

An Analysis of the Credit Union's Use of Craig's Commitment Building Measures

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Abstract

Within an increasingly competitive financial services market, huge resources are pumped into the creation and maintenance of customer loyalty. Within a member-owned co-operative such as a credit union, member loyalty is of even greater importance because it is reliant on its members for its continued existence. This paper focuses on commitment which is the process whereby the end product of loyalty is created. Various writers have labelled three different types of commitment: utilitarian which is based on a rational calculation of costs and benefits; affective meaning an emotional attachment to the organisation; and finally ideological which revolves around attachment to an ideal or vision which transcends the organisation. A co-operative should attempt to build all three types of commitment. This study examines four Irish credit unions in terms of their use of these commitment building measures. It was found that the measures used by Irish credit unions build utilitarian commitment more so than affective or ideological commitment.

Introduction

As credit unions increase in size and more members carry out their transactions electronically, members become more distant from their credit union which may result in less commitment and loyalty to the credit union. Thus credit unions must continuously work to counteract this by encouraging loyalty and commitment from their members. This paper focuses on various methods of building member commitment – namely *utilitarian*, *affective* and *ideological* commitment. The paper is divided into three sections. First we introduce and define the concepts of commitment and commitment building measures. Then we present the results of our research which primarily indicate that the credit unions studied build *utilitarian* rather than *affective* or *ideological* commitment. Finally, we summarise our conclusions.

Craig¹, categorises commitment into *utilitarian*, *affective* and *ideological*, the strongest being ideological and the weakest being utilitarian. These three types of commitment can be defined as follows:

- *Utilitarian* commitment is where an individual is committed to a group or organisation because of the benefit it offers in terms of price, product, convenience and so on. This type of commitment acts as the basis for continued support of an organisation² but is prone to 'switching vulnerabilities'³ such as receiving a better price or quality elsewhere. If a co-operative is to protect itself from this

vulnerability and maintain its ethos, it needs more than utilitarian commitment from its members⁴.

- *Affective* commitment can be defined as, "an emotional attachment to an organisation"⁵. Compared with utilitarian commitment, which is based on a "cold calculation of cost and benefits", affective commitment implies the possibility of an "emotional bond"⁶, which may involve feelings of loyalty, affection, warmth, belongingness, fondness, happiness, pleasure and so on⁷. Such an emotional bond between the member and their co-operative is highly desirable as they will be more inclined to support it themselves and also encourage others to use the co-operative.
- *Ideological* commitment is based on a cause or vision which is beyond either the group or individuals in it. Ideological commitment is usually referred to in the literature as moral⁸ or normative commitment⁹ or as moral obligation¹⁰. Ideological commitment can be defined as a "psychological attachment to an organisation through internalisation of its goals and values"¹¹. This form of commitment differs from affective commitment in that it involves a moral responsibility to the organisation or a sense of duty but not necessarily an emotional attachment. It differs from utilitarian commitment in that it does not necessarily fluctuate with personal calculation of price and benefits. Ideological commitment is the most difficult kind of commitment to build but is persistent and creates lasting loyalty¹². As co-operatives are founded out of a distinct ideology, their continued success

is dependent on the maintenance of that ideology. As they are also reliant on volunteer help, it is essential that a significant percentage of the members feel an ideological commitment to the co-operative.

Commitment building measures open to credit unions

Various writers¹³ have suggested that organisations can greatly influence member commitment. Craig¹⁴ lists a number of commitment building measures open to co-operatives. We present and briefly explain these as follows:

- *Quality products and services:* Although a necessary foundation for utilitarian commitment, producing quality products and services is expected from all organisations in today's business environment.
- *Investments:* Co-operative members can invest money and/or time in their organisation. With regard to economic investment credit union members invest only a nominal sum when joining the credit union and they are free to remove their shares or deposits whenever they wish. This nominal economic investment has little impact on commitment. Craig's¹⁵ definition of time and psychological investment appears to overlap with his definition of involvement, where he uses, in both, the notion of the members volunteering their time. The authors of this paper will however, define time and

psychological investment in terms of members' identification with the credit union, in other words, where they feel that their membership of the credit union is an important part of their identity.

- *Helping hand:* A *helping hand* demonstrates to the member that the organisation cares for them as individuals, the result of which could be that, "if the organisation sticks by its members in time of need, it is easier for the members to feel that they should stick by the organisation".¹⁶ A *helping hand* will build both utilitarian and affective commitment.
- *Involvement:* This can build utilitarian, affective and ideological commitment. Forms of involvement can include volunteering, AGM attendance, social gatherings, participation in member surveys, suggestion boxes and diffusion of practical initiative into the credit union¹⁷.
- *Education:* This builds all three types of commitment. Education is seen as an essential element of a co-operative organisation. Credit unions, like other co-operative organisations, are obliged by their operating principles to provide 'on-going education' for their members.
- *Marketing:* There are two primary types of marketing. The first of these is related to products and services, which reinforces utilitarian commitment. The second is 'institutional marketing' which focuses on the communication of the co-operative difference and identity.

Table 1 Commitment building activity and types of commitment

Commitment Building Measures	Utilitarian (Economic)	Affective (Social)	Ideological (Moral)
1. Quality a) Products b) Service	X X		
2. Investment a) Economic b) Time and psychological	X X		X
3. The helping hand	X	X	
4. Involvement	X	X	X
5. Education	X	X	X
6. Marketing a) Product price b) Service c) Institutional	X X X		X

(Source: Craig, 1980:18)

Table 1 states which type of commitment each measure can build, that is, utilitarian, affective or ideological.

Table 1 indicates that all the commitment building activities listed in the first column help to build utilitarian commitment. *Time and psychological investment, involvement, education, institutional marketing* help to build ideological commitment and the *helping hand, involvement* and *education* help to build affective commitment.

Research results

In this paper we examine those measures which build more than just *utilitarian* commitment, that is, the measures which also build *affective* or *ideological* commitment in four Irish credit unions.

The credit unions chosen were all rural credit unions of similar size (in terms of membership and asset size). They offered similar services and had offices of similar design and location. They also had very similar opening hours. The research employed the following methods:

- Pre-interview questionnaire.
- Semi-structured interview with key witnesses in each credit union.
- Documentary evidence including annual reports and promotional literature of each credit union.
- Observation while carrying out a member survey (on site).

The primary assumption of the research was that Craig's commitment building measures, do in fact, measure the different types of commitment. The research did not attempt to test these measures empirically. In other words, it did not set out to determine if these measures do in fact build member commitment.

The research focused on the measures which build more than *utilitarian* commitment, that is, those which also build *affective* and/or *ideological* commitment, such as, *time and psychological investment, the helping hand, involvement, education* and *institutional marketing*. We will now examine each of these measures in turn.

Time and psychological investment

This measure will help to build *ideological* commitment. As was stated earlier in this paper, these authors equate psychological investment

with member identification rather than volunteering as Craig suggests. Some writers¹⁸ propose that the organisation can encourage member identification through "identification cueing tactics"¹⁹. Three such tactics are, firstly **the communication of an organisational identity which is linked to social values**, secondly **the increasing of membership affiliation visibility** (that is, where there is a public or physical sign of membership which identifies the member's affiliation with the organisation) and thirdly **the embedding of the member in an organisational community**. Each credit union was examined with regard to these three identification cueing tactics. This examination raised a number of questions for the credit union as follows:

- Does the credit union communicate its organisational identity in such a way as to increase member identification with the credit union?

There are two main ways an organisation can communicate its identity: through traditional methods such as advertising, public speeches, promotion and newsletters and through "meaning-laden action" (activities which have a strong social value content).²⁰ With regard to the traditional methods of communication, the credit unions in this study use advertising, newsletters, leaflet drops, sponsorship, promotion, and public presentations in the schools. These methods were used to promote products and services. While this may communicate to the member the services that are available, it may not encourage member identification with the credit union per se. As the identification literature highlights, people do not identify with products or services but with social values and meanings²¹. Therefore, it can be suggested that the credit unions, in their advertising and promotion, do not encourage member identification with the credit union.

The second main method of communication is 'meaning-laden actions'²². The involvement in local development projects by two of the credit unions qualify as a 'meaning laden action' and should increase member identification. However, as was discovered in a member survey, the majority (almost 80 per cent) of the members in these credit unions showed little or no

awareness of these credit union initiatives. Consequently, it could be suggested that these activities have had little impact on the organisational identification of the majority of the members.

- Is membership of the credit union visible and in what way? In addition, how does the credit union increase the visibility of affiliation?

Visibility of membership affiliation reminds the members and others of their connection to the organisation. The 'Sammy Stamp'²³ and art/debating competitions run by the credit unions in connection with the schools surely promote high visibility for the children's membership of the credit union.²⁴ These schemes may also act as a reminder for the parents of their affiliation to the credit union.

However, there appears to be no direct enhancement of visibility for the adult member of the credit union. In fact, it can be said that the visibility of affiliation has decreased to a point where, the only visibility for the member is the actual transactional experience over the counter, this may do more to encourage the member to feel like a consumer as in a bank rather than a member of a credit union.

Visibility of affiliation appears to rest on the assumption of an insider/outsider²⁵ divide and as credit union membership is not confined to any one particular group but is spread across all members of the community, the creation of visibility of that affiliation is more difficult. However, a point of visibility could be on a distinction between people who support a community owned financial co-operative versus those who support conventional financial institutions.

- In the credit union's view, does the member feel embedded within the organisational community of the credit union and how does the credit union attempt to embed the member within the organisational community?

When the relationship between the organisation and the member moves from one of transaction to one of organisational community, the member is encouraged to identify socially with the organisation²⁶. The key witnesses felt that the majority of members would view their membership in

individual rather than in community terms. They believed that this contributed negatively to the development of the credit union but were unsure as to how members could be encouraged to think more in community terms although they felt that marketing could have a role. However, when the credit unions' current advertising is compared with earlier advertising it can be seen that it has narrowed its focus to individual consumer values rather than societal and community values²⁷. The danger with this is that the credit union is educating the member to be a consumer rather than a co-operator²⁸.

In this section, we examined the credit unions' use of 'identification cueing tactics'. Our conclusion is that the credit union does not actively encourage the member to identify with the credit union. In fact, it may be undermining that identification process by failing to communicate its co-operative identity and difference clearly, by decreasing rather than increasing the visibility of membership, and by encouraging the member to think in individual rather than community terms.

'The helping hand'

This measure helps to build affective commitment. Many of the members interviewed commented that they had received a 'helping hand' from the credit union. As a result, these members expressed strong affection for the credit union. An example of this was given by one member, who stated:

I was in deep financial trouble, my wife was very sick and I felt under a lot of pressure. The banks were calling in my loans. It was completely hopeless. I heard about the credit union and went to talk to them. They listened to my story and we worked through a plan to help me sort out my financial situation. Thanks to the credit union, I am now financially secure and still have my home and family.

Table 1 indicates that the 'helping hand' of the credit union helps to build affective commitment rather than ideological commitment. However, it may also help to build ideological commitment, as one member respondent stated "the credit union is understanding and caring because of

the very fact that it is member-owned.” Therefore, the helping hand of the credit union can be linked to ideological factors if the member sees beyond their own individual transaction with the organisation. However, most of the key witnesses believe:

that most members only see the individual transaction and do not think in terms of other members or how the credit union is operated.

Another form of the ‘helping hand’ may be where the credit union encourages the member to borrow wisely and to save, that is, encouraging ‘thrift’. The representatives from each credit union highlighted the importance of helping the member to borrow and spend wisely. However, a tension was also expressed where the credit union was advising the member to borrow wisely and, at the same time was trying to ‘get money out’ in the form of loans. With the rising surpluses and the increased competition from other financial institutions, the credit union is under pressure to increase its loan ratio while at the same time encouraging the member to borrow wisely. All the credit unions involved in this study express this ‘tension’ to greater or lesser degrees. If this tension were to undermine the ‘helping hand’ identity of the credit union, it would have serious implications for the co-operative identity of the credit union.

Our examination of the credit union’s use of the *helping hand* would indicate to us that this is an important part of the credit union’s identity. Members also see the credit union in these terms and, as a result, speak about the credit union in affectionate terms. Thus we are of the view that the credit union does encourage *affective* commitment through their *helping hand* nature.

Involvement

This measure encourages both affective and ideological commitment. Various forms of involvement were mentioned earlier such as volunteering, AGM attendance, participating in member surveys, suggestion boxes and the diffusion of member initiative into the organisation. These were examined in the studied credit unions.

All the credit unions studied found it very difficult to get volunteers and were not sure how to motivate members to participate. Therefore,

it is interesting to examine how the credit union encourages members to become volunteers. This was examined through investigating the number of committees, their type and what they actually did to encourage the member to become involved.

The nominating and the youth committees generally have the greatest role in encouraging members to become involved as volunteers. However, only two of the four credit unions have either type of committee. It would appear from the interviews with the key witnesses that the committees did not put significant effort into encouraging members to become actively involved. However, they indicated that on occasions, members may be asked over the counter if they would consider becoming a volunteer. Some of the annual reports also make a plea for volunteers. While all the key witnesses were of the view that volunteerism was the bedrock of the credit union ethos, few credit unions were making proactive efforts to encourage voluntary participation by members.

Each credit union was asked how many members attended their last AGM. This ranged from 1 per cent to 6 per cent of the members. Although some of the credit unions perform better than others, only a small percentage of the total membership attend the AGM. A more recent Irish credit union study found that on average 2 per cent of the total membership attends the AGM⁹.

Two credit unions had carried out member surveys in the past ten years. These credit unions had found the survey of “little value”. The remaining credit unions regretted that they had not carried out any such surveys but added that they plan to do so in the near future. It is interesting to note that those who had surveyed the members had little interest in repeating the exercise and those who had not done so, felt obliged to carry one out in the near future. Unfortunately, member surveys may often be a token gesture towards research without any pre-survey planning and research or any significant post-survey analysis.

Two of the four credit unions studied have suggestion boxes. Both credit unions stated that the members used it. The suggestions are discussed monthly by the Promotion and Development Committee and those that are feasible are acted upon. These credit unions do not communicate to the members (either directly or indirectly) any developments that arise from their suggestions. Thus, members

may be unaware that their suggestions are discussed and acted upon. It could be stated that since these credit unions do not communicate to their members the value of the suggestions, this form of involvement may have very little impact on the commitment of the members. It should also be pointed out that other than the AGM and suggestion boxes in some credit unions, the members have no formal channel to make suggestions or complaints about an organisation of which they are members and owners.

Social gatherings are another form of involvement, where the members can meet in a credit union context. Only one of the four credit unions had held a social gathering for members in the previous year. As was stated earlier, such gatherings and interaction help to embed the member in the organisational community while at the same time helping to embed the organisation in the local community. However, only one of the credit unions studied used this opportunity.

The concept of involvement can be extended to include the diffusion of practical initiative by the member into the credit union. Practical initiative from the member arises as a response to a real individual or community need. Therefore, if the credit union can tap into or use this initiative, it is a direct lifeline to the member. In two of the studied credit unions, there would appear to be some diffusion of 'practical initiative' through the networking role of the credit union. An example of this is where one of these credit unions had assisted a furniture company to set up in the town. Once established, this company had gained a contract to furnish the London dockland apartments. Included in this contract was an order for pieces of abstract art. The credit union put the company in contact with a small tee-shirt printing company in the town, which went on to produce the pieces of art for the contract. This may be an example of networking between members rather than diffusion of practical initiative into the credit union itself, although such networking does provide a basis for this diffusion of initiative.

However, the researchers felt that there was no real diffusion of member initiative into the daily operations of the credit union. Perhaps, the credit unions may feel that the encouragement of such member initiative may upset the smooth running of the credit union. In the short term, this may indeed be the case.

However, in the longer term, it may ensure the future growth and survival of the organisation³⁰.

Overall credit unions are not actively encouraging the member to participate in their operations or development. Where member involvement is not proactively encouraged, there is little impact on the building of the members' *affective* and *ideological* commitment.

Education

This measure encourages *affective* and *ideological* commitment. We examined the credit unions with regard to their use of member education. Member education can be in the form of formal education meetings/materials or through marketing which communicates the uniqueness of the co-operative³¹. With regard to the former, each of the key witnesses from the studied credit unions were of the view that it is difficult to run education meetings for the adult members as many members do not have the time, interest or commitment to attend. With regard to committee responsibilities, education tended to be 'bundled' in with promotion or planning and development. Although each credit union expresses the importance of education, an examination of the annual reports reveals that the focus tends to be on the promotion or development angle. It was found that education revolved around contact with the schools and training for the staff and volunteers in some of the credit unions. None of the credit unions provided any formal education meetings for the adult members. As indicated earlier and below, the credit unions studied are not proactively communicating or educating their members about the co-operative identity. Thus, we conclude that these credit unions do not use education to encourage member commitment.

Marketing

Institutional marketing can be used to build *ideological* commitment. We examined all the marketing programs in the studied credit unions in terms of their ability to build *ideological* commitment.

All of the credit unions are involved in sponsorship. However, many felt that this was just 'taken for granted' in the community and did not really attract new members or even help to market the credit union. The overall feeling from the key witnesses was that sponsorship

was expected from them, and they had no choice but do it. One key witness had the following to say:

Credit union sponsorship is completely taken for granted. A club in our town publicly announced that the credit union was sponsoring an event without our prior agreement. We were angry about this and refused to provide the sponsorship. This led to a war of words between the credit union and the club and possibly did not do the credit union any good. It has made us resentful about sponsorship.

Sponsorship which is taken for granted and expected year on year provides little benefit to credit unions. However, it may be interesting to examine the effect on member commitment of a withdrawal of sponsorship.

The credit unions were asked about the purpose of their marketing campaigns. All of the credit unions noted that the main objective was to advertise products and services. As stated previously, marketing concerning product, price and service will build *utilitarian* commitment only. In order to build *ideological* commitment through marketing, Craig suggests that the organisation needs to communicate its co-operative identity. The credit unions involved in this study do not appear to be proactively communicating their co-operative identity. Thus, we conclude that the marketing used by these credit unions is not encouraging *affective* or *ideological* commitment.

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Notes

- ¹ Craig, J G (1980). Member commitment: a thing of the past or a possibility for the future. Co-operative Future Directions Project, Working Paper, Number 11, The Co-operative College of Canada, Saskatchewan.
- ² Ibid.
- ³ Oliver, R L (1997). Satisfaction: A behavioural Perspective on the Consumer, New York: McGraw-Hill pp395.
- ⁴ See Craig, 1980 above.
- ⁵ Jaros, S J, Jermier, J M, Koehler, J W and Sincich, T (1993). Effects of Continuance, affective and moral commitment on the withdrawal process: An evaluation of eight structural equation models. *Academy of Management Journal*, Vol 36, No 5, p954.
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ Kanter, R M (1968). Commitment and Social Organization: A study of commitment mechanisms in utopian communities. *American Sociological Review*, Vol 33, pp499-517; and see Jaros et al above.

Conclusion

The results discussed above indicate that credit unions build *utilitarian* rather than *affective* or *ideological* commitment. However, co-operatives need to be proactive in building *affective* and *ideological* commitment to survive in their co-operative form. The methods available to the credit union for encouraging the members' ideological commitment are: *time and psychological investment*, providing a *helping hand* to the member, *education, involvement*, and *the communication of the co-operative identity*. When each of these were examined, it was found that credit unions do not proactively use any of these methods, apart from the *helping hand*. The communication strategies of the credit unions studied generally only focus on marketing of products and services. Thus, it can be suggested that these credit unions are not actively building *ideological* commitment. It is interesting to note that when the members of these credit unions were surveyed, the majority expressed a *utilitarian* commitment (64 per cent). When their expectations and image were examined, it was found that that 73 per cent of members expressed a utilitarian image of the credit union and 84 per cent expressed either utilitarian or no expectations for future development of the credit union. Therefore, it can be suggested that if the credit union only focuses on encouraging *utilitarian* commitment, then this is all it will build.

- ⁹ Etzioni, A (1961). *A Comparative Analysis of Complex Organizations*, New York: Free Press and O'Reilly, C A, Chatman J and Caldwell D F (1991). People and organizational culture: a profile comparison approach to assessing person-organization fit. *Academy of Management Journal*, Vol 34, No 3, pp487-516.
- ¹⁰ Allen, N J and Meyer, J P (1990). The measurement and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, Vol 63, pp1-18 and Ilmonen, K (1986), *The Enigma of Membership: A sociological study of membership in a Finnish consumer co-operative*. Finland: Painokaari Oy.
- ¹¹ See Jaros et al above, p955.
- ¹² Craig, 1980.
- ¹³ Kanter, 1968, 1972; Stryjan, 1989, 1994 and Craig, 1980.
- ¹⁴ See Craig, 1980 above.
- ¹⁵ Ibid.
- ¹⁶ Ibid.
- ¹⁷ Stryjan (1989, 1994) extends the concept of involvement to include the 'diffusion of practical initiative' by the member into the co-operate organisation. He gives an example of established agriculture co-operatives who are experiencing regeneration through the adaptation or addition of members innovations (that is, new products) into their businesses. Stryjan views such involvement as the highest form of member participation. Stryjan, Y (1989). *Impossible Organizations: Self Management and Organizational Reproduction*. Contributions in Sociology, No 83. Westport, Connecticut: Greenwood Press and Stryjan, Y (1994). *Making Ends Meet: Co-operative reproduction in a changing environment*. *Annals of Public and Cooperative Economics*, Vol 65, Issue 1 pp51-80.
- ¹⁸ See Scott & Lane above.
- ¹⁹ Some readers, might express concern here about the possibility of organisational manipulation of the individual. This may be an issue with conventional businesses in their relationship with the employee or the consumer. However, the credit union differs from this type of organisation in that it is member owned. Hence, these authors believe that identification in the credit union context would lead to a stronger sense of ownership and control over the development of the organisation rather than manipulation.
- ²⁰ Scott, S G and Lane V R (2000). A stakeholder approach to organizational identity. *Academy of Management Review*, Vol 58, No 1, p51.
- ²¹ Ibid p49.
- ²² Ibid p51.
- ²³ A savings stamp system for children.
- ²⁴ A point of concern here could be that as children mature they may not wish to be interested in symbols that they associate with their early years.
- ²⁵ In social psychology literature, the insider/outsider divide, helps to create cohesion where those inside the group see themselves as different from those outside the group. For example, members of a museum or art gallery may perceive themselves as more culturally elite relative to non-members. Visibility of the membership is important and may act as proof for themselves and others of this elitism.
- ²⁶ Clarke, M S and Mills, J (1979). Interpersonal attraction in exchange and communal relationships. *Journal of Personality and Social Psychology*. Vol 37, pp12-24.
- ²⁷ See earlier forms of advertising in Barron, D N (1998). Pathways to legitimacy among consumer loan providers in New York city, 1914-1934. *Organizations Studies*, Vol 19, Issue 2, pp207-233 and MacPherson, I (1999). *Hands Around the Globe: A history of the international credit union movement and the role and development of World Council of Credit Unions, Inc* Horsdal & Schubart Publishers Ltd, Victoria, Canada.
- ²⁸ Marcone, S (1999). *Marketing the co-operative difference*. Paper presented at the International Co-operative Alliance Research Committee Conference, Quebec City, Canada.
- ²⁹ McKillop, D, McCarthy, O, Ward, M, Briscoe, R, Ferguson, C (2002). *Women in the Irish Credit Union Movement: North and South*. Oak Tree Press, Cork. McKillop D, McCarthy O, Ward M, Briscoe R, Ferguson C (2002).
- ³⁰ See Stryjan above.
- ³¹ Webb T (1998). Marketing co-operation in the global economy. *ICA Review*, Vol 91, No 1, pp82-95.