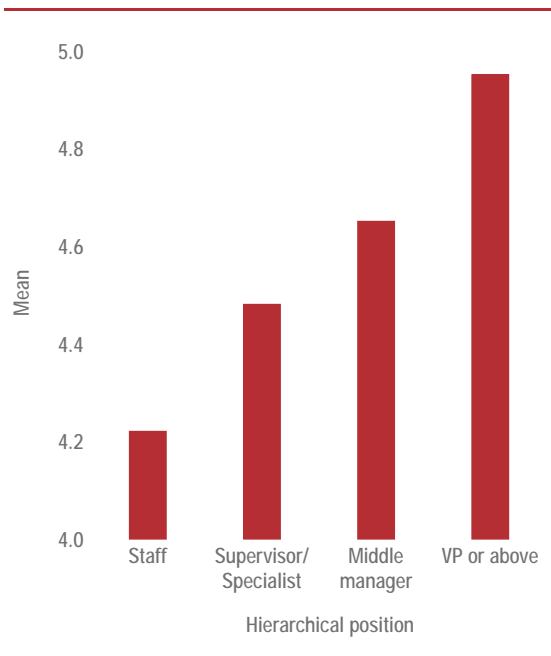
Survey item	← Disagree			Agree →			Mean
Credit unions should provide the full range of products and services for “one-stop” banking. Members shouldn’t have to go elsewhere to fulfill their financial goals.	0	4	11	23	153	150	5.27
Leaders who are innovative and change with the times are what make some credit unions more successful than others.	0	3	6	55	188	85	5.03
Credit unions should make members more aware of the different services and products they offer.	1	9	11	69	180	70	4.85
Cooperation among credit unions throughout the land is important if credit unions are to compete successfully with large, national banks.	5	11	11	67	149	90	4.84
Marketing products to members is what makes some credit unions more successful than others.	5	12	14	106	169	33	4.54
A credit union’s ties to an employer and word of mouth from coworkers are what generally bring new members to a credit union.	1	21	41	124	124	27	4.27
A credit union can become too large.	41	118	58	63	39	15	2.96
Mass advertising (TV, radio, newspapers, etc.) just doesn’t work for credit unions.	18	158	93	39	21	5	2.71
Credit unions should shift their emphasis from individual accounts to more business accounts.	35	128	106	54	11	1	2.64
As credit unions seek to offer new services (insurance, investments, mortgages), they are in danger of losing their character as credit unions.	47	169	73	27	16	8	2.47
Credit unions need to become more like banks in order to compete successfully.	70	164	43	47	12	2	2.33
There is no advantage to be gained by credit unions cooperating with one another.	104	155	54	8	10	2	2.01

Figure 22 shows the five questions included under “larger context” that ask about specifically causal relations. Examining these items one at a time, there are a few points to note. (Chapter 4 provides a fuller discussion.) While significant agreement exists for all the relations except the last, the deviations from neutral are not large. These tepid levels of opinion with respect to causal connections prefigure an important finding in the next chapter. In the case of the relation between *taxes and not-for-profit status* and the relation between *emphasis on service and member owned*, the level of agreement rises steadily with hierarchical position:  $R = +.174, p = .003$  (see Figure 23). The correlation between hierarchical position and the *emphasis on service because member-owned* variable is very similar:  $R = +.169, p = .002$  (see Figure 24).

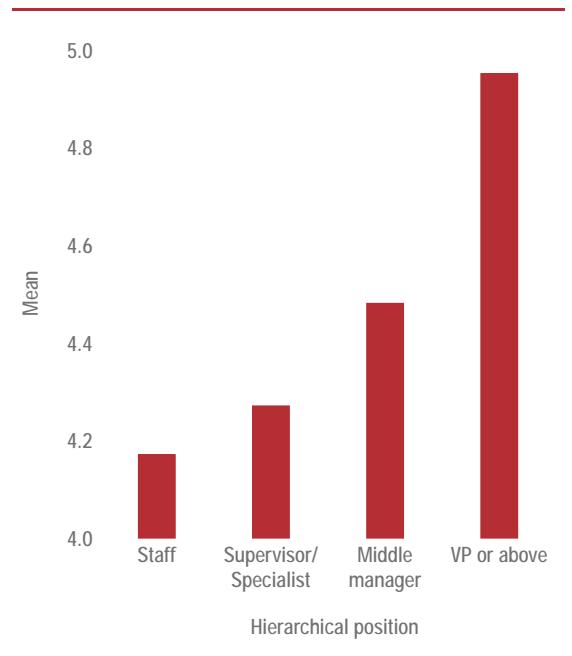
**Figure 22: Causal Connections**

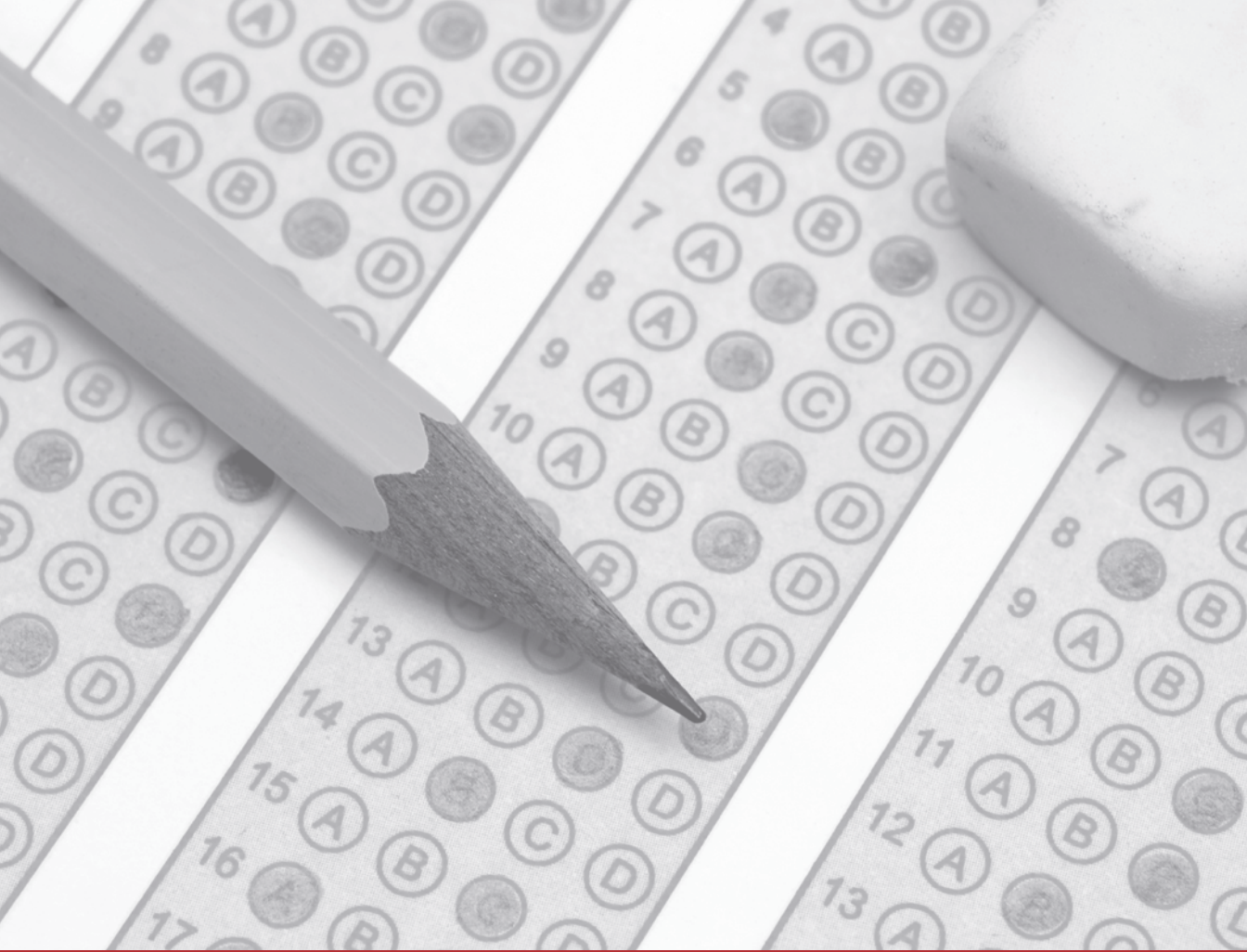
Survey item	← Disagree			Agree →			Mean
It is because credit unions are member-owned cooperatives that they try to provide happy, warm, friendly member service.	4	26	25	91	151	41	4.43
Because credit unions are not-for-profit institutions, they don't have to pay all the same taxes as banks do.	6	29	30	55	135	44	4.39
Because credit unions are member-owned collectives, they exist only to serve members.	2	26	49	87	137	32	4.28
Because credit unions pay fewer taxes, they can offer better rates and lower fees.	7	44	50	81	105	15	3.92
Most of the operations in a credit union are not taxed because of the good the institution does in the community.	32	120	58	44	31	7	2.80

**Figure 23: Do Not Pay Taxes, Because Not-for-Profit (by Hierarchical Position)**



**Figure 24: Emphasis on Service Because Member-Owned (by Hierarchical Position)**





## CHAPTER 4

### A Cultural Model of Credit Unions

*The composite cultural model consists of a series of linked propositions that are based on explicit statements made by employees during the open-ended interviews. The diversity of responses could be due to either the variability with respect to how much employees know about credit unions or simply the implicitness of the knowledge they have. In fact, employees' difficulties in articulating the distinguishing characteristics of credit unions are largely due to the implicitness of their understandings.*



During the open-ended interviews, when asked to explain how credit unions differ from banks and other financial institutions, employees mentioned different characteristics. For instance, a teller might say, “Banks have customers; credit unions have members. And, because people are members here, we treat them better than banks will.” A loan officer notes, “Say someone is having a hard time and needs a loan. The bank wants to know how much collateral you got. We do too, but we also take into account your history with us. So, a lot of people come to us when they really need financial help; that’s when the banks say ‘No.’ ” A senior manager explains that credit unions can generally give better interest rates than banks because credit unions, being not-for-profit institutions, do not pay corporate taxes. Another person explains the ubiquitous credit union slogan, “People helping people,” by retelling the origin story: Years ago there were some poor German farmers who could not get loans from banks, so they pooled their money and lent sums to one another.

Taken in isolation, such remarks hardly define a credit union. Indeed, on the face of it, the diversity of responses appears to indicate little in the way of a shared conceptual understanding. On the other hand, each employee is expressing something about what he or she thinks are the important features of a credit union. By viewing the characteristics as pieces of a puzzle, we realize that many of them can be fit together into a remarkably coherent whole, or an underlying cultural model of credit unions.

In general, cultural models are thought to be latent, held in common, and largely implicit schemes for interpreting the world and guides for action (see D’Andrade, 1995, 150–181, for a theoretical discussion of the concept, and Quinn, ed., 2005, for relevant methodology). Given the institutional complexity of a credit union and the number of employee roles within it, the degree to which the cultural model of credit unions is “held in common” should not be presumed at the outset. Indeed, no one person could tell us the whole story. Still, the composite we assembled is firmly grounded in what informants told us, and each element was corroborated by at least two employees.

The basic elements of our model are propositions concerning the nature and/or purpose of credit unions. These key features are linked through particular chains of reasoning. For instance, credit unions generally offer members a *financial advantage* in the sense of better interest rates. They can do this because they are *not-for-profit* institutions, meaning that they pay no corporate taxes; hence, the money saved from not paying corporate taxes can be passed along to members. Another reason is that credit unions' capital comes from members' *pooling of financial resources* (as opposed to publicly traded stock); hence, they do not have to pay dividends to stock owners.

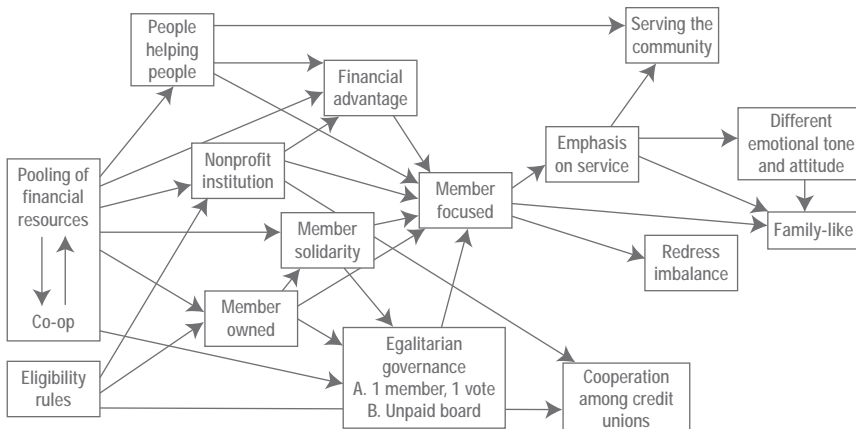
Figure 25 is a schematic depiction of our composite cultural model of credit unions. Text boxes stand for meaningful features of a credit union, and arrows represent the more

important linkages based on chains of reasoning. The left-to-right positioning of elements reflects the logical flow of reasoning from root characteristics (the more defining, organizational features) to their surface manifestations (the more connotative, emotional, and ultimate-purpose features).

It should be noted that Figure 25 is slightly different from its predecessor in our pilot study (cf. Gatewood and Lowe 2006). From the additional interviews, we added four elements to the composite model: *eligibility rules*, *egalitarian governance*, *servicing the community*, and *cooperation among credit unions*. Though conceptually separable, *co-op* and *pooling of financial resources* are so tightly intertwined that we enclose them in a single box.

In general, cultural models are thought to be latent, held in common, and largely implicit schemes for interpreting the world and guides for action.

Figure 25: The Cultural Model of Credit Unions



## Testing the Cultural Model

The composite cultural model consists of a series of linked propositions that are based on explicit statements made by employees during the open-ended interviews. At the same time, most employees did not find the subject easy to talk about, and none articulated the full range of features that we eventually pieced together. Furthermore, their spontaneous verbalizations generally lacked what might be called a practiced crispness. The diversity of responses during the interviews could be due to either the variability with respect to how much employees know about credit unions or simply the implicitness of the knowledge they have.

Our overall impression is that they were struggling to articulate thoughts “on the fly,” as it were, in response to being interviewed. That is, their difficulties in articulating the distinguishing characteristics of credit unions were largely due to the fact that their understandings are mostly implicit. Explaining credit unions is not a normal part of their day-to-day work.

The implicitness of cultural models raises an interesting methodological problem. If people’s understandings are difficult to verbalize, then how can the models that analysts propose be verified? How “real” are these composite models? Are they merely an analyst’s constructions, or do they represent something actually existing within a group?

One objective of the project was to test our qualitative formulation using quantitative data from a survey. Open-ended interviewing requires people to be (or to become) aware of their thoughts and then encode these in language. By contrast, a questionnaire relieves respondents of the encoding task and asks them simply to render judgments about other people’s phrasings. Thus, if a cultural model consists of linked propositions, it seems reasonable to ask employees whether the propositions are true. For example, do employees agree that credit unions are “member focused?” This approach to verification certainly does not rule out all alternative hypotheses/models, which is the ideal of verification (D’Andrade 2005), nor will it ensure the completeness of a model. On the other hand, it can disconfirm portions of a proposed model.

Verifying the elements of the proposed cultural model is a matter of examining the mean values of survey items that best correspond to them. There is net agreement, disagreement, or something statistically indistinguishable from neutral. Verifying the linkages among elements can be done two ways: (1) explicitly through “reasoning” questions, e.g., “Because credit unions are member-owned collectives, they exist only to serve members” or “It is because credit unions are member-owned cooperatives that they try to provide happy, warm, friendly member service,” and (2) implicitly through correlations.



Fifty of the items in Part B of the questionnaire were designed as measures of the 16 elements in the cultural model. For mathematical reasons, half these items were phrased “positively”; i.e., we predicted a knowledgeable employee would agree. Half were phrased “negatively”; i.e., we predicted a knowledgeable employee would disagree. Figure 26 shows the survey results for these 50 items, grouped under the cultural model element for which they are measures.

These 50 items have mean values significantly different from “neutral” and in the predicted directions; i.e., all the means are statistically deviant from 3.50 on the 6-point response scale. (See Figure 27, which shows the 95% confidence intervals around the means.) Thus, as an

*Figure 26: Fifty Measures of the Model’s Elements*

Cultural model items		← Disagree			Agree →			Mean
<b>Co-op</b>								
3.	Basically, a credit union is a co-op.	12	48	28	44	123	60	4.26
92.	It’s just wrong to think of a credit union as some sort of financial cooperative.	43	141	84	39	18	5	2.58
<b>Pooling of financial resources</b>								
84.	Fundamentally, a credit union is a pooling of the members’ financial resources for the members’ benefit.	0	6	13	66	188	55	4.83
24.	Whereas a bank can issue stock to raise capital, the money available to a credit union comes almost entirely from its members’ depository accounts.	8	14	12	62	157	69	4.72
23.	Credit unions, like banks, can issue stock to raise capital.	133	103	34	23	13	5	2.02
31.	There is no pooling of resources in a credit union. The money a credit union loans to people comes from the institution’s capital reserves, not from other members’ deposits.	72	140	48	19	22	7	2.35
<b>Eligibility rules</b>								
20.	Unlike banks, all credit unions have restrictions on who is eligible to become a member.	20	35	26	59	142	55	4.28
29.	Anybody can become a member of any credit union they want. There are no restrictions on membership.	147	135	33	10	14	4	1.90
<b>Egalitarian governance</b>								
<b>A. One member, one vote</b>								
75.	Whether a member has \$5 or \$50,000 on deposit, it is “one member, one vote” when electing the credit union’s board of directors.	4	3	9	23	160	137	5.21
82.	Members who have more money in their depository accounts have more say when it is time to elect a credit union’s board of directors.	151	135	28	14	2	4	1.78
<b>B. Unpaid/volunteer board of directors</b>								
94.	A credit union’s board of directors sets the tone for the institution and has the ultimate power to set policies.	2	38	38	79	140	37	4.28
37.	A distinguishing feature of credit unions compared to other financial institutions is that their board of directors is made up of unpaid volunteers elected by the members of the credit union.	1	3	10	26	154	137	5.24
96.	The board of directors of a credit union has little real effect in setting a credit union’s direction and policies.	74	153	58	31	11	4	2.29
95.	The people on a credit union’s board of directors are paid for this service and receive special discounts when using the credit union for their personal banking needs.	148	133	26	12	4	4	1.79

Figure 26: Fifty Measures of the Model's Elements (continued)

Cultural model items		← Disagree			Agree →			Mean
<b>People helping people</b>								
71.	The phrase, "People helping people," accurately describes what credit unions are all about.	1	4	9	64	171	93	4.99
81.	Perhaps "People helping people" used to be true, but it no longer captures what credit unions are all about.	70	148	68	42	7	6	2.37
<b>Nonprofit institution</b>								
1.	At its core, a credit union is a not-for-profit financial institution.	4	19	13	22	134	149	5.08
5.	The basic idea of a credit union is to make as much money as possible from the people using it as their financial institution.	123	133	38	24	16	5	2.09
<b>Financial advantage</b>								
15.	A credit union exists to provide members with a low cost option to save and to borrow.	2	17	14	71	167	70	4.74
73.	Credit unions are supposed to return "profits" to members in the form of lower fees and better interest rates, but they seldom do.	42	150	82	36	17	10	2.60
<b>Member owned</b>								
9.	The members of a credit union actually own the credit union.	3	5	10	25	120	178	5.31
49.	The members may think they own the credit union, but it is not really true.	98	145	48	30	9	6	2.18
<b>Member solidarity</b>								
7.	A key value underlying credit unions is equality among members.	1	16	24	45	171	81	4.81
16.	There is much more of a sense of "we're all in this together" in a credit union than in a bank.	2	13	14	76	153	75	4.77
13.	One of the things credit unions struggle with is the "equality of members" idea.	42	126	72	45	34	8	2.78
30.	There is no more sense of "us-ness" among the members of a credit union than there is among customers of a bank.	48	104	82	48	37	8	2.83
<b>Cooperation among credit unions</b>								
108.	Cooperation among credit unions throughout the land is important if credit unions are to compete successfully with large, national banks.	5	11	11	67	149	90	4.84
107.	There is no advantage to be gained by credit unions cooperating with one another.	104	155	54	8	10	2	2.01
<b>Member focused</b>								
10.	The basic idea of a credit union is to look after the member's well-being and not push them into something they don't want.	2	2	14	47	144	133	5.13
70.	In a credit union, it's all about the members.	0	8	24	48	168	93	4.92
26.	Credit unions are no more member-focused than banks are customer-focused.	70	121	58	37	35	14	2.67
99.	Growing the total assets of a credit union is more important than providing members better rates and more financial services and products.	40	158	97	35	9	1	2.46
<b>Redress imbalance/Serving underserved</b>								
11.	Credit unions tend to be more lenient toward their members' financial difficulties.	9	17	30	96	137	49	4.43
39.	Credit unions exist to serve the needs of ordinary people, not just rich people.	0	4	4	26	190	118	5.21
76.	Credit unions take good care of members with money and power, but are not so concerned about the little guy.	107	149	45	28	7	5	2.10
45.	Credit unions are there for members, except when a member really needs them.	128	153	45	8	4	3	1.87

*Figure 26: Fifty Measures of the Model's Elements (continued)*

Cultural model items		← Disagree			Agree →			Mean
<b>Serving the community</b>								
34.	Credit unions do more than banks to help the communities in which they are located.	4	34	49	104	88	47	4.16
80.	Credit unions should be involved in a variety of public service activities, such as visiting high schools to teach students about personal finances. Community service of this sort is part of the credit union philosophy.	0	1	4	43	160	134	5.23
36.	Banks tend to be more involved with local community activities than credit unions are.	33	127	120	23	15	7	2.63
102.	The only reason credit unions should get involved in public service activities is if it makes good “business sense” to do so, that is, if community service recruits new members or increases deposits.	63	152	61	31	24	6	2.46
<b>Emphasis on service</b>								
8.	A defining feature of a credit union is great member service.	0	1	4	32	134	170	5.37
21.	Members expect better service from their credit union than they would get at a bank.	0	4	9	47	181	100	5.07
59.	Credit unions talk a lot about providing great service to members, but in reality there is nothing exceptional about the services provided.	66	158	68	35	11	5	2.36
35.	The quality of service provided to members of a credit union is about the same as they would receive at a local bank.	36	115	97	59	23	4	2.79
<b>Different emotional tone</b>								
25.	There is more of a community feeling in credit unions than in banks.	1	7	9	54	172	96	5.00
27.	People are friendlier in a credit union than in a bank.	3	12	27	95	136	61	4.59
2.	One way you know you are in a credit union is you see a lot of fake smiles.	174	139	21	5	1	0	1.59
28.	Credit unions may like to think they are warm, friendly, and welcoming, but they aren't really different from local banks in this regard.	71	118	66	53	19	8	2.57
<b>Family-like</b>								
14.	The members of a credit union are like one big family.	7	31	35	135	92	40	4.16
77.	Teamwork, yes; but there is nothing “family-like” about credit unions.	81	144	65	32	12	6	2.32

aggregate, the sample of 343 employees affirmed that each element of the composite model is a recognized characteristic of credit unions.

With respect to the proposed linkages among elements in the model, the questionnaire included only four questions explicitly pertaining to linkage, all positively phrased. Figure 28 shows these items and the distribution of responses. Compound questions like “P because of Q” are seldom used in survey research because responses can be due to disagreement with P, disagreement with Q, or disagreement with the relation between P and Q. Still, all four item means are significantly deviant from neutral and in the “agree” direction, confirming these particular “because” linkages.

To test linkages implicitly (proposed links between elements should be borne out by significant correlations), we first created 16 index variables, one for each of the model's elements. These indices are the unweighted average of their individual items, after inverting the

Figure 27: Means (and Confidence Intervals) of Items Measuring the Model's Elements

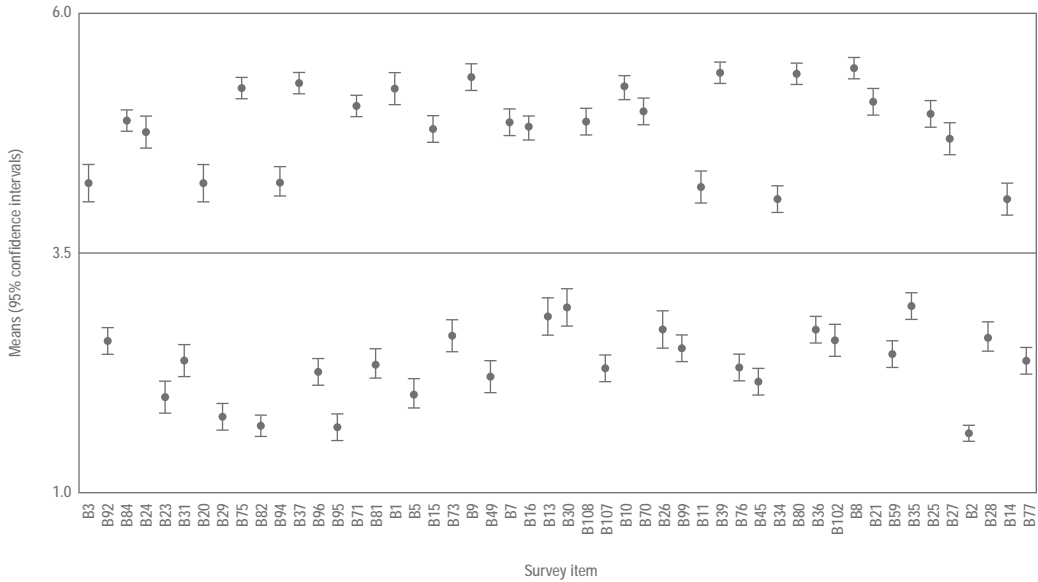


Figure 28: Linkages in the Model That Were Tested Explicitly

Linkage item		← Disagree			Agree →			Mean
<b>Nonprofit → Financial advantage</b>								
103.	Because credit unions are not-for-profit institutions, they don't have to pay all the same taxes as banks do.	6	29	30	55	135	44	4.39
104.	Because credit unions pay fewer taxes, they can offer better rates and lower fees.	7	44	50	81	105	15	3.92
<b>Co-op + Member owned → Member focused</b>								
105.	Because credit unions are member-owned collectives, they exist only to serve members.	2	26	49	87	137	32	4.28
<b>Member owned → Different emotional tone</b>								
106.	It is because credit unions are member-owned cooperatives that they try to provide happy, warm, friendly member service.	4	26	25	91	151	41	4.43

responses for “negatively” phrased items, e.g., “Co-op” = (“Item 3” + (7 – “Item 92”)) / 2. Thus, each index variable’s range corresponds to the original response scale: from 1 (strongly disagree) to 6 (strongly agree). Then, we correlated each index variable with each of the others.

All but 3 of the 120 correlations among the 16 index variables are statistically significant at the  $p \leq .05$  level (one-tailed), with the average  $R$  being  $+0.372$  and the range from  $-0.003$  to  $+0.735$ . The three nonsignificant correlations involve *eligibility rules*, whose correlations with other elements in the model are the weakest (average  $R = +0.122$ ). This index’s relationships with *people helping people*, *servicing the community*, and *family-like* fall short of simple statistical significance. (On the other hand, given that “eligibility” implies some

sort of exclusion where the other three ideas involve reaching out, these noncorrelations are not surprising.) Clearly, the interindex correlations confirm all 30 of the proposed linkages in Figure 25, as well as almost all of the indirect, transitive linkages inherent in the model.

Furthermore, the relative strengths of the correlations among the 16 index variables tend to support the flow of ideas depicted in Figure 25, from various root characteristics to more surface manifestations. Investigating this further, we performed metric multidimensional scaling to produce a simplified visualization of the interindex correlation matrix. Figure 29 shows the two-dimensional solution (stress = .181).<sup>2</sup> Variables that have relatively stronger correlations with one another tend to be

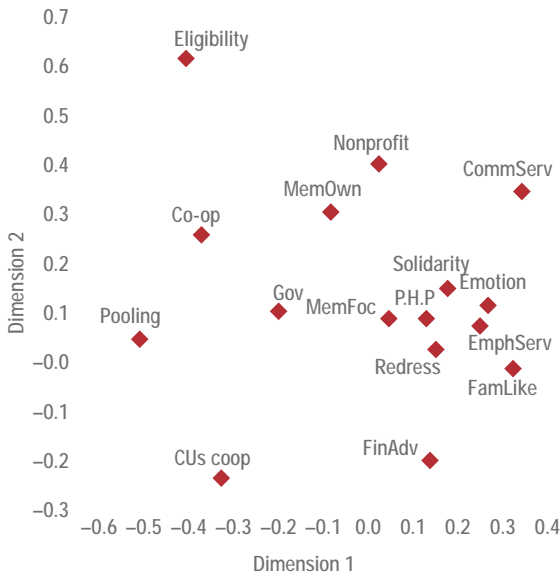
close together. The orientations of the axes, however, are trivial, in the sense that if the figure were etched on a glass plane, one could look at it from different angles: inverting left to right, top to bottom, etc.

Figure 29 shows several things of note. The underlying organizational features of credit unions (*pooling of resources, co-op, eligibility rules, egalitarian governance, and cooperation among credit unions*) are rather widely spaced, indicating employees perceive them as relatively independent of one another (they have lower correlations with other elements). By contrast, the more surface characteristics, which tend to be emotional associations or how-to-behave norms (*emotional tone, member focused, people helping people, redress imbalance, family-like, etc.*), form a tightly packed cluster. This contrasting patterning seems to indicate that the average employee thinks of credit unions in more associative, less linear ways than the chains of reasoning from which we constructed the cultural model. Indeed, such an interpretation is congruent with our impressions stemming from

the open-ended interviews, in which most employees emphasized the quality of service to members and a distinctive emotional tone as the most significant contrasts between credit unions and banks. These right-hand aspects of the model are the more relevant aspects of credit unions in the day-to-day experience of most employees.

Factor analysis of the interindex correlation matrix reveals a similar structure. As Figure 30 shows, the 16 index variables are well explained by just two underlying factors (the other 14 eigenvalues

**Figure 29: Metric Multidimensional Scaling of the 16 Index Variables**



2 This stress level (>.15) indicates the data cannot be fitted very well in a two-dimensional solution, and, indeed, the stress of a three-dimensional solution drops to a quite acceptable .108. The two-dimensional solution, however, is easier to visualize and is not substantially different from the Dim1 × Dim2 representation of the three-dimensional solution.

Figure 30: Factor Analysis of the 16 Index Variables

Rotated factor matrix		
	Factor 1	Factor 2
Emphasis on service	0.823	0.104
People helping people	0.799	0.227
Member solidarity	0.798	0.164
Different emotional tone	0.796	0.140
Redress imbalance	0.765	0.196
Family-like	0.732	0.129
Member focused	0.716	0.333
Financial advantage	0.608	0.221
Serving the community	0.551	0.151
Nonprofit institution	0.511	0.379
Member owned	0.500	0.460
Egalitarian governance	0.398	0.634
Pooling of financial resources	0.064	0.603
Co-op	0.205	0.567
Cooperation among credit unions	0.114	0.480
Eligibility rules	0.036	0.327

Extraction method: Principal axis factoring.

Rotation method: Varimax with Kaiser Normalization.

are all less than 1.0). Ten indices (the tightly clustered variables in the MDS analysis, plus their near neighbors) load rather clearly on Factor 1, and the five underlying and least salient organizational variables load heavily on Factor 2. *Member owned* is the only variable that loads almost evenly on both underlying factors.

In summary, the cultural model of credit unions, which was developed from the open-ended interviews with several dozen employees, is confirmed by the subsequent survey of 343 employees. Freed from the burden of having to articulate implicit ideas, respondents to the survey agreed or disagreed with propositions and in the hypothesized directions. All of the basic elements of the model are substantiated by analysis of the relevant item means, and all of the proposed linkages are substantiated by significant correlations. This affirmation does not guarantee the cultural model is complete—there may be other key features of credit unions that did not come to our attention. But it does mean that the model is confirmed on a piece-by-piece, link-by-link basis. The remaining question concerns the extent to which the model is shared among credit union employees.

### Is the Cultural Model Shared?

Measures of central tendency confirm all of the model’s elements, and correlations validate the linkages. Averaging across respondents like this, however, does not address whether the model is shared. To determine the degree of sharing, we performed consensus analysis on

the 50 questionnaire items that measure the model's elements. We used a method that takes into account the intensity of the respondents' beliefs, not just whether they agree or disagree. This variant of consensus analysis for rank and interval data is what Romney, Batchelder, and Weller (1987) call the informal method.<sup>3</sup>

More specifically, we first correlated each employee's response profile across the 50 questions with every other employee's, and then did a minimum residual factor analysis on the respondent-by-respondent correlation matrix. For this informal version of consensus analysis to work properly, it is important that the number of "positively" and "negatively" phrased questions be roughly equal (Weller 2007). Doing so increases the variance in a respondent's answers across the battery of questions; hence, the correlations among respondents are more reliable and robust. (We were unable to do this in our pilot study, but we corrected this when revising the questionnaire for the current study.)

The results, summarized in Figure 31, show there is a very strong consensus with respect to the cultural model questions. Consensus implies that the first factor of the respondent-by-respondent correlation matrix dominates subsequently extracted factors; hence, a good rule of thumb is that the ratio of first to second eigenvalues should be greater than 3.5. For the entire sample, the obtained ratio is 15.027. In addition, the mean first factor loading for respondents (roughly, a measure of the fraction of knowledge held in common) is .782 with only four negative loadings. Similar findings are obtained when the sample is limited to only those respondents who had no missing data across this battery of 50 questions.

These findings mean that, despite the variable responses to particular questions (refer to Figure 26), there is nonetheless a single "answer key" among credit union employees to these 50 questions, and

*Figure 31: Consensus Analysis of the 50 Cultural Model Questions*

Factor	Eigenvalue	Percent	Cum%	Ratio
<b>A. Whole sample (N = 343)</b>				
1	222.3	91.1	91.1	15.027
2	14.8	6.1	97.2	2.157
3	6.9	2.8	100.0	
<b>B. Only cases with no missing data (N = 243)</b>				
1	160.4	91.2	91.2	15.332
2	10.5	6.0	97.2	2.113
3	5.0	2.8	100.0	

<sup>3</sup> Consensus analysis was originally developed for dichotomous or multiple-choice data (Romney, Weller, and Batchelder 1986). The originators refer to this as the "formal model" of consensus analysis. Responses to the 6-point scale used in our questionnaire are easily collapsed into a simple dichotomous (agree/disagree) scale. Analyzing these transformed data with the formal method of consensus analysis yields virtually identical results with those obtained through the informal method.

deviations around those “culturally correct” answers can be explained by imperfect knowledge and/or simple guessing.

While there is a strong consensus for the sample as a whole, we also examined the degree of consensus within each of the 10 participating credit unions. Figure 32 shows the results of these separate analyses.

Predictably, the two principal indicators of consensus (the ratio of first to second eigenvalues and the average first factor loading) are slightly higher when we analyze each credit union’s employees separately and then compute averages for the separate analyses. The fact that disaggregating the whole sample has so little effect on these indicators, however, suggests that whatever differences the 10 credit unions may have with respect to local institutional cultures, those differences are negligible with respect to their employees’ understandings of credit unions, in general. Indeed, each credit union’s own “answer key” to the 50 cultural model questions is extremely highly correlated with all the others’ (mean  $R = +.97$ , with a range from  $+.94$  to  $+.99$ ).

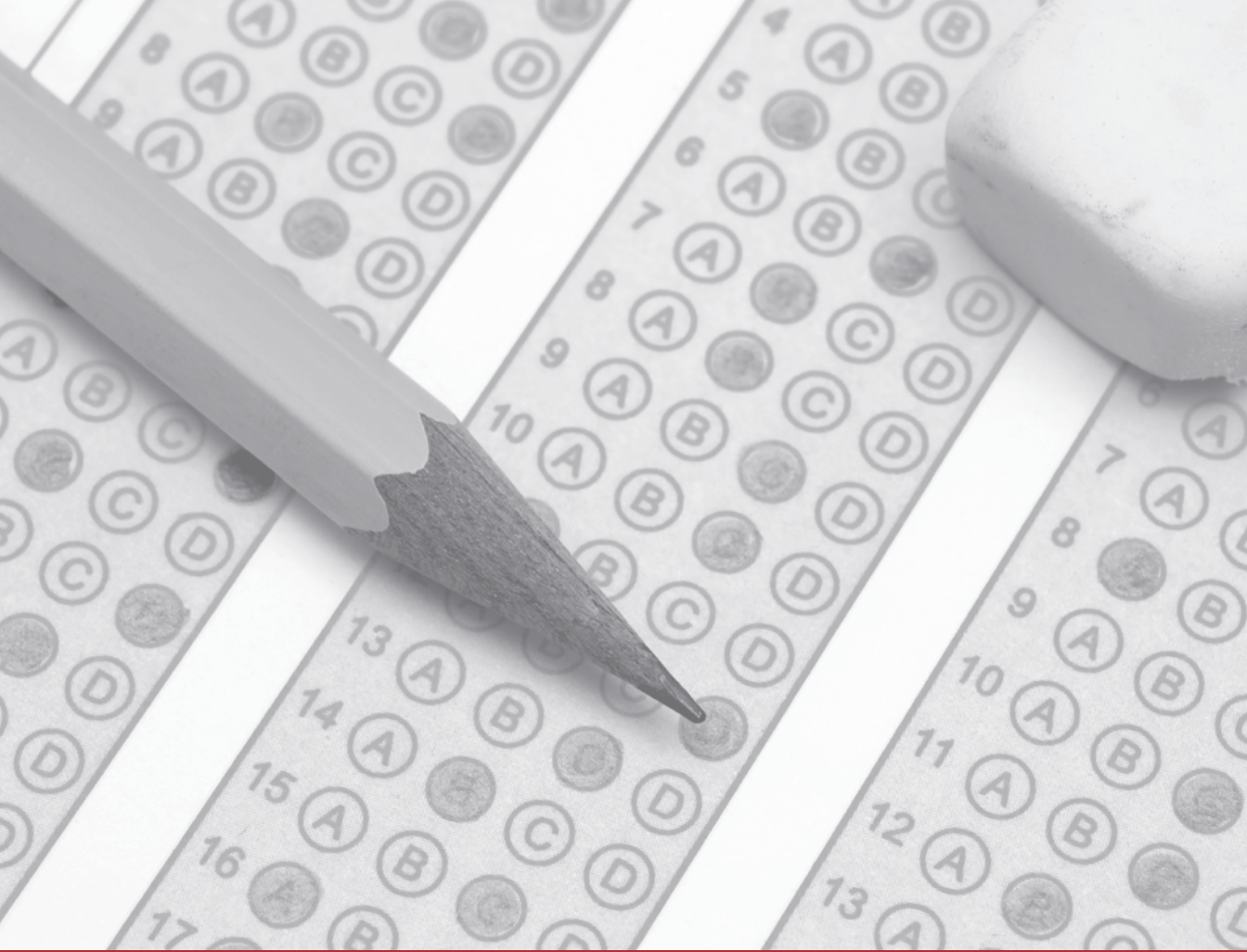
Thus, the survey findings not only confirm the cultural model we constructed from interviews, but also indicate there is very substantial agreement about the key features of credit unions, whether the employees work in small, medium, or large institutions in the Eastern Seaboard, the Midwest, or the West Coast. Indeed, the high consensus scores for the cultural model are comparable to those obtained for the characteristics of an ideal financial institution, the symbolic attributes of a credit union, and the key credit union values (see Figure 2). Overall, then, it would appear that agreement within these four domains acts to hold credit union employee culture together.

*Figure 32: Consensus Analyses of the 50 Cultural Model Questions by Credit Union*

Credit union	Number of employees	Sample size	Ratio of first to second eigenvalues	Average first factor loading	Number of negative loadings
#3	19	9	13.707	0.812	0
#4	37	18	19.729	0.867	0
#7	139	32	8.597	0.759	1
#1	171	27	14.195	0.812	1
#8	*172	19	23.710	0.867	0
#6	*200	38	10.203	0.702	1
#10	250	31	19.990	0.847	0
#2	322	70	8.597	0.759	0
#5	398	48	20.155	0.779	1
#9	*509	51	30.485	0.835	0
Column means	222	34	16.937	0.804	0.4

\* Employee figures here differ slightly from the breakdown in Figure 1. Each credit union provided a list of employees during the fall of 2006, and the employee totals had changed for three credit unions: #8 listed 172 employees (versus 157), #6 listed 200 (versus 199), and #9 listed 509 (versus 491).





## CHAPTER 5

### Personal Commitment and Job Satisfaction

*Asking employees how much they care about the credit union shows their personal commitment. Commitment and job satisfaction are usually precursors of long employment at a credit union, although commitment to the idea of credit unions is a much better predictor of employment longevity than other measures of job satisfaction.*



Part C of the survey form explores the personal appeal of credit unions. Conceptually, these questions divide into the following six blocks: commitment, job satisfaction, trust, financial advantage, dealing with change, and knowledge of credit unions.

## Commitment

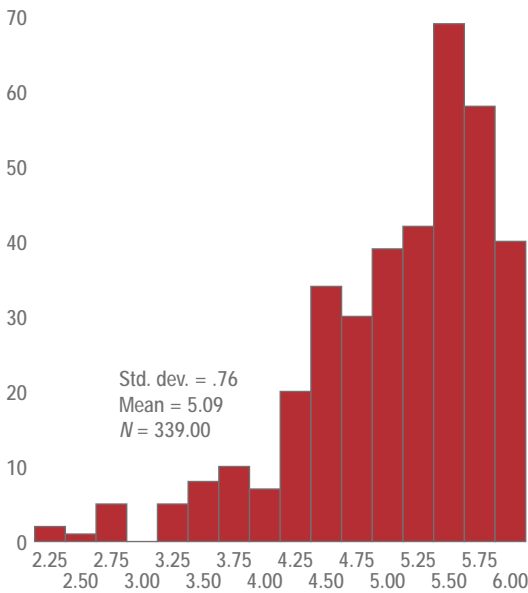
You can ask how much do people *know* about credit unions and what do they *believe* about credit unions, but how about how much they *care*? Almost a third of the items in Part C (seven questions) address this “caring” question. All seven items (see Figure 33) are highly correlated and cohere; hence, we combined them to form a scale of personal commitment to credit unions.

These measures of personal attitudes and behavior capture the degree to which an employee has internalized the idea of credit unions, and, as a whole, employees appear remarkably committed to this idea. The additive scale is adjusted so that scores range from a minimum of 1.00 to a maximum of 6.00, where the higher the value, the greater the commitment. The lowest actual score among employees in the sample is just over 2, while 12.7% (43/339) of the employees score a perfect 6 and over half (54%) average at least a 5 (see Figure 34). Measured by this scale, it would seem that most employees are truly on board; however, not everybody is, because there is a long tail stretching toward low commitment.

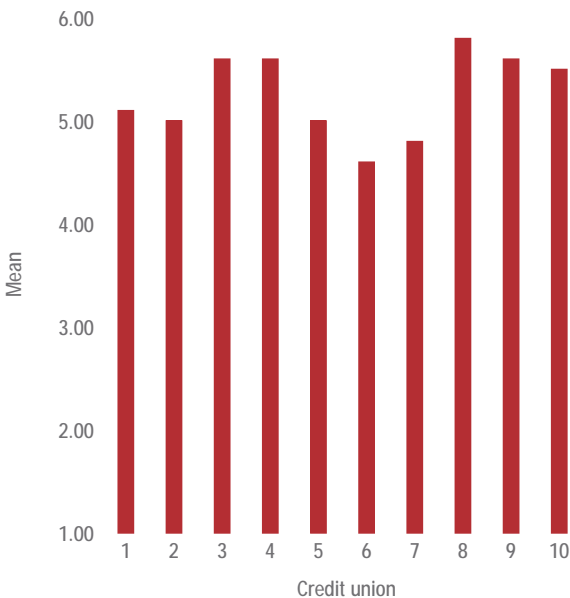
**Figure 33: Items Composing the Commitment Scale**

Commitment scale item	← Disagree			Agree →			Mean
C1. I would recommend to others they should join a credit union if they can. (Positive)	0	3	2	24	139	174	5.40
C2. I really believe credit unions are the best way to do all my banking. (Positive)	2	12	15	50	119	144	5.06
C3. I have tried to get members of my family to join my credit union. (Positive)	1	26	9	32	129	144	5.04
C4. If I weren't working at a credit union, I would probably do most of my banking elsewhere. (Negative)	76	125	51	36	44	10	2.64
C11. I care whether credit unions succeed or fail in the coming years. (Positive)	0	4	4	24	125	184	5.41
C12. I have recommended credit unions to others (non-family members). (Positive)	0	11	5	28	138	160	5.26
C19. Frankly, I don't much care if my credit union converts to a bank. (Negative)	139	141	37	13	9	3	1.89

**Figure 34: Employee Count by Level of Commitment**



**Figure 35: Commitment by Credit Union**



As Figure 35 shows, the differences among means for the 10 credit unions are not large. While the differences with respect to employee commitment are statistically significant (highly unlikely due to chance,  $p < .001$ ), the local institutional effect accounts for only a small proportion of the total variation among employees. As has been noted before, there is a remarkable level of consensus among credit union employees across the country—they share far more than they do not. Consequently, it is necessary to magnify the degree of variation by focusing only on a small portion of the total scale, especially when exploring demographic effects. Figure 36 provides the same information depicted in Figure 34, but magnifies the differences by truncating the vertical axis. When interpreting many of the subsequent diagrams, remember that the true variation is between 1 and 6, not just the range shown on the vertical axis.

The unevenness seen in Figure 35 is not a function of institution size, it is not regional, and it does not depend on whether the credit union is in an urban setting. Thus, it would appear that variation in employee commitment is, at best, only modestly due to the wider environment in which a credit union finds itself. Some credit unions appear to do a better job of generating commitment—perhaps through training, the way they treat their employees, and the local organizational culture they create. Clearly, too, commitment among employees is contagious.

What kinds of employees are most committed? Four variables show significant differences among groups:

- Gender—females are more committed than males:  $p = .019$ .
- Age—commitment rises with age to 30+ then essentially fluctuates:  $p = .031$ .
- Work location—commitment is lower in headquarters than in the branches:  $p = .012$ .
- Mode of compensation—commitment is higher among salaried workers than wage workers:  $p = .041$ .

However, with the exception of commitment varying by credit union, all the above—variations by gender, age, work location, and compensation—can be explained by three factors: (1) hierarchical position within the organization, (2) education, and (3) years working at the organization. This is because most of the other demographic variables are interrelated (i.e., age correlates with years working at a credit union, gender with hierarchy, education with hierarchy, work location with hierarchy, etc.). Thus, if one takes just the three relatively independent factors into account, no other demographic variable in the survey makes much difference.

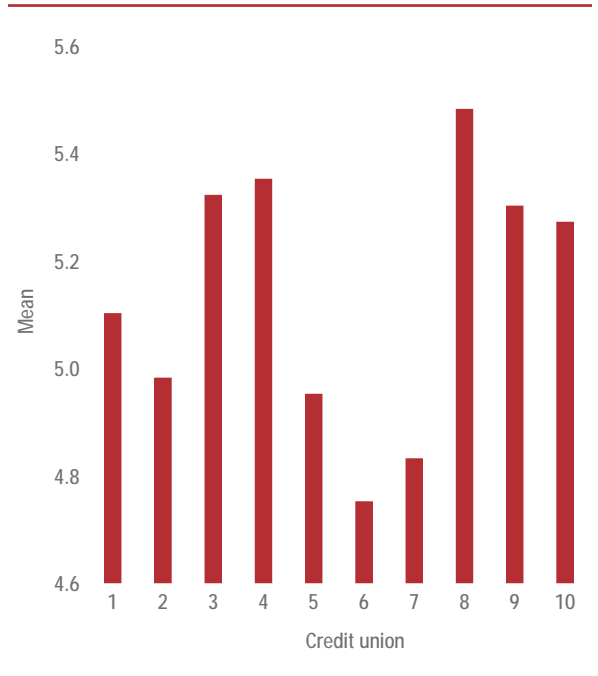
As Figure 37 shows, management reports significantly higher levels of commitment. It is hardly surprising that managers would be more demonstrative in their commitment to credit unions, but one might ask if individuals are promoted on the basis of that commitment. One item from Part B of the survey form addresses this matter (see Figure 38).

As a whole, employees think commitment should not matter with respect to rewards (the mean 3.20 is less than 3.50), but as Figure 39 shows, managers are significantly more neutral about this idea.

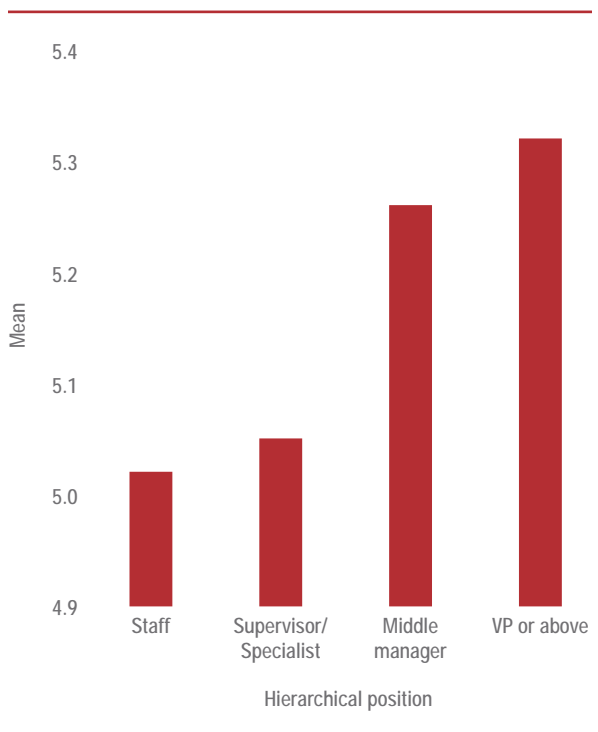
The relationship depicted in Figure 40 is both surprising and troubling. Why should education inoculate employees against enthusiasm for the idea of credit unions? One possibility is a failure of credit unions to generate a climate of meritocracy. This issue is explored at greater length in Chapter 6.

Figure 41 shows what is possibly the most interesting finding with respect to the commitment scale. It seems reasonable that commitment increases with length of employment in a credit union. While that might well be true, we don't see a linear relation here; commitment does not track years working in a credit union. Instead, the relationship looks more like a constraint. There would seem to be serious self-selection going on; simply put, employees failing to gain a sense of commitment almost invariably move along in a few years.

*Figure 36: Commitment by Credit Union*



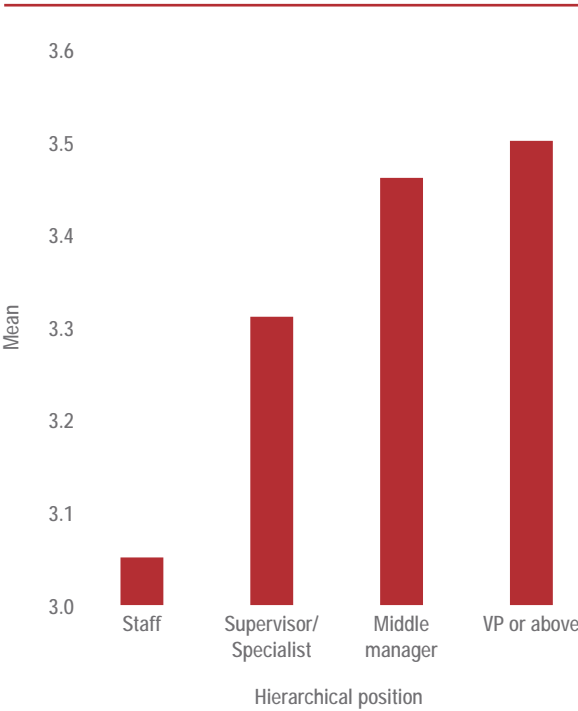
*Figure 37: Commitment by Hierarchical Position*



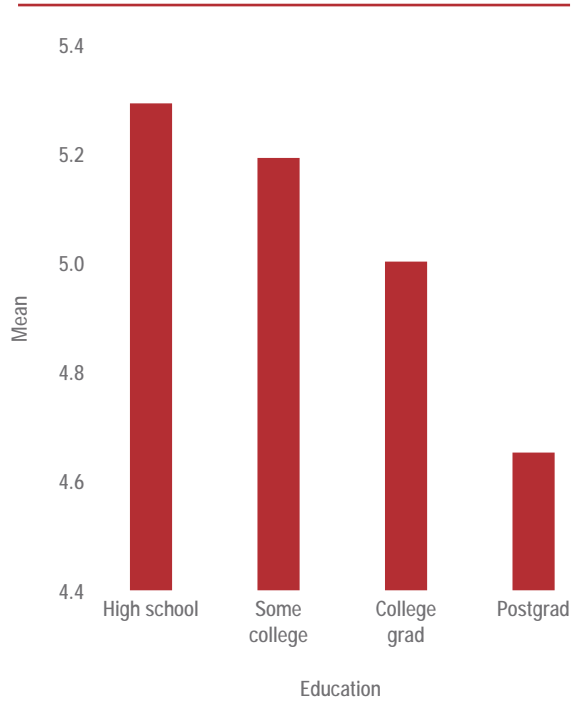
*Figure 38: Should Commitment Be Rewarded?*

	← Disagree		Agree →		Mean		
Some credit union employees are very committed to the “idea” of a credit union. These employees should be rewarded more than those who work hard but just see their job as a stepping stone to something better somewhere else.	28	99	72	72	52	15	3.20

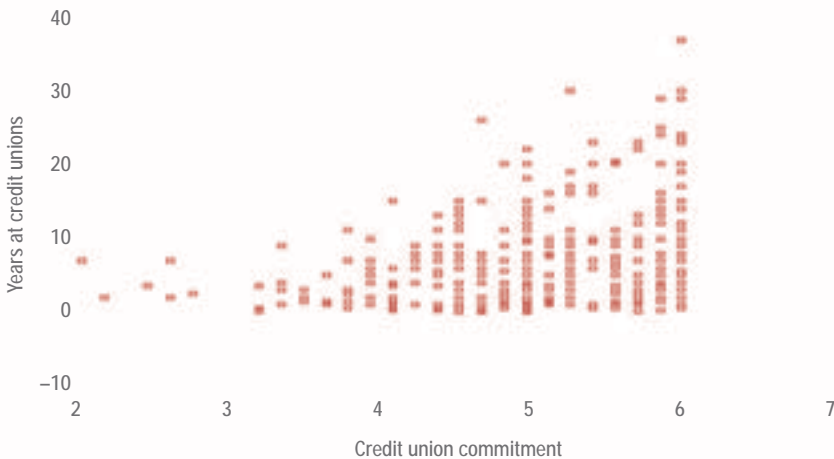
*Figure 39: Should Employees Be Promoted for Commitment to Idea of Credit Union?*



*Figure 40: Commitment (by Education)*



*Figure 41: Years Working at Credit Union (by Commitment)*



Credit unions concerned about the rate of employee turnover may want to focus on programs and policies likely to generate commitment.

## Job Satisfaction

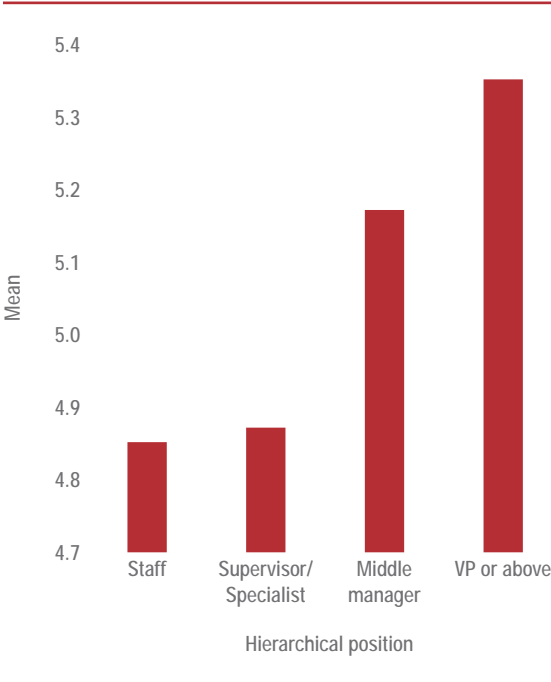
The three job satisfaction items in Figure 42 are correlated and can be combined to form a job satisfaction scale ( $\alpha = .70$ ), but of these, the last is the most interesting and straightforward. Thus, this single item, rephrased positively, is the measure of “job satisfaction” in what follows. Stripping away the double negative, it is clear that, on average, employees agree that their job is personally satisfying, and only 10% (35 of 341) disagree.

Not surprisingly, satisfaction increases with hierarchical position ( $R = +.12, p = .024$ ), as illustrated in Figure 43. More interesting is that job satisfaction is high for employees with one year or less of experience, then drops abruptly, only to rise steadily with employee longevity ( $p = .008$ ), as Figure 44 shows.

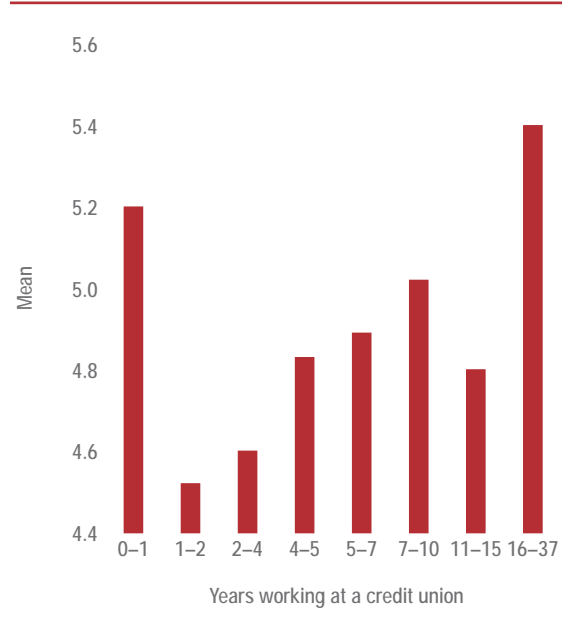
*Figure 42: Possible Measures of Job Satisfaction*

Job satisfaction scale item	← Disagree			Agree →			Mean
Basically, it makes little difference to me whether I work in a credit union or someplace else.	81	132	55	41	29	3	2.45
In general, working around here has gotten worse.	96	141	38	48	8	8	2.28
I would have to say working in a credit union is not very satisfying personally.	114	154	38	18	6	11	2.06

*Figure 43: Job Satisfaction by Hierarchical Position*



*Figure 44: Job Satisfaction Varies by Years Working at a Credit Union*



**Figure 45: Job Satisfaction by Age**



As with commitment, a substantial level of job satisfaction is apparently a precursor of long employment at a credit union, although commitment to the idea of credit unions is a much better predictor of employment longevity (i.e., years working at a credit union) than any measure of job satisfaction. Factoring out the effects of job longevity (i.e., analyzing the residuals), job satisfaction is markedly lower for employees who are less than 30 years of age ( $R = +.14, p = .015$ ), as Figure 45 shows.

### Trust

Employees were asked two questions pertaining to trust (see Figure 46). Here again, credit unions come across well. Employees tend to disagree with the second statement more than they agree with the first (only 10 of 341, or less than 3% of the employees, agreed or strongly agreed that credit unions tend to talk one way and act another). These two items correlate well with each other ( $R = -.43, p = .000$ ) and also with level of commitment and job satisfaction (see Figure 47).

In subsequent analyses (see Figures 67 and 68), the first statement, Item C18, is used to measure trust.

### Financial Advantage

Six questions asked employees directly about the competitive advantage of credit union products (see Figure 48). Though the differences are not large, it seems that, in employees' minds at least, credit unions are more effective in disbursing money than bringing it in. Only the last item (investments) demonstrated any significant variation by category of employee; specifically, it varied by hierarchical perspective ( $R = -.23, p = .000$ ), as Figure 49 shows.

**Figure 46: Items Concerning Trust**

Survey item	← Disagree			Agree →			Mean
I feel I can trust a credit union as an employer more than most other places I can work.	4	35	25	95	130	51	4.37
Credit unions tend to talk one way and act another.	86	156	49	40	6	4	2.23

**Figure 47: Intercorrelations of Job Satisfaction, Commitment, and Two Measures of Trust**

	Can trust a credit union as an employer	Talk one way and act another
Job satisfaction	+.29	-.46
Level of commitment	+.49	-.57

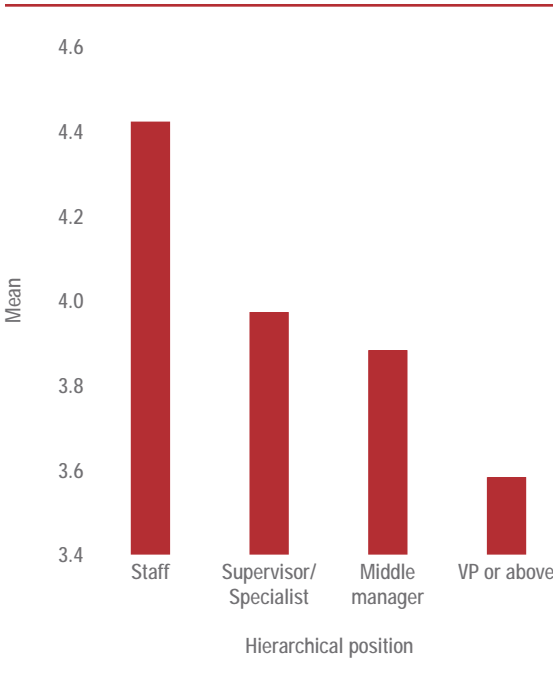
The six questions in Figure 48 are highly correlated and form a coherent additive scale. “Compadv,” or competitive financial advantage, is the simple sum of the six variables; hence, it has a possible range from 6 to 36. The sample’s mean value on this scale is 26.5.

The perceived competitive financial advantage of credit unions is positively correlated with commitment ( $R = +.55, p = .000$ ). On the other hand, as Figure 50 shows, perceived competitive advantage goes down as employees’ educational level goes up ( $R = -.23, p = .000$ ).

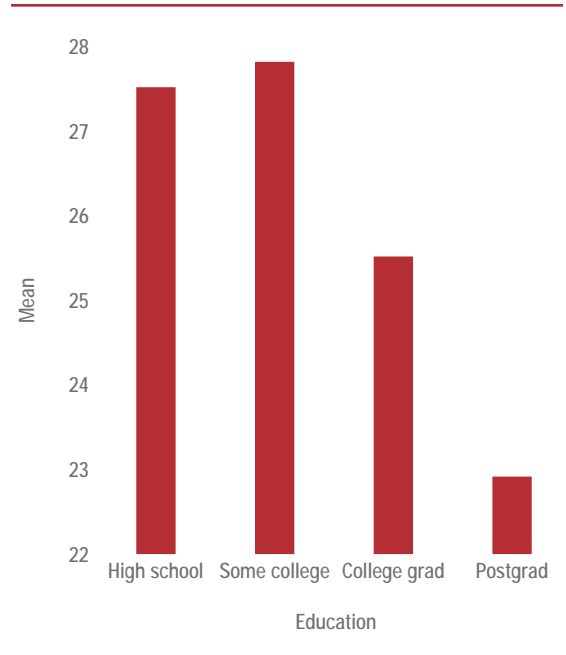
*Figure 48: Competitive Advantages of Credit Unions*

	← Disagree			Agree →			Mean
Personally, I believe credit unions have a big advantage over their competitors with respect to:							
Car loans	4	16	31	71	155	64	4.61
Personal loans	5	16	30	71	160	59	4.59
Checking accounts	4	19	33	94	135	56	4.48
Mortgages	3	22	49	89	114	63	4.41
Savings accounts	6	28	53	92	117	45	4.23
Investments	9	26	54	106	94	50	4.18

*Figure 49: Investments Advantage by Hierarchical Position*



*Figure 50: Perceived Competitive Advantage by Education*





**Figure 51: Correlation of Perceived Competitive Advantage with Financial Advantage**

	Correlation with perceived competitive advantage
A25. Low interest rates for loans	.44
B15. Low cost option to save and borrow	.42
B73. Do not return "profits" to members	-.35
A22. Good value	.34
A26. High savings interest rates	.32
A23. High fees	-.32

Looking at the highest correlations with the rest of the survey, the competitive advantage scale is, indeed, related in employees' minds to direct financial advantage (see Figure 51).

The perceived competitive advantage is also related to nonfinancial matters (see Figure 52). And, there is only a limited connection to the not-for-profit status of credit unions (see Figure 53).

### Dealing with Change

Are employees worried about the future? If so, who worries most about the future of credit unions? Figure 54 shows the response frequencies for this rather global question.

**Figure 52: Correlation of Perceived Competitive Advantage with Nonfinancial Indicators**

	Correlation with perceived competitive advantage
B25. More of a community feeling than in a bank	.48
B81. "People helping people" used to be true	-.43
B28. Warm, friendly, and welcoming like a bank	-.39
B27. Friendlier than a bank	.39
B76. Not concerned with the little guy	-.39

**Figure 53: Correlation of Perceived Competitive Advantage with Not-for-Profit Status**

	Correlation with perceived competitive advantage
B1. At its core, a credit union is a not-for-profit organization	.23
B5. Basic idea of a credit union is to make as much money as possible from the people using it	-.23
B103. Because they are not-for-profit, credit unions don't have to pay all the taxes banks do	.04
B104. Because they pay fewer taxes, credit unions can offer better rates and lower fees	.02

**Figure 54: Worried about Change**

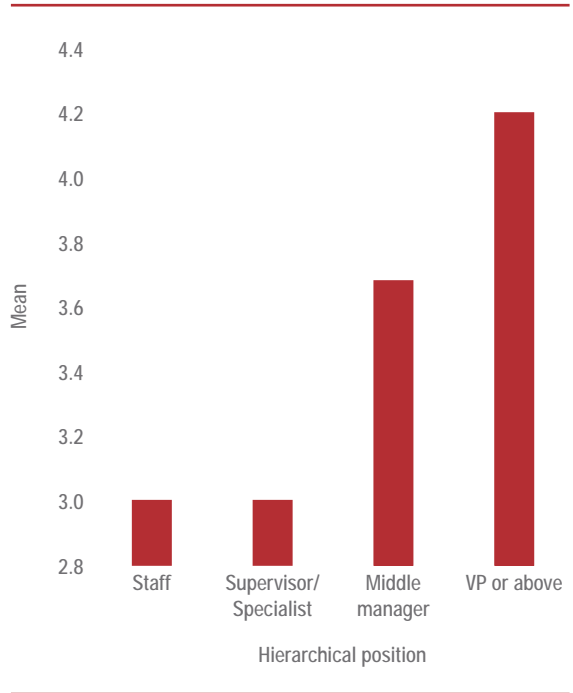
Survey item	← Disagree			Agree →			Mean
C15. I am worried about the future of credit unions.	27	114	67	66	45	22	3.16

Employees as a group are not especially worried about the future of credit unions, but substantial concern exists. Those at the top worry the most ( $R = +.23, p = .000$ ); see Figure 55. Maybe they know more, or perhaps that is just their job.

In addition to the single global question, there are several items from Part B of the survey that address specific points or issues of possible tension. These items and their response frequencies are shown in Figure 56. It is interesting to see which of these concerns is connected most strongly to *worried about the future of credit unions*. Figure 57 shows these correlations.

In further exploration of this matter, stepwise multiple regression suggests the greatest cause of worry is banks—i.e., banks outcompeting credit unions + credit unions becoming more banklike = more worry (see Figure 58). Indeed, once these two factors relating to banks are included, nothing else significantly increases employees’ level of concern. The numbers in Figure 58 are the beta weights and represent how strongly each is correlated with the dependent variable (“worried about credit unions”), taking the other variable’s influence into account.

*Figure 55: Worried about the Future (by Hierarchical Position)*



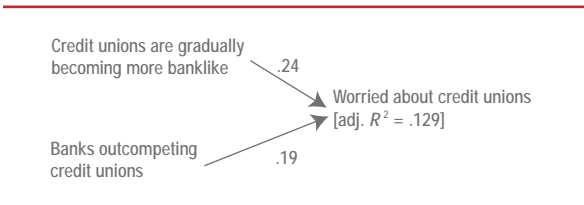
*Figure 56: Sources of Tension*

Survey item	← Disagree			Agree →			Mean
B89. If credit unions were for-profit institutions, then they would eventually just become banks.	4	34	27	94	131	48	4.36
B85. Younger adults are not as caught up in the idea of a credit union. With them, it’s more “all about me.”	6	42	55	135	84	18	3.89
B90. Some credit unions are shifting to “community charters” (rather than Select Employee Groups). This really starts to blur the lines between credit unions and banks.	7	74	49	122	48	20	3.59
B87. Credit unions are gradually becoming more banklike.	12	64	66	126	55	15	3.57
B86. Banks are outcompeting credit unions for customers.	8	88	81	88	49	16	3.39
B88. Credit unions have changed a lot and may be losing a sense of who they are.	17	88	88	95	33	13	3.23
B83. As credit unions have moved from a “service” culture to a “sales” culture, they have changed for the worse.	31	114	87	66	22	17	2.96
B110. A credit union can become too large.	41	118	58	63	39	15	2.96
B109. Only the largest credit unions can offer members lower fees and better interest rates than the large, national banks. Small credit unions just don’t have the resources.	20	131	83	63	31	4	2.90
B91. As credit unions seek to offer new services (insurance, investments, mortgages), they are in danger of losing their character as credit unions.	47	169	73	27	16	8	2.47

Figure 57: Sources of Tension (by “Worried about the Future of Credit Unions”)

Reason for concern	Correlation with “I am worried about the future”
B87. Credit unions are gradually becoming more banklike.	$R = +.34$
B88. Credit unions have changed a lot and may be losing a sense of who they are.	$R = +.31$
B86. Banks are outcompeting credit unions for customers.	$R = +.30$
B85. Younger adults are not as caught up in the idea of a credit union. With them, it’s more “all about me.”	$R = +.21$
B90. Some credit unions are shifting to “community charters” (rather than Select Employee Groups). This really starts to blur the lines between credit unions and banks.	$R = +.20$
B89. If credit unions were for-profit institutions, then they would eventually just become banks.	$R = +.19$
B109. Only the largest credit unions can offer members lower fees and better interest rates than the large, national banks. Small credit unions just don’t have the resources.	$R = +.14$
B91. As credit unions seek to offer new services (insurance, investments, mortgages), they are in danger of losing their character as credit unions.	$R = +.11$
B110. A credit union can become too large.	$R = +.09$

Figure 58: Key Factors Driving “Worrying about the Future of Credit Unions”



## Knowledge of Credit Unions

Much of this survey deals with what employees know about credit unions, but it is also useful to know how they feel about the importance of that knowledge. Here it is illuminating to combine questions from Parts B and C that deal with knowing about credit unions—their importance, why you need to know, and what you need to know. Note the last column, adjusted mean, represents the deviation of the mean value from neutral (3.50).

The last question is listed twice because it has both a “what” and “why” component. Three things in Figure 59 stand out:

- There is nearly complete agreement among employees that knowing about credit unions is important. Only 5 individuals out of 343 even slightly disagree.
- Employees do **not** think their superiors will reward them for knowing about credit unions.
- While there is agreement with a number of reasons why knowing more about credit unions is important (*makes me happier, more loyal, more motivated*), one significantly stands above the rest—“I believe knowing about a credit union *makes me more effective at my job.*”

Figure 59: Knowledge of Credit Unions

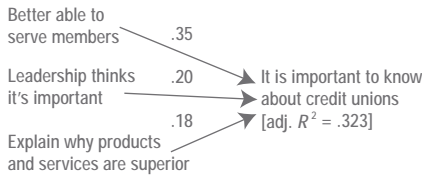
Survey item	← Disagree			Agree →			Mean	Adj. mean
<b>In general</b>								
I believe that knowing about credit unions is important.	0	2	3	60	152	124	5.15	1.65
Speaking just for yourself, knowing a lot about credit unions is a waste of time.	117	176	31	12	5	2	1.89	-1.61
<b>Why?</b>								
I believe that knowing more about credit unions makes me:								
More effective at my job	1	6	13	48	144	130	5.10	1.60
Happier working here	3	18	23	73	132	92	4.73	1.23
More motivated	2	18	29	68	134	90	4.71	1.21
More loyal	3	13	23	61	142	99	4.83	1.33
The more employees know about the nature and meaning of credit unions, the better able they are to explain why credit union products and services are superior.	0	13	14	50	175	89	4.92	1.42
The leadership of credit unions think it is important for all their employees to know how credit unions differ from banks.	0	6	23	48	185	78	4.90	1.40
The better employees understand the distinguishing characteristics of credit unions, the better they are able to serve members.	1	5	20	71	166	80	4.85	1.35
You would be rewarded if your employer thought you knew more about credit unions.	51	148	75	36	18	5	2.51	-0.99
<b>What?</b>								
Most employees of credit unions don't need to know the details of how credit unions differ from banks.	103	160	48	20	11	1	2.06	-1.44
All the employees of credit unions—from top to bottom—should know the defining characteristics of credit unions and the history of how they came to be.	1	8	12	67	166	87	4.91	1.41
The more employees know about the nature and meaning of credit unions, the better able they are to explain why credit union products and services are superior.	0	13	14	50	175	89	4.92	1.42

Looking at the entire table, it is clear that the more general the question, the greater the level of agreement. This is because there is a multitude of reasons why employees feel knowing about credit unions is important; hence, no single, compelling motivation stands out. Consequently, *knowing about credit unions is important* elicits more agreement than *it is important to me personally*, *knowing makes me more effective at my job*, *knowing provides superior service*, etc.

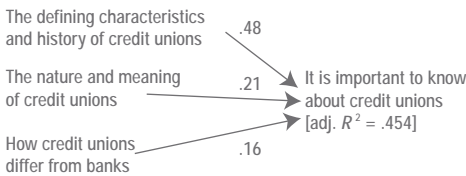
Since the first two general measures are so negatively correlated they were combined into a single scale—*it is important to know about credit unions*, adjusted to run from 1.00 to 6.00.

Using stepwise multiple regression on this scale, it is possible to ask which of the *why* reasons significantly predict wanting to know about credit unions. There are eight possibilities, but the first four, from Part C, overlap somewhat with the final four statements from Part B (e.g., *makes me more effective at my job* is addressed more clearly by the two Part B items: *better able to explain why credit union products and services are supe-*

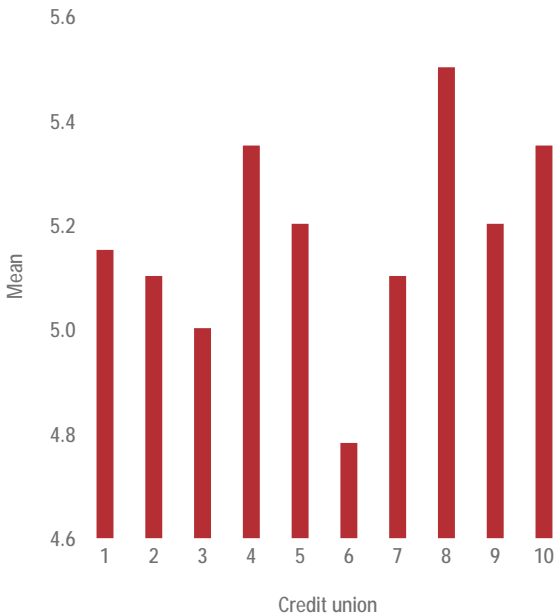
**Figure 60: Why It Is Important to Know about Credit Unions**



**Figure 61: What Is Important to Know about Credit Unions**



**Figure 62: Importance of Knowing about Credit Unions (by Credit Union)**



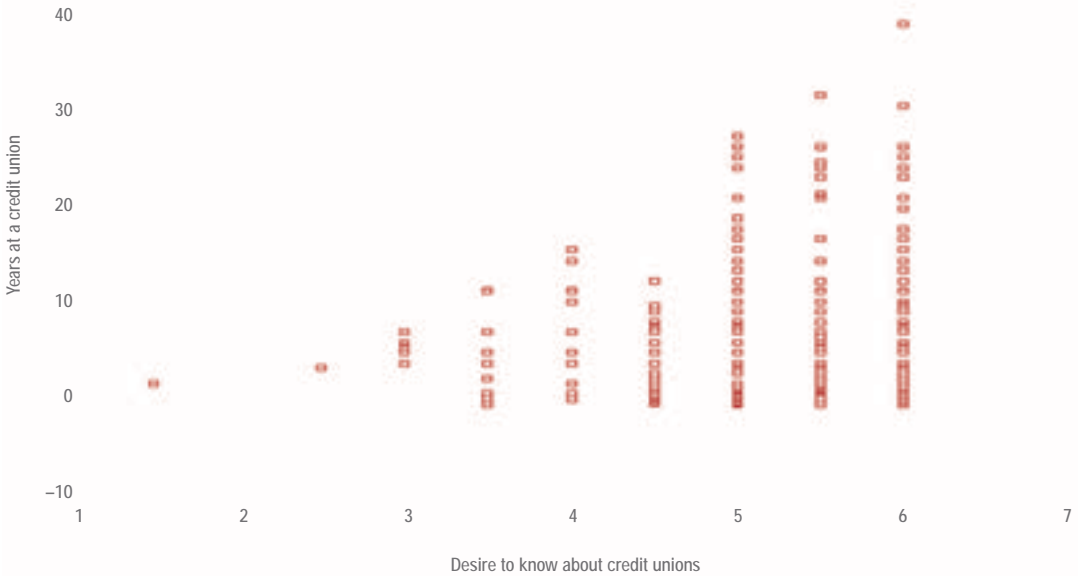
rior and better able to serve members). So, focusing only on the final four statements, three of the possible reasons prove significant (see Figure 60). Again, the numbers are the beta weights and represent how strongly each independent variable is correlated with the dependent variable, taking the other independent variables' influences into account.

Likewise, three questions deal with *what* employees think they should know. Using multiple regression, all three significantly predict wanting to know about credit unions, as shown in Figure 61. Comparing Figures 60 and 61, note that *what is important to know* correlates more powerfully with *a need to know about credit unions* than *why*; i.e., the three *what* items explain 45.4% of the variance versus 32.3% by the three *why* items.

The perceived importance of knowledge varies significantly with credit union ( $p = .000$ )—see Figure 62—suggesting that some credit unions do a better job of fostering a desire to know about credit unions in general. As with commitment, this desire is likely to be somewhat contagious.

The desire to know about credit unions also increases with years of experience as a credit union employee ( $R = +.23, p = .000$ ), as Figure 63 shows. The pattern is reminiscent of that between commitment and years of experience. Individuals do not stay working at a credit union a long time unless they develop a strong desire to know about them.

*Figure 63: Importance of Knowing about Credit Unions (by Years of Experience)*



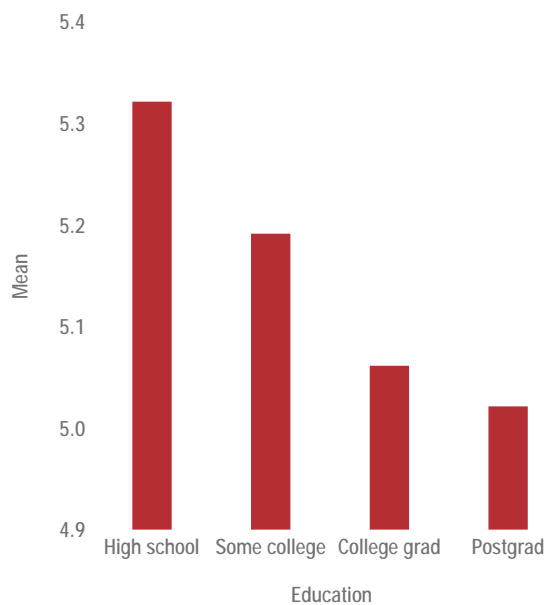
Interestingly, the desire to know about credit unions declines with education ( $R = -.12, p = .025$ ). Figure 64 shows this relationship. Employee age seems to have an effect as well; i.e., younger people think it less important to know about credit unions. However, this possible age effect is confounded by years of experience, which has a stronger influence.

Referring to Figure 59 it is clear that knowledge of credit unions is considered primarily relevant to making people more effective at their jobs, as opposed to making them more loyal, motivated, or happy. However, we find powerful correlations with commitment and cultural knowledge (consensus score):  $R = +.59, p = .000$ . See Figure 65.

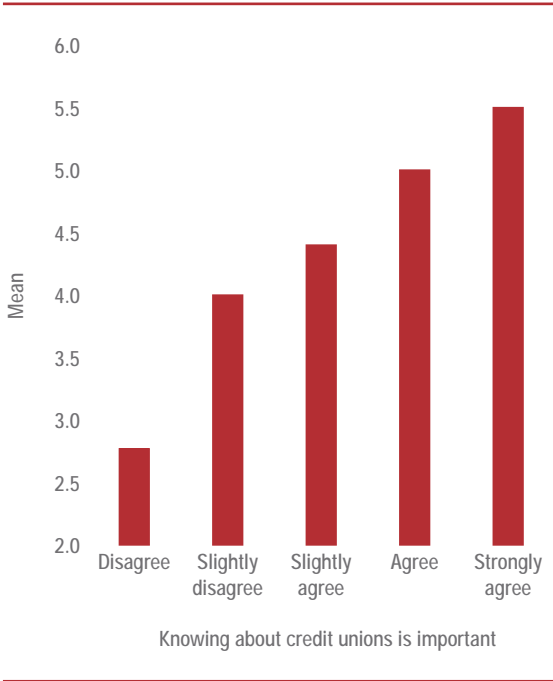
Finally, how much employees want to know about credit unions is a much better predictor of their cultural knowledge of credit unions than how much they think they know (see Figure 66).

In summary, while almost everyone agrees that it is important for employees to know about credit unions, some employees appear to be too easily satisfied with their current level of understanding.

*Figure 64: Importance of Knowing about Credit Unions (by Education)*



*Figure 65: Personal Commitment to Credit Unions (by Importance of Knowing)*

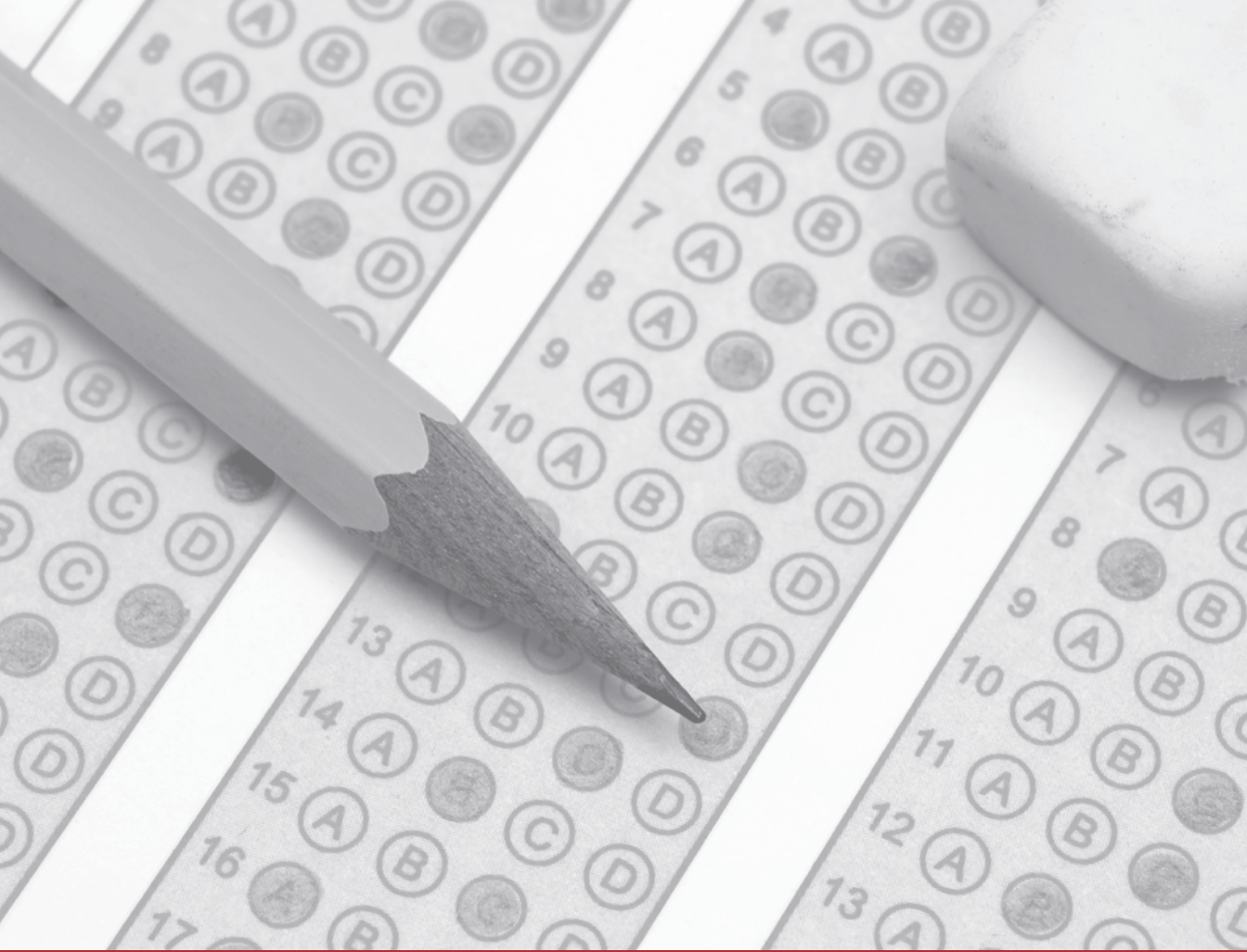


*Figure 66: Correlations among Importance of Knowing, Self-Rating of Knowledge, and Consensual Knowledge*

	Consensus score	How much I know
Importance of knowing	$R = +.47$	$R = +.31$
Consensus score		$R = +.14$







## CHAPTER 6

### Larger Patterns in Employee Motivation

*Commitment and other factors affect employee motivation. In the web of relationships among key attitudinal variables (e.g., job satisfaction, trust, and wanting to know about credit unions), commitment to credit unions lies very near the center. Despite common conceptions concerning young adults, age does not predict degree of commitment very well. The most significant demographic variable is, rather, level of formal education.*



## Commitment Is Key

The commitment scale, discussed in Chapter 5, connects to several variables of interest. The bivariate correlations are shown in Figure 67.

It certainly would be a mistake to regard these correlations as necessitating an interpretation of simple, one-way causality, e.g., “I feel a sense of commitment toward the idea of credit unions; therefore I trust them more.” Clearly a sense of trust can also increase commitment. But as Figure 68 shows, commitment has the highest correlations with five of the seven other variables (and when it is not the highest, it is the second highest). Also, the net correlation of commitment with all these variables is higher than any other’s net correlation with the rest, suggesting that commitment is in some sense more central.

*Figure 67: Correlations of Commitment with Other Key Variables*

Job satisfaction	$R = +.59$	$p = .000$
Wanting to know about credit unions	$R = +.59$	$p = .000$
Cultural competence about credit unions	$R = +.57$	$p = .000$
Perceived competitive advantage of credit unions	$R = +.55$	$p = .000$
Trust in credit unions	$R = +.49$	$p = .000$
How much employees think they know about credit unions	$R = +.31$	$p = .000$
Employee longevity	$R = +.27$	$p = .000$

*Figure 68: Correlation Matrix of Commitment and Other Key Variables*

	Commitment	Job satisfaction	Knowing is important	Consensus	Competitive advantage	Trust	How much I know	Yrs. at a credit union
Commitment		.594	.588	.568	.552	.492	.307	.268
Job satisfaction	.594		.456	.463	.335	.424	.089	.120
Knowing is important	.588	.456		.382	.359	.356	.300	.157
Consensus	.568	.463	.382		.484	.378	.138	.123
Competitive advantage	.552	.335	.359	.484		.387	.101	.048
Trust	.492	.424	.356	.378	.387		.166	.110
How much I know	.307	.089	.300	.138	.101	.166		.371
Yrs. at a credit union	.268	.120	.157	.123	.048	.110	.371	
Average (column) correlation	.508	.354	.388	.389	.341	.334	.199	.161

**Figure 69: Strongest Correlations of Commitment with Questions in Part B**

Rank	Item	R	Question
1	B12	.583	Make difference in people's lives
2	B25	.559	Community feeling in credit unions
3	B71	.536	"People helping people" what credit unions are all about
4	B16	.535	All in this together
5	B77	-.532	Nothing family-like about credit unions
6	B81	-.526	"People helping people" no longer relevant
7	B69	-.501	Knowing about credit unions is waste
8	B76	-.497	Don't care about little guy
9	B82	-.474	Members with more money get more say
10	B59	-.471	No exceptional service
11	B70	.468	All about the members

**Figure 70: Correlations of Commitment with Cultural Model's Index Variables**

R	Index variable
.602	Different emotional tone
.595	People helping people
.587	Member focused
.558	Redress imbalance
.545	Emphasis on service
.543	Family-like
.502	Member solidarity
.484	Serving the community
.458	Member owned
.457	One member, one vote
.447	Financial advantage
.387	Unpaid board of directors
.352	Nonprofit institution
.336	Co-op
.254	Cooperation among credit unions
.243	Pooling of financial resources
.109	Eligibility rules

## What Builds Commitment

Certainly most, if not all, of the variables described in the last section—job satisfaction, knowledge, trust, etc.—build commitment. In terms of items from Part B of the questionnaire, it is pretty much the usual suspects (items measuring central features of the cultural model) that correlate highest with commitment. Figure 69 shows the top 10% of questions correlating with commitment, where variables that are also measures of the cultural model are marked in bold. While slightly less than half of the total questions in Part B (50 of 110), the cultural model items make up all but two of the questions in the top 10%. A common theme seems to be a strong service ethos among employees.

Investigating how the cultural model's index variables impact on commitment reveals a similar pattern (see Figure 70). The ethical–emotional components foster the most commitment, whereas the structural features have a far lesser effect. In general, the more “causal,” underlying characteristics of credit unions have weaker correlations with commitment, especially those relating to finance (see Figure 71).

**Figure 71: Correlations of Commitment with “Causal” Questions in Part B**

R	Question
.283	Because they are member owned, they exist to serve members
.172	Cooperation is necessary if credit unions are to compete successfully
.168	Because they are member owned, they provide happy, warm, friendly service
.032	Because they are not for profit, they pay fewer taxes
-.042	Not taxed, because of the good credit unions do for the local community
-.062	Because they pay fewer taxes, they can offer better rates

In summary, the overall patterning of commitment’s correlations with other variables suggests that credit union employees have more of a service orientation than a financier perspective.

## Age Effects

In our interviews with leadership about local institutional issues, we learned that a commonly expressed sentiment is that younger employees are different, and to a degree this was borne out in some of our own face-to-face interviews. In terms of the survey data, there are four general topics where age-related attitudes might show up:

- Younger adults not as caught up in the idea of a credit union.
- With youth it is “all about me.”
- Credit unions seem a little out of step with the times when everyone is out for himself or herself.
- Younger employees are more cynical and less trusting.

Figure 72 shows the questionnaire items relevant to testing each of these four hypotheses, together with the overall responses to each. But how do these responses vary by age?

*Figure 72: Items Hypothesized to Differ by Age of Employee*

Survey item	← Disagree			Agree →			Mean
<b>A. Idea/Philosophy of a credit union</b>							
The “credit union philosophy” has little or no influence on why people join credit unions.	32	107	75	77	39	7	3.01
Some credit union employees are very committed to the “idea” of a credit union. These employees should be rewarded more than those who work hard but just see their job as a stepping stone to something better somewhere else.	28	99	72	72	52	15	3.20
<b>B. It’s all about me</b>							
Younger adults are not as caught up in the idea of a credit union. With them, it’s more “all about me.”	6	42	55	135	84	18	3.89
<b>C. “People helping people” no longer relevant</b>							
Perhaps “People helping people” used to be true, but it no longer captures what credit unions are all about.	70	148	68	42	7	6	2.37
<b>D. Trust issues</b>							
I feel I can trust a credit union as an employer more than most other places I can work.	4	35	25	95	130	51	4.37
Credit unions tend to talk one way and act another.	86	156	49	40	6	4	2.23

Contrary to popular opinion, the empirical support for these ideas about younger employees is less than overwhelming. In particular, neither question in section A of the table shows significant differences by age. Responses to the question in section B vary significantly by age, but employees aged 18–24 most vigorously *disagree* with it. There is no significant variation by age with respect to the question in section C, nor for either question in section D. In short, the only noticeable effects of age with respect to these questions

is that younger employees reject their cohort's stereotype as being self-absorbed.

Possible relationships between age and many of the key variables in the survey (commitment, consensus score, wanting to know about credit union) are complicated by the fact that years of experience working in a credit union usually has a more powerful effect, which tends to covary with and mask age effects. Still, age does seem to influence job satisfaction: Employees younger than 30 are significantly less satisfied than their older counterparts.

While differences in credit union attributes (Part A of the questionnaire) are not profound, the under-30 employees are significantly more likely to see a credit union as impersonal and uncaring. On the other hand, younger employees' vision of the ideal financial institution demonstrates little or no differences from that of other employees.

## Conundrum of Education

We expected to see differences by age, but it turns out that education effects loom a good deal larger than age differences. Employees with higher levels of formal education tend to be:

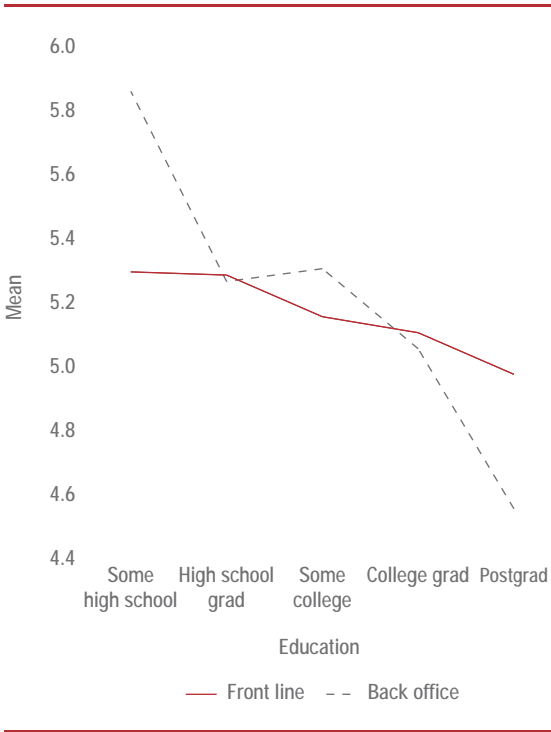
- Less committed to the credit union ideology.
- Less interested in knowing about credit unions.
- Less knowledgeable about credit unions (as measured by their consensus score).
- Less likely to see credit unions as possessing any financial advantage.
- More negative about the future of credit unions.

These negative effects of education appear to be more concentrated among back-office/support employees. For instance, if executive VPs and above are excluded from the analysis, the correlation between education level and personal commitment for back-office employees is  $-.32$  ( $p = .000$ ), but only  $-.13$  ( $p = .092$ ) for front-line personnel. That is, the negative relation between education and commitment is stronger among back-office employees than among those interacting with members on a regular basis, as Figure 73 shows.

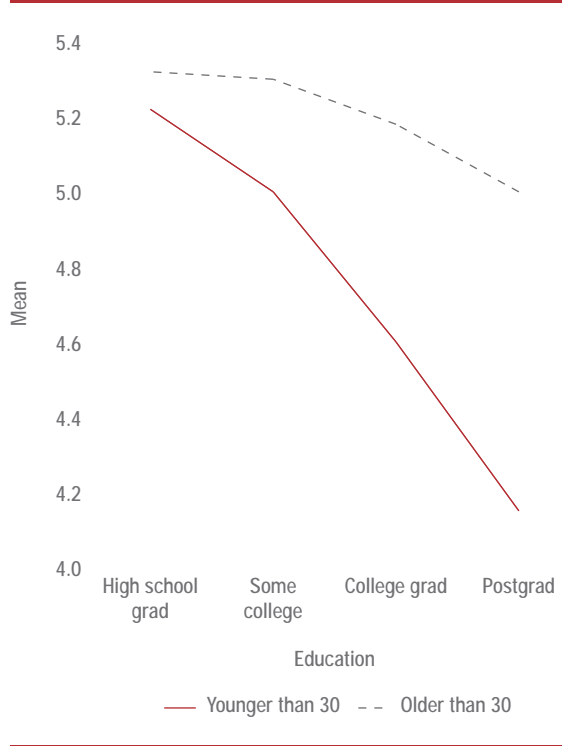
Similarly, as Figure 74 shows, the effect of educational level with personal commitment is more pronounced in those under 30. Among the under-30 employees, the correlation between education and commitment is  $-.34$  ( $p = .001$ ), whereas for all other employees the correlation is  $-.16$  ( $p = .015$ ). If these higher-educated young employees are the most visible to management, that may account for some of the supposed generational effects so frequently espoused.

Education also correlates with several items from Part A of the questionnaire. More educated employees are less likely to see credit

*Figure 73: Interaction of Back Office/Front Line and Education with Personal Commitment*



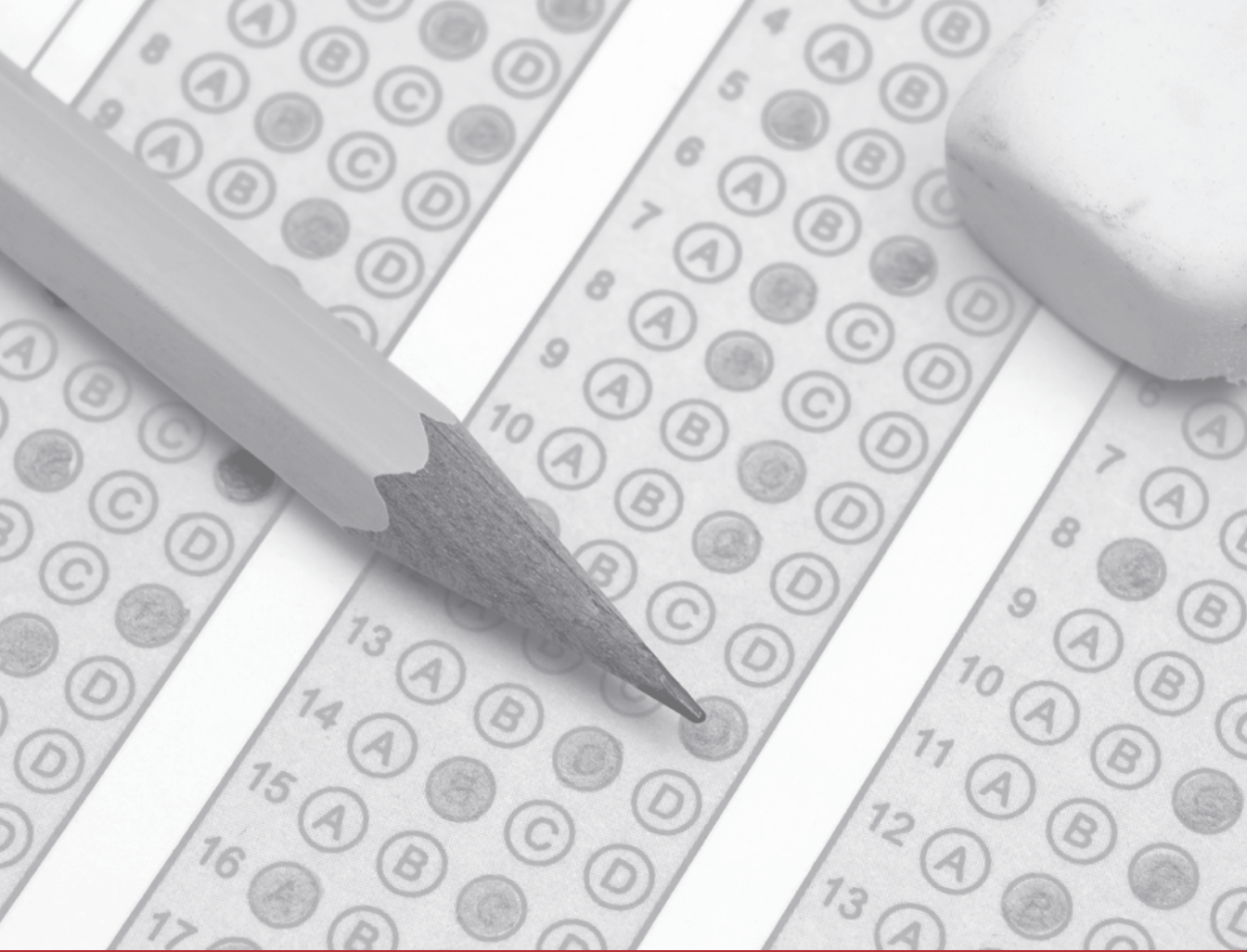
*Figure 74: Interaction of Age and Education with Personal Commitment*



unions as efficient, professional, competent, easy to use, convenient, growing, or distinctive, but instead as a follower not a leader, ignored, and rigid.

More educated employees are *not* more dissatisfied with their jobs, but do feel they can make more money elsewhere, and one-third would just as soon be working somewhere else. They see more “dead wood” among credit union employees and are more likely to feel credit unions talk one way but act another.

In summary, the most educated may feel underpaid, but mostly they feel distanced from the organization in which they work.



## CHAPTER 7

### Conclusions and Implications

*Credit union employees are almost there. Most are fairly committed to the idea of a credit union, but many do not see the characteristics of a credit union as being logically or causally connected. Additionally, some employee groups, such as those with more years of formal education, are not as “on board” as other employees.*



The foregoing chapters have reported a wide variety of findings in rather detailed fashion. While such item-by-item discussions can become tedious, we decided to err on the side of more information rather than less. Conversations with credit union decision makers indicate that particular survey questions are sometimes more important to them than we would have anticipated. In this final chapter, however, we draw attention to six rather general findings that may have implications for senior managers of credit unions with respect to their operations.

## 1. Credit Unions Are Different

The name is opaque, and the ideology is at variance with the rampant individualism characteristic of contemporary life. Credit unions are like banks in that they duplicate many of the functions of a bank, but they are structured and experienced differently. Credit unions are certainly a kind of financial institution, but they are unlike any other members of that category. Simply put, they do not fit neatly into existing ways of characterizing the world.

This fact represents both a challenge and an opportunity. On one hand, it makes credit unions easier to ignore and creates built-in barriers to use. On the other hand, their categorical ambiguity can make credit unions more vivid and special.

Employees have a role in whether credit unions are overlooked and underutilized or are considered a vibrant and successful alternative to banks. If employees understand and are committed to what a credit union is, member outreach should be markedly more successful. It is one thing to claim, “We have low interest rates on loans,” but it is quite another to be able to say why.

## 2. Employees Are “Almost There”

According to the survey of 10 credit unions from across the United States, employees are fairly committed to the idea of a credit union, and they almost unanimously agree that knowing about credit unions is important. The high consensus scores for the cultural model of a credit union indicate a widely shared understanding.



When asked a battery of specific questions, as in a survey, employees show a high level of agreement with each of the model's components, and the correlational structure of their responses indicates that most employees see these elements as important to and interrelated in the functioning of a credit union. Thus, credit union employees have an unambiguous cultural coherence—there are no factions in this regard, no subgroups subscribing to competing models of what credit unions are.

Still, the shared understanding remains mostly implicit and is not readily articulated. When asked in a face-to-face context to explain what credit unions are, employees generally offer up only small parts of the whole. Are potential members likely to ask credit union employees a battery of specific “multiple-choice” questions or a single “essay” question?

### 3. “Ours Is Not to Reason Why”

Perhaps the most general problem is that most employees do not see the characteristics of a credit union as being logically or causally connected. They associate different features with one another, but not in a clearly articulated fashion. Rarely do employees spontaneously link aspects of credit unions with phrases such as:

- Because credit unions do not try to make a profit in order to enrich shareholders, and do not have to pay the same taxes as a corporation, they can offer members a financial advantage.
- Because credit unions are not for profit, they must serve some greater good beyond financial success.
- Because credit unions pool members' financial resources, member solidarity is critical, and serving the members is more than just good customer service.

In short, there is a failure to see how the various parts fit together, which subsequently diminishes the potential effectiveness of employees to recruit members through word of mouth.

Perhaps the most general problem is that most employees do not see the characteristics of a credit union as being logically or causally connected. They associate different features with one another, but not in a clearly articulated fashion.

Communicating causal linkages to employees may not be a straightforward task. In today's world, causal statements seem to be employed less and less in ordinary discourse. Instead, narrative, passion, and personality are used to “understand” individual existence. Perhaps embedding causal ideas within a “story” or “mythic” framework would be a better way to reach rank-and-file employees and give them a template for explaining credit unions to nonmembers.

## 4. Trust May Be a Hidden Strength

Of the 33 attributes in Part A of the questionnaire, *trusted* describes a credit union better than any other. Likewise, it is number two, right behind *honest*, as the attribute best describing an ideal financial institution. Yet, it did not figure nearly so prominently in the way employees talk about credit unions in face-to-face interviews.

Conceivably, in a somewhat cynical world, trust is more powerful when it remains implicit rather than proclaimed. Nevertheless, there are opportunities for credit unions to build on their “trustworthiness” as a primary differentiator from competing financial institutions. In ways unlike their corporate competitors, credit unions are focused on members’ well-being. This contrast can be obliquely demonstrated in different ways. For instance, many credit unions today have outreach programs to educate high school students in the basics of debt and personal financial management. Such overtly altruistic community service programs can be quite effective in conveying the unsaid message that credit unions are deserving of trust. Can credit unions become the “*Consumer Reports*” institutions of the financial world? Trust may be a feature best expressed tangentially, but it is an asset that should not be ignored.

## 5. Some Employee Groups Are Not as “On Board” as Others

Demographic variables are rather poor predictors of employee attitudes. Gender, hierarchical position, education, years of banking or credit union experience, wages versus salary, front line versus back office, headquarters versus branch, or differences by local credit union—either by themselves or all together—rarely account for more than 10% of the total variance. While the effects are too weak to predict individual behavior or attitudes, they nonetheless point to structural tensions within organizations.

There are some age-based differences among employees (for instance, in job satisfaction), but more pervasive and troubling is the falloff in both commitment and consensus with level of formal education. If there is one group of employees that is not being reached by the idea of credit unions, it is the most educated. This seems to be especially true for those employees in support services and those under 30 years old.

The problem may be that many of the more educated employees see credit unions as substituting ideology and emotion for performance. They are more negative about the future of credit unions, see more “dead wood” among fellow employees, and see deficiencies with respect to efficiency, competence, and professionalism. The bind is that as credit unions become larger and more technologically depen-

dent, higher levels of education will be required for people working in back-office support positions. Unfortunately, the data here can do little more than point to a potential problem; a better understanding of the attitudes and assumptions is needed.

## 6. Local Institutional Cultures Do Matter

Employee commitment, consensus score, degree of trust, and wanting to know about credit unions all vary significantly by local credit union. The fact that local institutional situations affect such things has three implications: (1) local management styles and education programs can make a difference, (2) these indicators tend to rise and fall together, suggesting each influences the rest, and (3) all are to some degree contagious, in the sense that levels of commitment, trust, etc., are self-propagating among employees.

Finally, one sampling peculiarity should be noted. The quantitative results in this report are based on random sampling of employees from each of the participating credit unions. Nonetheless, it appears that commission workers may be underrepresented: Only 4 out of the 339 respondents who answered this particular question described themselves as working on commission. The virtual absence of commission workers in this study remains a source of surmise. Perhaps they really compose only 1% of the employees in the 10 credit unions surveyed. On the other hand, if such employees do not see themselves as part of a greater whole, then not responding to a survey such as ours is exactly what one would expect.



## The Survey Form with Item Frequencies and Means

See Appendix A at [www.filec.org/publications/detail/employee-perceptions-of-credit-unions](http://www.filec.org/publications/detail/employee-perceptions-of-credit-unions) for a slightly modified version of the questionnaire form. There, you will find that item frequencies and means have been inserted in place of the original questionnaire's check boxes. The questions within three sections of Part B—basic idea of credit unions, credit union values, and the larger context of credit unions—have been rearranged to conform to the categories used in Chapter 3 of this report. Their original item numbers, however, have not been changed.



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