COVID-19 and credit unions: CSR approaches to navigating the pandemic

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Abstract
The financial sector plays a fundamental role in Canadian society; credit unions, in particular, cater to a specific group of stakeholders not commonly served by traditional financial institutions. This research investigates the social responsiveness (CSR₂) approaches implemented by credit unions during the pandemic, the type of actions implemented, the stakeholders assisted, and whether the size of credit unions may affect their responses. Data were collected from the 100 largest credit unions from nine Canadian provinces and assessed through qualitative content analysis. Results show that Canadian credit unions have implemented accommodative and proactive approaches when addressing COVID-19, through more operational than financial actions directed to their clients and employees, and that those with larger assets implement a greater number of actions compared to credit unions with smaller assets. More importantly, results show that traditional CSR₂ approaches (e.g., RDAP) do not fit unexpected crises, so novel approaches are required to face future crises and remain resilient. While we aim to contribute to the body of literature by examining how credit unions have assisted their stakeholders during the pandemic, we also, and most importantly, seek to provide material for discussing and reflecting on how organizations are prepared to face crises that will likely arise in the future.
INTRODUCTION

1.1 An overview of Canadian credit unions

Credit unions are cooperatively owned depository financial institutions created to serve their members as credit cooperatives (Koepke & Thomson, 2011). In Canada, all credit unions are not-for-profit financial institutions owned and operated by their members (Stoffman, 2017), who share a common bond such as a location, employer, occupation, or religion (New Economics Foundation, 2014). The ownership and corporate governance of credit unions are based on cooperative principles regulated at the provincial or federal level (Maiorano et al., 2017; Mavenga & Olfert, 2012) and guided by standards set by the International Co-operative Alliance under the vision of “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (Stoffman, 2017, p. 45).

The origin of credit unions in Canada goes back to 1901 when Alphonse Desjardins founded the first Canadian credit union (known as Caisse Populaire in francophone communities) in Levis, Quebec; since then, credit cooperatives have become the basis for the modern credit union structure in Canada. Credit unions spread across Canada as a form of more inclusive banking during the Great Depression of the 1930s and in the post-war years, largely as commercial banks underserved the needs of rural communities (Mavenga & Olfert, 2012).

The main objectives of credit unions are to support local projects, promote sustainability, fight poverty, and help under-represented minorities within their local communities, all of which indirectly support their members. Therefore, it is essential to fully understand how credit unions have performed during the COVID 19 pandemic crisis. In today’s world, credit unions play a vital role in providing financial services to many sectors of the Canadian economy (Stoffman, 2017). For instance, they provide access to services crucial for small businesses, agricultural producers, and households in rural areas, as well as representing access to networks within and beyond the community’s reach. Credit unions are the only financial services provider for more than 900 Canadian communities and the second-largest lender to small businesses in the Canadian economy (Ketilson & Brown, 2009; Mavenga & Olfert, 2012). Table 1 presents representative statistics of Canadian credit unions by geographic area. During the second quarter of 2020, there were 235 credit unions operating in nine provinces, with a membership of 5.9 million and total assets under their control of approximately $260 billion (Canadian Credit Union Association, 2021). Over time, and due to various amalgamations, the total number of credit unions has decreased from 2,700 in 1990 to 953 in 2009 (Mavenga & Olfert, 2012). By the end of 2020, the number has decreased further to 230 (Canadian Credit Union Association, 2021), leading to an increase in the average size of credit unions, especially in Ontario, British Columbia, and the Prairies (i.e., Manitoba, Saskatchewan, Alberta).
CREDIT UNIONS DURING THE COVID-19 CRISIS

Since the onset of the novel coronavirus (COVID-19) pandemic in March 2020, many communities all over the world have been negatively impacted (World Health Organization, 2020). As in every other country, Canada has been dramatically affected by the COVID-19 crisis, with nearly 1.4 million confirmed cases and more than 25,000 deaths since the first case was confirmed in January 2020 (Government of Canada, 2021). The social, financial, and personal impacts of COVID-19 have been huge; real GDP shrank 5.4% in 2020; it is expected to remain below pre-pandemic levels for years to come (Statistics Canada, 2021), and the unemployment rate increased sharply to 13.7% in May 2020 from 5.6% before the pandemic (Statistics Canada, 2020). In this devastating context, businesses in general, and the financial sector in particular, play a key role in helping society navigate through this unprecedented event.

The purpose of this article is to investigate what Canadian credit unions have done to mitigate the impact of COVID-19 on their members, customers, and communities. Furthermore, this research aims to contribute to understanding how the financial sector has managed the current pandemic, as well as explore the implications and key learnings from this experience for future crises the sector will probably face. This paper addresses the following research questions: (1) What are the strategic responses of credit unions to the COVID-19 pandemic, and where are they positioned in the corporate social responsiveness (CSR2) spectrum? (2) What sorts of actions did credit unions implement to support their stakeholders during the first wave of the pandemic? (3) How are credit unions clustered according to their COVID-19 response? And (4) how do credit unions from different Canadian provinces compare in terms of their

| Province             | Total savings/deposits ($ millions) | Total loans ($ millions) | Total assets ($ millions) | Total credit unions | Total locations | Total memberships |
|----------------------|------------------------------------|--------------------------|---------------------------|---------------------|-----------------|------------------|
| British Columbia     | 77,672                             | 72,571                   | 90,353                    | 41                  | 377             | 2,022,857        |
| Alberta              | 22,547                             | 23,529                   | 27,609                    | 16                  | 194             | 613,644          |
| Saskatchewan         | 22,307                             | 19,508                   | 26,070                    | 40                  | 234             | 482,610          |
| Manitoba             | 32,231                             | 28,980                   | 35,866                    | 25                  | 199             | 688,694          |
| Ontario              | 53,323                             | 56,154                   | 68,044                    | 64                  | 543             | 1,607,456        |
| New Brunswick        | 4,958                              | 4,401                    | 6,007                     | 10                  | 68              | 209,400          |
| Nova Scotia          | 2,951                              | 2,320                    | 3,243                     | 23                  | 69              | 145,739          |
| Prince Edward Island | 1,310                              | 1,077                    | 1,419                     | 7                   | 11              | 48,325           |
| Newfoundland & Labrador | 1,290                             | 1,045                    | 1,379                     | 9                   | 36              | 61,571           |
| Total                | 218,589                            | 209,585                  | 259,990                   | 235                 | 1,731           | 5,880,296        |

Source: CCUA (2020, p. 5).
efforts in tackling COVID-19? We expect the findings from this research will help to improve the resilience of the industry, understanding that the credit union sector is not only composed of the credit unions themselves but also their key stakeholders, namely, members, community, employers, local government, and industry associations.

This research focuses on the 100 largest Canadian credit unions, by assets, from nine Canadian provinces to answer these questions. In line with the social mission of credit unions (i.e., not-for-profit approach, providing affordable services for their customers in comparison to other financial institutions; Paradi et al., 2018), this research takes a corporate social responsiveness approach and focuses on understanding credit unions’ responses to COVID-19 as well as identifying the stakeholders to whom these actions have been directed.

The rest of the paper is structured as follows. The literature review focuses on credit unions in Canada, the responses of the sector to the first wave of the pandemic, and corporate social responsiveness approaches. Then, the methods section presents the selection criteria, as well as the collected data and how they were analyzed. The results section presents our findings in response to the proposed research questions; the discussion section then considers the relevance of this research and the accomplishment of the article’s main aim. Finally, conclusions and limitations close the article.

3 | LITERATURE REVIEW

3.1 | COVID-19, business, and the financial sector

Despite the recent emergence of COVID-19, its impact on the financial sector and the role of financial institutions as they respond to the pandemic have been widely studied (Barnoussi et al., 2020; Buehler et al., 2020; Cecchetti & Schoenholtz, 2020; Giese & Haldane, 2020; Goodell, 2020; Hardy, 2020; Korzef & Niedziolka, 2020; Li et al., 2020; Talbot & Ordóñez-Ponce, 2020), and research continues to be extensively published. However, the role that credit unions are playing to address the implications of the pandemic and aid their members, customers, and the community is still overlooked. This is particularly relevant for Canada, where credit unions have become an essential part of the financial system (Axworthy, 1981; Stoffman, 2017) and the most common form of cooperative financial institution (Dia et al., 2020). Much research has been published about the implications of the pandemic for various dimensions of society, focusing on its social and economic impacts as well as how economies should recover. An important focus has been put on the role of technology to address COVID-19 (Drew et al., 2020; Gasser et al., 2020; Torous et al., 2020), its relationship to supply chains due to the needs of medical supplies and groceries (Mehrotra et al., 2020; Sarkis et al., 2020), and its effects on the environment (Salas et al., 2020; Wang & Su, 2020; Zambrano-Monserrate et al., 2020). Scholars have also assessed how small businesses have been impacted and are adjusting to the pandemic (Bartik et al., 2020), the features that have helped corporations navigate the crisis (Ding et al., 2021), and businesses’ expectations about reopening and the future (Balla-Elliott et al., 2020). Yet there is a growing interest among policymakers to understand the actions undertaken by financial institutions towards COVID-19, as the sector is expected to play an important role in absorbing the shocks of the pandemic (Demirgüç-Kunt et al., 2020).
3.2 The financial sector

Certainly, the financial sector worldwide has been impacted by the epidemic in terms of risk and significant losses (Demirguc-Kunt et al., 2020; Korzeb & Niedziółka, 2020; Wu & Olson, 2020). Research shows that due to the pandemic, financial markets are experiencing higher risks of becoming volatile and unpredictable (Zhang et al., 2020), debt markets have come under significant pressure (Cetorelli et al., 2020), and loans and deposits have increased (Dursun-de Neef & Schandlbauer, 2020; Glancy et al., 2020) as spending decreased because of shutdowns (Andersen et al., 2020). Once the pandemic was declared, banks in the US experienced the largest increase in liquidity demands ever recorded (Li et al., 2020). However, despite the impacts, the financial sector is also a key player in contributing to tackling the challenges that the pandemic continues to have on people, businesses, and the economy.

Surprisingly, to our knowledge, scant research has been conducted with respect to credit unions and COVID-19 in Canada, and very little elsewhere (Dopico, 2020). Although a recent analysis highlights the factors that affect the financial performance of Canadian credit unions, the effect of the pandemic on them is not considered (Almehdawe et al., 2020). Similarly, research on the impact of COVID-19 on minorities identifies that they are struggling to access support, such as loans that credit unions could provide, but these groups are not highlighted as relevant (Mo et al., 2020). Likewise, a recent assessment of Canadian credit unions’ performance does not consider the pandemic as the data are from previous years (Dia et al., 2020). Thus, we believe that it is important to fill in this gap, especially considering the relevance that credit unions have for people all over Canada.

3.3 The corporate social responsiveness approach

As stated in their missions and guidelines, credit unions have the social purpose of serving their members’ financial needs, since traditional financial institutions provide only limited service to under-represented communities. Credit unions are guided by principles of (a) voluntary and open membership; (b) democratic control; (c) members’ economic participation; (d) autonomy and independence; (e) education, training, and information; (f) cooperation among cooperatives; and (g) concern for the community (Schneider, 2020; Stoffman, 2017). Furthermore, credit unions design and implement strategic responses to comply with their social mission. An example is the Credit Union Central of Canada, the national trade association for Canadian credit unions, which developed tools and resources for credit unions to improve their corporate social responsibility (CSR) practices leading to common visions, language, and references for reporting their CSR approaches to their stakeholders (Strandberg Consulting, 2020). Their member-focused and socially oriented strategy makes the study of credit unions’ social responsiveness approaches especially relevant under the current pandemic.

The literature highlights the concept of social responsiveness as “the capacity of a corporation to respond to social pressures” (Frederick, 1978, p. 6), differentiating it from CSR by taking a managerial procedural approach (Welcomer et al., 2003). According to Frederick (1994), p. 155, CSR is based on elusive principles. In contrast, corporate social responsiveness (aka CSR2) has a focus on the practical dimensions of making businesses “more socially responsive” to environmental demands, adopting a contingency approach (Pfeffer & Salancik, 1978). CSR2 does not follow a normative logic towards social issues but a long-term strategy to deal with social issues, with business being required to anticipate and prevent them (Lee, 2007; Sethi, 1975).
Following this rationale, CSR\textsubscript{2} is about managerial processes, responses, and actions that can range from doing nothing to doing much, reacting or pro-acting (Carroll, 1979; Epstein, 1987). Three units of analysis are critical for CSR\textsubscript{2}: management, social issues, and stakeholders. Management is where decisions are made, and the main focus of CSR\textsubscript{2} is on managerial action (Carroll, 1979). Decision-makers are the ones in charge of anticipating, responding, and managing the positive and negative contributions of organizational policies and practices to society (Epstein, 1987). Such corporate responses to social issues are a strategic choice dependent on the willingness of management with respect to organizational CSR (Carroll, 1979; Miles, 1987).

The social issues to be addressed by CSR\textsubscript{2} are those identified as problematic to the organization and society (Mahon & Waddock, 1992), which require “immediate attention” from decision-makers (Epstein, 1987, p. 107), such as the crisis presented by COVID-19. In general, social issues follow a life cycle from a moment when they were unthinkable (e.g., COVID-19 before it appeared in Wuhan), followed by a period when organizations become increasingly aware of the issue and initial actions are taken to deal with it (e.g., COVID-19 during 2020), to a period when dealing with the issue is part of the core of the organization, which should be the case during 2021–2022 as the pandemic prolongs (Ackermann, 1975; Näsi et al., 1997). Then, the third actor is the organization’s stakeholders who are affected by the social issue and the company’s responses to it.

According to Epstein (1987, p. 107), CSR\textsubscript{2} is about the “individual and organizational processes for determining, implementing, and evaluating the firm’s capacity to anticipate, respond and manage the issues” that arise from stakeholders’ expectations. Therefore, CSR\textsubscript{2} has a direct and major effect on the relationships created between the organization and its stakeholders, which are improved whenever the organization’s responsiveness to a stakeholder is increased, or damaged when organizations do not respond accordingly (Welcomer et al., 2003). At the end, the purpose of CSR\textsubscript{2} is to assist companies in responding to the needs and demands from stakeholders “in a positive and pragmatic manner” (Lee, 2007, p. 220; Wood, 1991).

To classify how organizations respond to social issues and extending the CSR\textsubscript{2} definition, Carroll (1979) proposed a schema basing social responsiveness on four different management approaches: reactive, defensive, accommodative, and proactive (RDAP). A similar scale was used by Wartick and Cochran (1985) to illustrate corporate strategy towards CSR\textsubscript{2}. These categories have been based on the works of McAdam (1973), Davis and Blomstrom (1975), and Wilson (1975), to which Archie B. Carroll refers in his article published in the Academy of Management Review in 1979.

Since then, several scholars have proposed similar categories, ranging in quantity and definitions, but coinciding on the idea of a continuum of strategic choices from a reactive to a proactive approach (Garcés-Ayerbe et al., 2016; Hunt & Auster, 1990; Murillo-Luna et al., 2011; Rasi et al., 2010; Roome, 1992). Focusing on environmental issues, which relates to CSR\textsubscript{2} as “the capacity of an organization to respond to [environmental] pressures” (quoting Frederick, 1994), Hunt and Auster (1990) classified business environmental practices from beginner, firefighter, concerned citizen, pragmatist, to proactivist. These five categories go from making no effort to address environmental issues, not prioritizing environmental challenges, viewing environmental management as valuable, to managing environmental issues actively (Hunt & Auster, 1990). Similarly, Roome (1992) refers to five types of strategies: non-compliance (not reacting to environmental standards), compliance (being driven by legislation), compliance plus (willingness to start addressing the issues), commercial and environmental
excellence (addressing them voluntarily), to leading-edge (seeing addressing environmental issues as a competitive advantage). Later, Walton et al. (1998) extended the work of Kopicki et al. (1993) who had classified environmental strategies into three simple levels (reactive, proactive, and value-seeking) and added four other categories (comply with the law, adaptation, reaction, reception, construction, and proaction). More recently, Garcés-Ayerbe et al. (2016) identified four distinct patterns of pro-environmental change that companies follow: lagged, initiated, proactive, and eco-innovative, from strategies with no or very little environmental effort, meeting minimal standards and doing as little as possible, to the early adoption of voluntary environmental practices. As somehow all of these classifications are based on RDAP, we will use this approach in this article.

Reactive strategies refer to not having any social or environmental focus (Garcés-Ayerbe et al., 2016; Hunt & Auster, 1990; Roome, 1992), are about doing less than what is required and organizations that implement them deny any responsibility (Clarkson, 1995), there is not support from top management, not reporting, and employees are not trained nor engaged in the topic (Henriques & Sadorsky, 1999; Rasi et al., 2010). Furthermore, reactive strategies fight against addressing stakeholders’ issues or ignore them (Jawahar & McLaughlin, 2001).

Defensive approaches imply a moderate involvement of top management and complying with regulations (i.e., the least that is required), with little employee training and involvement (Clarkson, 1995; Rasi et al., 2010; Roome, 1992). However, defensive strategies, although admitting responsibility, fight it (Clarkson, 1995).

The third level refers to accommodative responses that require some involvement of top management with internal reporting and a functional approach (Henriques & Sadorsky, 1999; Hunt & Auster, 1990); it implies doing all that is required (Clarkson, 1995; Roome, 1992).

Finally, the most forward-thinking level is proactive strategies (Murillo-Luna et al., 2007). Proactive responses anticipate responsibility and do more than what is required (Clarkson, 1995) with a long-term focus (Chang, 2015). These are understood as valuable strategies to achieve competitive advantage (Roome, 1992), integrating them at the highest level of the organization (Kopicki et al., 1993). Consequently, top management is not only engaged but committed, and employees are trained and involved in managing social and environmental issues (Rasi et al., 2010). Proactive practices go beyond laws and regulations (Sethi, 1975) with the aim of furthering social and environmental standards (McWilliams et al., 2006). With respect to stakeholders, proactive strategies seek to anticipate and actively address their issues (Jawahar & McLaughlin, 2001), covering stakeholders in a deeper and broader manner (Buysse & Verbeke, 2003). Companies with proactive responses lead their industries (Clarkson, 1995) with consistent practices across all the organization beyond regulations or isomorphic pressures (Sharma & Vredenburg, 1998).

From these definitions, it can be clearly seen that they make up a continuous spectrum without clear-cut thresholds among them, so it is not a simple task to classify corporate strategies into single categories, except perhaps for the extremes, which present an all-or-nothing approach. Furthermore, companies may respond in mixed ways addressing some particular issues in specific periods due to certain reasons in a defensive way, while later or on other circumstances take more accommodative approaches. These are some of the limitations of these approaches when implementing them. Actually, some scholars have tried to reduce the categories so classifications can be simpler to implement and be understood. Kopicki et al. (1993) used three categories: reactive, proactive, and value-seeking approaches. Talbot and Ordonez-Ponce (2020), in a similar research assessing Canadian banks’ first responses to the pandemic, classified banks into implementing sweeping actions, following cautious actions, or
implementing wait-and-see approaches. Similarly, Chang (2015) just used two response types: reactive and proactive approaches. Table 2 presents the three dimensions proposed by scholars to assess RDAP.

| TABLE 2 | CSRs categories and their dimensions |
|----------|--------------------------------------|
| CSR2 Category | Posture/Strategy (Clarkson, 1995) | Performance (Clarkson, 1995) | Involvement (Lim et al., 2005; Rasi et al., 2010) |
| Reactive | The organization denies responsibility | The organization does less than required | There is no support or involvement of employees or top managers |
| Defensive | The organization admits responsibility but fights it | The organization does the least that is required | There is moderate support or involvement of employees or top managers |
| Accommodative | The organization accepts responsibility | The organization does all that is required | There is some support or involvement of employees or top managers |
| Proactive | The organization anticipates responsibility | The organization does more than is required | There is most support or involvement of employees or top managers |

4 | DATA AND METHODOLOGY

To answer the proposed research questions, we selected the 100 largest Canadian credit unions incorporated in all Canadian provinces according to their asset classification. We excluded the credit unions (Caisses Populaires) in Québec and other francophone areas since all Caisse Populaire branches fall under the network of Desjardins group. The Desjardins group is not limited to credit unions. It involves a complex conglomerate consisting of many business subsidiaries such as wealth management, real estate, insurance companies, banks, and brokerage (Maiorano et al., 2017; Zinger, 1994). Furthermore, we decided to focus just on data published in English. The selected credit unions operate in nine provinces and are distributed as follows: British Columbia, 24; Alberta, 8; Saskatchewan, 10; Manitoba, 17; Ontario, 35; New Brunswick, 2; Nova Scotia, 2; Prince Edward Island, 1; and Newfoundland and Labrador, 1. According to the Canadian Credit Union Association, they represent around 94.3% of Canada’s total credit union system assets-excluding Quebec (CCUA, 2021). Credit unions’ rank based on their total assets in the fourth-quarter report of CCUA was published in March 2020.

Following what credit unions publish on their websites under special banners or sections related to COVID-19, their actions towards assisting their stakeholders during what can be considered the first wave of the pandemic in Canada (i.e., early March till mid-August 2020) were extracted and analyzed using qualitative content analysis. Qualitative content analysis is a systematic technique compressing many words into fewer content categories based on explicit rules of coding (Berelson, 1952). Then, following Tesch’s (1990) analysis steps for data analysis, three stages were conducted. First, we clustered similar actions together, forming different categories. For example, any action to reduce branch hours was grouped under the “reducing hours of operation” category. Likewise, all actions that relate to branch closing were grouped under the “branch closures” category, and so on. In the second stage, we grouped the new emerging
categories into three broader sets based on their financial, operational, and other characteristics. In the final stage, we identified which stakeholders were targeted, and we sorted the actions under three primary stakeholder groups: clients, communities, and employees. Next, all responses were assessed according to the three dimensions proposed by the literature for understanding CSR2: Posture/Strategy, Performance, and Involvement. During this coding process, responses were assigned the following numerical values (R = 0; D = 1; A = 2; P = 3), calculating mean scores for each credit union. To ensure the reliability of the coding process, three researchers with expertise on the topic coded all responses independently and separately, reaching agreement levels equal to 92.4% for Posture/Strategy, 86.5% for performance, and 83.3% for involvement. Furthermore, during the coding process, the researchers held regular meetings to compare and discuss coding and resolve any disagreements. In order to deduce the differences between credit unions, K-means clustering analysis, which is a statistical algorithm that helps detect groups within datasets (Forgy, 1965), was performed. To confirm the validity of groupings, ANOVAs were conducted. Finally, to determine the relationship between credit unions’ asset size, number of members, and their total number of actions, the Pearson correlation coefficient was conducted. All quantitative analyses were conducted using IBM SPSS 26 program package.

5 | RESULTS

5.1 | Credit unions’ actions regarding COVID-19

Our data collection from the 100 largest Canadian credit unions resulted in 545 actions in response to the COVID-19 pandemic, which we grouped into 37 unique types. Table 3 shows the types of actions, their frequencies, and how the types of actions were classified according to the four CSR2 strategic approaches. According to our findings, the three most common responses to COVID-19 were increasing cleaning procedures (N = 72), deferring payments (N = 68), and reducing operating hours (N = 64), all of which are mostly accommodative or proactive approaches. More specifically, most credit unions put most of their effort into having their branches increase cleaning procedures to protect their clients/members and employees, including deep cleaning and frequent sanitation of high-contact surfaces, installing plexiglass barriers and hand disinfection stations, and enforcing the use of face masks.

Deferring payments (N = 68) was the second most frequently applied action in regards to COVID-19; credit unions helped their members who experienced financial hardship during the pandemic. Payment deferrals, including residential mortgages, loans, and minimum credit card payments were grouped under this type of actions. Credit unions were deferring most payments for up to 6 months to relieve the members’ financial hardship. After payment deferrals, the third most frequent action was reducing hours of operation (N = 64). Most credit unions reduced their operating hours to help slow the spread of COVID-19, to keep their members and employees safe, and to allow time for additional cleaning duties and appropriate rest. Reducing hours of operation varied among credit unions and even among their branches. Furthermore, half of the credit unions (N = 50) moved one-step further by closing some of their branches in response to the COVID-19 pandemic rather than reducing hours of operation.

According to our findings, to help battle the economic issues resulting from COVID-19, some credit unions (N = 23) made donations to non-profit organizations (e.g., Kids Help Phone and MedTalks) that had been impacted by COVID-19. Some relatively less common reactions
| Responses                                                                 | N  | Type | Stakeholders          | Posture/Strategy | Performance | Involvement |
|--------------------------------------------------------------------------|----|------|-----------------------|------------------|-------------|-------------|
| Increased cleaning practices in branches and corporate offices           | 72 | O    | Employees, Clients    | A                | A           | P           |
| (wiping down teller pods and frequently touched surfaces)                |    |      |                       |                  |             |             |
| Payment deferral (on mortgages, loans etc.)                              | 68 | F    | Clients               | A                | P           | P           |
| Reducing the hours                                                       | 64 | O    | Employees             | A                | A           | P           |
| Branch closures                                                          | 50 | O    | Employees, Clients    | A                | P           | P           |
| Physical distancing measures                                             | 42 | O    | Employees, Clients    | A                | A           | P           |
| Increased contactless transaction limits                                 | 31 | O    | Employees, Clients    | A                | P           | P           |
| F assistance for employees and/or clients                                | 25 | F    | Employees, Clients    | A                | P           | P           |
| Limit the number of clients in the branch                                | 24 | O    | Employees, Clients    | A                | A           | P           |
| Donation to local community organizations                                | 23 | Other| Communities           | A                | P           | P           |
| F relief programs (insurance, loans)                                     | 20 | F    | Clients               | A                | P           | P           |
| Temporary reducing interest rates                                        | 20 | F    | Clients               | A                | P           | P           |
| Quick Loan                                                               | 13 | F    | Clients               | A                | P           | P           |
| Discontinuing in-person appointments                                     | 12 | O    | Employees, Clients    | A                | P           | P           |
| Adding capacity to online banking channels                               | 8  | O    | Clients               | A                | P           | P           |
| Refinancing or debt consolidation/credit restructuring                  | 8  | F    | Clients               | A                | P           | P           |
| Adding more telephone lines and contact centre employees to deal with    | 7  | O    | Clients               | A                | P           | P           |
| the increases in volume                                                  |    |      |                       |                  |             |             |
| Enabled work-from-home wherever possible                                  | 7  | O    | Employees             | A                | P           | P           |
| Waiving e-transfer fees                                                  | 7  | F    | Clients               | A                | P           | P           |
| Low interest rate cards                                                  | 6  | F    | Clients               | A                | P           | P           |
| Credit limit increasing                                                  | 5  | F    | Clients               | A                | P           | P           |
| Limiting business travel                                                 | 4  | O    | Employees             | A                | A           | P           |
to COVID-19 include adding capacity to online banking channels ($N = 8$) and more telephone lines and contact center employees ($N = 7$) to deal with increases in the volume of phone calls and requests. Other examples include waiving e-transfer fees ($N = 7$), providing interest-free loans ($N = 2$), and increasing the ATM withdrawal limit ($N = 1$).

### 5.2 Clusters of credit unions according to their COVID responses

K-means clustering was used to examine how credit unions’ responses to COVID-19 lead them to be clustered according to CSR$_2$, i.e., using posture/strategy, performance, and involvement as

| Responses                                                                 | N  | Type | Stakeholders                             | Posture/Strategy | Performance | Involvement |
|----------------------------------------------------------------------------|----|------|-------------------------------------------|------------------|-------------|-------------|
| Low interest loan                                                         | 4  | F    | Clients                                   | A                | P           | P           |
| Temporary over limit transaction approvals                                | 4  | F    | Clients                                   | A                | P           | P           |
| Offer health resources and tools to support staff and clients             | 3  | O    | Employees, Clients                        | A                | A           | P           |
| Payment skipping                                                          | 3  | F    | Clients                                   | A                | P           | P           |
| Enable new digital features (e.g., live chat, deposit checks)             | 2  | O    | Clients                                   | A                | P           | P           |
| Interest-free loans to members                                            | 2  | F    | Clients                                   | A                | P           | P           |
| Provide temporary loan and mortgage payment                               | 2  | F    | Clients                                   | A                | P           | P           |
| Improve mobile application                                                | 1  | O    | Clients                                   | A                | P           | P           |
| Increase ATM withdrawal limit                                              | 1  | F    | Clients                                   | A                | P           | P           |
| Loan payment relief                                                       | 1  | F    | Clients                                   | A                | P           | P           |
| Offer grant support                                                       | 1  | F    | Communities                               | A                | P           | P           |
| One time tax credit                                                       | 1  | F    | Clients                                   | A                | P           | P           |
| One-time tax-free payment of up to $500 for seniors                       | 1  | F    | Clients                                   | A                | P           | P           |
| Provide trip cancelation benefits                                         | 1  | F    | Clients                                   | A                | P           | P           |
| Providing basic hygiene products and training to employees                | 1  | O    | Employees, Clients                        | A                | A           | P           |
| Separating employee groups into different locations                      | 1  | O    | Employees                                  | A                | A           | P           |

Abbreviations: A, accommodative; D, defensive; F, financial; O, operational; P, proactive; R, reactive, (Carroll, 1979; Wartick & Cochran, 1985).
variables. The analysis revealed three different clusters encompassing the 100 credit unions: 21 in Cluster 1, 35 in Cluster 2, and 44 in Cluster 3 (Figure 1).

To confirm the validity of groupings, ANOVAs were conducted using the three CSR2 variables (see Table 4). For post hoc testing, Scheffe's multiple comparison technique was performed. According to the ANOVA results, there were statistically significant differences among the three clusters ($p < 0.05$). Post hoc analysis by the Scheffe method showed that credit unions in clusters 2 and 3 implemented more proactive posture strategies. There was not a significant difference between Cluster 2 ($M = 2.05, SD = 0.04$) and Cluster 3 ($M = 2.03, SD = 0.04$) in

![Cluster plot for k-means](Color figure can be viewed at wileyonlinelibrary.com)

**FIGURE 1** Cluster plot for k-means [Color figure can be viewed at wileyonlinelibrary.com]

| Categories          | Cluster 1 ($N = 21$) | Cluster 2 ($N = 35$) | Cluster 3 ($N = 44$) | ANOVA   | Post hoc test (Scheffe method) |
|---------------------|----------------------|----------------------|----------------------|---------|--------------------------------|
| Posture/Strategy    | M        | SD  | M | SD  | M    | SD  | $F$       | $p$       | Cluster 1 < Cluster 2**, Cluster 1 < Cluster 3*, Cluster 2 > Cluster 3 |
| Performance         | 2.00     | 0.02| 2.05 | 0.04| 2.03  | 0.04| 9.901    | 0.000    |
| Involvement         | 2.85     | 0.06| 2.96  | 0.04| 2.91   | 0.04| 40.105   | 0.000    |

*The mean difference is significant at the 0.05 level.

**The mean difference is significant at the 0.01 level.
terms of posture ($p > 0.05$). Regarding performance, credit unions in clusters 2 and 3 implemented more than the required actions implemented by credit unions from cluster 1 ($p < 0.01$). The responses from credit unions in cluster 2 were also statistically significantly more proactive action than those from cluster 3 ($p < 0.01$). Similarly, regarding the involvement of employees or managers, there are statistically significant differences between credit unions from Cluster 2 ($M = 2.96, SD = 0.04$) and Cluster 1 ($M = 2.85, SD = 0.06$) ($p < 0.01$), and credit unions from Cluster 3 ($M = 2.91, SD = 0.04$) ($p < 0.01$). Furthermore, post hoc tests show that credit unions in Cluster 3 differ significantly from credit unions in Cluster 1 ($p < 0.01$). In conclusion, it appears that credit unions from Cluster 3 implemented more proactive approaches than credit unions from Cluster 1.

5.3 Types of actions and targeted stakeholders

Our findings indicate that credit unions put mostly operational (60.37%) actions in place to respond to COVID-19 (Table 3). In other words, 329 out of the 545 identified actions were operational, including reducing operation hours, closing branches, and limiting business travel. When the operational actions were examined, we found that most were temporary solutions or measures. For example, reducing operating hours were adjusted by branches depending on the number of new COVID-19 cases and advice from health authorities. In another example, limiting the number of clients in a branch is likely to gradually ease according to government regulations. By contrast, actions such as cleaning practices in branches are likely to be more permanent.

Relatively less emphasis was placed on providing financial support (35.41%, $N = 193$), which like operational actions, were mostly temporary and/or limited responses to the pandemic. On the other hand, payment deferrals were mostly provided for up to 6 months; quick and interest-free loans were offered in limited amounts, and only one time; and reducing interest rates were temporary. According to these findings, it can be said that credit unions responded by offering only temporary financial support to their clients.

Regarding stakeholders, credit unions provided offers and helped mostly their business and personal clients. More specifically, 445 (81.65%) of the identified actions were directed at clients. Credit unions aimed to assist their clients financially using measures that included payment deferrals ($N = 68$), financial relief programs ($N = 20$), temporary reductions of interest rates ($N = 20$), and so on. Credit unions also undertook health and safety actions to protect customers during the pandemic, such as imposing physical distancing measures ($N = 42$) and limiting the number of clients in branches ($N = 24$). The second most benefited stakeholders were employees. According to our findings, 336 (61.65%) of the 545 identified actions were directed at employees. Some actions were intended to help or protect both clients and employees from the COVID-19 outbreak, such as branch closings ($N = 50$) and discontinuing in-person appointments ($N = 12$). Communities were the stakeholders who benefitted the least, with only 23 credit unions donating to local communities and one credit union offering grant support. Nonetheless, the local community benefits directly and indirectly from the health and financial measures that aimed to protect both clients and employees from the COVID-19 outbreak.
We conducted Pearson correlation analysis (Table 5) to determine the relationships between the number of actions and credit unions’ asset size, number of members, and locations. Pearson correlation revealed a significant positive correlation between number of responses to COVID-19 and asset size ($r = 0.198$, $p < 0.05$). In other words, larger asset size credit unions have implemented more actions to COVID-19 compared to the smaller ones. The Pearson correlation between the number of responses and members was not statistically significant ($r = 0.154$, $p > 0.05$). Similarly, there was no statistically significant correlation between the number of responses and number of locations ($r = 0.167$, $p > 0.05$). Therefore, the results suggest that the response to COVID-19 was unrelated to credit unions’ number of members and locations. It is not directly related to the study objective, but there are positive correlations between credit unions’ asset size and number of members ($r = 0.972$, $p < 0.001$) and locations ($r = 0.846$, $p < 0.001$). Finally, the results show a strong relationship between credit unions’ number of members and locations ($r = 0.832$, $p < 0.001$). Finally, since the asset size, the number of locations and members i highly correlated; they were combined into a single factor to examine their correlations. Pearson’s correlation revealed significant positive correlations between the number of responses and combined factors ($r = 0.255$, $p < 0.05$). Furthermore, the result of the study found a small size variance (0.441), suggesting that the combined interaction effect (combined factor), i.e., asset size, number of members, and locations, had a significant impact and relationship to other variables.

According to Davis (1971), coefficients between 0.10 and 0.29 show a low relationship, and 0.70 and higher show a very strong relationship. Our findings indicate that the credit unions’ asset size is a low (and significant) determining factor in the number of responses to COVID-19.

**TABLE 5** Correlation coefficients for the number of responses, members, locations and asset size

| Pearson correlation coefficients | N. of responses | Asset Size | N. of members | N. of locations |
|---------------------------------|-----------------|------------|---------------|----------------|
| Asset Size                      | 0.198*          | –          |               |                |
| Number of members               | 0.154           | 0.972**    | –             |                |
| Number of locations             | 0.167           | 0.846**    | 0.832**       | –              |
| Combined factor (the asset size/the number of locations/members) | 0.255* | 0.795** | 0.629** | 0.669** |

*Correlation is significant at the 0.05 level (two-tailed).
**Correlation is significant at the 0.01 level (two-tailed).

### 5.4 The relationship between the number of responses, credit unions’ asset size, members and locations

We conducted Pearson correlation analysis (Table 5) to determine the relationships between the number of actions and credit unions’ asset size, number of members, and locations. Pearson correlation revealed a significant positive correlation between number of responses to COVID-19 and asset size ($r = 0.198$, $p < 0.05$). In other words, larger asset size credit unions have implemented more actions to COVID-19 compared to the smaller ones. The Pearson correlation between the number of responses and members was not statistically significant ($r = 0.154$, $p > 0.05$). Similarly, there was no statistically significant correlation between the number of responses and number of locations ($r = 0.167$, $p > 0.05$). Therefore, the results suggest that the response to COVID-19 was unrelated to credit unions’ number of members and locations. It is not directly related to the study objective, but there are positive correlations between credit unions’ asset size and number of members ($r = 0.972$, $p < 0.001$) and locations ($r = 0.846$, $p < 0.001$). Finally, the results show a strong relationship between credit unions’ number of members and locations ($r = 0.832$, $p < 0.001$). Finally, since the asset size, the number of locations and members i highly correlated; they were combined into a single factor to examine their correlations. Pearson’s correlation revealed significant positive correlations between the number of responses and combined factors ($r = 0.255$, $p < 0.05$). Furthermore, the result of the study found a small size variance (0.441), suggesting that the combined interaction effect (combined factor), i.e., asset size, number of members, and locations, had a significant impact and relationship to other variables.

According to Davis (1971), coefficients between 0.10 and 0.29 show a low relationship, and 0.70 and higher show a very strong relationship. Our findings indicate that the credit unions’ asset size is a low (and significant) determining factor in the number of responses to COVID-19.

### 6 DISCUSSION

Amid the current COVID-19 pandemic, the actions that businesses take to address the crisis and support their stakeholders are key for the industry not only to navigate the current event but also to better position themselves to deal with future crises that seem likely to occur. While in the early 2000s, it was a financial crisis, which Canadian banks and credit unions managed very effectively (Killins, 2020; NEF, 2014), today, it is a health crisis that has increased poverty,
unemployment, and uncertainty (Wenzel et al., 2020). Tomorrow, who knows what crisis we will have to face. A climate emergency seems likely, as climate change is already affecting the financial sector (Xepapadeas, 2020). Under this troubling scenario and the prevalence of short-term perspectives, we believe it is important for organizations from every sector to manage crises in a deep, wide, and strategic way. This research aims to contribute to a better understanding of how credit unions have responded to the pandemic and through that contribute for the financial sector to be better prepared to manage the future crises they will surely need to face.

This research presents several relevant findings worthy of discussion. First, credit unions have implemented mostly accommodative strategies to manage the COVID-19 crisis and assist their stakeholders with very limited proactive actions. Second, credit unions have mainly implemented operational actions to address the health crisis rather than financial actions to assist their clients with financial needs directly. Third, credit unions, for the most part, have implemented actions to support their business and personal clients, closely followed by actions to take care of their employees. Fourth, the larger the credit union, the greater the number of actions put in place.

Credit unions’ actions to address the COVID-19 crisis are accommodative, mostly—and proactive, secondly. While coding credit unions practices to address COVID-19, we found that based on the definitions provided by the literature, these were either accommodative or proactive, leaving the RDAP approach short. While the framework had been used several times to understand how companies tackle social issues, the COVID-19 pandemic presents a different scenario unsuitable for this framework, as a crisis is largely unexpected by everyone (Jadoo, 2020). Several reasons explain this disconnection. The RDAP approach is built on strategies that do not tackle an issue such as COVID, which almost no one was prepared for, have certain standards requested by the authority, and because the identified practices by definition show that credit unions do something to address the pandemic, so for example, the Reactive category which means doing nothing does not apply. Second, using the definitions and features proposed by scholars about these categories and their dimensions does not help either as they refer to postures as denying (Reactive) or fighting responsibility (Defensive) (Clarkson, 1995), none of which would work in this case, leaving us with the options of accepting (Accommodative) or anticipating responsibility (Proactive). Similarly, the literature refers to doing less than required (Reactive), which is not reflected on the practices informed by credit unions, doing the least required (Defensive), doing all that is required (Accommodative), or doing more than required (Proactive) (Clarkson, 1995). In summary, only two options are found to apply: all that is required such as cleaning and social distancing (Accommodative), or more than required such as reducing interest rates or increasing online channels (Proactive). Finally, the third dimension is about the involvement of top management and employees. If we assume that all practices have at least some support of top management and employees (Accommodative and Proactive approaches), which seem to be a fair assumption, we see no option for no support (Reactive) or little support (Defensive) from top management (Henriques & Sadorsky, 1999). Based on this rationale, which presents an opportunity to contribute to the refinement of RDAP in the context of a crisis, we decided to cluster credit unions according to their practices.

We believe this finding has two related implications, one practical and the other theoretical. In practical terms, credit unions were not expecting this sort of crisis, which is not a unique situation as for most of us, the pandemic suddenly appeared, despite some warnings from scientists. This speaks to how organizations would respond to crises that would hit them directly and to how they would support their stakeholders, who are a key part of their business. Based on
our results, credit unions assumed their responsibilities on how to address the issue, followed what authorities required doing sometimes even more, and their employees and top managers mainly were involved. They did not avoid responsibility, fought it, nor did less than what was required at least by authorities. These are all undoubtedly positive signs of corporate social responsiveness. However, just like most of us, credit unions were just not prepared to address this pandemic, and it seems that they needed others to guide them on what to do and whom to follow. While there is no shame in this as it is a common position for most, we hope that research like this will help them and the industry to be aware of future crises, prepare themselves better, and face crises in a more proactive way. As we have seen from this research, their stakeholders were not consistently supported as credit unions implemented mostly operational actions rather than financial responses to support their clients, and due to their role, credit unions are key for them to navigate the crisis and for the industry to resist it.

With respect to theory, this research shows that the CSR2 approaches traditionally used to assess corporate responses to social issues do not fit well when those issues are unexpected crises such as a pandemic. RDAP uses organizational posture, performance and involvement to determine where their actions towards a social issue stand in the CSR2 spectrum. However, once unexpected and game-changing crises appear, organizations cannot deny or fight responsibility, do less than what is required or expected, or their managers no get involved at all. These types of crises are not just seen through the TV or read on newspapers as something affecting others, these affect us all, and as such, reactive or defensive actions as defined in the CSR2 literature just do not fit well. Thus, the invitation is to get deeper into the accommodative and proactive dimensions of RDAP and adjust the framework to suit these particular types of crises. This has not been the purpose of this article, but we believe there is a good argument to encourage further research on that vein.

Credit unions provide financial services to a particular group not regularly served by commercial banks, thus their relevance. By that logic, we would have expected credit unions to have an important focus on financial actions to support their clients; conversely, most of their actions are operational. This can be explained as these are cheaper and quicker responses and easier to implement when facing an unexpected situation. Reducing operating hours or closing branches is easier to implement, especially under lockdown conditions, than reducing interest rates or providing quick loans; however, financial measures such as these are probably the ones their clients would have expected and appreciated the most. This is another learning for the industry to consider implementing when future crises appear. On the same theme, it is positive to see that most of the implemented actions are directed to clients, with an important dedication to credit unions’ employees as well. These two groups are part of the primary stakeholders of the credit unions sector, without which the industry would not have been able to navigate the current crisis.

Finally, an expected finding is that larger credit unions (ranked by average asset size) and combined size factors (asset size, number of members, and locations) are the ones implementing the greatest number of actions to tackle COVID-19. This is somehow logical as the largest credit unions are from provinces where COVID-19 has also hit the hardest. However, it is important to remember that credit unions serve some isolated communities without access to other services; thus, size should not be a factor in acting upon the pandemic and other crises. Special focus should be given to rural communities where a good number of credit unions’ clients reside. While COVID has impacted everywhere, it would be interesting to cross the impact in rural communities and the support provided by credit unions, specifically in those communities. This is another avenue for further research based on this exploratory research.
While the current pandemic has hit us all in one way or another, and certainly credit unions have felt the impact, it is also an opportunity to assess how they have managed the crisis. The current pandemic is a unique opportunity to assess how resilient systems are. To make that assessment, a deep analysis of what was rightly decided and implemented as well as the policies and practices that did not work is required so that when the next crises arrive, systems are more resilient and capable of navigating the crisis. As we have seen over the years, and as experts from diverse sectors forecast, we can expect different crises to occur with increasing frequency (Allen et al., 2020). The global financial crisis hit the industry in 2008–2009; in 2020, it was the first pandemic in 100 years; climate change is right here impacting the industry and the decisions its making (Brooks, 2021). Others may come (e.g., forced immigration, biodiversity loss, and inequalities). Mainstream banking has started implementing environmental, social, and governance (ESG) assessment approaches to address challenges such as these (Folger-Laronde et al., 2020; Friede et al., 2015), strategic approaches that credit unions should consider towards their resilience.

With this research, we hope to contribute to an increased understanding of how credit unions, as a key actor in the financial industry, are dealing with the current pandemic and aiding their stakeholders and, as a result, society. We also aim to contribute to discussing the current experience as a learning opportunity for other crises that will come so that credit unions, the financial sector, businesses, and society in general, will be better prepared to face an increasingly uncertain future.

7 | LIMITATIONS OF THE STUDY

Of the 235 credit unions operating in the nine Canadian provinces, we examine the data from the largest 100 credit unions as defined by the CCUA. Of course, other smaller credit unions are operating in different parts of the country; thus, it is possible that including them in our study may have yielded different results. Another limitation of this study is that our data are based on what has been publicly published by credit unions on their websites. Some actions or communications between credit unions and their clients may not be published on their websites and/or have many staff dedicated to making changes on websites; credit unions may reach out to their stakeholders directly via e-mail, texts, or phone. Thus, we do not capture any measures not publicly announced on credit union websites. Furthermore, we rely on their self-reporting without having a deep understanding of whether what is published on their website has been undertaken in a meaningful way. Finally, the research focuses on the first wave of the pandemic, so any new actions announced after that period are not covered in this study. Clearly, credit unions are continually evolving their responses as circumstances change.

8 | CONCLUSION

This paper employs qualitative content analysis in order to analyze the social responsiveness approaches implemented by Canadian credit unions during the first wave of the COVID-19 pandemic. Our results show that most of the credit unions implement accommodative and proactive approaches, and most actions by credit unions have an operational component (i.e., more weight on financial clients’ and employees’ needs and less consideration for the community). Furthermore, the results show that large credit unions implement more actions than do small-sized credit unions.
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