



Mid America Cooperative Council

MACC VOICE

JUNE 2016 NEWSLETTER

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Simple Steps to Address Board Diversity

Phil Kenkel, Bill Fitzwater Cooperative Chair - Oklahoma State University

"In my previous newsletters I have discussed the benefits of board diversity. Boards with a healthy amount of diversity are more innovative and more strategic. Board diversity improves the perception of the organization. Research on Fortune 500 companies shows a clear correlation between board diversity and improved firm performance. Agricultural cooperatives trail every other cooperative sector, as well as most investor owned firm sectors, in the diversity of their boards of directors. In the case of gender diversity, which is probably the low hanging fruit for agricultural cooperatives, the cooperative's membership structure may be a barrier to female board members.

The point of board diversity is to expand the pool of highly qualified candidates, not to set any sort of formal or informal quota. There are some simple steps to addressing board diversity. First, consider your membership policies and think through how women could run for the board of directors. A simple solution might be to publicize board nominations in advance and establish a written procedure to express interest. That would allow you to get a membership application from potential female candidates. Another step is to have one or more females on your nominating committee. A woman member is much more likely to be able to identify qualified and interested female board member candidates. A good election process with multiple candidates for every board seat helps open the door to diversity. A female candidate obviously has an uphill battle in a cooperative, with a culture of re-electing every incumbent director in an unopposed election.

A final step, if your cooperative has implemented an associated board, is to appoint one or more female members to the associate board. The associate board is typically appointed by the board and CEO so that change can be implemented easily. Even though they do not have a voting role, the associate board brings new perspectives into the board room. The associate board is a great way to connect with members who may be unsure whether they want to commit to running for a board seat. It, also, grooms them for a possible role as board member.

In some of our cooperatives we need to remove barriers keeping women out of the board room. In most, we just need to extend an invitation." *(excerpts from Farmer Cooperative Commentary)*



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Five Main Challenges to Enhancing Women's Leadership in Credit Unions



A report by the Filene Research Institute looks at how to increase the status of women's leadership within the credit union sector. The report is based on a research conducted by *Melissa Thomas-Hunt and Mahak Nagpal of the University of Virginia, in collaboration with the Filene Research Institute and the World Council of Credit Unions.*

The authors looked at dozens of specific factors that support or inhibit women's leadership within credit unions. To support the research, they carried out a survey of credit union employees and board members in the USA, Canada and Mexico. The 76-question survey revealed five key challenges to advancing women's leadership in credit unions.

One of these is the fact that women often start working for credit unions in lower level roles and in departments that do not lead directly to executive positions. Almost half of women who enter a credit union begin as tellers, as opposed to only 28% of men. Women perceive themselves as having less power and influence than men, which can also become a barrier. According to the survey, women are perceived to use slightly more authoritarian leadership styles across credit unions.

The existing leadership climate can pose another challenge. The research reveals that employees at credit unions with female chief executives perceive themselves differently and act differently than those at similar credit unions, where a man is in charge. Furthermore, men feel that their skills are significantly more valued when there is a male chief executive, while women feel more valued working for other women.

In terms of ambition and motivation, mentors and mentees tend to group toward their own gender. With men more likely to hold senior credit union positions, it can be more difficult for women to get a hand up.

Respondents did not report family as a career inhibitor. However, at senior level men are more likely to have children (59% men in high level manager positions have children) and women more often seem to make trade-offs between career and family (41% of women in high manager positions have children).

Commenting on the research, Filene Chief Executive, Mark Meyer, said: "The research is not done. This collaboration with the World Council shows us the challenges we face in credit unions, especially matching sponsors early on. **The real work will come when leaders, men and women alike, take these challenges personally and resolve to overcome them.**"

Calyn Ostrowski, executive director of the Worldwide Foundation for Credit Unions, added: "We need the credit unions movement to step forward and unlock the leadership potential of women. This is at the heart of what we do through the **Global Women's Leadership Network**".

Rod's Thoughts



Having a diverse board of directors is a positive initiative, especially as minorities and women own their own businesses. This diversity also helps the board to stay focused on understanding, anticipating and meeting the needs of **all of the membership**.

The democratically elected directors are the leaders of our cooperatives. Let's realize that this statement is very unique in our investor owned business world. First of all, our directors are elected democratically, not by how much ownership they have, or who they know, or how much influence they have to get more business.

I am offering this as a reference point, of how unique and special is the elected control for our cooperative business model. Yes, size does matter in our economies of scale, and many of our elected directors may also be larger customers of our cooperative. Many cooperatives have a mere 5% of the membership being responsible for more than 90% of their business. This may have increased a little over time, but we have always had large and small co-op member/owners who are being equitably served by their cooperative. Healthy, successful cooperatives have found a way for all to receive value from their cooperative. One of those ways is by having democratic control of who serves on their board of directors.

The board of directors are the leaders of our member owned businesses. The question is, how well do the demographics of our directors represent the demographics of our cooperative member/owners, and should this be a concern? The fact is that every director is an active cooperative member. Over time, these directors become more informed and grow in their knowledge to improve as directors. Many cooperative directors have told me that it takes three to four years to really understand their role, as a director. They, also, tell me they get a great deal of value in attending educational programs that guide them in their director role.

What key items should be considered in serving the dynamic needs of all the membership? As a customer of your cooperative it is easy to think about your current and future needs, but how well do we consider the unique needs of other members; larger, smaller, younger, older, male or female. These are important perspectives to consider in the board room.

MACC members are concerned about the needs of their co-ops. The membership can be served by engaging in two common activities. The first action is the vetting process for electing their directors. There is criteria that must be met in order to be eligible to run for the board of directors. A common example is that their accounts are paid, they have the time to commit to being a director, and are successful as leaders in their community.

The second method is to hold regular membership advisory meetings. Most MACC members hold annual input or advisory meetings, in their various communities. Management, board members and members are invited to discuss the current and future needs of their membership. These meetings help to explain the co-op's current and future product and service offerings. Also, the meetings provide the opportunity for feedback on how well those products and services are meeting the needs of the cooperative's members. **Regular education programs, annual advisory meetings, and identifying the talents needed on the board; are key points MACC members express that are critical to building a better board.**