

CANADIAN CENTRE FOR THE STUDY OF CO-OPERATIVES (CCSC)

Beyond Target-Setting:

Cultivating Diversity on Co-operative Boards

Author(s): *Jen Budney, CCSC Professional Research Associate
Instructor, Johnson Shoyama Graduate School of Public Policy*

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JOHNSON SHOYAMA
Canadian Centre for the
Study of Co-operatives
UREGINA ▾ USASK

ABSTRACT

A 2020 survey by the Canadian Centre for the Study of Co-operatives (CCSC) revealed that Canada's large, well-established co-operatives tend to have rather homogeneous boards in terms of gender and race. While they are, overall, more diverse than the boards of investor-owned firms, few of the organizations polled had the critical mass of diverse directors that research suggests is needed to make a difference in board dynamics. Studies demonstrate that diversity among directors can lead to better evaluation of a wider range of alternatives, higher quality strategic decision making, improved financial performance, and greater legitimacy in the eyes of stakeholders. For these reasons, many co-operative organizations are seeking to diversify their boards, but the particular structure of co-ops — where directors must be members and must be elected by the membership — can make diversification seem challenging.

Drawing on scholarly and professional literature from the corporate, non-profit, and co-operative sectors, along with sources from mainstream media, this paper presents a "rough guide" to board diversification for co-op and credit union directors and executives. It addresses the state of diversity in large Canadian co-operatives, the difference between genuine diversity and tokenism, and why diversity should matter to all co-ops. It also outlines the steps co-operatives must undertake to cultivate genuine diversity, how decision making works differently on diversified boards, and how co-operatives can measure diversity. The aim of this paper is to help co-operatives and credit unions become more broadly inclusive, enabling them to better uphold the co-operative values and principles and bring greater benefits to local communities as well as society as a whole.

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Canadian Centre for the Study of Co-operatives
101 Diefenbaker Place
University of Saskatchewan
Saskatoon SK Canada S7N 5B8
Phone: (306) 966-8509 / Fax: (306) 966-8517

E-mail: coop.studies@usask.ca
Website: <http://www.usaskstudies.coop>

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1.0 INTRODUCTION

In 2020 the Canadian Centre for the Study of Co-operatives conducted a survey of board compensation practices at twenty-six large and well-established producer/consumer co-operatives and credit unions in Canada — what might be considered as dominant or hegemonic organizations within the country's wide-ranging co-operative sector.¹ This survey also revealed some information about board diversity. To those operating in this field, it may be unsurprising that the boards of the surveyed organizations remain more ethnically homogenous (read: white) than the general population, with five percent of directors being Indigenous and four percent belonging to a visible minority.² What's more, while these organizations are more inclusive of women than the boards of investor-owned firms (IOFs), they are still far from representative, with just over a third (34 percent) of directors being female.³

Interestingly, the study also revealed that surveyed co-operatives with explicit diversity targets had, overall, fewer women and minorities on their boards than the co-ops without targets. This might indicate that co-operatives with less board diversity are more inclined to set diversity targets in order to overcome their homogeneity. However, given the particular conditions of board creation in co-operatives — where directors must be members and must be elected by the membership — diversity, by necessity, must be cultivated rather than decreed. This means that, regardless of the organization's diversity targets or policies, co-operative boards and management must engage in practices and processes that welcome, encourage, and support the participation and input of diverse members in order to diversify their board.⁴

Drawing on a wide range of sources, this paper sketches out what these practices and processes might be, and how co-operative organizations, with their particular structural barriers to board diversification, might begin to understand and cultivate diversity differently and to greater effect. Just as importantly, it will address the reasons why these co-operatives should diversify their boards in the first place. It is intended as a kind of "rough guide" for co-operative directors and executives who are grappling with the need for board diversification; it can serve as a starting point for a conversation between directors, between directors and management, or between co-op leaders and the general membership.

2.0 WHAT IS DIVERSITY? AND WHY DO WE WANT IT?

The term "diversity" has become ubiquitous and is a growing concern for organizations of all types. When used by management or leaders promoting more representation of women, racialized people, people with disabilities, or other marginalized groups, it tends to sound upbeat and inclusive, suggesting additional rather than fewer options, more rather than less.

But diversity can also be a euphemism for justice. As the author Noah Berlatsky writes, "When critics from marginalized groups ask for more diversity, they are actually asking the media, employers, schools and society in general not to discriminate against them. [...] A request for more diversity isn't really a plea to embrace stimulating heterogeneity. It's a plea to embrace minimal decency."⁵

In fact, these two ways of looking at diversity — as more representation or additional choice, and as minimal decency for all people — are flip sides of a single coin. When co-op boards seek to bring diverse perspectives and new skill sets to the table, they are seeking new strategies and approaches to serving the increasingly diverse preferences of their membership and/or customer base. And when members of a marginalized group protest the lack of diversity on a board, it's because they see that the board's limited range of perspectives and skill sets results in the co-op serving them poorly or excluding them from activities and opportunities that they should be able to benefit from as others do.

But not all boards, of course, think about diversity in terms of bringing new perspectives to the table. Some organizations find themselves compelled to diversify by regulators or funding agencies.⁶ These boards may understand that a diverse board is important in terms of symbolic representation, where the presence of women, Indigenous, or otherwise racialized directors enhances perceptions of what Elise Perrault, in the *Journal of Business Ethics*, describes as the board's "instrumental, relational, and moral legitimacy, leading to increased perceptions of the board's trustworthiness."⁷ Yet, they may not always be prepared to be influenced by the new perspectives, resulting in the phenomenon known as "tokenism."

In fact, in 2018, journalists at *The Washington Post* undertook a study to answer a provocative question in relation to gender

diversification on the boards of S&P 500 corporations:⁸ “Do boards seem to be ‘gaming diversity’ in an effort to please the critics, or are they doing their best to include as many qualified women as possible?”⁹ They first tallied the number of women seated on every S&P 500 corporate board. Then they compared these tallies to the counts one would expect to see if existing directors “played a game of musical chairs and were reseated entirely at random.” At the time of their study, the average company board had just under two women. What the journalists found was that there were 45 percent more boards including *exactly* two women than would be expected by chance, indicating that boards worked hard to recruit two women but then stopped, “presumably because they had hit the level of diversity they deemed satisfactory.” The journalists also noted that this result was far more pronounced at companies that typically receive more media coverage, indicating that such tokenism (what they dubbed “twokenism”) may be a response to anticipated public scrutiny.

The Canadian co-operative sector is, on average, doing significantly better than the corporate sector in terms of gender diversity. In the CCSC survey, the average number of female directors per board was four (whereas in Canada’s corporate sector it is, as in the US, roughly two). This is good news, because research suggests that female directors positively impact firm and board performance, and also that a board must have a critical mass of at least three women to realize any improvement.¹⁰ Studies demonstrate that in any group, the majority exerts more influence than minorities, simply by virtue of their greater numbers.¹¹ This means that minorities in any group are more easily sidelined when their presence in a larger group is marginal. Furthermore, in situations where minorities have a minimal presence, they tend to be perceived negatively — sometimes even with derision — and they are doubted and distrusted.¹² In smaller settings, such as a boardroom, this sort of tokenism tends to disappear when the members of a particular minority group number at least three.¹³ On the boards of Canadian co-ops, there are, on average, enough female directors to make a difference.

It’s important to keep in mind, however, that the sector’s average of four female directors is influenced by the heavy representation of women in a few credit unions and retail co-operatives, while in the agricultural sector and in some rural and remote settings, the numbers of women directors are much lower (in some cases, zero). Furthermore, only in the Arctic do Indigenous directors reach a critical mass, and only

one surveyed organization (a credit union) had a critical mass of non-Indigenous racialized directors. This means that, for the most part, the women on the boards of Canada’s large co-ops and credit unions are white, and where Indigenous directors dominate, they are mostly or exclusively men. The valuable perspectives of Indigenous and other racialized women are largely missing from these established organizations. Co-operatives therefore still have much work to do. Ushnish Sengupta summarized it neatly in his study of the intersection between race and gender in the leadership of North American co-ops: “Although women and racial minorities have made some advances in equity in co-operatives, racialized women in particular are not represented in leadership positions in co-operatives in proportion to membership in the broader population. In this context, international co-operative principles remain ideals to aspire to rather than a reality in practice.”¹⁴

As communities across Canada change in different ways, a focus on diversity helps to ensure that co-operative boards adequately represent the interests of their memberships and can help to recruit new members from an increasingly diverse public. Diversity can of course take forms other than gender and ethnic diversity; boards may also want to consider sexuality, ability status,¹⁵ class, geographical location, and language, along with more common markers of diversity such as profession, lived experience, and skillsets. For boards that have always been homogeneous, the process of diversifying can be intimidating, and some directors may become defensive or circumspect when confronted with the prospect of considering new perspectives. But if a co-op’s directors do not adequately reflect the diversity of interests and standpoints of its members and customer base, the board will have blind spots, and these will negatively affect its strategic direction. The board’s decisions will suffer and, at a minimum, the legitimacy of those decisions will be called into question.

Diversifying a co-operative board means bringing to the table people whose experiences and perspectives are different from those that the board has previously embodied. In many cases, even in co-operatives, the “typical” board member will represent a status quo or position of power that in some ways subjugates the interests of those who are not adequately represented. The presence of new perspectives on the board is an opportunity for many board members to confront and overcome cognitive biases that they may or may not be aware of. It is a chance for the board to see, understand, and do differently. For this reason, before attempting to diversify, a

board should be able to articulate its goal of diversification as an ambition to learn, in ways big or small, new mindsets and strategies for conducting its business. Approaching the process consciously as an opportunity for personal as well as professional education and growth will help to offset the sense of loss, discomfort, or fear of displacement that some board members may feel when confronted with perspectives that run counter to their own.

The categories of diversity (race, gender, etc.) are, in the end, heuristics, or shortcuts, to tackling the problem of ensuring that a co-op's board contains the full range of skills, expertise, and professional and/or lived experience required to effectively guide the organization. Regardless of what diversity looks like, the aim is to bring on directors who can provide insights that the current board cannot. Boards must understand this if diversity is to move beyond tokenism: *Real diversity brings new perspectives and ultimately demands changes.* If the board doesn't really believe it can benefit from changes of perspective and opinion, it will be seeking diversity for the wrong reasons. Boards must thus engage in some soul searching and, where only a minority of directors are pushing for diversity, they should ask whether the full board and management will be amenable to the new ideas that real diversity will bring. Where the response to change initiatives is likely to be hostile, or even neutral, thought should be given to whether other work — such as governance training¹⁶ — needs to be undertaken as part of a board change-management process.

There is good evidence that diverse boards (and diverse management) make better decisions and that these decisions also lead to improved financial performance.¹⁷ But if a board seeks to include diverse members merely to expand its market, hoping board diversity will enhance legitimacy and magically lead to increased sales or membership, its logic is short-sighted. The co-operative values of self-help, self-responsibility, democracy, equality, equity, and solidarity require that co-operative organizations do more than just offer more products and services. Population groups that have been systematically marginalized will not generate wealth and well-being through shopping, so it must be remembered that co-operatives are not only businesses, but systems that aim to contribute to building "common wealth" through membership, employment, and community investment. Becoming more deeply inclusive will require shifts in organizational culture that should not be underestimated.

3.0 HOW CAN CO-OPS DIVERSIFY THEIR BOARDS?

Unlike IOFs, public sector organizations, or private non-profits, co-operatives are beholden to a democratic process for board member selection, which is, of course, election by the membership. For this reason, co-ops will likely find it much more difficult to diversify their boards if they do not already have a diverse membership.

Regardless of the type of diversity sought, lack of diversity in membership is often reflective of a lack of diversity in the management and staff and in the products and services offered by the co-op.¹⁸ Cultivating diversity on the board can sometimes therefore be an iterative process, with small changes in operations leading to some diversification of membership, and eventually to diversification in the board, which in turn creates pressure for more small changes in operations, and so on.

In co-operatives where board members habitually do not represent the diversity of the organization's members, there are bound to be different problems at play. Perhaps there is a perception among the co-op's members that only a "certain type" of individual is welcome to run for a spot on the board. If this is the case, the co-op's directors will either be unaware of this perception or will see their own subgroup's dominance in leadership as natural and normal. Their view of the co-op's corporate reputation may be narrow, confined primarily to the perspectives of the board members themselves and people "like them." This sort of board will first need to realize the limits of its own objectivity and identify its weak spots. Governance training can help here. Boards might be prodded to explore issues that irk or agitate them and be encouraged to expand input to their group by inviting other views from among the membership.¹⁹ Boards don't need to take their own deficiencies personally — it's important to acknowledge that none of us are as objective as we think we are, particularly when assessing phenomena in which we're emotionally invested.

All co-operative boards should be taking the pulse of their members regularly to understand what issues, ideas, or people they need to attend to. There are different ways of doing this. Libro, a B Corp-certified²⁰ credit union based in London, Ontario, has built member feedback into its governance structure through its system of regional councils that consist

of one elected owner/member representative per thousand owner/members. Affinity Credit Union, in Saskatchewan, employs district council delegates, including an Indigenous District, which in turn are charged with electing Affinity's board. Retail co-ops, some of which have tens of thousands of members or more, could do well to make use of similar systems. In federations, for example, the delegate structure brings board members from diverse regions together, but a single, large retail may employ nothing more than a single small board to represent the members. Otherwise, co-ops may hire a consultant or, if resources are tight, find members of the co-operative who know and care about these issues and might be willing to volunteer their time (perhaps on a special committee) to gather and bring forward member feedback. Larger co-ops should also reach out to local immigrant and Indigenous organizations to find out what kinds of formal and informal co-operatives are operating in those communities and how they might be of assistance — this is an opportunity for mutual enrichment.

All co-op boards should be able to account for how they are gathering the feedback of members. Do they know what concerns members have about the co-op's governance and operations? They should also know whether the members know much about co-operatives in the first place. Do members know what the board does or who sits on it? Do members attend the AGM? Are members even aware of the AGM? It's not uncommon for boards to lose sight of maintaining active, two-way engagement with the co-op's members, or to take the membership's understanding of co-operatives for granted. But if the co-op does a poor job of educating members on its business model and its purpose, principles, and values — including the importance of member participation — or if members don't hear about the AGM, aren't encouraged to come, or aren't made to feel welcome when they do appear, they are unlikely to stand for election. Education and engagement are therefore part of succession planning and essential to any board diversification strategy.

Board engagement with a co-op's membership is vital. If a co-op wants to diversify its board and can't figure out how, the board and senior executives need to get to know the membership. Unlike other sorts of organizations, they cannot task a consultant, committee, or governance professional with identifying "diverse" external candidates who have no legitimate interest in the co-op. Instead, boards can turn AGMs into social events by hosting a casual reception where members can meet their board and management before

the serious business. Or better: Sandwich the AGM between other events that are interesting, enjoyable, and social, such as an open forum on how to increase the number of women and other diverse members, a panel discussion on good governance, or a talk by an industry expert on changes and trends in the market. Outside of the AGM, boards and management can offer free co-op education workshops and meet members there. They can interview members to create member profiles in the co-op's newsletter, invite members to participate on committees, or bring them in as volunteers in test groups, and so on. The board can't handpick its members, but it can encourage them to be active. And boards can play a major role in turning membership into something much more meaningful than possessing a loyalty card, which may encourage more people to become members.

Some larger co-ops and credit unions have been "professionalizing" their boards by establishing criteria for eligible candidates (typically CV-related and focused on professional skills such as finance, marketing, and executive management), shoulder-tapping potential candidates, and instating various board endorsement practices. Recent events, however, such as MEC's demutualization²² and Calgary Co-op's move away from FCL,²³ raise serious questions about the wisdom of co-ops placing restrictions on their longstanding principle of democratic elections. Establishing criteria for board eligibility — beyond a certain level of economic participation in the co-op — tends to reduce the diversity of perspectives, because the criteria nearly always emphasize a view of the co-op as a solely economic, rather than economic *and* social, enterprise. A 2016 study by Almandoz and Tilcsik demonstrated that, particularly in situations of uncertainty, "domain-expert heavy boards" are prone to cognitive entrenchment (the unwillingness or inability to consider alternatives), overconfidence, and limited task conflict (constructive conflict over options).²⁴ In the worst-case scenarios, this sort of board grooming results in directors and management who have what Couchman and Fulton refer to as a "thinly veiled contempt" for the co-operative model, where co-operation is seen as a problem, not as a strength.²⁵ And as Caroline Shenaz Hossein reminds us, co-op boards should understand that many newcomers to Canada have emigrated from places where informal co-ops and credit unions are cornerstones of society. These individuals can offer a great deal of added knowledge about "self-help groups, collectives, mutual aid, and rotating savings and credit associations (ROSCAs)—all forms of co-operativism."²⁶

Sometimes co-operatives seek to diversify the co-op's membership as a whole, perhaps because it is in expansion mode, or for some other reason. This is an exciting undertaking, but to be successful, an organization must develop social and cultural competence internally so that potential new members can see themselves reflected in the organization in a number of ways:

- their representation in governance activities
- the types of products or services offered
- employees hired
- the languages that are spoken
- the look and feel of the organization

Training in subjects such as intercultural communication may be necessary for management as well as staff. Management in particular will need to be held accountable for modelling the desired new attitudes and approaches. If they are not in alignment with the goal of diversity (of members and/or products and services), long-term staff will also be more likely to resent and resist change, and new, diverse hires will be more difficult to retain. As one diversity, equity, and inclusion coach warned, a board may find that not all staff or management are in alignment with the culture shift, and this "may mean that long-time staff will transition, voluntarily or involuntarily, from the co-op."²⁷

4.0 HOW DIVERSE BOARDS WORK

When diversity is "done right," board dynamics change. But as Forbes and Milliken show, there is no direct conduit from demographics to organizational performance. The influence of board demography on organizational performance is, instead, complex and indirect.²⁸ With new and diverse board members there will, and ought to be, more constructive debate and discussion. Forbes and Milliken refer to this as "cognitive conflict" or task-focused conflict; it is the mental discomfort that arises when one is confronted with new information that contradicts one's prior beliefs and ideas. Cognitive conflict is different from "affective conflict," which is tension that revolves around personal animosities between and among individuals. Many researchers have noted that cognitive — not affective — conflict on boards results in the consideration and more careful evaluation of a wider range of alternatives, improving the quality of strategic decision making in uncertain environments.²⁹

One of the beauties of co-operatives is that they are not

beholden to the tyranny of the quarter in the same way as IOFs, allowing them to strategize with a longer-term view. When diversity is done right, that is, when cognitive conflict is encouraged and affective conflict is minimized, it will enhance this capacity to take a longer and broader view. The question of the co-op's purpose should become more interesting, though it should be noted that it will often take more time for boards to reach consensus on big decisions.

Board members dealing with diversity for the first time should be prepared to practise active listening.³⁰ If, in the past, feelings of "sameness" allowed directors to believe they understood the motivations and perspectives of fellow board members, some people may find themselves confused and occasionally frustrated with the opinions of new board members. It's important in these cases for directors not to argue or become defensive, but to listen carefully without interrupting. A strong and committed board chair will be critical here; she may need to create new rules or practices to make sure the necessary listening happens, and it should be made clear to everyone that some people will have to give up or at least rethink and modify long-established views or positions. Listening means not just *hearing* what the other people are saying, but being willing to acknowledge that these perspectives have merit and need to be acted upon, even if that means giving up one's own position.

This is also an important time for board members to check their biases³¹ and to reflect on the dominant preconceptions or "thinking shortcuts" of the board. Board members have a number of options to consider:

- sign up for implicit bias tests³²
- take a workshop or read an article on avoiding biased language³³
- work with the CEO or manager to identify entry points for bias in the co-op's hiring process³⁴
- practice visualizing unbiased interactions, a technique referred to as "imagined intergroup contact"³⁵
- be encouraged to hold each other accountable³⁶

Some biases will stem from basic, rather innocent conditions — friendships, business relationships, peer pressure, loyalty, and self-interest — but others may be rooted in more problematic cultural constructs such as racism, sexism, ableism, and other prejudices. Often these biases don't become fully apparent until a board begins trying to diversify. If this is the case, boards should remember that we all have

biases. As individuals learn to speak honestly together about the existence of bias, both the comfort of individuals and collective decision making will improve.

The need for active listening and examination of biases underlines a point made earlier, namely, that slower decision making can lead to better long-term outcomes. More transaction costs (friction/time) on the front end, when managed well, typically lead to less grief, more buy-in, and greater legitimacy on the back end. Customary Indigenous governance systems recognize this, with multi-layered accountability and deliberate, consensus-based decision making in which both immediate consequences and concerns for future generations are considered.³⁷ By contrast, capitalism — based on the ideal of short-term efficiencies — has created a high-speed world in which, we now know, future generations will be forced to pay for the decisions made by those who preceded them. Slower decision making that results from diversity — what we might call improved community representation — may be important not only to one's co-op, but to society overall. There is ample evidence that slower decision making — common to co-operatives, especially where there is board diversity — leads to more financially sustainable as well as more ethical decisions.³⁸

5.0 MEASURING DIVERSITY

Measuring diversity is not a straightforward task.

Ticking boxes is a simple way to evaluate a board's diversity, but it can easily lead to tokenism, as described earlier — the practice of making only a perfunctory or symbolic effort to be inclusive to members of minority groups, or diversifying for appearance's sake, rather than to make more thoughtful, better-informed, and more ethical decisions. It may also lead to recruitment of individuals who tick a box but, because of their professional or class background, see things in much the same way as everyone else.

That said, on some levels, ticking boxes might be necessary and useful. If your organization serves a dominantly Indigenous customer base and you have only white people on the board, ticking boxes will tell you that your board is inadequately representative. But identity — *any* identity — is a complex construct, and boards will want a range of perspectives, backgrounds, and experiences that cannot all be captured in a checklist.

Co-operatives should consider adopting a flexible matrix, one that includes a few tick boxes that are non-negotiable — perhaps gender, age, lawyer, or Indigenous — and others that can be filled in differently for each board member, depending on their answer to what we might call a Self-Declaration and Experience Questionnaire:

1. How does your lived experience relate to the mission of the co-op, and how will you use your personal experience to impact and govern as a board member?
2. What professional experience do you have, and how will you use it to impact and govern as a board member?
3. What other experiences do you bring to this board (e.g., volunteer or community work, academic work, etc.) and how might they be of use?

These questions could be asked of all members running for election, with the answers kept on file for insertion into the matrix if they are elected. Answering the questionnaire can be grounding for potential and new board members as they are forced to reflect on their reasons for wanting to join the board. With this in mind, you might also ask, in part to secure a commitment:

4. How will you strive to properly serve the co-operative and the diverse populations that it serves?

Finally, at all times, co-operative boards should keep in mind the importance of tracking not only the membership of their board of directors, but of their general membership as well. If the general membership is not reflective of the general population in the co-op's catchment area, it will be more difficult to develop the deep pool of diverse candidates for board positions.

6.0 DIVERSITY AND THE CO-OPERATIVE PRINCIPLES

The co-operative principles underscore the need for co-ops to make greater efforts to diversify their memberships and boards to help build "common wealth." This is most strongly emphasized in the principle of Open and Voluntary Membership, which the International Co-operative Alliance (ICA) describes as follows: "Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination."³⁹ But co-ops — especially the larger, well-

established organizations — can contribute to the building of common wealth in another way as well, that is, by demonstrating the seventh co-operative principle, Concern for Community, in support for emerging co-ops led by women and Indigenous and other racialized communities.

Sengupta argues that the ability of equity-seeking individuals and groups to start and develop social economy organizations in Canada remains an under-researched area. At the same time, he states, it is clear that the larger, established organizations — the kind of co-ops polled in the CCSC survey — struggle with change, if only because they are invested in current technologies and institutional arrangements and so have less incentive to innovate.⁴⁰ For this reason, we may see more equity built for women and Indigenous and racialized communities by newer or emerging organizations. Often these organizations struggle with capitalization and investment, or with other areas of development and capacity-building. Large, established co-operatives should consider ways to assist co-op development by women and Indigenous and other racialized communities as a way of upholding the seventh principle. Indeed, Federated Co-operatives Limited does this through its funding of the non-profit organization Co-operatives First, whose mandate is to promote and develop co-ops in rural and Indigenous communities across western Canada. This arms-length mode of assistance is important, as it recognizes the right and need for every new co-op to establish and articulate its values. To date, Co-operatives First has held conversations with more than eighty Indigenous community groups who are building or considering the benefits of co-operative businesses, a significant contribution in the landscape of Indigenous economic development.

7.0 CONCLUSION

Corporate boardrooms have long been stereotyped as jovial, affable places where directors are like minded and know each other well, and this stereotype may be at least partially rooted in reality. But co-operative boards, while often different in politics and values, can also fall prey to the problem of too much sameness. A meme began circulating over Facebook and Twitter after the Biden inauguration in January 2021 — one of those thousands of memes featuring Bernie Sanders slouched in his chair wearing handmade mitts. This famous photo is juxtaposed against an image of Sanders yelling rather angrily into a mic. The caption reads, “There are only two types of guys at a farmer coop meeting.”



Clearly, stereotypes about co-operative boards exist, too, and like those of corporate boards, they likely have some basis in fact.

A boardroom filled with people who all share the same background and think alike can feel nice, but it causes unintentional problems. Where directors all usually see things in more or less the same way, the board will continue to tend to agree and the group will become exceedingly insular. Such boards will be more inclined to feel as if they have an obligation to go along with the CEO or the manager for various reasons. They are less inclined to consult with the broader membership because fewer questions are being raised at the table. Where there is a dominant feeling of “in group,” a lone director with a different opinion may not want to veer from the crowd, while others are just happy to go with the flow.

The boards of Canada’s large and well-established co-ops are, on average, somewhat more diverse than corporate boards, particularly in terms of gender, but this is mostly only true for the largest credit unions and retail co-ops. Overall, there is much work yet to be done by these co-operative organizations in dealing with equity issues in the boardroom, as well as in management and staffing. As noted above, the ICA’s principle of Voluntary and Open Membership states that co-ops are “voluntary organisations, open to all persons able

to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.”⁴¹ Yet as Sengupta pointed out, in Canada this statement remains largely aspirational.

The democratic structure of co-operatives presents challenges to board diversification that other kinds of organizations do not face. Because directors must be elected by a co-op’s membership, a co-op cannot simply task a consultant, committee, or governance professional with identifying “diverse” external candidates. Rather than view this challenge as a weakness, however, co-operatives should consider this yet another co-op advantage: It discourages the kind of tokenism that seems to be prevalent on the boards of IOFs and many non-profits, and encourages the building of genuine relationships.

Although there is good evidence that diverse boards and management make better decisions that lead to improved financial performance, board diversification is not a magic bullet. Real diversity brings cognitive conflict and the consideration of a wider range of options. These are good things, but they take time, and they can result in a range of uncomfortable emotions and reactions for long-standing directors. Such emotions and reactions will need to be confronted and responded to with care and patience, as well as persistence. Co-operatives must remember that board diversification should be undertaken with neither optics nor financial returns as primary considerations, but with a sincere desire to learn how to think about and do things differently. Real diversity will bring cultural change to a co-operative board and will also contribute to or lead changes in the co-op’s operations, including membership, employment, and community investment.

This paper, intended as a sort of rough guide for co-operatives grappling with the issue of board diversification, has drawn on both scholarly and professional literature from the corporate, non-profit, and co-operative sectors, along with sources from mainstream media. The goal has been to sketch out some of the considerations and practices that co-ops with quite homogeneous boards might undertake as they begin to cultivate diversity, becoming more broadly inclusive and beneficial for all people, and therefore more co-operative and beneficial to Canadian society as a whole.

ENDNOTES

¹ Indeed, the co-ops and credit unions surveyed for the CCSC report are also among the more long-established producer and consumer co-operative organizations in the country. Younger and emerging co-ops, including worker co-ops, multi-stakeholder co-ops, and platform co-operatives, particularly in large urban centres and Indigenous communities, may be more diverse; however, we do not yet have that data. See Travis Reynolds, *Co-ops & Credit Unions: Report from the Board Room* (Saskatoon: Canadian Centre for the Study of Co-operatives, 2020), <https://usaskstudies.coop/documents/pdfs/co-ops-and-credit-unions-report-from-the-board-room.pdf>.

² The comparison of board demographics to the demographics of Canada's overall population needs to be taken with a grain of salt. While the figure of five percent Indigenous is roughly representative of Canadian demographics, many of the co-operatives surveyed by the CCSC operate in jurisdictions with proportionately larger Indigenous populations. Similarly, nearly a quarter of Canadians today are visible minorities, so their representation at four percent on the boards of co-operatives also suggests systemic barriers to inclusion, keeping in mind, however, that some co-ops surveyed are located in areas with much higher percentages of visible minorities, and others with much lower.

³ Canadian IOFs had an average of 21.5 percent female directors. Statistics Canada, "Representation of women on boards of directors, 2017," January 28, 2020, <https://www150.statcan.gc.ca/n1/daily-quotidien/200128/dq200128b-eng.htm>.

⁴ Practices, processes, and policy are all, of course, reflective of organizational values and culture, which the CCSC survey did not directly address. However, one way to assess a co-op's values and culture might be by measuring the gap between the co-operative principles of voluntary and open membership, democratic member control, and concern for community, and the co-op board's ability to competently and inclusively represent the interests of its diverse membership and the interests of the larger community it serves.

⁵ Noah Berlatsky's observation was made in the context of a *Los Angeles Times* op-ed on Hollywood films, but can be applied usefully to just about any sector. See N. Berlatsky, "Diversity' is a euphemism. We should be careful how we use it," *Los Angeles Times*, July 10, 2017, <https://www.latimes.com/opinion/op-ed/la-oe-berlatsky-diversity-20170710-story.html>.

⁶ For example, the federal government made changes to legislation governing corporations, co-operatives and non-profits that require these entities to disclose information on their boards' diversity — specifically the representation, at a minimum, of women, Indigenous peoples, people with disabilities, and members of visible minority groups — for all annual meetings held after January 1, 2020. See: <https://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs08317.html> and <https://www.osler.com/en/resources/regulations/2019/canada-is-first-jurisdiction-worldwide-to-require-diversity-disclosure-beyond-gender-diversity-disc>.

Funding agencies such as the Canada Council for the Arts also ask organizations to report on the diversity of their boards, using categories of culturally diverse, deaf, disability, and official language minority communities. See the Canada Council's Equity Policy: <https://canadacouncil.ca/about/governance/corporate-policies>.

⁷ Elise Perrault, "Why Does Board Gender Diversity Matter and How Do We Get There? The Role of Shareholder Activism in Deinstitutionalizing Old Boys' Networks," *Journal of Business Ethics* 128 (2015): 149–65, <https://link.springer.com/article/10.1007/s10551-014-2092-0>. Perrault usefully describes legitimacy as a firm's "structure, principles and activities conform(ing) with the values, norms and expectations of society," such that it receives a benefit from its acceptance. She notes that legitimacy is not the same as, but is a precondition of, trust.

⁸ The S&P 500 Index, or the Standard & Poor's 500 Index, is a market-capitalization-weighted index of the 500 largest US publicly traded companies.

⁹ Katherine L. Milkman, Dolly Chugh, Modupe Akinola, and Edward Chang, "On the board, 'twokenism' is the new tokenism," *The Washington Post*, November 3, 2018, <https://www.washingtonpost.com/business/2018/11/03/twokenism-is-new-tokenism/>.

¹⁰ Alison M. Konrad, Vicki Kramer, and Sumru Erkut, "Critical Mass: The Impact of Three or More Women on Corporate Boards," *Organizational Dynamics* 37, no. 2 (2008): 145–64, <https://doi.org/10.1016/j.orgdyn.2008.02.005>. See also: Mariateresa Torchia, Andrea Calabò, and Morten Huse, "Women Directors on Corporate Boards: From Tokenism to Critical Mass," *Journal of Business Ethics* 102 (2011): 299–317, <https://doi.org/10.1007/s10551-011-0815-z>.

¹¹ Solomon E. Asch, "Effects of Group Pressure upon the Modification and Distortion of Judgments," in *Groups, Leadership and Men: Research in Human Relations*, ed. H. Guetzkow, 177–90 (Pittsburgh, PA: Carnegie Press, 1951); S.E. Asch, "Opinions and Social Pressure," *Scientific American* 193, no. 5 (1955): 31–35; and Sarah Tanford and Steven Penrod, "Social Influence Model: A Formal Integration of Research on Majority and Minority Influence Processes," *Psychological Bulletin* 95, no. 2 (1984): 189–225, <https://doi.org/10.1037/0033-2909.95.2.189>.

¹² Anne Maass and Russell D. Clark, "Hidden Impact of Minorities: Fifteen Years of Minority Influence Research," *Psychological Bulletin* 95, no. 3 (1984): 428–50, <https://content.apa.org/doi/landing?doi=10.1037%2F0033-2909.95.3.428>, and Charlan J. Nemeth and Joel Wachtler, "Creative Problem Solving as a Result of Majority vs Minority Influence," *European Journal of Social Psychology* 13, no. 1 (1983): 45–55, <https://doi.org/10.1002/ejsp.2420130103>.

¹³ In a recent study of the boards of Canadian non-profit organizations, researchers at the David and Sharon Johnston Centre for Corporate Governance Innovation found that most culturally diverse board members on non-profits felt that they had been recruited to director positions merely for the sake of optics, that their diverse perspectives typically went unheeded or seemed to be unwanted, and, as a result, that they had largely been unable to bring meaningful change to their organizations. See: L. Robin Cardozo and Matt Fullbrook, *Not-for-Profit Board Diversity & Inclusion: Is it essentially window dressing?* (Toronto: The David and Sharon Johnston Centre for Corporate Governance Innovation, Rotman School of Business, University of Toronto, 2021).

¹⁴ Ushnish Sengupta, "The Intersection of Race and Gender in Leadership of Cooperatives in North America: Of Whom, by Whom, and for Whom?" *Journal of Co-operative Studies* 48, no. 3 (2015): 19–28, doi:10.31235/osf.io/hbj9k.

¹⁵ This term refers to whether or not someone has a disability, physical or mental. While the terms "abled" and "disabled" are used to describe individuals, it is more acceptable to refer to someone "having a disability" or "not having a disability" rather than defining them by the disability.

¹⁶ The Canadian Centre for the Study of Co-operatives, in partnership with the Johnson Shoyama Graduate School of Public Policy's Executive Education Program, offers

comprehensive, high-level governance workshops for co-operative boards, which cover, among other subjects, board dynamics and lessons on diversity.

¹⁷ Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince, *Diversity Wins: How Inclusion Matters* (McKinsey and Company, 2020), <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>; Claire Barnes, Rachel Lewis, Joanna Yarker, and Lilith Arevshatian | Gabriela Topa (Reviewing editor), "Women Directors on FTSE Company Boards: An Exploration of the Factors Influencing Their Appointment," *Cogent Psychology* 6, no. 1 (2019), doi:10.1080/23311908.2019.1691848; and Joana Marinova, Janneke Plantenga, and Chantal Remery, "Gender Diversity and Firm Performance: Evidence from Dutch and Danish Boardrooms," *International Journal of Human Resource Management* 27, no. 15 (2015): 1777–90, doi:10.1080/0958519.2015.1079229.

¹⁸ There are very few places in Canada today that have no diversity at all in the general population, particularly when we consider gender, sexuality, ability status, race, and class all as factors of diversity. If a co-op board feels as if it can't diversify because there is no diversity among its membership, they may need to ask why their membership does not reflect the diversity of their community.

¹⁹ See: Elizabeth R. Thornton, *The Objective Leader: How to Leverage the Power of Seeing Things As They Are* (New York: St. Martin's Press, 2015).

²⁰ B corporations (or B corps) are for-profit organizations (IOFs or co-ops) that have been certified on the basis of their social and environmental performance by B Lab, a global non-profit. To be granted and to maintain certification, companies must receive a minimum score from an assessment of "social and environmental performance," integrate B corp commitments to stakeholders in their governing documents, and pay an annual fee based on annual sales. Companies must recertify every three years to retain their B corp status.

²¹ In credit unions, much of this pressure originates with regulators charged with ensuring the safety and soundness of the financial institution.

²² Marc-André Pigeon, "The MEC debacle is a predictable and avoidable governance failure," *The Conversation*, September 29, 2020, <https://theconversation.com/the-mec-debacle-is-a-predictable-and-avoidable-governance-failure-146513>.

²³ Murray Fulton, Dionne Pohler, and Brett Fairbairn, "Calgary Co-op rolls the retailing dice on its future," *Calgary Herald*, August 31, 2019, <https://calgaryherald.com/opinion/columnists/opinion-calgary-co-op-rolls-the-retailing-dice-on-its-future>.

²⁴ Juan Almadox and András Tilcsik, "When Experts Become Liabilities: Domain Experts on Boards and Organizational Failure," *Academy of Management Journal* 59, no. 4 (2013): 1124–49, <https://doi.org/10.5465/amj.2013.1211>.

²⁵ Peter Couchman and Murray Fulton, *When Big Co-ops Fail* (Saskatoon, SK, and Woodstock, UK: Centre for the Study of Co-operatives / Plunkett Foundation, 2009, <https://www.usaskstudies.coop/documents/books,-booklets,-proceedings/big-co-ops-final.pdf>).

²⁶ Carolyn Shenaz Hossein, "Locating the Contributions of the African Diaspora in the Canadian Co-operative Sector," *International Journal of Co-operative Accounting and Management* 3, no. 3 (2020): 21–45, doi:10.36830/IJCAM.202014.

²⁷ LaDonna Sanders-Redmond, "Deepening the Work of Diversity, Equity, and Inclusion," *Cooperative Grocer* (September-October 2018): 11–12, <https://www.grocer.coop/articles/deepening-work-diversity-equity-and-inclusion>.

²⁸ Daniel P. Forbes and Frances J. Milliken, "Cognition and Corporate Governance: Understanding Boards of Directors as Strategic Decision-Making Groups," *Academy of Management Review* 24, no. 3 (1999): 489–505, <https://doi.org/10.2307/259138>.

²⁹ Ibid.

³⁰ Grace McCarthy, "Why Listen? How Listening Skills Can Improve Your Board," *Better Boards*, November 21, 2018, <https://betterboards.net/leadership/listening-skills-improve-board>.

³¹ See: GDP Consulting, "Biases Which Affect Decision Making by a Board," March 15, 2012, <https://gdiconsulting.ca/biases-which-affect-decision-making-by-a-board>, and Martha Clement Rochford, ed., "Checking Your Blind Spot: Ways to Find and Fix Unconscious Bias," *Executive Talent* 14 (2019): 28–33, <https://www.aesc.org/insights/magazine/article/checking-your-blind-spots>.

³² See, for instance, the [Implicit Associations Test \(IAT\)](#), developed by Tony Greenwald.

³³ Anne Loehr, "Is Unconscious Bias Sneaking Into Your Workplace?" *ReWork*, May 9, 2016, <https://www.cornerstoneondemand.com/rework/unconscious-bias-sneaking-your-workplace>.

³⁴ Anne Loehr, "Use 'The Interruption Strategy' to Tackle the Diversity Gap," *ReWork*, November 9, 2015, <https://www.cornerstoneondemand.com/rework/use-interruption-strategy-tackle-diversity-gap>.

³⁵ Lisa Pagotto, Emilio Paolo Visintin, Giulia De Iorio, and Alberto Voci, "Imagined Intergroup Contact Promotes Cooperation through Outgroup Trust," *Group Processes & Intergroup Relationships* 16, no. 2 (2012): 209–16, doi:10.1177/1368430212450057.

³⁶ Anne Loehr, "5 Tips for Managing Unconscious Bias at Work," *ReWork*. June 29, 2016, <https://www.cornerstoneondemand.com/rework/5-tips-managing-unconscious-bias-work>.

³⁷ See: Mark Julien, Barry Wright, and Deborah M. Zinni, "Stories from the Circle: Leadership Lessons from Aboriginal Leaders," *The Leadership Quarterly* 21, no. 1 (2010): 114–26, <https://www.sciencedirect.com/science/article/pii/S1048984309002033>.

³⁸ See: Daniel Kahneman, *Thinking, Fast and Slow* (Toronto: Doubleday Canada, 2011), and Guido Palazzo, Franciska Krings, and Ulrich Hoffrage, "Ethical Blindness," *Journal of Business Ethics* 109 (2011): 323–38, https://www.researchgate.net/publication/256046104_Ethical_Blindness.

³⁹ International Co-operative Alliance, "Cooperative identity, values & principles," <https://www.ica.coop/en/cooperatives/cooperative-identity>.

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JOHNSON SHOYAMA

Canadian Centre for the
Study of Co-operatives

UREGINA ▾ USASK

Diefenbaker Building, 101 Diefenbaker Place,
University of Saskatchewan
Saskatoon, Saskatchewan
S7N 5B8

Ph: 306-966-8509
Email: coop.studies@usask.ca