Forging Employee Morale, Trust, and Performance

Ellen M. Whitener, University of Virginia
Susan E. Brodt, Duke University

Prepared for the Center for Credit Union Research

University of Wisconsin-Madison
School of Business

and the

Filene Research Institute
P.O. Box 2998
Madison, Wisconsin 53701-2998
(608) 231-8550
The Filene Research Institute is a non-profit organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance and credit unions. It supports research efforts that will ultimately enhance the well-being of consumers and will assist credit unions in adapting to rapidly changing economic, legal, and social environments.

Deeply imbedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members and the general public. Credit unions, like other democratic institutions, make great progress when they welcome and carefully consider high-quality research, new perspectives, and innovative, sometimes controversial, proposals. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. In this spirit, the Filene Research Institute grants researchers considerable latitude in their studies of high-priority consumer finance issues and encourages them to candidly communicate their findings and recommendations.

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

The Center for Credit Union Research is an independent academic research center located in the School of Business at the University of Wisconsin–Madison. The Center conducts research and evaluates academic research proposals on subjects determined to be priority issues by the Research Council of the Filene Research Institute. The Center also supervises Filene Research Institute projects at other universities and institutions. The purpose of the Center’s research is to provide independent analysis of key issues faced by the credit union movement, thus assisting credit unions and public policymakers in their long-term planning.

---

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

— Edward A. Filene
# Table of Contents

## Executive Summary .................................................. 1

## Chapter 1: Introduction ........................................... 5

## Chapter 2: Best Practices: Do Credit Unions Measure Up? ........................................... 7

- Practices at 100 Best Companies to Work for
  - in America ......................................................... 7
- The Deloitte & Touche-Kellogg Study ................................. 9
- Credit Union Management and Human Resource Practices ......................................................... 12
- Summary ............................................................... 16

## Chapter 3: Research Direction and Design .................... 17

- Organizational Factors ............................................. 18
- Supervisory Practices and Behavior ..................................... 20
- Key Employee Outcomes ............................................ 22
- Research Design .................................................... 23

## Chapter 4: The Evidence: University, Industry, Public School Credit Unions ............... 25

- Description of the Credit Union Sample ......................................... 25
- Credit Union Employee Profiles ........................................ 26
- Case #1: University Credit Union ........................................ 27
- Case #2: Industry Credit Union ......................................... 37
- Case #3: Public School Credit Union .................................... 45
- Best Practices: How Do These Credit Unions Measure Up? ......................................................... 55
- Summary ............................................................... 57

## Chapter 5: Cross-Case Comparisons: Results and Implications for Managing Credit Union Employees ........................................... 59

- Survey Results ...................................................... 59
- General Comments .................................................. 64
- Summary ............................................................... 66

## Chapter 6: In Search of Effective Human Resource Management ........................................... 67

- Organizational Structure ............................................. 67
- Human Resource Practices ........................................... 68
Superior employee performance is critical to the success of credit unions. More than ever before, credit unions must attract, develop and retain quality employees if they are going to compete successfully in the fast changing financial services environment.

Credit unions and other organizations that invest money, time and effort in their people reap service and financial benefits as a result of their investment. But implementing human resource policies, procedures, and practices is not sufficient to generate high morale, performance and retention. Best human resource practices, to be effective, need to be complemented by the cultivation of best relationships, particularly relationships built on trust.

RESEARCH APPROACH

In an earlier study we examined human resource practices in credit unions by surveying 1,733 employees at 185 credit unions. We also surveyed human resource representatives in those credit unions. Our present study builds on previous findings by examining three credit unions in-depth. Our research approach included site visits and interviews with employees, supervisors, human resource professionals and CEOs.

This study examines two questions:

1. What organizational structures, cultures, and human resource practices attract, motivate, and retain productive and satisfied employees?

2. Which human resource practices and what aspects of relationships between supervisors and employees build trust most effectively?

KEY FINDINGS

Credit unions build greater employee trust, morale, and performance if they observe the following guidelines in their management and human resource practices:

1. Executive officers demonstrate a strong commitment to human resources and employees.

1 Whitener, E. M. 1998. The Effects of Human Resource Practices on Credit Union Employees and Performance, the Filene Research Institute, Madison, WI.
2. A human resource executive participates on the senior management team.

3. A functional organizational structure balances centralized control with information-seeking and sharing methods.

4. Formalized human resource procedures provide a platform for effective management.

5. Rigorous, valid, and professionally-designed human resource practices (e.g., selection, compensation, performance appraisal and training) are part of the organizational culture.

6. Evaluation and appraisal information is gathered from multiple sources.

7. A grievance system provides a venue for employees to appeal employment decisions.

8. The organization culture focuses on member service, sales, measurement, and feedback; and values risk-taking, inclusiveness, people, and open communication.

9. Supervisor-employee relations are built upon concern, support and two-way communication.

10. Employee attitude surveys are used and responded to at regular intervals.

Employees also respond positively to key management and human resource practices, including:

1. Promotion from within
2. Individual and group incentive plans
3. Information sharing programs
4. Information-soliciting activities (e.g., attitude surveys)
5. Training and development opportunities

**RECOMMENDATIONS**

After conducting our research, we presented our findings to several sets of credit union managers and executives. These discussions focused on identifying ways to develop an
organizational structure and to design human resource practices that balance the controls required to meet regulatory and fiduciary responsibilities with the participatory atmosphere vital to building employee trust and morale.

From this discussion, we suggest four initiatives relating to organizational structure:

1. Flatten the hierarchy by reducing the number of layers between management and staff.

2. Balance functional centralization with adhoc-cracy that uses temporary focus groups, project teams and task forces.

3. Find ways to bridge the walls that become erected between departments, the front office and back office, and between management and staff.

4. Create a cross-functional, cross-level task force to formalize, codify and maintain policies and procedures.

We also recommend four activities related to human resource practices:

1. Choose human resource practices that accomplish specific goals of the organization.

2. Design human resource practices to control processes, not people.

3. Design human resource practices that add value to the organization from the bottom up. Investments in training, appraisal, and compensation should be targeted at those who most frequently and closely work with the membership.

4. Know the limits of the credit union’s ability to create human resource practices, and seek expert assistance.

With these practices in place, we believe the credit union will optimize the deployment of its most valuable asset - its people.
Investing in employees builds business. Organizations that invest money, time, and effort in their people reap benefits to their bottom-line.\textsuperscript{1} They design innovative human resource and management practices that energize employees and raise their commitment and performance.\textsuperscript{2} However, corporations (e.g., \textit{Fortune’s} 100 best places to work) are discovering that just implementing the best policies, procedures, and practices is not enough to generate high performance—they can do all the right things but do them in a way that depresses rather than elevates motivation and performance. Corporations are learning that “best practices” need to be complemented by “best relationships” and particularly by relationships built on trust.\textsuperscript{3}

This study combines case study and survey research methods to investigate the relationships among human resource and management practices, employee trust, and key organizational outcomes more deeply. The research seeks answers to two questions:

1. What organizational structures, cultures, and human resource practices attract, motivate, and retain productive and satisfied employees?

2. Which human resource practices and what aspects of relationships between supervisors and employees build trust most effectively?

Three credit unions generously agreed to open their doors to examination of their cultures and practices. In return, they were assured anonymity in reporting the results. We interviewed managers, reviewed documents, policies, and procedures, and surveyed employees. This approach allowed extensive and intensive study to answer the two research questions.

The three credit unions studied share key similarities: an organization-wide commitment to providing exceptional member


\textsuperscript{2} VanDerWall, Stacy. 1999. ‘100 Best’ List Proves Investing in Employees Builds Business. \textit{HR News,} February, 6,12.

\textsuperscript{3} Levering, Robert. 1999. Beyond Best Practices: Trust as the Key to High Performance Workplaces, \url{http://www.greatplacetowork.com/Bestpractices.htm} (February 8).
service, a set of strategic initiatives that rely on significant cultural change, top management committed to employee communication and worth, and a dedication to innovation in human resource and management practices to attract, retain, and motivate staff.

However, the credit unions differ in how they pursue these initiatives. For example, in pursuing exceptional member service, one credit union focuses on improving internal member service whereas another focuses on achieving operating efficiencies and increasing sales opportunities. To change their culture, two credit unions rely on training initiatives while the third relies on selection and compensation. Finally, in communicating with and empowering employees, one credit union relies heavily on temporary task forces and another focuses on intact work groups and departments.

A comparison across the three cases yields a number of recommendations for credit unions. The key findings indicate that credit unions build greater employee trust, morale, and performance if they conduct management and human resource practices using the following guidelines:

1. Strong commitment to human resources and employees from executive officers

2. A functional organizational structure balancing centralized control with information-seeking and sharing methods

3. Rigorous, valid, and professionally-designed human resource practices (e.g., selection, compensation, performance appraisal and training)

4. An organizational culture focused on member service, sales, measurement, and feedback; and one that values risk-taking, inclusiveness, people, and open communication

5. Supervisor-employee relations built upon concern, support and two-way communication

6. Regular use of and active response to employee attitude surveys
We needed a benchmark of practices in the management of employee relationships to answer the research questions in chapter 1. The two sources we used as benchmarks cover all types of firms in the U.S. In the most recognized study, the Great Place to Work Institute, Hewitt Associates, and Fortune magazine poll thousands of employees annually at over 200 top American companies to identify the places employees say they like to work. The study also catalogues human resource and management practices. Results are published each year in a January issue of Fortune magazine.

The Human Resources Strategies Group of Deloitte & Touche and the Kellogg School of Management at Northwestern University similarly work together to describe human resource practices among Fortune 1000 companies. They survey and interview representatives from over 300 companies to describe human resource practices and innovations. Both studies emphasize practices that build employee trust, satisfaction, and commitment.

PRACTICES AT THE 100 BEST COMPANIES TO WORK FOR IN AMERICA

The typical (median) company in Fortune's 1999 list of best companies to work for is not quite 40 years old and employs 5600 people, most of them in the United States. It earned over $1.0 billion in revenues in 1997. The median turnover is 10%. Its CEO has led the company for 8 years. Its workforce consists of 44% female and 22% minority workers. One third of employees have worked for the company less than two years; only one employee out of seventeen has worked for the company more than fifteen years.

These companies excel at several aspects of managing their workforce. First, they deliberately create a “retention” culture.

---


They control turnover by learning about and offering what employees want. For example, they have found that although compensation matters at one level, employees tend to make decisions to stay where they are, despite offers to go elsewhere, if the company offers:

- Cutting edge technology
- Exciting, fun work and opportunities for learning and growing
- A chance to change careers within the same company
- A shot at a challenging overseas assignment
- The promise of promotion from within
- Flexible or reduced work hours that do not threaten promotions
- Good benefits

Management at these companies also builds a strong and caring relationship with its employees. Upper level management works hard at two-way communication. For example, an executive at one company randomly chooses employees several times a month to eat breakfast with him. Another company provides a 1-800 number to give employees direct contact with their CEO 24 hours a day.

Top companies delegate important responsibilities as low as possible in the organization. They offer activities that help employees manage the balancing point between their work and personal lives, offering child care and reducing the need to run errands during non-work time by providing on-site haircuts, shoe repair, concierge services, and free breakfasts.

Finally, Fortune’s great places to work align their core human resource practices with their business strategy, focusing on specific

---

6 These results are similar to those found in a survey conducted by Ernst & Young for the American Management Association. The AMA more recently polled 352 human resource executives who indicated that educational and lifestyle incentives were the most effective tools for attracting and retaining employees. An Ernst and Young executive involved with the study concluded: “If companies help employees balance their lives between job and family without penalizing their career development, then the employees are less likely to leave for a few more dollars.” HRM, 1999. “Lifestyle Benefits Top the List of Best Retention Tools.” HR News, 18 (6), p. 25.
performance goals. They rigorously screen applicants for positions, not despite of but because of the labor shortage, realizing a good hiring decision attracts individuals who fit into the culture of the organization. Many companies subject candidates to employment tests, highly structured interviews conducted by groups of managers and employees, and miniature job tryouts. For example, Federal Express requires many job seekers to prepare and deliver a five-minute speech on the FedEx culture to a group of employees.

Most of the companies also emphasize incentive and corporate-wide compensation plans. Of the publicly traded companies, almost half offer stock option programs to all employees, thereby aligning employees' personal success with the company's financial success. They also provide extensive training and development opportunities, offering an average of 43 hours of training per year per employee.

Ten percent of the best places to work are in the financial services industry. These organizations offer innovative management and human resource programs to their employees. MBNA, a credit-card issuer, reduces the conflict between family and work life by offering on-site day care, dry cleaning, shoe repair, and beautician services. MBNA rewards innovation through a suggestion program that awards $15,000 to the individual and team with the year's best idea. First Tennessee Bank offers stock options and flextime to all of its employees.

**THE DELLOITTE & TOUCHE-KELLOGG STUDY**

In their survey, Deloitte & Touche and the Kellogg School track over fifty human resource practices and innovations. They group these practices into seven categories. As shown in Table 1, their results indicate that some human resource practices are almost universal: over 90% of the organizations base pay on merit, offer 401K plans, and allow flexible work hour arrangements. In contrast, some highly publicized practices, such as elder care and open-book management, are not widely practiced. When asked how they decide which initiatives to undertake, respondents reply that cost-effectiveness, fit with the organization’s philosophy and culture, and ability to attract, retain, and motivate employees have the greatest influences.
Many of these innovative programs cover all employees; however, some cover only part of the work force. For example, Table 2 shows that companies tend to implement job enlargement programs for clerical and production workers and gather performance feedback for managers from multiple sources (e.g., peers, subordinates, clients, and executives).

Table 1: Human Resource Practices  
(adapted from 1998 Human Resources Practices Survey)

<table>
<thead>
<tr>
<th>Category</th>
<th>Sample Practices</th>
<th>Incidence (%) of Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge and Skills Development</td>
<td>Training in team-building</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Training in industry</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Training in job skills</td>
<td>73</td>
</tr>
<tr>
<td>Shared Organizational Governance</td>
<td>Open-door policies</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>Information-sharing</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Open-book Management (sharing financial information with employees)</td>
<td>16</td>
</tr>
<tr>
<td>Compensation/Reward Practices</td>
<td>Merit pay</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>401(k)</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Skill-based Pay</td>
<td>25</td>
</tr>
<tr>
<td>Employee Empowerment</td>
<td>Problem-solving groups</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Employee Attitude Surveys</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Quality Circles</td>
<td>21</td>
</tr>
<tr>
<td>Work and Family</td>
<td>Employee Counseling</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>Child Care Services</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Elder Care Services</td>
<td>37</td>
</tr>
<tr>
<td>Job Redesign</td>
<td>Flexible Hours</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>Competency-based job descriptions</td>
<td>76</td>
</tr>
<tr>
<td>Employee Evaluations</td>
<td>Performance Management</td>
<td>88</td>
</tr>
<tr>
<td></td>
<td>Assessment Centers</td>
<td>22</td>
</tr>
</tbody>
</table>
Finally, Deloitte & Touche and Kellogg finds that managers believe a few key human resource practices particularly assist the organization in accomplishing its strategic goals:

- Profit-sharing
- Information-sharing on corporate goals and performance
- Performance bonuses
- Performance management programs (e.g., developmental multi-rater feedback)
- Establishing cooperative labor-management relations

These practices are highly related. Organizations tend to use them in a bundle or not at all. Some organizations combine human resource practices that create conditions where employees can become highly involved in the organization and work hard to accomplish the organization's goals.

This bundle of practices, called “high commitment” human resource practices, increases overall performance and productivity. Other organizations combine human resource practices that emphasize cost-control. These “high control” human resource practices increase overall performance by stressing efficiency and reducing costs.

Research on a large sample of organizations in all major industries indicates that high commitment practices generally have a
stronger impact on performance than high control practices.\(^7\) Studies have found similar results in manufacturing; however, no one has explored differences among industries or investigated whether this result applies to financial institutions in general or credit unions in particular.\(^8\)

**CREDIT UNION MANAGEMENT AND HUMAN RESOURCE PRACTICES**

Mike Welch, publisher of *Credit Union Times*, recommends that credit unions look to the experiences of the corporate arena for guidance in human resource and management practices:

“Several business magazines annually cite organizations as the best places to work. Study them for ideas....” He adds an important caveat that directs this study, at least in part. “Study [corporate best-places-to-work] for ideas, [but focus on those ideas] ‘...that could and would work at the credit union.’”\(^9\) His recommendation highlights the need to identify management and human resource practices in credit unions, and to investigate their effectiveness.

A previous Filene monograph surveyed human resource managers at over 180 credit unions. Many credit unions utilized progressive core human resource practices (such as selective staffing, developmental appraisal, comprehensive training, and competitive and equitable compensation) and innovative human resource practices (such as merit-based promotions and attitude surveys). Those credit unions had more satisfied employees and somewhat higher indicators of performance.\(^10\)

---


An analysis of the data from that study identifies high commitment and high control credit unions. Cluster analysis indicates that 114 utilize control practices and 67 utilize commitment practices.

Table 3 shows that larger credit unions are more likely to rely on a bundle of commitment-oriented HR practices.

<table>
<thead>
<tr>
<th>Practice</th>
<th>Asset Size ($millions)</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I (0-57)</td>
<td>II (58-149)</td>
<td>III (150-307)</td>
<td>IV (308+)</td>
<td></td>
</tr>
<tr>
<td>Control HR System (X)</td>
<td>35 (81%)</td>
<td>32 (73%)</td>
<td>26 (60%)</td>
<td>17 (40%)</td>
<td>110 (64%)</td>
</tr>
<tr>
<td>Commitment HR System (Y)</td>
<td>8 (19%)</td>
<td>12 (27%)</td>
<td>17 (40%)</td>
<td>26 (60%)</td>
<td>63 (36%)</td>
</tr>
<tr>
<td>Number of Respondents</td>
<td>43</td>
<td>44</td>
<td>43</td>
<td>43</td>
<td>173</td>
</tr>
</tbody>
</table>

To compare the practices of control and commitment credit unions, utilization rates are calculated for a set of innovative human resource practices.\(^{11}\) Table 4 compares the utilization rates of the commitment versus control credit unions.\(^{12}\) Key differences include: credit unions with commitment HR systems survey the attitudes of more of their employees, offer more group and individual performance-based incentives, train employees almost 50% longer, and are more likely to base promotions on merit.

---

\(^{11}\) Huselid. 1995.

\(^{12}\) A more detailed table of this information is in Appendix A, showing the utilization rate for each practice by asset size.
Employees at credit unions in the 1998 study completed measures of their commitment to the organization. The average commitment of employees at credit unions with commitment systems was significantly higher than that of employees at firms with control systems.

Participants also completed a measure of their job satisfaction. Responses illustrate differences in human resource and management practices in organizations where employees have high as opposed to low job satisfaction. This approach is similar to that used by *Fortune* magazine and its partners in its “Best Companies” survey. Responses identified those organizations whose employees are most satisfied and those organizations whose employees are least satisfied. After identifying the “best credit unions” on the basis of employee satisfaction, we examined the management and human resource practices these credit unions employ.

To divide the sample of credit unions into high versus low satisfaction organizations, the group of employee responses from each credit union were first averaged to represent its general

| Table 4: Utilization Rates of Human Resource Practices in Control versus Commitment Credit Unions (n=185) |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Workforce Covered by Formal Information Sharing Program (%) | 74 | 85 |
| Jobs Subjected to Formal Analysis (%) | 46 | 75 |
| Non-entry Level Jobs Filled from Within (%) | 61 | 63 |
| Workforce Administered Regular Attitude Survey (%) | 25 | 44 |
| Workforce in Quality Programs (%) | 8 | 15 |
| Workforce in Company Incentive/Gain-sharing Programs (%) | 61 | 75 |
| Training (average hours per employee) | 23 | 35 |
| Workforce with Access to Grievance Systems (%) | 89 | 87 |
| Workforce Administered Employment Test (%) | 16 | 28 |
| Workforce with Performance Based Pay (%) | 76 | 94 |
| Workforce Covered by Formal Performance Appraisals (%) | 92 | 99 |
satisfaction level. Then the credit unions were averaged in rank-order, from the organization with the highest average satisfaction (4.5 on a 5 point scale) to the organization with the lowest average satisfaction (2.4 on the 5 point scale). Table 5 compares the utilization rates of the credit unions in the top third to those in the bottom third. Only one practice significantly differentiated high satisfaction credit unions from low satisfaction credit unions: the higher the percentage of non-entry level jobs filled from within, the higher the employee satisfaction.\textsuperscript{13} Promotion from within programs made the largest difference in employee satisfaction.

\begin{table}
\centering
\caption{Utilization Rates of Human Resource Practices in High Satisfaction versus Low Satisfaction Credit Unions (n=121)}
\begin{tabular}{|l|c|c|}
\hline
 & Low Satisfaction Credit Union & High Satisfaction Credit Unions \\
\hline
Workforce Covered by Formal Information Sharing Program (%) & 77 & 81 \\
Jobs Subjected to Formal Analysis (%) & 56 & 53 \\
Non-entry Level Jobs Filled from Within (%) & 56 & 68 \\
Workforce Administered Regular Attitude Survey (%) & 26 & 33 \\
Workforce in Quality Programs (%) & 12 & 12 \\
Workforce in Company Incentive/Gain-sharing Programs (%) & 64 & 68 \\
Training (average hours per employee) & 27 & 24 \\
Workforce with Access to Grievance Systems (%) & 88 & 84 \\
Workforce Administered Employment Test (%) & 22 & 21 \\
Workforce with Performance Based Pay (%) & 83 & 83 \\
Workforce Covered by Formal Performance Appraisals (%) & 95 & 93 \\
\hline
\end{tabular}
\end{table}

\textsuperscript{13} See Appendix B for more detail in breaking down the analysis by asset size.
SUMMARY

Human resource practices impact the commitment and morale of employees at Fortune 500 companies and credit unions alike. Employees respond positively to key management and human resource practices including:

- promotion from within,
- individual and group incentive plans,
- information sharing programs,
- information-soliciting activities (e.g., attitude surveys), and
- training and development opportunities

In the next chapter we investigate the effects of these practices on employee trust and other key outcomes using a case study approach.
The purpose of this study is to identify practices that nurture trusting relationships and attract, motivate, and retain productive and satisfied employees. The studies described in chapter 2 identify practices to test whether they increase trust, motivation, and effectiveness in the credit unions. However, unlike studies that rely on surveys of a large number of organizations, this study uses a case study methodology to describe practices and to examine the context surrounding them.

Case study methods work most effectively when guided by a framework. We relied on a framework derived from previous research on trust. Figure 1 suggests that the structure, culture, and human resource practices of the organization influence its supervisory practices. Supervisors' behavior, in turn, influences employee trust and attitudes toward work and the organization.

![Figure 1: Framework of Determinants of Employee Trust](attachment://figure1.png)

ORGANIZATIONAL FACTORS

Organizations can either inhibit or support the development of employee trust and morale. The key issue seems to be the extent to which organizations require high control and close monitoring of employees. Organizations that exert high control through their structure, policies and culture restrict their supervisors’ discretion and actions. In so doing, they inhibit the development of trust and morale. By contrast, organizations that relax control and authorize supervisors to make their own decisions create conditions that support the development of trust.

Organizational Structure

Organizational structure affects the development of employee trust and attitudes through control mechanisms. On one extreme, the owner-entrepreneur directly supervises all employees and makes all decisions, constraining the development of trust between supervisors and employees. Such firms tend to be highly centralized, formal, hierarchical, and focused on whether resources are efficiently used to attain goals. Heavy control and monitoring neither requires nor engenders trust. At the other extreme, a network form allows members to share control and pursue common goals. These firms tend to be decentralized, informal, flat, and focused on effective goal attainment and the appropriateness of the goals the firm is pursuing. Their interdependence requires and engenders trust. Supervisors are more likely to engage in trustworthy behavior and employees have higher trust and morale in credit unions that are decentralized, less formalized, less hierarchical and focused on effectiveness (i.e., network organizations). Supervisors are less likely to engage in trustworthy behavior and employees will have lower trust and morale in credit unions that are centralized, formal, hierarchical, and focused heavily on efficiency (e.g., owner/entrepreneur organizations).

---

Credit unions typically fall somewhere between the two extremes of control. Three types of structures tend to impose progressively lower amounts of control:

1. In vertically integrated functional organizations, executives delegate operating responsibilities to functional specialists but tightly monitor and control their activities through specific guidelines, budgets, and schedules.

2. In diversified, divisional firms, executives create divisions around products, services, or geography. They monitor, control, and direct the strategy of the divisions but free the divisional staff to make operating decisions autonomously.

3. In mixed-matrix firms, executives organize the firm around a combination of permanent functional departments (e.g., sales, manufacturing) and temporary project groups (e.g., market penetration plans). They negotiate control mechanisms and goals with management and staff through participative goal setting and planning processes.

Of these three forms, trust is likely to be highest in the mixed-matrix form where executives, management, and staff negotiate control processes instead of imposing or sharing them.

**Human Resource Policies and Procedures**

Organizations design human resource practices such as selection, performance appraisal, training, and compensation to control and direct the work behavior of their employees. Employee trust in supervisors increases as supervisors conduct human resource activities with fair outcomes, procedures, and interactions, and with clear and open communication.

**Organizational Culture**

Organizational culture – the assumptions, norms, and values of the organization – strongly shapes the behavior of employees. When individuals behave in ways consistent with the organization’s culture, they are rewarded. Cultures characterized by the following values create an environment of trust:

---

1. Risk-taking (giving staff latitude to make decisions without getting prior approval);

2. Inclusiveness (collaborating and allowing others to participate in activities and decisions);

3. Open communication (sharing information, explaining decisions, discussing issues openly, and soliciting input); and

4. Valuing people (having a high priority on personal and interpersonal concerns and issues).  

Cultures with these values reward supervisors for engaging in trust-building behaviors, enabling the establishment of trust within the organization.

SUPERVISORY PRACTICES AND BEHAVIOR

Supervisory practices and management behavior influence the development of trust between managers and employees, and employees' morale. Managers and supervisors initiate and define the nature of their relationships with their staff. Their actions, initiating trust or mistrust, are reciprocated and reflected in staff attitudes and behavior. Research on trust and trustworthiness suggests that if managers want to build trust in their work units, they need to manage their own actions and practices in five basic ways: behaving consistently, demonstrating integrity, sharing/delegating control, communicating accurately and openly, and demonstrating concern and support.

Behavioral Consistency

When manager behavior is consistent, employees can easily predict their managers' future behavior. They become confident about how a manager is going to act and can make decisions and take risks in their work and in their relationships. Employees who cannot rely on consistent behavior from their managers do not know how to behave or act themselves.

Demonstration of Integrity (Behavioral Integrity)

Integrity refers to the honesty and moral character of managers. It includes telling the truth and fulfilling promises. Employees who

see their managers adhere to a set of principles are more likely to trust them. Where behavioral consistency reflects a similar pattern of actions or behaviors across time and situations, behavioral integrity reflects consistency between words and actions, between what a manager says and what he or she does.

**Delegation and Sharing of Control**

Managers vary in the extent to which they delegate control or decision-making. They may allow no input into decisions, consult with their staff before making a decision, discuss and analyze decisions until the whole group comes to a consensus, or completely delegate authority for work and decision-making to their staff. This continuum reflects the extent to which managers demonstrate trust in their staff. At one end, they make decisions themselves without input, suggesting they have little trust in their staff; at the other end, they demonstrate great trust in their people by giving them authority to make decisions. When managers demonstrate trust in their staff, the staff reciprocates and demonstrates trust in managers.

**Accurate and Open Communication**

Managers who communicate well by providing accurate information, explaining their decisions and actions, and soliciting and exchanging thoughts and ideas freely with their staff are more likely to be trusted than managers who communicate poorly. Even when decisions or outcomes are disappointing, staff trusts managers more if they openly share the procedures used to determine outcomes, present honest and candid information and justifications for decisions, communicate without ulterior motive, and provide reasonable and honest explanations. Unexplained decisions prompt staff to generate their own explanations—ones that often are completely off-target.

**Demonstration of Concern**

To develop trust, managers need to demonstrate concern for the welfare of their staff. Showing concern, being kind and demonstrating sensitivity to individuals’ needs and interests increase employees’ sense that their manager supports them. It also enhances their perceptions of fairness and improves their reactions to decisions. Managers who go out of their way to do something for employees, or express sympathy and concern, are more likely to earn a similar response from their employees.
KEY EMPLOYEE OUTCOMES

This study examines four key employee outcomes: supervisory trust, turnover intentions, job performance, and volunteerism.

Trust

Dictionaries define trust as a confidence in some quality or attribute of a person, or the truth of a statement. However, this definition fails to consider how risky trust can be. Several researchers19 have proposed a definition that incorporates the risk: “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.”20

Employees can find it difficult to trust their managers. They are particularly vulnerable and dependent and have little ability to monitor or control them. In addition, they often hear stories of managerial betrayal and deceit—stories that travel farther and more swiftly than those of managerial benevolence and trustworthiness. Therefore, any organization has a big and complex task ahead as it strives to earn and retain the trust of their employees.

Turnover Intentions

In a time of low unemployment, organizations face unusually high levels of voluntary turnover. As discussed in chapter 2, numerous studies have been conducted to identify factors that affect why employees stay or leave an organization. From a psychological perspective, the primary cause of turnover is having intentions to leave. Therefore, it is important to identify the psychological, attitudinal, and work factors that affect employees’ turnover intentions.21

Job Performance

Job performance includes two primary dimensions: task outcomes such as quantity, quality, and speed of work, and employee actions and behaviors. High employee performance is both preferred and

---

necessary for successful member service and organizational success. Although many factors affect job performance, this study focuses on the extent to which supervisor behaviors and employee trust are associated with higher ratings of job performance.

**Organizational Citizenship/Volunteerism**

Organizations certainly rely on employees performing their jobs well, and they also rely on employees’ willingness to take actions that may be outside the formal requirements of their jobs. These actions, called “organizational citizenship behaviors,” play an important role in effective management. Organizations rely on their employees to volunteer to help co-workers with projects, keep up with new information and procedures, act courteously, come to work early or stay late as needed, and persevere when problems turn up. The relationships supervisors build with their employees may enhance the likelihood that employees will volunteer beyond the call of duty.

**RESEARCH DESIGN**

Although a subjective and qualitative research method, effective case-study methodology relies on key protocols:

1. Specific definition of research questions and hypotheses based on previous research
   
   This project will investigate how managers of credit unions can enhance employee morale and trust through the design of the organization and its culture, and through its human resource policies and practices.

2. Deliberate selection of cases—selection controls irrelevant variation and directs how much the results can be applied to other situations
   
   Three credit unions were selected to represent different situations including size, core membership, geography, and number of branches.

---


3. Multiple data collection methods and multiple observers to triangulate evidence and conclusions

*Interviews were conducted by two investigators and supplemented with observations, surveys and compilations of policies and procedures.*

4. Detailed narratives of each site—often pure description but central to generation of insight

*We recorded information in detail, including tape-recording interviews.*

5. Search for cross-case patterns

*We presented the basic results and solicited input on their interpretation from industry leaders and executives, managers, and employees at all three credit unions.*

Case study methodology balances investigation of research questions with narrative about specific experience. This study presents the stories of three credit unions that have struggled through hard times, labored to serve their members, experimented with managing staff to accomplish organizational goals, and grown strong and successful in the aftermath. First, we describe each of the credit unions separately. Then we present the results of a search for patterns across the three credit unions.

Information for these stories was gathered during three visits to each credit union between September 1998 and June 1999. The authors interviewed over 50 executives and managers, pored through employee handbooks and personnel procedures, took pictures, observed teller operations, and analyzed the results of employee surveys. We enjoyed freedom to ask what we wanted and received candid responses.
We attempted to pick credit unions that differed on characteristics such as size, core membership, geography, and number of branches, and were similar to each other on characteristics such as financial strength, interest in human resource activities, and confident leadership. This chapter describes each credit union separately, including its history, its strategy, structure and organization, and its human resource policies and procedures. In the next chapter, we present the major patterns and implications identified by the executives, managers, employees, and researchers.

**DESCRIPTION OF THE CREDIT UNION SAMPLE**

Table 6 shows that all three credit unions improved their operations during the last ten years, significantly increasing their asset size, member base and financial position. However, because of the low unemployment rate they also had increased staff turnover.

<table>
<thead>
<tr>
<th>Table 6: Credit Union Sample Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Assets (million)</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
<tr>
<td><strong>Membership</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
<tr>
<td><strong>Employees (FTEs)</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
<tr>
<td><strong>CAMEL (overall)</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
<tr>
<td><strong>Turnover (%)</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
<tr>
<td><strong>Local Unemployment (%)</strong></td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>1990/1991</td>
</tr>
</tbody>
</table>
CREDIT UNION EMPLOYEE PROFILES

Surveys were distributed to all full time and part time employees at all three credit unions. Respondents mailed their completed surveys directly to the researcher in stamped and addressed envelopes.

Tables 7 and 8 display the demographic breakdown of the sample of employees responding to the survey at each credit union. The typical respondent at each credit union was a white female in her late 30s who had worked for the credit union for four years in a full time, non-managerial job. She had received one promotion, had been working in the same job for three years and for the same manager for two years.

The tables also display interesting differences. First, employees at the industry credit union had longer tenure than those at the other credit unions. This finding is consistent with industry’s significantly lower turnover rate in 1998 (15% vs. 40-50%). Industry’s lower turnover rate is remarkable because it also has the lowest unemployment rate.

Second, proportionally more managers responded from the public school credit union than the others. They were more responsive than non-managerial employees to requests from the CEO to complete the surveys, which had been mailed to their homes, instead of distributed at work as at the other two participants. Third, the overall response rates differed. Approximately 40% of the employees completed surveys at the industry and public school credit unions; however, 80% of employees at the university credit union responded to the survey—twice the rate for the other two credit unions. University credit union employees had not completed attitude surveys since 1992, whereas employees at the other two credit unions already had participated in a regular survey process earlier in 1998. Their lower response rate may have been due to what one manager called “survey fatigue.”
CASE #1: UNIVERSITY CREDIT UNION

Two images from employee newsletters reflect the essence of University Credit Union. In an October 1998 employee newsletter, a graphic of a pacing lion with a heavy mane and the large, dark words, “PRIDE,” announced the kickoff of a new service quality training program. In the November newsletter, a picture of the fourteen University staff members who conceived, developed, and implemented the new program was printed under the banner, “Credit Union takes PRIDE.”

Like many credit unions, University’s vision is to meet and exceed member expectations. Also like many credit unions, they have recently deepened and broadened their commitment to provide value, convenience, and service to members any time, anywhere.
To accomplish this commitment, they found they needed to offer a training program specifically targeted to increase service quality.

Rather than purchasing a vendor’s customer service program, they created a quality service program of their own. Recognizing that imposing a new program on the staff would place it at risk, management delegated responsibility for the development of the vision and the details to staff volunteers from all levels of the organization. A consultant started the process by offering the word, “PRIDE.” But the volunteers labored long and hard to figure out how to encourage employees to do their best in meeting and exceeding members’, and their own, expectations. They solicited input from everyone in the organization, worked with the consultant, and met frequently to accomplish their task.

First they defined pride: “PRIDE compels you to do your best at all times. It pushes you to accomplish more than others expect of you — to accomplish what you expect of yourself. Taking pride in your work means taking pride in yourself.”

Second, they elaborated on their definition using the letters of the word. To take pride is to be Professional, Responsible, Informed, Dedicated, and Enthusiastic.

Third, they believed that everyone in the organization would benefit from training on PRIDE to help them translate pride into “what everyone does, everyday, to members and to each other.” They developed the training modules around the letters of the word. For example, they defined professional as “the professional image we present to members and staff through empathy, integrity, and trust” and listed professional behaviors such as calling members by name, smiling, making eye contact, being discrete when discussing confidential information, and having professional appearance.

Fourth, they modified the performance appraisal process so that everyone in the organization would be evaluated on their “PRIDE.” They enacted a quarterly evaluation process through which peers rate them on their pride behaviors.

University Credit Union is moving forward with a vision of member service—designed and strengthened by its commitment to capitalizing on the experience, energy, wisdom, and skills of its staff.
Background

Chartered in late 1952, University Credit Union originally served the faculty of the premier state university, but over the years, merged with government and student credit unions and expanded to serve over 100 Select Employee Groups. Its founding president served for eight years. In the early 60s, a new president succeeded him. He led the organization for 25 years and became a leader in the credit union movement. After a second change in leadership in the 1980s, the credit union experienced some very stressful days. In 1993, a new president took over, orchestrating numerous changes in strategy and the management team, and accomplishing a significant turnaround.

University Credit Union ended 1998 with over $300 million in assets, nearly 59,000 members, and an overall CAMEL of 1. It operated five local branches, one of which is a walk-up video window (no lobby) and opened a new branch (no tellers) in a city approximately 25 miles away.

The organization offers a full set of financial products and services including:

- Checking
- Visa cards
- ATMs
- Internet Banking/Home banking
- Mortgage and Home Equity Loans
- New and Used Automobile Loans
- Share Draft, CD, and Money Market Accounts
- IRA and Roth IRA
- Kids’ Club
- Seniors Club

The credit union has earned high ratings and financial success with a staff of 150 full-time equivalent employees. As indicated in the comments and verified in the questionnaire, the staff enjoys working at University Credit Union. However, in spite of this high
satisfaction and morale, the credit union has had high turnover. In 1998, the turnover rate was 50%, due to a combination of factors common to university towns: low unemployment, chronic underemployment\textsuperscript{24}, and a highly transient student workforce. This high turnover diverts management and staff attention from new initiatives. For example, in 1996 a consultant helped the vice president of human resources and staff group develop a comprehensive training and education plan. They devised a career plan and a series of courses to prepare and develop employees for career progression and promotion. However, they have yet to completely implement the plan because they have had to focus training resources on orientation and training of new employees.

Despite the diversion, they have developed and implemented a successful strategy and created an enjoyable and effective organization.

**Organizational Factors**

The Board of Directors and management team articulated a set of values as part of their 1998 strategic planning process. They used these values to analyze strengths and weaknesses, drive the strategic plan, and develop tactical operational plans. They included six values:

- meet and exceed member expectations in all areas of operations
- ensure financial strength
- emphasize innovation and responsiveness in all service delivery systems, technology, planning and human resource development to deliver greater value, convenience, and service to all members
- support the flow of communication within the organization and between members and employees with an open and trusting work environment

\textsuperscript{24} The highly educated labor force in university towns (with few major industries) has difficulty finding jobs that match their credentials. Job seekers expeditiously accept positions that underutilize their education and skills but continue their job search until they find more appropriate positions, thereby increasing turnover.
• promote employee growth, pride, and loyalty through opportunities for education, feedback, involvement, and empowerment in all aspects of the operation of the credit union and

• take advantage of opportunities and strengths in order to withstand challenges from inside and outside the institution.

These values are intended to rally credit union employees around providing exceptional member service and increasing sales and penetration.

**Organizational Structure**

University Credit Union is probably best described as a “mixed matrix” form of organization, with strong functional departments and temporary project groups. It organizes its eleven departments and five branches around functional and geographic lines. Further investigation, primarily through the interviews, yielded information on other key structural characteristics. In particular, the credit union has recently begun to rely heavily on temporary cross-functional teams to work on specific projects and goals.

*Formalization.* University Credit Union codified employee procedures for the first time in 1988. It is currently reviewing and updating its procedures and handbook. It has relied on training and assistance from the human resources department to formalize management processes, such as performance management and disciplinary procedures, but the inability to fully implement the training plan suggests that implementation of the formal procedures is inconsistent.

*Routinization.* Many of the jobs are highly routinized. For example, loans and mortgages are managed in a sequence—each person in the department touches each loan to perform a specific task. Tellers also do routine work. Because they do the same thing repeatedly, many of employees become bored. One branch manager said he is trying to cross-train and provide extra compensation for those who are cross-trained. He said he wants people to have more variety in their jobs and to be able to substitute for each other when member demand shifts.

*Centralization/Hierarchy.* University Credit Union has five branches, each run by a manager. Loan officers are located in the branch and are supervised by the branch manager.
University has four layers of management. The CEO delegates operating responsibility directly to six vice presidents: finance, information systems/technology, operations (member services), lending, human resources, and marketing/business development. Managers lead the departments under each vice president and rely on supervisors to help them manage staff.

In 1990, University put together an elected employee group to improve employee morale. They named the project group, “FEBO,” which stands for “For Employees' Benefit Only.” The group is responsible for organizing events for employees. Membership on this committee rotates, but its task has remained the same. Since 1990, additional, organization-wide projects have followed the same pattern. After an employee survey in 1992 indicated that employee recognition and appreciation was poor, a committee was formed with representatives from each area to develop recognition events and programs. Many of these programs have become formalized, such as the “Kudos” program in which employees give “Kudos” to each other to recognize outstanding effort and achievement, and an anniversary award program. The PRIDE program described above is the most ambitious attempt to capitalize on employee energy and expertise in designing and implementing organization-wide programs.

Several important organizational problems have been delegated to outside consultants. Most recently, consultants have devised performance appraisal, training, and compensation plans. In most cases, the consultants solicit employee input in designing their recommendations.

University has implemented temporary project teams to solicit employee input and harness employee expertise; however, employees and management indicate that information and decisions often bog down as they travel up and down the hierarchy. The CEO and vice presidents have made improving communication and coordination a high priority.

Efficiency. The availability of data seems to be the primary barrier to efficiency. For example, the manager of one branch indicated she wished she could get better and more frequent data on key performance indicators (e.g., new business and write-offs). She would like to get daily reports because by the time she gets monthly reports it is too late to make changes.
The credit union emphasizes effectiveness. In the past it has tried to measure effectiveness by looking at member service. Yet member service was measured by asking employees how knowledgeable they are about the services they provide. The credit union has now started to measure member service more directly, using a consulting firm to administer a member-survey program designed to provide comparison data of University's ranking relative to other credit unions.

**Human Resource Policies and Procedures**

University Credit Union wants to be known in its hometown as the “employer of choice” and more widely for its “best practices and performance.” To accomplish this, it has carefully designed its selection, training, appraisal, and compensation procedures to attract, retain, and motivate a member-oriented staff. It has also designed its policies and procedures to be fair to all staff members.

**Selection.** The human resource department advertises and posts open positions and pre-screens applicants and internal candidates, often through a phone interview. It refers viable candidates directly to the manager who interviews and makes a final selection decision. The credit union is seeking new employees who fit the culture and possess a service and sales-oriented personality. However, few managers can articulate the characteristics of that personality. University is trying to reduce its turnover rate by being more selective and giving a realistic picture of the job, such as allowing applicants to observe employees in similar positions.

**Training.** Management and the board, composed primarily of current and former university and government employees, emphasize training as the mechanism to accomplish their strategic goals and to improve member service. They hired a consultant to help design a comprehensive training and development plan. Based on the credit union’s strategic thrusts and on an extensive needs assessment, the consultant identified training deficiencies. With his guidance, University developed over eighty specific courses ranging from Accounting Operations to Change Management, outlined an appropriate sequence of courses for each job in the credit union, and designed implementation and evaluation procedures.

This plan has not yet been fully enacted because new employee orientation and training has diverted attention and resources.
**Performance Appraisal.** New employees receive an appraisal at the end of a 90-day introductory period. Afterwards, they receive an evaluation semi-annually. Developed as part of the salary administration plan, employees and supervisors first work together to identify goals. Non-managerial staff focus on departmental and individual goals, managers concentrate on organizational, departmental, and individual goals, and senior management emphasizes organizational and individual goals. Goals clarify job responsibilities and actual performance levels and establish starting points for setting improvement plans and future performance goals.

The goals are complemented by ratings on general performance criteria. The ratings vary from unsatisfactory (1) to far exceeds expectations (5). Non-management staff is rated on work quality/quantity, reliability/punctuality, job knowledge/technical application, team relations, member relations/quality service, and problem solving/decision making. Managers are also rated on written and oral communication, planning and organizing, management effectiveness and maximizing resources, professional representation, and organizational and team relations. Ratings are weighted and summed to provide input into compensation decisions.

The PRIDE program adds a peer evaluation process designed to gather information from those working most closely with each employee about how well the employee is enacting PRIDE behaviors. Several managers and employees expressed a need for a more comprehensive “360 degree” feedback program, but also discomfort with a peer-evaluation component.

**Compensation.** University Credit Union is committed to offering externally competitive, above-market salaries to retain their people, but find that it is difficult to know what the “market” is, as salaries fluctuate greatly in a tight labor market. They also are committed to offering internally equitable salaries to promote fairness within the organization. They have conducted a job worth evaluation measuring skill and experience requirements, scope of responsibility, complexity and effort, and work environment for each job. Weights on each dimension provided the basis for devising position levels and salary ranges.
Salary increases are based on performance, promotions, and range adjustments.

*Fairness of Human Resource Practices.* A series of questions on the survey were designed to identify the extent to which employees perceived that human resource practices were fair, that is, administered consistently and in a timely fashion across all employees. Employees indicated that their perceptions were positive but that there was room for improvement. The average perception of fairness was 5 on a 7-point scale. In addition, employees who perceived that human resource practices were fair were more likely to intend to stay with the organization.

*Organizational Culture*

According to one manager, University Credit Union used to be an “order-taking place” with low risk-taking, low inclusiveness, and closed communication. However, management and employees alike indicated that it is trying to move toward service and sales performance. Such a move will require a turnaround in the culture. The credit union is relying heavily on training and Project PRIDE to sway the culture in that direction.

*Supervisory Practices and Behavior*

Table 9 shows that all five supervisor practices and behaviors had a significant impact on employees’ trust in their supervisors. Managers’ demonstration of support and concern had the strongest relationship and behavioral consistency the weakest. In addition, demonstration of support and concern had the strongest (negative) relationship with turnover intentions. Those employees who felt that their managers’ demonstrated low support and concern were most likely to be planning to leave the credit union. None of the other behaviors had a significant impact on turnover intentions and none affected self-ratings of performance. Employees who indicated that their supervisors acted toward them with integrity, concern, and open communication responded with greater willingness to volunteer for duties and work beyond their job requirements, as rated by their co-workers.
General Comments

University employees provided many constructive suggestions through the interview and survey process but they also indicated that they liked working at the credit union. These comments were volunteered at the end of the lengthy survey:

“This credit union is interested in its employees and works hard to maintain its excellence in service to its members while keeping its employees satisfied and happy.”

“This credit union is a great place to work—partly because we are all members and what we do as employees ensures the quality of the institution for our future and the future of our families.”

“This is the most organized and well-staffed place that I have ever worked. The people I work with are a testament to what is possible when people really try to make a difference in the professional workplace. I applaud them all.”

<table>
<thead>
<tr>
<th>Table 9: Significant Relationships between Supervisory Behaviors and Key Employee Outcomes (correlations)*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Behavioral Consistency</strong></td>
</tr>
<tr>
<td><strong>Behavioral Integrity</strong></td>
</tr>
<tr>
<td><strong>Demonstration of Concern</strong></td>
</tr>
<tr>
<td><strong>Delegation of Control</strong></td>
</tr>
<tr>
<td><strong>Two-way Communication</strong></td>
</tr>
</tbody>
</table>

*Correlation coefficients quantify the extent to which movement in two variables are related. The values of correlation coefficients range from –1 to +1. Both of these extremes represent perfect relationships, whereas a coefficient of 0 represents the absence of a relationship. A positive relationship means that high scores on one variable are generally associated with high scores on the other variable (and vice versa). A negative relationship means that high scores on one variable are associated with low scores on the other. Only those correlations that are significantly different from zero were included in the table.
CASE #2: INDUSTRY CREDIT UNION

“Hold on a minute,” a contact replied to an interviewer’s question. She put down the phone, walked across the floor, and closed the door. When she returned, she took a deep breath and continued.

“We haven’t announced it yet, but we are about to restructure the senior management team. For the past eleven years, we have had two senior vice-presidents who report to the CEO. One is in charge of accounting/information systems and the other is in charge of operations. At the turn of the year, we’re adding a senior VP in charge of human resources. That’s one reason why we’re eager to participate in your study—we are at an important transition and can benefit from your ideas about how to improve our human resource and management practices.”

In 1999, the CEO at Industry Credit Union completed the last piece in a master plan that he had devised over 12 years ago—adding a senior management position devoted to human resource issues. The timing was right, as he explained, “The next decade is going to be a tougher grind for our employees. We’re not going to be able to enjoy the luxury of any employee giving an answer that the member leaves with a little uncertainty that maybe they didn’t get the whole story. We’ve got to make sure that our people are prepared when we put them out on the firing line.”

With this change, Industry Credit Union is modernizing the role of human resources. Expectations of human resources in the past had been minimal—file clerk and event planner. For example, when asked about the human resource function, one manager responded, “personnel is pretty good at documentation (W-2s, benefits, etc). But the parties are always a mixed bag.” Now the credit union is deliberately integrating human resources into the strategic and operational planning and goals of the organization. As the CEO concluded: “We really need to get commitment now, because human resources are so expensive and so scarce that we have got to prepare our people to do all they can do and be all they can be.”

Background

Industry Credit Union received its charter in August 1967 to serve the needs of the local employee group of a leading computer and technology firm. In the beginning, it took 25 cents to open an
account. By the end of the year, Industry had opened a branch and enrolled 40 members. In the 32 years since, the credit union has grown, serving employees at the original firm in three states and adding over 180 other select employee groups to the membership base. The same CEO, who has served Industry for almost 25 years, has nurtured essentially all of this growth.

Industry ended 1998 with over $740 million in assets, nearly 84,000 members, and an overall CAMEL of 1. They manage 10 branches in two major metropolitan areas separated by at least two-hours driving distance, and are opening a new bricks-and-mortar branch every 18 months.

The organization offers a full range of products and services. Because its memberships’ roots are in the high tech industry, Industry tries to stay on the cutting edge of financial services technology—indeed, it has a whole department devoted to identifying, implementing, and managing high tech, alternative banking mechanisms. Products and services include:

- Checking
- VISA cards
- ATMs
- Bill Payment Services and On-Line Transaction Services
- Mortgage and Home Equity Loans
- New and Used Automobile Loans and Auto Broker Services
- Share Draft, CD, and Money Market Accounts
- IRA and Roth IRA
- Kids’ Club
- Seniors Club
- American Express Travelers Cheques and Gift Cheques
- Credit Consulting
- Discount Stock Brokerage Services and Mutual Funds
- Electronic Tax Filing
• Insurance Services (e.g., Automobile, Homeowners, Life)
• Estate Accounts
• Trust Accounts

The credit union offers these products and services with a full and part-time staff of over 190 employees. Despite facing an incredibly low unemployment rate (1.5%), Industry Credit Union experienced only a 15% turnover rate in 1998—most of it in the teller area. To increase member service and performance with this relative stability in the work force, motivating and developing employees became a high priority.

Organizational Factors

Like University Credit Union, Industry follows a strategic planning process rooted in its core values:
• diversified products and services provided at a low cost
• multiple channels of delivery
• trust of members
• personal involvement with members
• openness to expanding the membership

Industry has identified five strategic initiatives derived from these values and designed to increase success in the future. The credit union indicates a number of things it would like to change to make it better:
• marketing resources and strategies
• resources devoted to business development (increasing the number of SEGs)
• delivery channels including ATMs, branches, SEG penetration, and 24 hour service
• community relations and political action
• training to improve consistency and outreach

By contrast to University’s 10-page strategic plan, Industry’s plan is only four pages long. Their goals are focused and specific.
Industry then relies on the budget process to disseminate the implications and design the operational details.

**Organizational Structure**

Industry is similar to a diversified, divisional firm with two divisions organized around geography. However, instead of operating autonomously with strategic guidance, the divisions are closely managed by the senior management team.

**Formalization.** Industry's employee handbook describes its human resource policies and procedures. However, the policies and procedures seem to be limited. As one manager explained:

“To be honest, we don’t have a lot [of policies or procedures] that we’ve been given. Certainly nothing like hiring guidelines...[But] I brought some experience with me.

“When I came here, I came from [another financial institution], which is very large and very structured and we had a book on guidelines for expense vouchers. What's covered, what’s not, daily allowances, that type of thing. So, of course, from an accounting viewpoint it was great because it gave us something to work from and if we had a concern then we would do a little memo to that person's manager and give them the opportunity to over ride.

“We don’t have anything like that [here]. I’ve asked about it and they didn’t really want to be tied down that tight. So we don’t have a lot of guidelines so you just do the best that you can but that makes it a little harder because you don’t know how the different departments work together.”

**Routinization.** As at University Credit Union, many jobs at Industry are standardized and routinized.

**Centralization/Hierarchy.** Industry has ten branches, each run by a manager, located in two major metropolitan areas in a state in the Upper South. The branch manager often is also the only loan officer, depending on the size of the branch.

The power center of the organization rests in the CEO and senior vice presidents. Decisions are made at their level, with careful attention to detail.
Industry has five levels of management: CEO, senior vice presidents, vice presidents, managers, and supervisors. Although the number of project teams is limited, Industry regularly solicits input from employees through an attitude survey. An outside consulting agency manages the survey process and summarizes and interprets the findings. The senior management team shares the results with middle management and encourages them to solicit input from their staff.

Efficiency. The composition of the senior management team may reflect their focus. Their decision to broaden the strategic leadership of the credit union to add emphasis on human resource issues to the operational and financial emphases already represented suggests that Industry is adding an effectiveness focus to its commitment to efficiency.

Human Resource Policies and Procedures

Industry recognizes the challenges of managing its staff in an era of exceptional member service, growth and low unemployment. It has responded by elevating the role of the human resource function to a strategic level and by emphasizing training and development for everyone in the organization. Other human resource activities are designed to direct and reward employee performance.

Selection. Industry Credit Union recruits new employees through temporary employment agencies. Tellers, loan officers, and others are hired from local temp agencies. Industry provides the training, then assigns a job. After six months in the job, temporary employees may be hired permanently. If so, they get seniority credit for the time they worked for Industry as a temp. The firm relies heavily on this job-tryout process.

Industry also has a strong commitment to promotion from within. When openings become available, management generates a list of viable candidates and selects a replacement from that list. A few jobs get announced more broadly through e-mail.

Training. The new senior vice president of human resources is developing a comprehensive training and development plan. Prior to 1999, Industry used training to prepare new employees for their jobs and to complement organization-wide changes and initiatives. For example, everyone in the credit union participated in a
customer service training program called, “The Customer,” and a selling program called, “Integrity Selling.” Otherwise, after the initial orientation, training is conducted primarily on-the-job within the specific departments. Several managers said they also try to provide cross-training for their employees to increase the variety in employees’ jobs and managers’ flexibility in assigning jobs.

Performance Appraisal. New temporary employees are evaluated after a six month probationary period. Managers appraise permanent employees annually. The evaluation form guides the process.

The form covers a number of performance dimensions such as dependability, job knowledge, productivity and judgment. Managers select a description of the level of performance on that dimension and describe the trend or direction the employee seems to be taking. They provide an overall evaluation on a scale that ranges from “results are unsatisfactory” to “consistently exceeds requirements of the job in all key areas.” Finally, they provide comments on the employee’s strengths, areas of improvement, and goals for the next period. Employees can add comments to register their disagreement but must sign the appraisal form to verify that the appraisal occurred.

Compensation. The compensation plan consists of two major components: individual salary increases and a group incentive plan. The CEO and senior vice presidents allocate salary increases to adjust employees’ position in their salary ranges and to reward performance. Individual salary issues are highly confidential—only the CEO and senior vice-presidents have access to the compensation guidelines.

On the other hand, everyone in the credit union is involved in a gainsharing plan. Many employees, managerial and non-managerial alike, described the plan as a great success. It has enhanced communication, feedback, and directed focus toward a common goal. Gainsharing checks are distributed twice a year.

Finally, Industry periodically conducts a specific promotion, offering prizes such as vacations to individuals or branches that sell the largest amount of promoted products. However, a few years ago, the branch staff became very excited about a particular promotion and set of prizes. They worked hard and outperformed
any previous promotion. At the end of the promotion, senior management announced that because everyone had worked so hard and performed so well, they couldn’t decide to whom to award the prizes, so they didn’t award any. The effect was seriously deflating. Several years later, in the midst of a new promotion, several managers and staff are concerned that the experience will recur.

Fairness of Human Resource Practices. Industry keeps a local human resource consulting firm on retainer to assist them in working with employee issues. However, the lack of explicit senior management commitment to human resources in the past seems to be reflected in employees’ responses to survey questions on fairness of human resource practices. On the overall scale, Industry scored a neutral response (a 4 on the 7 point scale).

Organizational Culture

Industry’s roots in technology strongly affect its culture. When asked about his philosophy on communication and his preferences on how to communicate, the CEO responded:

“The best communication device in today’s corporate world is e-mail. We’ve had difficulty breaking our employees off of an internal newsletter, because they like paper. We now have a bulletin board and once we get everyone on typical Internet e-mail then we will be able to do a lot of color and cartoon type things. But I think that’s the best way to communicate because it’s instant. Once you put it on the e-mail system everyone has access at the same time. With our remote branch operation and our significant operation in [the other city], we send something out in writing, people down the hall get it before the branches, so there’s a bit of disparity in the availability of the information. I think e-mail is the best vehicle now and I think we should openly communicate what our employees need to know to do the job and understand the marketplace, to serve our membership, but we don’t need to tell everything.”

This CEO’s interest in the use of e-mail as a communication device can easily be misunderstood as a way to de-personalize the workplace. However, he sees it as a tool to empower, inform, and personalize the workplace by openly sharing information, treating
everyone equitably, and eliminating communication gaps caused by physical separation.

**Supervisory Practices and Behavior**

The pattern of results at Industry is similar to the pattern at University. Table 10 shows that managers’ demonstration of concern played the strongest role in affecting employees’ trust and intentions to leave the organization. However, Industry managers’ behaviors and practices did not significantly affect employees’ willingness and interest to volunteer and go beyond the basic job requirements.

<table>
<thead>
<tr>
<th>Behavioral Consistency</th>
<th>Trust-in-Supervisor</th>
<th>Turnover Intentions</th>
<th>Self-Ratings of Performance</th>
<th>Organizational Citizenship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral Integrity</td>
<td>.43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstration of Concern</td>
<td>.76</td>
<td>-.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delegation of Control</td>
<td>.55</td>
<td>-.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two-way Communication</td>
<td>.65</td>
<td>-.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Correlation coefficients quantify the extent to which movement in two variables are related. The values of correlation coefficients range from –1 to +1. Both of these extremes represent perfect relationships, whereas a coefficient of 0 represents the absence of a relationship. A positive relationship means that high scores on one variable are generally associated with high scores on the other variable (and vice versa). A negative relationship means that high scores on one variable are associated with low scores on the other. Only those correlations that are significantly different from zero were included in the table.*

**General Comments**

Industry Credit Union employees express their satisfaction with the organization by foregoing opportunities to leave. They do have criticisms—often the typical ones of communication, pay, advancement, and fairness—but they like working at Industry. Consider comments from the survey:

“Overall the credit union is a good place to work and the benefits are great. However, I think the communication could be improved—we overlook good qualified people for positions within the credit union.”

“I would like to say I am not upset or unhappy working [here.] In fact, I am honored to have the opportunity to work here. I am unhappy about the inconsistent behavior
of request for transfer....I realize that it cannot always be done, but it should be done consistently for everyone.”

“I feel that this credit union is... an excellent place to work. The only frustrating situation... is pay.”

“A s a new employee, this is the most supportive company that I have ever worked for. This is truly a credit union of ‘people for the people.’ Everyone is supportive, happy, and obviously enjoys working [here.]”

“We have a great group in our department. Most are hardworking, team-spirited, letting us get the job done well. I think the credit union is a wonderful place to work.”

CASE #3: PUBLIC SCHOOL CREDIT UNION

Despite having the fewest number of employees of the three credit unions in the sample, Public School Credit Union has organized and systematized their human resource function the most. For example, Public School not only has a 26-page employee handbook outlining basic conditions of employment, benefits, and work rules and procedures, it also has a 100+ page management handbook describing its personnel policies and procedures in detail. Each policy or procedure reflects the latest legal and professional knowledge and expertise. A s a relatively small credit union Public School could be tempted to be informal and casual in its employee and member relations, but its management runs the organization in an almost obsessively professional fashion.

Background

The Public School Credit Union, the only state-chartered credit union in the sample, was formed in 1934 to provide the employees of the local public school system a cooperative in which they could pool their savings and make loans to each other. Their goal was to work together to help each other get through the Great Depression. They had eight members and assets of $40.00.

Although the public schools still provide most of its membership, the credit union now serves over 25 select employee groups (mostly private and parochial schools). In 1991, the once-proud credit union hit seriously difficult times. A n overall CAMEL of 3
and regulatory warnings spurred the board of directors to bring in a new CEO. He arrived in 1992 and orchestrated an astonishing turnaround in financial strength, safety and soundness, and culture. He reformed the executive team, bringing in three new managers from outside the organization. Relying on the latest research evidence, this team constantly redesigns product and service mix and updates human resource practices and procedures to build a high performance work culture.

The hard work has paid off. In 1998, Public School Credit Union surpassed its goal of managing over $300 million in assets. It has just under 30,000 members and a CAMEL rating of 1. Unlike the other two credit unions in this sample, Public School offers all of its services in one location, close to an upscale shopping district in a major western city.

From this location, Public School offers a wide range of products and services:

- Checking
- Visa
- ATMs
- Mortgage and Home Equity Loans
- Automobile Loans
- American Express Travelers Cheques
- Share savings, Holiday Club, CDs, and money market accounts
- IRAs and Roth IRAs
- Personal Loans
- Children’s savings programs
- Financial management seminars
- Safe Deposit boxes

Public School has earned its high ratings and financial success with an extremely motivated, highly disciplined, and achievement-oriented staff of 60 full time equivalent employees. The organization strives to maintain a high revenue-per-employee
ratio—a feat facilitated by managing only one location but inhibited by high turnover (40% in 1998).

Organizational Factors

To initiate the turnaround in 1992, the board of directors adopted a new mission statement that relied on the credit union’s original vision of people helping people:

“In the spirit of people helping people, Public School Credit Union takes pride in serving fellow members by providing safe and competitive services which enable members to achieve their financial goals.”

This mission drove the strategic plan for the next five years. In the first year, the credit union focused on stabilizing the finances of the credit union. The next two to three years were devoted to enhancing, growing, and expanding by getting a new management team and operating system in place, training and developing staff, expanding products and membership, and enhancing service quality. Finally, the credit union wanted to lead the movement in its state and the country. To accomplish these goals, it remodeled and upgraded facilities, started conducting regular member surveys and focus groups, replaced all middle and upper level management, and as described below, utilized all aspects of human resource management (selection, training, compensation, and appraisal) to refocus the organizational culture on member service quality.

Having accomplished this remarkable turnaround, Public School Credit Union has identified several objectives for the next five years (1998-2003):

• To achieve excellent financial performance reaching $400-500 million in assets (a growth rate of 12-20%)

• To achieve excellent service quality as measured by service quality member surveys, comparison to high performing credit unions, and employee opinions

• To provide excellent financial services and increase product usage by competing with and exceeding the deposits and loans of other high performing credit unions
Public School also identified the implications of these objectives for the human resource effort:

- Continue a competitive compensation plan
- Offer flexible benefits to meet varying employee needs
- Maintain a flexible work environment for nontraditional work force
- Provide sales and service training to meet customer demands
- Address competitive industry pressures with budget efficiencies

**Organizational Structure**

Public School Credit Union is a vertically integrated functional organization. The CEO, vice presidents, and managers delegate operating responsibilities to functional specialists and control their activities through tight guidelines, budgets, and schedules.

**Formalization.** The personnel policy and procedure manual illustrates the extent to which Public School has formalized its activities. It identifies objectives, procedures, and goals, and gathers data regularly to evaluate success. For example, data are gathered using an outside firm on member service every quarter. Employee surveys are conducted every other year. Job descriptions, compensation grid, and performance appraisal processes are updated yearly. These procedures provide data that will let management know how things are going.

These procedures also prevent problems. The human resources vice president indicates that a process of self-evaluation, problem-solving focus has eliminated employee disagreement with their performance appraisal.

**Routinization.** As at the other credit unions, most of the jobs are highly routinized. However, the credit union is currently devising a plan to enlarge and enrich many jobs. Staff in these newly re-designed jobs will be trained on a broader array of skills, and cross-trained to perform other tasks as well. The new plan will significantly reduce the routine of the work and will also increase the credit union’s flexibility to respond to changes in members’ needs.
Centralization/Hierarchy. According to one vice president, the biggest challenge the management team has is getting people to use the chain of command and not circumvent it. Too often employees ask a vice president for help rather than going to their managers. The location of the vice presidents’ offices probably facilitates this tendency as the vice presidents work next to their departments. In a renovation scheduled for 1999, all the vice presidents will be moved out of their departments to a separate floor. The change is intended to give them more time for strategic analysis, planning, and decision-making and to delegate more of the day-to-day operations to their managers.

Public School has four layers of management: CEO, vice president, manager, and supervisor. Several managers indicated that they try to delegate as far down in the organization as they can. To delegate, they define the task and the parameters and then let go, except to receive updates or check periodically to see how things are going.

In several days of meetings and interviews, we never heard the use of the word “teams.” When we finally asked a manager about the role of teams at Public School, she replied, “Oh, yes, we have teams around here. But they are informal and focused on the immediate work group. For example, when I need help on a project, I can go to any of the other managers any time for their assistance. We have built a good management team. And I have worked hard to build my work group into a good team, too.” To lend support to her notion, a second manager added, “I know I have a good work team because my people pitch in for each other without being asked.”

Public School occasionally assembles cross-functional project groups to design organization-wide initiatives. However, more typically the vice presidents solicit input through the chain of command. For example, the vice presidents worked together to design the renovations, including the teller and member service areas. Input from the teller line or member service reps filtered up through the supervisors and managers.

On the other hand, management tries to share information with employees on a regular basis. They gather quarterly for breakfast and discuss and announce items of concern to everyone. They publish a number of internal newsletters. The human resources
department publishes two newsletters—one announcing changes or new procedures and the other sharing personal news.

Efficiency. Public School is highly task-oriented. As part of the cultural revolution to turn the credit union around, the new CEO cleaned house by creating a process that enabled keeping employees who could change from an “order-taking and -filling” culture to a “service and sales” performance culture. They have developed a large number of measures to try to keep track of how things are going.

Human Resource Policies and Procedures

Public School Credit Union relies on the services of several consulting firms to help design and maintain valid and effective human resource practices.

Selection. The human resource manager described the selection process:

“In our recruiting process we post all jobs internally (every job except for executive level positions). The job description is put up, salary range, salary points, and the job requirements. Employees have five days to respond to the ad explaining in a short written format how they are qualified for the job.

“The selection process identifies the qualifications people have, checks to see if they match the minimum requirements, and involves a series of interviews with the manager, vice president, and myself. We have used a personality survey questionnaire. It gave us a reading of themes that a successful service-oriented employee needs to have. However, the use of the survey got too expensive so I am currently looking for a new one. We believe in that kind of behavioral identification.”

Managers interview prospective employees following the question guidelines spelled out in the personnel policy and procedure manual and make their selection.

Training. The human resource manager just hired the credit union’s first full time trainer. He expects the trainer to design and implement a larger plan providing skill training. Using the
strategic plan and performance appraisal information, the trainer is designing training programs focused on improving performance.

Managers and supervisors complete an eight-module series of courses on supervisory skills such as developing interpersonal communication, interviewing and conducting performance appraisals. When they have completed the fundamental supervisory skills training, they complete a skills scope to assess their need for additional training. They give a questionnaire to six peers and supervisors who provide their perceptions of the behaviors.

The information is compiled and given to the vice president and the manager or supervisor. Together they identify areas for training and develop a plan for improvement. The employee opinion survey also has a section on supervision that provides similar information for needs assessment and training plans.

However, because it can take several years to complete this training, the personnel policy and procedure manual often substitutes as an on-the-job training manual for many tasks such as interviewing or conducting performance appraisals.

*Performance Appraisal.* A consulting firm developed Public School’s performance measurement system as part of a comprehensive compensation plan. The plan contains two basic elements: general performance criteria and specific objective measures of performance. Two weeks before the annual review each employee gets a copy of his or her job description and a performance evaluation form. The employee makes appropriate changes to the job description as part of a process to keep the job description updated and to assist in the maintenance of the compensation system.

Next the employee and the manager rate performance using a five-point scale ranging from unsatisfactory to outstanding. The dimensions used for the rating include quality and quantity of work, dependability, knowledge, teamwork and professionalism. When they meet, manager and employee discuss their ratings and the objective data. As part of the appraisal discussion, employee and manager compare results to goals set at the last appraisal meeting and set goals for the next performance period.

*Compensation.* Compensation at Public School consists of salary and at-risk pay. Managers adjust their employees’ salary on the
basis of their performance appraisal. Dimension ratings are weighted and combined to generate an overall performance rating. Pay increases reflect the overall rating and position in the pay range. Outstanding employees at the bottom of a pay range receive a larger percentage increase than outstanding employees at the top of the range.

Public School Credit Union also uses an incentive compensation plan that puts some of each employee’s pay at-risk. Employees receive an additional amount if they and the credit union meet performance goals. Approximately 2% of pay is tied to revenue and up to 4% is tied to other goals set with their supervisors.

Managers make most of the pay decisions themselves, without direct intervention or approval from senior management. First, they receive training on the compensation system. Then they are allocated authority to assign pay raises up to a certain limit (the 50th percentile in each pay range) without approval.

Public School chose a compensation system that moved individual pay decisions down to the individual’s manager. The human resource manager explained: “We needed a system that had credibility with employees. We needed a system that was empirically-oriented because we are dealing with people who deal with dollars and numbers all the time and they need that structure. We needed a system that our people felt comfortable with and felt was fair. Employees needed to feel that it wasn’t the human resource manager making the decisions. It was an equitable system that each manager knows how to operate.”

**Fairness of Human Resource Practices.** Public School is committed to choosing, developing, and implementing trustworthy systems. They share information about the design of the system, train everyone in its use, and delegate decisions derived from the system to middle or lower level managers. In their responses on the survey, employees indicated that they agree that human resource practices at Public School are fair, apparently appreciating the benefits of consistent application of a credible process.
Organizational Culture

A few years ago, the credit union was in serious trouble. The new CEO came in and refocused it away from entitlement and order-taking and onto performance, sales and service. To accomplish this, he cleaned house. All but one of the vice presidents are new. Only 7 of more than 50 people survived the turmoil. Yet the credit union did not terminate anyone directly for being unable to adapt to the new culture. Rather it put in place a set of procedures that made it clear that without significant change in their orientation, employees would be let go. Those who felt they could not make the change or did not want to make it, left.

When the credit union changed its culture, it also prepared its people to develop a new orientation toward doing business. Every employee completed a personality profile designed to measure sales ability and commitment. The profile provided a score for each individual on the basis of sales orientation. Management met with each employee to talk about the new culture and requirements, and designed action plans to help people display the desired behaviors. Job applicants also took the personality profile. Their results combined with their responses to interview questions and other selection information determined whether they received a job offer.

Public School Credit Union was once an organization with low risk-taking, low inclusiveness, and closed communication. The new culture, with its focus on performance, effectiveness, and sales, is moving in the opposite direction. The organization and its employees are willing to take risks. In addition, several organizational goals, such as growing assets to $300 million, engender inclusiveness. Management is also trying to improve communication. For example, in 1997 managers upset employees with some lapses in communication. But instead of ignoring employee reactions, the CEO and the executive team apologized to employees.

Supervisory Practices and Behavior

The Public School executive team relies on detailed and professional policies and procedures to manage the organization and its people. They establish trustworthy systems to assist managers in working with their employees. The systems allow the executive team to delegate more decisions and control to
managers, but also restrict managers’ latitude and discretion in making those decisions. Perhaps because choices and behavior are directed by the policies and procedures, behavior does not play a strong role in determining employee attitudes and responses. Table 11 shows that only demonstration of concern and communication are significantly associated with employees' trust in their supervisor and their intentions to leave, both behaviors that are more personal than procedural.

<table>
<thead>
<tr>
<th>Table 11: Significant Relationships between Supervisory Behaviors and Key Employee Outcomes (correlations)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Behavioral Consistency</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Behavioral Integrity</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Demonstration of Concern</td>
</tr>
<tr>
<td>Delegation of Control</td>
</tr>
<tr>
<td>Two-way Communication</td>
</tr>
</tbody>
</table>

**General Comments**

The shift to a new culture at Public School Credit Union is well underway. Employees seem to be task- and achievement-oriented, hard-working, and ambitious. None of the respondents to the survey commented on their overall enjoyment of working at Public School, but several did express their enjoyment and appreciation of their coworkers and managers. For example:

“In general, my working conditions are very good, my co-workers are always there when I need help, my supervisor is always helpful and fair.”

“[My co-worker] is an exemplary employee. She is a caring, wonderful person. She is knowledgeable about the credit union and is willing to share her knowledge.”
BEST PRACTICES: HOW DO THESE CREDIT UNION MEASURE UP?

We returned to the three studies described in chapter 2 to generate a list of the best practices used in their research samples of businesses and credit unions. After eliminating redundancies, we identified 35 different practices used by best places to work and high-commitment credit unions. Finally, we went through the list and indicated whether we had found evidence of the practice in each of the credit unions studied.

Table 12 shows that the credit unions in this sample utilize from one-third to one-half of the best practices. They share nine:

1. Opportunities for learning and growing
2. Good benefits
3. Training in job skills
4. Open door policies
5. Information sharing activities
6. Merit-pay
7. Employee counseling
8. A 401(k) plan
9. Performance management

Several practices are used by only one credit union because they fit the culture and strategy of the credit union particularly well. For example, as a mixed-matrix organization, University shares control with its employees. It demonstrates this with a significant history and commitment to developing people and helping them change careers within the organization, and with judicious use of problem-solving teams.
<table>
<thead>
<tr>
<th>Practice</th>
<th>University</th>
<th>Industry</th>
<th>Public School</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cutting edge technology</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2. Exciting, fun work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Opportunities for learning and growing</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4. Chance to change careers within company</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>5. Shot at Overseas Assignments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Promise of Promotion of Within</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>7. Fast track with flexible work hours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Good benefits</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>9. Personal Contact with Executive</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>10. Personal Services (e.g., haircuts, shoe repair)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Suggestion Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Training in team building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Training in diversity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Training in job skills</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>15. Open door policies</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>16. Information sharing</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>17. Open book management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Merit-pay</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>19. 401(k)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>20. Skill based pay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Problem solving groups</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Employee Attitude Survey</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>23. Employee Counseling</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>24. Child Care Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25. Elder Care Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26. Flexible Hours</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>27. Competency Job Descriptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Performance Management</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>29. Assessment Centers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. Job Enlargement</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>31. Working at home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32. Multi-rater evaluations</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>33. Compensation at risk</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>34. Grievance System</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>35. Employment tests</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12</td>
<td>13</td>
<td>17</td>
</tr>
</tbody>
</table>
With its roots in technology, Industry is committed to offering cutting edge technology to its employees and its members. Possibly because of its ability to harness cutting edge technology and of its presence in several large metropolitan areas, it also is the only credit union in the sample to offer flexible hours.

Finally, with its commitment to standardizing and codifying its policies and procedures and to conducting its human resource practices in the most professional and sophisticated way possible, Public School is the only credit union of the three to rely on formal multi-rater performance appraisals, a grievance system, and employment tests.

**SUMMARY**

These stories suggest that the three credit unions share key similarities and differences. Similarities include:

1. Organization-wide commitment to providing exceptional member service
2. Strategic initiatives that rely on significant cultural change
3. Management commitment to valuing and communicating with employees
4. Reliance on innovation in human resource and management practices to attract, retain, and motivate staff

However, the credit unions emphasize different strategies to enact these similarities:

1. Pursuing exceptional member service—improving internal member service (University); developing job knowledge and skills (Industry); achieving operating efficiencies and increasing sales opportunities (Public School);
2. Changing the culture—training (University and Industry); selection and compensation (Public School);
3. Communicating with and empowering employees—temporary task forces (University), enhanced role of human resources department (Industry), and development and support of functional managers (Public School).
These similarities and differences impact supervisory behaviors and employee outcomes and attitudes. The next chapter compares the implications for credit union management of our three case studies.
After interviewing managers and reviewing the human resource policies and procedures, we examined the results of the employee survey to see whether the different practices affected manager behavior and employee reactions. We considered differences in the average responses to and analyzed the patterns of relationships among key variables. We also explored employees' open-ended comments.

**SURVEY RESULTS**

Employees completed survey questions to measure their supervisor's trustworthy behavior, the fairness of the organization's human resource practices, and key employee outcomes such as perceptions of their work, attitudes, and intentions to turnover. They made open-ended comments to elaborate on their responses.

*Supervisory Behavior.* Employee descriptions of supervisors' behaviors differed as shown in Table 13. Employees at the Public School Credit Union reported greater evidence of every aspect of the managerial behaviors that build trust except behavioral integrity (where Industry employees reported the highest.) The gap between the average responses at Public School and the other two credit unions is substantial, particularly for sharing and delegation of control and demonstration of support and concern.

**Table 13: Supervisory Behavior**

<table>
<thead>
<tr>
<th></th>
<th>School</th>
<th>University</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Way Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delegation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstration of Concern</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioral Integrity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioral Consistency</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

59
**Human Resource Practices.** Table 14 shows how employees rated the extent to which they believe that human resource practices are administered fairly:

1. **University** had the highest overall rating, generated by averaging each individual’s responses on the eleven items that represent the scale. University employees rated their practices higher on nine of the items. They were also substantially higher on two dimensions that represent key aspects of two-way communication—ensuring information is supplied to employees when requested and giving feedback to employees regarding human resource decisions.

2. **Public School** had the highest ratings on two dimensions—allowing employees the chance to have their say and express their concerns about human resource decisions, and providing employees the opportunity to challenge human resource decisions. Public School is the only credit union with a formal grievance system.
3. Industry had the lowest ratings on all eleven dimensions. As discussed in chapter 4, human resources at Industry has only recently been upgraded to playing a strategic role. Appointment of a senior vice president of human resources was made in early 1999, just as the survey was being completed. In contrast, the human resources executive at University has worked in that role since the late 1980s. She has developed and improved practices over the years.

**Key Outcomes.** Table 15 examines data on several key employee attitudes and perceptions. Employees at all three credit unions reported high trust in their supervisors, high job performance and volunteerism, and low negative work behaviors (such as doing personal tasks at work, coming to work late or leaving early), and low intentions to turnover. However, employees at Public School Credit Union consistently had the most favorable attitudes and perceptions: higher trust, performance, volunteerism and lower negative work behaviors and intentions to turnover.

![Table 15: Key Outcomes](image_url)
This suggests Public School’s organizational factors and human resource practices have a strong, positive effect on their employees’ trust, morale, and performance. Some of the practices described in chapter 4 that seem to contribute to the success of Public School include:

1. A functional organizational structure balancing centralized control with information-seeking and sharing methods
2. Formalized human resource procedures
3. Rigorous, valid, and professionally-designed human resource practices (e.g., selection, compensation, performance appraisal, and training)
4. Evaluation and appraisal information gathered from multiple sources
5. Availability of a grievance system to provide a venue for employees to appeal employment decisions (despite being non-union)
6. An organization culture dedicated to member service, sales, measurement, and feedback which values risk-taking in decision-making, inclusiveness, people, and open communication
7. Supervisor-employee relations built around demonstration of concern and support and two-way communication

Outcomes such as trust-in-supervisor, job performance and intentions to turnover arise out of employees’ general attitudes and their perceptions of the treatment they receive from their supervisors and the organization. Correlational analyses show that a number of factors have significant relationships with trust-in-supervisor: low tendencies to be cynical, positive perceptions of their supervisor’s behavior and of the treatment they have received from the organization, clear understanding of their job roles and sufficient time to do their work.
These results also explain why employees’ trust at University is higher than at Industry. Employees at University and Industry Credit Unions rated their supervisors’ trustworthy behavior in a similar fashion. However, University employees’ rate their human resource practices as more fair. This combination of positive perceptions of the supervisor’s behavior and of the fairness of human resource practices (often administrated by the supervisor) increases their trust.

Some of these factors are related, in effect double-counting their influence. However, regression analyses can reduce the impact of double counting. When employees’ trust in their supervisor is regressed on these same factors controlling for double counting, three factors emerge as having predominant effects on trust:

1. The extent to which the organization has met the individual’s initial expectations
2. The extent to which employees have a clear understanding of role and job
3. The supervisor’s demonstration of concern and support.

Of these three factors, demonstration of concern and support has the strongest impact on employee trust.

Regression analysis also identifies the factors that affect employees’ intentions to leave the organization:

1. The individual’s general tendency to trust others
2. The extent to which the organization has met the individual’s initial expectations
3. The individual’s trust in his or her supervisor

Employees with a high propensity to trust, whose expectations have been met, and who trust their supervisor indicate that they are less likely to leave the organization than those with a low propensity to trust, with unmet expectations, and low trust. Of these three variables, unmet expectations have the strongest relationship with intent to turnover.
GENERAL COMMENTS

Approximately half of the survey respondents wrote additional comments on the questionnaire, elaborating on the practices they thought were going well or needed improvement. As shown in the far left hand column of Table 16, these comments fell into about a dozen categories. Some employees praised aspects of their work experience. For example, many respondents praised their coworkers and managers. Others indicated that they recognized and greatly appreciated management’s sincere efforts to improve communication.

Some employees indicated that practices such as open door policies and delegation were working, but fell short of praising them. Finally, employees elaborated on those areas that needed improvement, most notably communication, participation in decision making, pay, advancement, recognition opportunities, and fairness of decisions.

The executive staff of each credit union received a summary of the general comments. They evaluated the feedback carefully and made plans to address the concerns raised by employees. Prompt responses to the feedback that employees provide through attitude surveys almost automatically improve participation in future surveys and communication.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Praise</th>
<th>Satisfaction</th>
<th>Woe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-departmental Relations</td>
<td>Co-workers</td>
<td></td>
<td>Dealing with/motivating coasters (free riders)</td>
</tr>
<tr>
<td>Supervisory Relations</td>
<td>Excellent manager (e.g., fair, honest, even-tempered, vision, rewarding, honest, goal-oriented, understanding) can make a big difference</td>
<td>“Open door” policies</td>
<td>Applying policies, assigning vacations, work hours consistently and fairly, Not being supported by manager when working with member</td>
</tr>
<tr>
<td>Executive Relations</td>
<td>(Managers’) freedom to run own department</td>
<td>Sincere in efforts to improve communication, work life, and member service</td>
<td>Being visible to staff on front lines, Secrecy/withholding information</td>
</tr>
<tr>
<td>Inter-departmental Relations</td>
<td></td>
<td></td>
<td>A ct ing as teams across and between departments</td>
</tr>
<tr>
<td>Categories</td>
<td>Praise</td>
<td>Satisfaction</td>
<td>Woe</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Communication</td>
<td>Sincere efforts</td>
<td></td>
<td>Informing affected parties about changes in timely fashion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Soliciting suggestions or input into decisions</td>
</tr>
<tr>
<td>Work Itself</td>
<td></td>
<td>Enjoying the type of work</td>
<td>A accomplishments in timely fashion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Receiving training and feedback to accomplish work</td>
</tr>
<tr>
<td>Advancement Opportunities</td>
<td></td>
<td></td>
<td>Promoting from within based on merit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Clarifying paths to advancement (career development)</td>
</tr>
<tr>
<td>Appreciation and Recognition</td>
<td>Kudos program</td>
<td></td>
<td>Thanking and recognizing good effort and results</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Recognizing and promoting effective workers</td>
</tr>
<tr>
<td>Training</td>
<td>Training to change culture, improve member service</td>
<td></td>
<td>Training lateral transfers</td>
</tr>
<tr>
<td>Compensation</td>
<td>Gain sharing program</td>
<td></td>
<td>Using compensation and benefits to attract and retain</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connecting rewards with performance for front and back office workers</td>
</tr>
<tr>
<td>Delegation/Responsibility</td>
<td>“I have been given a lot of opportunities to grow...”</td>
<td>Delegation to managers</td>
<td>Delegating from supervisors to non-managerial staff</td>
</tr>
<tr>
<td>Participation in Decision Making</td>
<td></td>
<td></td>
<td>Bringing every area affected by a decision into the decision-making process</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>Typically fair and clear</td>
<td></td>
<td>Handing down changes without participation</td>
</tr>
<tr>
<td>Job Knowledge</td>
<td>Initial teller training</td>
<td>General knowledge</td>
<td>Acquiring enough job specific or managerial knowledge</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>Focus groups, task forces, team-building</td>
<td></td>
<td>Excessively formalized and centralized</td>
</tr>
</tbody>
</table>

Table 16: Summary of General Comments (continued)
The cross-case comparison and analysis of survey responses suggests ten management and human resource practices that improve employee trust and morale:

1. Strong commitment to human resources and employees from executive officers
2. Human resource executive on senior management team
3. A functional organizational structure balancing centralized control with information-seeking and sharing methods
4. Formalized human resource procedures
5. Rigorous, valid, and professionally-designed human resource practices (e.g., selection, compensation, performance appraisal, and training)
6. Evaluation and appraisal information gathered from multiple sources
7. Availability of a grievance system to provide a venue for employees to appeal employment decisions
8. An organization culture dedicated to member service, sales, measurement, and feedback; a culture that values risk-taking, inclusiveness, people, and open communication
9. Supervisor-employee relations built around demonstration of concern and support, and two-way communication
10. Regular use of and active response to employee attitude surveys
CHAPTER 6: In Search of Effective Human Resource Management

The Filene Research Institute and the Center for Credit Union Research sponsored this research to investigate which management and human resource factors contribute to employee morale and trust among credit union employees. We sought innovative and effective, but not faddish human resource management practices. The three credit unions participating in the study allowed us to interview their managers, survey their employees, and review their human resource policies, procedures, and documents. The ten practices listed in chapter 5 appear to be important factors in improving employee trust and morale.

We presented the results of the project to several sets of credit union managers and executives. Their discussions focused on identifying ways to develop an organizational structure and design human resource practices that balance the tight controls required to meet regulatory and fiduciary responsibilities with the participatory atmosphere vital to building employee trust and morale.

ORGANIZATIONAL STRUCTURE

A network form of organization engenders the greatest trust but it probably fails to create sufficient control to confidently meet regulatory and fiduciary responsibilities. The mixed matrix form that builds participatory processes around permanent functional departments provides the best balance for credit unions. To create that balance, credit union leaders should pursue four initiatives.

First, they should flatten the hierarchy, reducing the number of layers between management and staff. In addition, they should “flip the pyramid” that depicts the structure. Instead of having executives on the top and staff on the bottom, credit unions should put members and front-office staff on the top, recognizing that executives, management, and back office staff serve the front office staff to provide exceptional member service. As the manager at one branch indicated: tellers ARE the credit union to members, so he sees his job as serving the tellers so they can serve members.

Second, executives should balance functional centralization with adhoc-cracy. Temporary focus groups, project teams, and task forces collaborate to solve meaningful organizational problems or devise innovative alternatives to organizational issues. University
Credit Union has found this combination to be particularly effective for them.

Third, credit union leaders need to find ways to bridge the walls that become erected between departments, between front office and back office, and between management and staff. One effective solution is to assign staff from different departments and levels of the organization to temporary task groups.

Finally, executives should assign a cross-functional, cross-level task force to formalize, codify, and maintain their policies and procedures. Clear policies and procedures facilitate control. Broad participation in their design and maintenance increases commitment and compliance to those policies and procedures.

**HUMAN RESOURCE PRACTICES**

Rather than debating the pros and cons of specific human resource practices, credit union manager groups discussed principles to direct the development and utilization of human resource practices. First, they recommended that human resource practices be chosen to accomplish specific goals. Goal-focused human resource practices create synergy among the practices by complementing and supporting each other in goal attainment. Public School Credit Union utilized this principle effectively by designing selection, compensation, and appraisal practices to change the culture from transaction-based to sales-oriented. University also utilized this principle by using training to achieve the same cultural change. This contrast highlights the role of “equifinality”—that there is more than one way to accomplish the same goal. Selection and training are two options available to change an organization’s culture.

Second, human resource practices should be designed to control processes not people. Yet, if well designed and accepted, the processes will control people. All three credit unions utilized process, as opposed to people control. Public School has taken it the farthest through directed work processes: setting clear and specific goals, specifying policies and procedures (e.g. providing clear career paths and compensation schemes), obsessing about measurement (even letting staff calculate their own measurements and compare the results to goals and standards), and pushing control and decision-making as close to the action as possible.
Third, human resource practices should be designed to add value to the organization from the bottom up. Investments in selection, training, appraisal, and compensation should be targeted at those who most frequently and closely serve the membership. These investments pay off more immediately and directly in enhanced member service. Dedication to communication throughout the organization, especially listening to and soliciting input from those closest to the members, pays off in improved service.

Finally, credit union leaders need to know the limits of their knowledge and ability to create human resource practices, and seek expert assistance. They also need to adapt external recommendations to fit the goals and culture of their credit union. All three credit unions in the study have extremely competent executive leadership and human resource staffs but all found outside consultants helpful in designing, modifying, or implementing human resource practices.
References

1998 Human Resources Practices Survey, conducted by J. L. Kellogg Graduate School of Management, Northwestern University and Deloitte & Touche LLP.


Levering, R., & Moskowitz, M. 1998. 100 Best Companies to Work for in America, Fortune, January 12, pp. 84-95.


<table>
<thead>
<tr>
<th>Management Practice</th>
<th>Asset Size ($ Millions)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I $25-57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>II $58-149</td>
<td></td>
</tr>
<tr>
<td></td>
<td>III $150-307</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IV $308+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>X Y X Y X Y X Y X Y X Y</td>
<td></td>
</tr>
<tr>
<td>Workforce covered by Formal Information Sharing Program (%)</td>
<td>65 54 71 92</td>
<td>74 85</td>
</tr>
<tr>
<td>Jobs Subjected to Formal Analysis (%)</td>
<td>33 69 42 54</td>
<td>46 75</td>
</tr>
<tr>
<td>Non-entry level Jobs Filled from Within (%)</td>
<td>16 45 65 63</td>
<td>61 63</td>
</tr>
<tr>
<td>Workforce Administered Regular Attitude Survey (%)</td>
<td>14 13 11 18</td>
<td>25 44</td>
</tr>
<tr>
<td>Workforce in Quality Programs (%)</td>
<td>8 5 3 3</td>
<td>8 15</td>
</tr>
<tr>
<td>Workforce in Company Incentive/Gainsharing (%)</td>
<td>61 57 58 61</td>
<td>61 75</td>
</tr>
<tr>
<td>Training (average hours per employee)</td>
<td>26 23 15 48</td>
<td>23 35</td>
</tr>
<tr>
<td>Workforce with Access to Grievance Systems (%)</td>
<td>83 75 91 83</td>
<td>89 87</td>
</tr>
<tr>
<td>Workforce Administered Employment Test (%)</td>
<td>16 19 3 8</td>
<td>16 28</td>
</tr>
<tr>
<td>Workforce with Performance Based Pay (%)</td>
<td>73 100 68 74</td>
<td>76 94</td>
</tr>
<tr>
<td>Workforce Covered by Formal Performance Appraisals (%)</td>
<td>85 100 95 100</td>
<td>92 99</td>
</tr>
</tbody>
</table>
### APPENDIX B: Human Resource Practices in High Satisfaction (H) versus Low Satisfaction (L) Credit Unions

<table>
<thead>
<tr>
<th>Management Practice</th>
<th>Asset Size ($ Millions)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I ($25-57)</td>
<td>II ($58-149)</td>
<td>III ($150-307)</td>
<td>IV ($308+)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>H</td>
<td>L</td>
<td>H</td>
<td>L</td>
<td>H</td>
<td>L</td>
<td>H</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Workforce covered by Formal Information Sharing Program (%)</td>
<td>53</td>
<td>82</td>
<td>85</td>
<td>78</td>
<td>83</td>
<td>73</td>
<td>100</td>
<td>90</td>
<td>77</td>
<td>81</td>
</tr>
<tr>
<td>Workforce Aministered Regular Attitude Survey (%)</td>
<td>11</td>
<td>20</td>
<td>7</td>
<td>14</td>
<td>40</td>
<td>55</td>
<td>47</td>
<td>50</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td>Workforce in Quality Programs (%)</td>
<td>8</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>13</td>
<td>17</td>
<td>25</td>
<td>23</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Workforce in Company Incentive/Gainsharing (%)</td>
<td>47</td>
<td>69</td>
<td>67</td>
<td>59</td>
<td>69</td>
<td>83</td>
<td>74</td>
<td>66</td>
<td>64</td>
<td>68</td>
</tr>
<tr>
<td>Training (average hours per employee)</td>
<td>23</td>
<td>18</td>
<td>23</td>
<td>20</td>
<td>31</td>
<td>35</td>
<td>31</td>
<td>25</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>Workforce with Access to Grievance Systems (%)</td>
<td>75</td>
<td>83</td>
<td>92</td>
<td>87</td>
<td>95</td>
<td>82</td>
<td>92</td>
<td>82</td>
<td>88</td>
<td>84</td>
</tr>
<tr>
<td>Workforce Administered Employment Test (%)</td>
<td>20</td>
<td>23</td>
<td>1</td>
<td>5</td>
<td>32</td>
<td>13</td>
<td>34</td>
<td>40</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>Workforce with Performance Based Pay (%)</td>
<td>77</td>
<td>73</td>
<td>65</td>
<td>83</td>
<td>91</td>
<td>82</td>
<td>98</td>
<td>93</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Workforce Covered by Formal Performance Appraisals (%)</td>
<td>86</td>
<td>86</td>
<td>99</td>
<td>93</td>
<td>99</td>
<td>91</td>
<td>99</td>
<td>99</td>
<td>95</td>
<td>93</td>
</tr>
</tbody>
</table>
ELLEN M. WHITENER

Ellen Whitener is a professor at the McIntire School of Commerce at the University of Virginia. She received her BA (magna cum laude) in Psychology and Religion from Duke University, her MBA from Appalachian State University, and her Ph.D. in organizational behavior and human resource management from Michigan State University. Her consulting has focused on human resources, financial services, health care, and government services industries. For example, she assisted an insurance company in developing and conducting training and development programs and executive workshops, evaluating personnel functions, and building teams and strategic vision. She also designed, administered, and analyzed employee surveys for a national bank and conducted a human resource audit for a major municipal health system. She has conducted workshops on customer service, team-building, trust-building, sexual harassment, and organizational culture in Reykjavik, Iceland; Naples, Italy; San Francisco, CA; Jacksonville, FL; Washington, DC; and Oslo, Norway. She conducts research on employee attitudes, managerial trustworthy behavior, selection, and training. She has published articles in Academy of Management Review, Journal of Applied Psychology, Journal of Vocational Behavior, Human Resource Management Review, Computers in Human Behavior, Communications of the ACM, and Journal of Management, and serves on the editorial board of the Journal of Management. She published a chapter on human resource management in Virtual OB (edited by Fred Luthans), a case study (co-authored with R. Ryan Nelson) on training end-users in Systems Development Case Studies (edited by Gordon Hunter), and an article (co-authored with Mark White) in Journal of Teaching in International Business. Her previous research published by the Filene Research Institute was The Effects of Human Resources Practices on Credit Union Employees and Performance (1998).

SUSAN E. BRODT

Susan Brodt is an Associate Professor at Duke University's Fuqua School of Business. She received her BA (summa cum laude) from the University of California, Berkeley, and her MS in Statistics and Ph.D. in Psychology from Stanford University. Prior to joining the Fuqua faculty in 1994, she taught at the University of Virginia's
Darden Graduate School of Business, Stanford University, and the Claremont Colleges. During the 1997-98 academic year, she returned to Stanford as a visiting scholar. Her teaching includes graduate business courses on negotiation, managerial effectiveness, conflict and cooperation, and business in Latin America, and doctoral seminars on managerial trust and research on negotiation. She has also taught a variety of executive education programs. These include company-specific programs on global management, strategy, and negotiation (e.g., Eli Lilly) as well as general management seminars and specialized courses on negotiation, managing teams, creating and managing business relationships, and managing individual and organizational change. In general, her teaching focuses on negotiation and its role in managing conflict and creating strategic relationships. Her research focuses on negotiation and business relationships. She researches cognitive and social psychological barriers to effective management including impediments to rational decision behavior, negotiation and managing relationships. Most recently, she has researched the dynamics of interpersonal trust and negotiating teams, particularly cross-cultural teams, and its effects on intergroup relations and negotiation. Her research has appeared in a variety of academic publications such as Research on Negotiation in Organizations, Academy of Management Review, Organizational Behavior and Human Decision Processes, Journal of Personality and Social Psychology, Social Cognition, Human Resources Management Review and the International Review of Industrial and Organizational Psychology.

ACKNOWLEDGEMENTS

The researchers thank the Filene Research Institute, the Center for Credit Union Research at the University of Wisconsin-Madison, and the Center for Financial Services Studies at the McIntire School of Commerce of the University of Virginia for supporting this research project. We also appreciate the insightful and helpful suggestions of Hal Fried of Union College and Bill Kelly of the Center for Credit Union Research and the research assistance of Cindy Hoeffer, Jennifer Phillips, and Cara Hinshaw. Finally, we deeply appreciate the time, effort, interest, and support of the presidents, managers, and employees of the credit unions profiled in this case study.
CHAIRMAN
Gary J. Oakland, President/CEO
Boeing Employees Credit Union

VICE CHAIRMAN
Thomas R. Dorety, President/CEO
Suncoast Schools Federal Credit Union

PRESIDENT
Michael B. Kitchen, President/CEO
CUNA Mutual Group

VICE PRESIDENT/TREASURER
Daniel A. Mica, President/CEO
CUNA & Affiliates

SECRETARY
Michael J. Mercer, President/CEO
Georgia Credit Union Affiliates

DIRECTOR
Lawrence D. Knoll, President/CEO
Desert Schools Federal Credit Union

DIRECTOR
Andrew J. Policano, Dean
University of Wisconsin–Madison

PRESIDENT EMERITUS
Richard M. Heins, Director Emeritus
CUNA Mutual Group

Eldon R. Arnold, President/CEO
Citizens Equity Federal Credit Union

John A. Bommarito, President/CEO
TRW Systems Federal Credit Union

Edwin J. Collins, President
Lockheed Georgia Employees’ Credit Union

Olin F. “Rick” Craig, President/CEO
America First Credit Union

Mary T. Cunningham, President
CUNA Credit Union
Paula A. Edwards, President/General Manager
Nationwide Federal Credit Union

Michael Hale, President
Andrews Federal Credit Union

Frederick D. Healey, President/CEO
Workers’ Credit Union

Holly E. Herman, President/CEO
Kraft Foods Federal Credit Union

Robert W. Hoefer, President/CEO
Dupaco Community Credit Union

Betsy A. Hooper, President/CEO
La Capitol Federal Credit Union

Daniel R. Kampen, President/CEO
U.S. Central Credit Union

Timothy M. Kramer, President
AEA Credit Union

Peter D. Leong, President/CEO
Hawaii State Employees Federal Credit Union

John M. May, President/CEO
Texas Dow Employees Credit Union

Brian L. McDonnell, President
Navy Federal Credit Union

Ava L. Milosevich, President
SELCO Credit Union

Dennis E. Pierce, President/CEO
CommunityAmerica Credit Union

Russell M. Plunkett, President
St. Paul Postal Employees Credit Union

Vincent Rojas, Jr., President
Kern Schools Federal Credit Union

Thomas E. Sargent, President/CEO
First Technology Federal Credit Union
Gregory A. Smith, President/CEO
Pennsylvania State Employees Credit Union

John M. Tippets, President
American Airlines Employees Federal Credit Union

Juri Valdov, President/CEO
Northwest Federal Credit Union

Stephan L. Winninger, President
State Employees Credit Union

Henry W. Wirz, President/CEO
SAFE Credit Union

Ex-Officio:
Fred B. Johnson, President
Credit Union Executives Society

FILENE RESEARCH INSTITUTE
Robert F. Hoel, Ph.D.
Executive Director

CENTER FOR CREDIT UNION RESEARCH
William A. Kelly, Jr., Ph.D.
Director

Barron, David N. and West, Elizabeth, University of Oxford; and Hannan, Michael T., Stanford University. *Competition, Deregulation, and the Fortunes of Credit Unions*, 1995.


Donkersgoed, William L. and Hautaluoma, Jacob E., Colorado State University; and Pipal, Janet E. *Consensus Building Strategies for Productive CEO-Board Relationships*, 1998.


Fried, Harold O., Union College and Overstreet, Jr., George A., University of Virginia, editors; Frank Berrish, Thomas Sargent, and James Ware, contributors. *Information Technology and Management Structure: A Case Study of First Technology Credit Union*, 1998.

Fried, Harold O., Union College and Overstreet, Jr., George A., University of Virginia, editors; Richard Grenci, Peter Keen, R. Ryan Nelson, and Nancy Pierce, contributors. *Information Technology and Management Structure II: Insights for Credit Unions*, 1999.


Hannan, Michael T., Stanford University; and West, Elizabeth and Barron, David N., McGill University. *Dynamics of Populations of Credit Unions*, 1994.

Hautaluoma, Jacob E., Donkersgoed, William J. and Morgan, Kimberly J., Colorado State University. *Board-CEO


Lambrinos, James, Union College and Kelly, Jr., William A., University of Wisconsin-Madison. The Effects of Member Income Levels on Credit Union Financial Performance, 1996.


Matsumura, Ella Mae and Dickson, Peter, University of Wisconsin-Madison; and Kelly, Jr., William A., University of Wisconsin-Madison, Member Segmentation and Profitability: Current Practice and Future Possibilities, 1999.

Overstreet, Jr., George A., University of Virginia and Rubin, Geoffrey M., Princeton University. The Applicability of Credit Scoring in Credit Unions, 1996.


Proceedings from the Second Annual Credit Union Colloquium co-sponsored by Filene Research Institute, Center for Credit Union Research, and the Center for Financial Services Studies. Discrimination in Lending: What Are the Issues?, 1995.


Sullivan, A. Charlene, Purdue University and Worden, D. Drecnik, Olivet Nazarene University. Personal Bankruptcy: Causes and Consequences, 1992.


