

# The purpose of credit unions: an antecedent to organizational attractiveness

---

Marie-Claude Beaudin, M. Sc. CRHA

## Summary

As consumer cooperatives, the purpose of credit unions is to maximize member-client satisfaction whereas traditional companies aim to maximize profitability (Pichette, 1972; Van Parijs, 1997). Are candidates in the labour market sensitive to a company's purpose when they apply for a position? If so, is customer satisfaction a more attractive purpose than profitability? This article presents the findings of a study that was conducted with students of a business school, which confirm the hypotheses that a company's purpose influences organizational attractiveness and a credit union purpose is more attractive than a traditional bank purpose.

Keywords: purpose, credit union, organizational attractiveness, antecedent, recruiting

## Introduction

According to the *Statement of Cooperative Identity* of the *International Co-operative Alliance*, a cooperative consists of an association of individuals united on their own will to satisfy a common need (ACI, 1996). It also states that organizations claiming to be "cooperatives" must comply with a number of values and principles. This model of organization stands out from neoclassical enterprises (hereupon called traditional companies) on several aspects. To begin with, their purposes differ. While traditional companies seek to maximize return on equity, cooperatives tend to cater to their member-owners' needs (Pichette, 1972; Van Parijs, 1997). Additionally, in cooperatives power and distribution of surplus does not depend on capital possession; but rather on individuals and their use of their organization. (MacPherson, 1995).

Legitimacy of the cooperative purpose, values and principles is defensible, although on a normative level only. The model's capacity to differentiate positively in comparison to other forms of organization is questionable, however, especially traditional companies. More specifically, do cooperative structural features provide them a competitive advantage in their varied markets?

The focus of this paper is in line with these considerations. As consumer cooperatives, the goal of credit unions is to maximize member-client satisfaction, whereas traditional banks aim to maximize profitability (Pichette, 1972; Van Parijs, 1997). Are candidates available in the labour market sensitive to the purpose of an enterprise when they decide to apply for a position? In other words, is the purpose of an enterprise an antecedent to organizational attractiveness? If this is the case, is the purpose of customer satisfaction more attractive than maximizing profitability? This paper presents the findings of a study that was carried out with students of a Canadian business school, comparing a credit union's purpose against the purpose of a traditional bank in terms of attractiveness within the labour market.

The decision to center this study on the labour market and organizational attractiveness is not without significance. In fact, quality of human resources within an enterprise represents a strategic component, in particular in the financial services industry. Additionally, scarcity of resources is notable for some key positions in this industry such as financial planners. In this context, having a feature that is specific to an organizational model and which supports the level of organizational attractiveness turns out to be a significant competitive advantage.

The first section of this paper offers an overview of the literature on antecedents of organizational attractiveness. Hypotheses and methodology will then be detailed, followed by a presentation of findings and a discussion in a third and final section.

## Review of Literature

Organizational attractiveness can be divided into three components (Highhouse *et al.*, 2003): general attractiveness, intent toward a job application, and notoriety. General attractiveness means that a candidate considers an organization as a potential employer without necessarily having queried on vacant positions with the aim to apply for them. Intent toward a job application involves taking action to become familiar with an organization, maybe going on to applying there for a job. Notoriety refers to a positive attitude of an individual toward an organization, without implying that he or she considers it as a potential employer. The component emphasized in this research is general attractiveness.

What may explain attraction of a candidate toward an organization? It must be made clear from the outset that potential candidates have limited knowledge of that enterprise since they don't work there. This is why signal theory (Rynes, 1991; Spence, 1973) is often called upon in literature when discussing organizational attractiveness. In this theory, candidates are influenced by *signals* and *cues* projected by an organization more than by actual facts, because they are not aware of the organization's actual context. Candidates use signals emitted by the organization to figure out the work environment and form an opinion. Therefore, organizations may have some control over their attractiveness through the signals it projects, by way of its recruiters for instance (Chapman, Uggerslev, Carroll, & et al., 2005; Gatewood, Gowan, & Lautenschlager, 1993; Rynes, Bretz, & Gerhart, 1991; Turban, Forret, & Hendrickson, 1998).

Yet, the labour market must first be taken into account. Indeed, a candidate's perception of the number of job alternatives on the market may play a role (Chapman et al., 2005). Some functional characteristics that are specific to the organization or the job are also a source of influence, for example the size of the company, its location or the type of position (Chapman et al., 2005). As well, a

candidate's perceived probability of being hired may affect his attraction toward an organization (Chapman et al., 2005).

Social Identity Theory (Ashforth & Mael, 1989) enables to understand a portion of the signals supporting organizational attractiveness. Many authors have in fact demonstrated that some candidates may be attracted to an organization that they consider prestigious (Belt & Paolillo, 1982; Gatewood et al., 1993; Turban & Cable, 2003), aiming to identify with it (Dutton, Dukerich, & Harquail, 1994). Once they are hired, they may award themselves this feature. Theory of individual/organization fit is also helpful to gain better insight in the signals that foster organizational attractiveness. In this approach, candidates feel attracted to organizations that match their personality (Gardner, Reithel, Foley, Cogliser, & Walumbwa, 2009; Judge & Cable, 1997; Tom, 1971; Turban & Keon, 1993). This would namely explain why organizations appear to attract mainly similar types of employees. According to Schneider (1987), candidates with features that are incompatible with those of an organization simply don't apply. Both theories explain in part why the type of culture (Catanzaro, Moore, & Marshall, 2010), efforts toward social responsibility (Coldwell, Billsberry, van Meurs, & Marsh, 2008; Kim & Park, 2011; Turban & Greening, 1997), and organizational values (Kristof-Brown, Zimmerman, & Johnson, 2005) play a significant role in organizational attractiveness.

There doesn't seem to exist any research focusing specifically on organizational purpose (Chapman et al., 2005). Yet, the purpose represents a genuine characteristic of an organization and it is non-contingent as such. Showing that the purpose of an organization as perceived by a candidate plays a role in her attraction to this organization allows to identify one discriminating factor in the recruiting process that is specific to each type of organization.

The two hypotheses supported in this study are on the one hand that the purpose of an organization is a determining factor in organizational attractiveness and, on the

other hand, that the purpose of a credit union, i.e. customer service, is more attractive than that of a bank, i.e. profitability. Why would purpose be a determining factor? The purpose of an enterprise can be considered an organizational value. In fact, it acts as a principle, serving as a guideline to the actions of an organization. It has been demonstrated that values are part of the antecedents of organizational attractiveness (Kristof-Brown et al., 2005). It is likely then that a purpose has an impact on organizational attractiveness. Why would the purpose of credit unions be more attractive than the purpose of a traditional bank? It can be found in literature that social responsibility of an organization positively impacts organizational attractiveness (Turban & Greening, 1997). Since the customer service purpose of a credit union suggests a more human significance than a profit seeking purpose, one might think that a credit union would be perceived by respondents as being more socially responsible, thus contributing to organizational attractiveness.

## **Methodology**

The research design used to investigate the hypotheses detailed above was quantitative. A cross-sectional study was conducted to assess the effect of the independent variable, i.e. purpose, against the dependent variable, i.e. organizational attractiveness. Data was gathered through a survey to first cycle university students enrolled in programs of a Canadian management school. This population represents potential candidates to financial institutions, regardless of their nature.

At the beginning of the questionnaire, respondents were invited to put themselves in the place of a person in search of a job who is viewing two identical job posts in terms of work, one for a credit union, the Mouvement Desjardins, the other for a traditional bank, the Royal Bank of Canada. Both institutions used in this backdrop exist and are known in general throughout Canada.

To represent the independent variable, the purpose, two short scenarios were designed. This method was used several times to assess the impact of a variable on organizational attractiveness (Kim & Park, 2011; Li & Roloff, 2007; Nadler, Cundiff, Lowery, & Jackson, 2010). Both scenarios recalled the values and purpose specific to a credit union as well as a traditional bank. After reading each scenario, the respondents were asked to answer the following question: "According to you, what is the priority of the Mouvement Desjardins/Royal Bank of Canada?". A choice of two answers was offered, either customer service or financial performance. This approach enabled to identify the respondents' perception of the purpose relative to both types of institution.

Following this question, respondents were asked to evaluate their own level of attraction toward each of the two financial institutions, based on a series of five statements on general attraction introduced by Highhouse and his colleagues (2003). A 5-point Likert scale was used, following Slaughter and his colleagues (2004) as well as Carpenter *et al.* (2012). The scales measuring intent toward job application and notoriety were excluded. Because the statements concerning intent toward job application and those about general attraction strongly correlate in literature (Highhouse *et al.*, 2003; Kim & Park, 2011), resorting to the former would have made the questionnaire unnecessarily cumbersome. In addition, including the statement on notoriety lacked relevancy because it does not correspond with the definition of attractiveness that was used in this study.

Finally, a few control variables were added at the end of the survey such as age, gender, level of degree pursued, and field of study. One additional question enquired if the respondent or relative has already worked for one of the employers mentioned. It was considered that one such candidate would hold more information than another candidate with no direct or indirect relationship to these organizations. These candidates were excluded from the database. In total, 221 respondents met the criteria and were included in the analysis.

## Analysis of Findings

First and foremost, it should be stressed that factor analysis has demonstrated the validity of organizational attractiveness measuring for both credit unions and traditional banks. As for reliability, measuring of the credit union and traditional bank's organizational attractiveness, Cronbach's alpha was respectively 0.903 and 0.905, which is in line with the standards (Hair, Anderson, Tatham et Black, 1995).

To test the hypothesis of the impact of purpose on general attractiveness, we began by examining if there was a significant difference between both means of organizational attractiveness determined for the credit union and the traditional bank. We only took into account the respondents who had correctly identified the purpose specific to each type of organization, that is, those who had responded customer satisfaction for the credit union and financial performance for the bank. We then conducted a T-test in paired samples, which resulted in a significant discrepancy between both levels of organizational attractiveness, as shown in Table 1.

*Table 1: Comparison of organizational attractiveness between a credit union and a traditional bank*

		Paired Sample Test					t	ddl	Sig. (bilateral)
		Paired differences							
Mean	Standard deviation	Mean standard error	95% confidence interval in difference						
			Lower bound	Higher bound					
Pair 1	C - B	.77677	1.33931	.09518	.58906	.96447	8.161	197	.000

Again with a view of supporting the hypothesis that a relationship exists between organizational purpose and organizational attractiveness, we went on to compare

the calculated means for organizational attractiveness in respondents who had identified customer service as the purpose of the credit union and in those having selected financial performance. Since organizational attractiveness is a function of a candidate's perception, if perceived purpose influences organizational attractiveness, this should translate in a significant discrepancy between the two groups of respondents for one same institution. With this in mind, we conducted a single-sample T-test and, as shown in Table 2, a significant discrepancy does exist between both groups.

*Table 2: Comparison of organizational attractiveness in respondents who consider a credit union purpose is customer service and in those who consider it is financial performance*

		Single-Sample Test								
		Levene test on homogeneity of variance		T-test of equality of means						
		F	Sig.	t	ddl	Sig. (bila.)	Mean difference	Standard deviation	95% confidence interval in difference	
									L. bound	H. bound
SC_P	Hyp of VE	15.667	.000	4.965	286	.000	.56427	.11364	.34060	.78795
	Hyp of VI			4.395	101.439	.000	.56427	.12840	.30958	.81897

Finally, we tested the mean difference of organizational attractiveness between the credit union and the bank for the respondents who had not perceived a difference in purpose for the two institutions. More specifically, for these respondents, the credit union and the bank both share a purpose of financial performance. As Table 3 illustrates, the mean difference is very low (0.04 on a 5-point Likert scale) and, more importantly, it is not significant.



*Table 3: Comparison of attraction toward the credit union and the bank in respondents who do not perceive a difference in purpose*

Paired Sample Test								
	Paired differences					t	ddl	Sig. (bilateral)
	Mean	Standard deviation	Mean standard error	95% confidence interval in difference				
				L. bound	H. bound			
Pair 1 C - B	.04318	1.16130	.14295	-.24230	.32866	.302	65	.764

The fact that results show a significant discrepancy in the levels of perceived organizational attractiveness for the *customer satisfaction* and the *financial performance* purposes supports our hypotheses concerning the influence of purpose on organizational attractiveness. This means in fact that no matter the institution, respondents evaluated their level of organizational attraction based on a perceived purpose. The means would otherwise not have displayed a significant difference, for one same institution, in the levels of attractiveness for each perceived purpose. Additionally, when respondents identify financial performance as both a credit union and a bank purpose, the means found do not show a significant difference on the level of organizational attractiveness. Hence, whether the institution is a credit union or a bank, or whether or not a candidate is familiar with the organizations described in the scenarios, this does not influence organizational attractiveness, while the purpose identified by candidates does. Our primary hypothesis is therefore confirmed.

The second hypothesis, according to which a credit union-based purpose is more attractive in the labour market than a traditional bank's purpose, remains to be verified. As shown in Table 1, the mean difference in organizational attraction toward the cooperative or the traditional bank with respondents who correctly identified the purposes of each of the two organizations is 0.78 (on a 5-point Likert scale) toward the cooperative. As for the mean difference in organizational

attraction toward the cooperative, between respondents who correctly identified the purpose of this organization and those who identified this purpose as being profitability, it resulted in 0.564 toward the credit union purpose (see Table 2). These two findings confirm our hypothesis that a cooperative purpose is more attractive than a bank purpose.

## **Discussion and Conclusion**

The results detailed above likely confirm the idea that credit unions enjoy a structural advantage over banks in the labour market within the financial services industry. The interest of this advantage is quite relevant since it is specific to credit unions. Surely, banks may pick up on some credit union values such as support and guidance or environmental and social responsibility. The fact remains that this adherence is instrumental in that it would serve the bank's purpose, which is profitability. In other words, a bank cannot pursue a purpose other than profit maximization without altering its nature. Only can credit unions legitimately claim this purpose.

This advantage is not a given, however. As mentioned in the review of literature, signal theory must be taken into account in order to understand antecedents to organizational attractiveness. It is not sufficient for a bank to pursue a purpose that is most attractive in the labour market. It must also send out signals enabling potential candidates to perceive this purpose. The present findings support this: a credit union exerts more attractiveness when respondents perceive its cooperative purpose, and there is no significant discrepancy in the organizational attractiveness capacity of a credit union and a bank when respondents do not perceive the difference in purpose of both organizations. For a credit union to be more attractive in the labour market, it must persuade potential candidates that it prioritizes customer service over profit.

These findings open up new research avenues in the future. It would be interesting to examine if cooperative purpose is more attractive than other purposes such as public agencies or even not-for-profits. Attraction capacity of other cooperative-specific values could also be investigated, such as democratic governance. Finally, it could also be interesting to examine, within the labour market, whether the purpose of credit unions is adequately perceived, or what manifestations should be implemented by such organizations to be able to persuade potential candidates that their focus is customer service.

## Bibliography

- ACI. 1996. Statement on the Co-operative Identity, Vol. 2012: International Co-operative Alliance.
- Akella, & Greenbaum. 1988. Savings and loans ownership structure and expense-preference. *Journal of Banking and Finance*, 12: 419-437.
- Ashforth, B. E., & Mael, F. 1989. Social Identity Theory and the Organization. *The Academy of Management Review*, 14(1): 20-39.
- Belt, J. A., & Paolillo, J. G. P. 1982. The Influence of Corporate Image and Specificity of Candidate Qualifications on Response to Recruitment Advertisement. *Journal of Management*, 8(1): 105-112.
- Carpenter, J., Doverspike, D., & Miguel, R. F. 2012. Public service motivation as a predictor of attraction to the public sector. *Journal of Vocational Behavior*, 80(2): 509.
- Catanzaro, D., Moore, H., & Marshall, T. R. 2010. The Impact of Organizational Culture on Attraction and Recruitment of Job Applicants. *Journal of Business and Psychology*, 25(4): 649-662.
- Chapman, D. S., Uggerslev, K. L., Carroll, S. A., & et al. 2005. Applicant Attraction to Organizations and Job Choice: A Meta-Analytic Review of the Correlates of Recruiting Outcomes. *Journal of applied psychology*, 90(5): 928-944.
- Coldwell, D. A., Billsberry, J., van Meurs, N., & Marsh, P. J. G. 2008. The Effects of Person-Organization Ethical Fit on Employee Attraction and Retention: Towards a Testable Explanatory Model. *Journal of Business Ethics*, 78(4): 611-611-622.
- Dutton, J. E., Dukerich, J. M., & Harquail, C. V. 1994. Organizational Images and Member Identification. *Administrative Science Quarterly*, 39(2): 239-263.

- Emmon, & Schmid. 2000. Wages and Risk-taking in occupational Credit Unions : theory and evidence. *Federal Reserve Bank of St Louis Review*, march/april 99.
- Erdal, D. 1999. *The Psychology of Sharing: An Evolutionary Approach*. University of St. Andrews, St. Andrews, UK.
- Gardner, W. L., Reithel, B. J., Foley, R. T., Coglisier, C. C., & Walumbwa, F. O. 2009. Attraction to Organizational Culture Profiles: Effects of Realistic Recruitment and Vertical and Horizontal Individualism-Collectivism. *Management Communication Quarterly*, 22(3): 437-472.
- Gatewood, R. D., Gowan, M. A., & Lautenschlager, G. J. 1993. Corporate image, recruitment image, and initial job choice decisions. *Academy of Management Journal*, 36(2): 414-414.
- Gordon, N. J. 2004. Non-Traditional Analyses of Co-operative Economic Impacts: Preliminary Indicators and a Case Study. *Review of international coopération*, 97(1): 8-21.
- Greenberg, E. S. 1986. *Workplace Democracy: The Political Effects of Participation*. Ithaca and London: Ithaca and London.
- Gurtner, E., Jaeger, M., & Ory, J.-N. 2001. Le statut de coopérative est-il source d'efficacité dans le secteur bancaire ?, *Groupe de Recherche en Economie Financière et en Gestion des Entreprises*: 24. Université Nancy 2.
- Hair, Joseph F. Jr., Rolph E. Anderson, Ronald L. Tatham et William C. Black. 1995. *Multivariate Data Analysis with readings*. 4e Edition. New Jersey : Prentice-Hall, Inc. 745 p.
- Hart, O., & Moore, J. 1990. Property rights and the nature of the firm. *Journal of Political Economy*, 98: 1119-1158.
- Highhouse, S., Lievens, F., & Sinar, E. F. 2003. Measurement Attraction to Organizations. *Educational and Psychological Measurement*, 63(6): 986-1001.
- Judge, T. A., & Cable, D. M. 1997. Applicant Personality, Organizational Culture and Organization Attraction. *Personnel Psychology*, 50(2): 359-394.
- Kim, S.-Y., & Park, H. 2011. Corporate Social Responsibility as an Organizational Attractiveness for Prospective Public Relations Practitioners. *Journal of Business Ethics*, 103(4): 639 - 653.
- Kristof-Brown, A. L., Zimmerman, R. D., & Johnson, E. C. 2005. Consequences of Individuals' Fit at Work : A Meta-analysis of Person-Job, Person-Organization, Person-Group, and Person-Supervisor Fit. *Personnel Psychology*, 58(2): 281-342.
- Levine, D., & Tyson, L. D. A. 1990. Participation, Productivity and the Firm's Environment. In A. Blinder (Ed.), *Participation, Productivity and the Firm's Environment*: 205-214. Washington, DC: Brookings Institute.

- Li, L., & Roloff, M. E. 2007. Organizational culture and compensation systems: An examination of job applicants' attraction to organizations. *International Journal of Organizational Analysis*, 15(3): 210-230.
- MacPherson, I. 1995. Les principes coopératifs vers le 21e siècle: 71. Genève: Alliance coopérative internationale.
- Nadler, J. T., Cundiff, N. L., Lowery, M. R., & Jackson, S. 2010. Perceptions of Organizational Attractiveness The Differential Relationships of Various Work Schedule Flexibility Programs. *Management Research Review*, 33(9): 865 - 876.
- Pichette, C. 1972. *Analyse microéconomique et coopérative*. Sherbrooke: Publication de l'Université de Sherbrooke.
- Québec, G. d. 2008. Taux de survie des coopératives au Québec. In M. d. d. é. Direction des coopératives (Ed.). Québec.
- Rasmusen. 1988. Mutual banks and stock banks. *Journal of Law and Economics*, 31: 395-421.
- Rynes, S. L. 1991. Recruitment, Job Choice, and Post-Hire Consequences: A Call For New Research Directions. In M. D. Dunnette (Ed.), *In Handbook of Industrial & Organizational Psychology*, 2nd ed.: p. 399-444. Palo Alto, CA: Consulting Psychologists Press.
- Rynes, S. L., Bretz, R. D. J., & Gerhart, B. 1991. The Importance of Recruitment in Job Choice: A Different Way of Looking. *Personnel Psychology*, 44(3): 487-521.
- Schneider, B. 1987. The People Make the Place. *Personnel Psychology*, 40(3): 437-453.
- Seaman, D. 2004. Corporate Social Responsibility and Co-operation. *Review of international coopération*, 97(1): 8-21.
- Slaughter, J. E., Mohr, D. C., J., Z. M., & Highhouse, S. 2004. Personality Trait Inferences About Organizations : Development of a Measure and Assessment of Construct Validity. *Journal of Applied Psychology*, 89(1): 85 - 103.
- Spence, M. 1973. Job Market Signaling. *The Quarterly Journal of Economics*, 87(3): 355-374.
- Tom, V. R. 1971. The Role of Personality and Organizational Images in the Recruiting Process. *Organizational Behavior and Human Performance*, 6: 573-592.
- Turban, D. B., & Cable, D. M. 2003. Firm Reputation and Applicant Pool Characteristics. *Journal of Organizational Behavior*, 24(6): 733-751.
- Turban, D. B., Forret, M. L., & Hendrickson, C. L. 1998. Applicant Attraction to Firms: Influences of Organization Reputation, Job and Organizational Attributes, and Recruiter Behaviors. *Journal of Vocational Behavior*, 52(1): 24-44.
- Turban, D. B., & Greening, D. W. 1997. Corporate Social Performance and Organizational Attractiveness to Prospective Employees. *The Academy of Management Journal*, 40(3): 658-672.

- Turban, D. B., & Keon, T. L. 1993. Organizational Attractiveness: An Interactionist Perspective. *Journal of Applied Psychology*, 78(2): 184-193.
- Van Parijs, P. 1997. *Real freedom for all* (1995 ed.). Oxford Clarendon Press, Oxford political theory.
- Williamson, T., Imbroscio, D., & Alperovitz, G. 2002. *Making a Place for Community : Local Democracy in a Global Era*. NY: Routledge.