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Leadership and Representational Diversity

Theory, Operationalization, and Measurement

Cristine de Clercy

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UNIVERSITY OF
SASKATCHEWAN

Centre for the Study
of Co-operatives

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Representational Diversity**

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Contents

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Introduction*

BOARD MEMBERS are central to the function of any co-operative. There are many studies concluding that without excellent board-level leadership, organizations perform well below their capabilities.[1] People holding board offices often possess much experience and insight into the co-op, its community context, and business or service objectives. The efforts of board members to steer the co-op and to help define and achieve overarching policy goals constitute a key leadership contribution. Board members are valuable in another area, however —one that is too often ignored—and that is their ability to represent their membership, also referred to as their representative function.

Owing to the democratic structure of co-operatives, the constituency of the board is the larger membership. Effective board directors represent the interests of their constituents within executive-level, decision-making processes. Often, this representative function is carried out consciously as well as unconsciously. This is to say that board members may actively consult co-op members on a particular decision, such as opening a new branch or service location. At the same time, however, board members also help to represent the membership via their unique sets of personal experiences and social characteristics. Although this unconscious or latent representation function is easy to overlook, it is nevertheless important. This essay discusses the connection between effective board leadership and representational diversity. Many analysts are calling for increased diversity in co-op governance, but there seems to be much

confusion about how to approach the issue.[2] The main objective here is to demystify the concept of diversity. First, the discussion below considers why the goal of diversity is often difficult to achieve, and reviews some key theoretical propositions about its importance. Then, we consider how to "operationalize" the concept of diversity, or ground its abstract ideals in the real world. Finally, we provide some strategies for measuring and enhancing a board's level of representational diversity.

Leadership, Diversity, and Democratic Representation

THE PRINCIPLE OF MEMBER REPRESENTATION is given much lip service within the literature on co-operative governance, and many people may assume that representative leadership occurs simply as a function of the democratic process. There is not necessarily a connection, however, between organizational democracy and representational diversity. Several recent studies suggest that considerable deliberate planning and effort is required to create and sustain a representative leadership body.[3] Indeed, within the co-op sector as well as Canadian society generally, representational diversity increasingly is identified as a central, but elusive, governance objective.

The demographic composition of Canadian society is changing dramatically in response to trends in the birthrate, the ageing of the baby-boomer generation, and demands for skilled workers. Measured in terms of immigrants per capita, no other country in the world relies so heavily on the arrival of new citizens as does Canada. The federal and provincial governments continue to carefully track changes in the composition of Canada's population because they must anticipate how these changes will influence public policy. These same trends and pressures influence groups and organizations within Canadian society. Many firms, nonprofit groups, and voluntary associations monitor societal change for

the purpose of estimating the future effects of current trends. It is interesting to note, however, that most co-operatives do not regularly track changes in the composition of their membership. Curiously, and with the exception of credit unions, the co-op sector generally lags behind other sectors in terms of collecting sectoral, organizational, and membership statistics.[4]

In part, this reluctance may owe much to the tenets of the traditional co-op model. Here, the democratic method of board elections ideally carries with it the potential for diverse interests to be represented in executive decision making. It is assumed that because members own the co-op and govern themselves, and because they select their own leaders, the characteristics of members and leaders are coincident, if not identical. Certainly, this model has many merits, and still may function relatively well within smaller co-operatives, where the ratio of board members to co-op members is rather low. The scale of co-operative membership has exploded in several areas, however, over the last twenty years. Mountain Equipment Co-operative, for example, is a consumer co-op with more than 1.5 million members, and operations in most major Canadian cities. As its business grows, soon one in five adult Canadians may hold an MEC membership.[5] Can we expect the traditional ten-person-board model to represent the social diversity inherent in a few million people? As the scale of co-op membership increases owing to factors such as success in the marketplace or co-op mergers, boards face many large challenges in representing their increasingly diverse memberships.

The discussion in the preceding paragraph suggests that the representational diversity found in smaller-scale, traditional co-operatives may be diminishing as co-ops change, grow, and adapt to new market environments and realities. However, there are many examples of traditional co-operatives that have lacked, and continue to lack, representational diversity among board members. At this point, it is useful to pause and consider briefly why representational diversity is a difficult goal to achieve. Why do so many boards fail to resemble the composition of their memberships?

This question is a variant of a general inquiry that has been posed many times concerning the nature of elites. Studies of social elites and

organizational leaders confirm that most human organizations are susceptible to a common phenomenon known as elite capture. Over time, the mechanisms of governance become dominated by leaders who share certain values, characteristics, and traits, and lack others. The phenomenon has other labels. In the field of women's studies, for example, this is known as the rule of "the higher, the fewer." Here, as one reviews an organization's hierarchy, positions with more status, power, prestige, or benefits are populated by few women. In the field of political science, this is referred to as Putnam's Law. In administrative and sociological studies, another expression is found in Michel's Iron Law of Organization, where "he who says organization, says oligarchy." Any organized group, necessarily, is "ruled" by a select few. The phenomenon of elite capture seems to permeate most sorts of human institutions, even those designed specifically to avoid this problem.

In and of itself, this phenomenon is not necessarily problematical. In the corporate world, for example, it is quite normal for people holding senior management jobs to share certain attitudes, interests, educational credentials, and even recreational hobbies such as golf or tennis. Elite capture does not necessarily imply the organization's demise. Indeed, many sorts of organizations have functioned for a very long time without highly representative leadership. For example, the membership of Canada's central chamber of democracy—the House of Commons—only slowly has changed to encompass representatives of the many diverse groups present in the polity. Even today, numerically large groups such as women voters remain underrepresented in Parliament. While the House continues to function fairly well, however, there is little doubt that its legitimacy increasingly is being questioned. It is interesting to note, for example, that many of those citizens pressing to change Canada's electoral system to a proportional representation regime argue that change is necessary because the House fails to represent the interests of minority parties and minority factions within parties. Similarly, many new governments in provinces such as British Columbia, Prince Edward Island, and Québec are seriously considering changing their voting systems because of widespread concern that the broad range of political preferences are not being adequately represented.

Although we can easily identify several sorts of democratic organizations where elite capture clearly exists without apparent harm or dysfunction, the two concepts, in fact, are intrinsically incompatible. Elite capture is a significant problem in democratic organizations because elite homogeneity contradicts the idea of democratic self-rule and the pluralistic notions embodied within the ideal of democratic representation. Beyond theoretical incompatibility, we can find many examples in the real world, as discussed above, of elite capture within democratic organizations. The point here, however, is that such cases are dysfunctional. While the costs may be hidden or ignored, they do exist and are revealed in many ways, such as when concerns are expressed about organizational legitimacy and democratic representation, or where membership begins to decline dramatically. Comparing highly representative boards with less representative organizations helps to illustrate some of the tangible benefits of diversity in governance.[6]

Many scholars have noted that certain structural factors seem to produce elite capture, or help to ensure its continuation. There is a large literature, for example, on how certain sorts of occupations enhance one's potential to be a board leader, while other job roles seem less conducive to board-level participation. As well, many studies suggest that other factors, such as one's educational attainment, age, or degree of family responsibility, correlate with low levels of leadership participation. In addition, a co-operative's particular organizational culture simply may send clear signals that certain sorts of people are not welcome or valued.[7] Finally, potential board members may be discouraged from seeking board election because they do not believe they have the necessary experience and qualifications.[8]

While one could go on at length about how the representational gap is created and how this implies large performance inefficiencies and unnecessary membership dissatisfaction, it is sufficient for the purposes of this paper to say that a lack of diversity on boards of governance seems to be inherent in most human organizations. It is reified by structural factors and it varies in severity, depending on the specific organization under study. This point leads to other questions, such as how, in reality, do we know when a particular board is unduly representative? How do we

define diversity and recognize its presence or absence? These are good questions, partly because they require us to define diversity and to operationalize this abstract concept, or ground it in the real world. These tasks are addressed in the next section.

Defining Diversity

WE CAN THINK ABOUT DIVERSITY in terms of *social diversity*.[9] Complex, heterogenous societies comprise millions of individuals who differ in terms of key characteristics such as culture, ethnicity, religion, gender, sexual orientation, language, age, sex, income level, and education. As microcosms of such societies, co-operatives reflect these multiple social characteristics within their memberships. So, social diversity may be defined as the breadth of social characteristics carried by the individual members of a group.

We may conceptualize social diversity in terms of two distinct categories: demographic diversity and functional diversity. The concept of *demographic diversity* refers to the descriptive categories commonly employed to describe an individual's social characteristics—one's ethnicity or sex or level of educational attainment, for example. The idea of demographic diversity assumes that simply incorporating more heterogeneity into a group's composition necessarily broadens the content of its decisions. Increasing the number of women from one to five on a ten-person board, for example, will produce better representation of women's interests and therefore more representative policy decisions.

On the one hand, this view makes sense because broadening the number of social characteristics represented in a group necessarily implies a reduction in elite homogeneity. On the other hand, it assumes that the presence of diverse demographic characteristics necessarily implies the overt representation of these interests. This assumption may be fallacious. The concept of demographic diversity assumes that it is suffi-

cient to simply ensure the presence of overt social diversity. In other words, ensuring there are diverse "inputs" to board decision making ought to produce diversity in the board's "outputs."

The concept of demographic diversity is appealing because it is relatively easy to measure and understand. However, it has been criticized as an insufficient approach to the complexities of diversity. Simply being a woman, for example, does not mean one is able to represent the interests of all women. In addition, it is quite possible for a group of leaders to represent a heterogeneous set of social characteristics yet share homogenous perspectives. For example, a board with representatives from several ethnic groups and age cohorts may share the same middle-class, professional viewpoint on key issues such as tax redistribution. So, while demographic diversity is important, there is another, more substantive, category: *functional diversity.* As the name suggests, the emphasis here moves beyond the appearance of diversity to ensure that board decisions reflect multiple perspectives. Towards securing functional diversity, a co-operative's governance processes and policymaking functions are designed to maximize the incorporation of diverse voices, interests, and perspectives.[10] The focus shifts towards ensuring that social diversity is represented in the output of board decisions, as well as among the inputs to decision making.

Operationalizing Diversity

HAVING REVIEWED THE THEORETICAL ARGUMENTS for more socially diverse boards, and having defined diversity in two ways, the next step is to operationalize these concepts, or develop real-world indicators for theoretical abstractions and then identify means to measure their presence (or absence). Although there are many sorts of specific strategies, the focus here is on a few commonly used means for measuring board diversity.

Most authors agree that the first step in operationalizing the concept of board diversity is to adopt a definition or definitions. As noted above, this article recognizes two types of diversity: demographic and functional. Now we must define the context. To be useful in the real world, abstract statements about whether there is more or less diversity must be grounded in reference to a specific group. The composition of a group supplies the context necessary for the investigation. As well, it is worth noting that a theoretical statement such as "boards ought to have more diverse social representation than they do" contains a latent comparative reference. This is to say that most efforts to enhance board diversity are based on an inherent comparison between what is and what ought to be. Recognizing this comparative dimension helps us to study the issue, because it permits us to locate or identify a model or standard against which to measure a board's current level of diversity.

The group comprising the co-operative's membership supplies the starting point for judging whether the goal of adequate social diversity in board representation has been achieved. This is a sensible starting point both theoretically and practically. Theoretically, the idea of diversity implies the presence of multiple characteristics and identities within a community, so to begin to grasp the diversity inherent in a community, we must focus on the community or group that is of interest to us. Second, in the real world, co-operators concerned with board diversity issues normally have a specific co-operative in mind. Recognizing the sorts of identities currently present and absent among the membership allows us to compare whether, and to what degree, the board is representative of the membership.

How do we determine the representational characteristics of a co-op's key constituencies? Although this may appear to be an easy task, John Carver notes that identifying the stakeholders may be difficult as well as controversial.[11] While some may argue that one ought to survey all those who use a co-op's services or buy its goods, surely most people will agree that persons holding a membership constitute the core group at the centre of any co-operative. To understand this group's characteristics, in smaller co-ops such as those with memberships of less than one hundred people, it may be possible to collect data from the entire group,

perhaps through a short survey administered at an annual general meeting. Alternatively, the information may be obtained by distributing a mail-in survey form. In the case of larger memberships, surveying all the members probably will be impossible. Here, if the resources are available, employing a survey research firm to collect the necessary information may be the most reliable and economically efficient method. Using probability sampling techniques, most survey firms are capable of lending insight into the membership's characteristics based on the responses of three or four hundred people.

In the case of both small and large co-op memberships, survey questions ought to collect information that reflects how the concept of diversity has been defined. For example, if one is interested in probing a membership's demographic diversity, a proper questionnaire ought to give respondents a full range of options in key categories such as age, cultural background, and economic level. At the same time, it is worth mentioning that surveys with rigid response parameters may not be sufficiently flexible. It is difficult to anticipate all the possible demographic characteristics that respondents recognize as part of their individual identities. One method for overcoming such limitations is to employ questions with open-ended response options to encourage respondents to indicate the presence of important identity characteristics. For reasons such as marriage or adoption, for example, some people may have strong ties to a group outside their own specific background. Asking respondents, "Do you identify with any other cultural or ethnic group beyond your parent's main cultural background?" may help to reveal this subscription. If diversity has been defined as more than simply the overt appearance of difference, more complex questions testing underlying attitudes and perceptions are likely required. For example, questions about whether members believe that their co-op operates in ways that serve the interests of minority groups may be as important as whether the member actually belongs to an underrepresented group.

Once basic information about the composition of the co-op's membership has been collected, the same sort of information is required with respect to the board. Surveys may be administered by interviewers or self-administered by the board members. Precisely because it is up to

most boards to initiate change aimed at remedying the overrepresentation of certain groups, it is worth asking board respondents directly about their views on enhanced diversity. It may be that change will only proceed once board members recognize their own limitations as well as the presence of attitudinal barriers to change.

Finally, the results for the two groups are compared. Deficiencies ought to be easily apparent as the characteristics of the co-op's membership are set against those of the board. It is worth repeating that there is much merit in treating information about the membership's composition as the baseline for assessing the level of diversity. This baseline provides the real-world model for efforts to increase diversity. Moreover, critics of enhanced diversity strategies have difficulty arguing that a board should *not* reflect the composition of its membership. The concept of representative democracy legitimates using the make-up of the membership as the model for the board. Although it is normally not possible to represent all the characteristics of the membership within a board, modelling the board in view of the membership's main attributes is a rational and defensible strategy.

One final note concerns addressing the issue of functional diversity. In this case, ensuring that the board's overt characteristics reflect those of the membership is a necessary condition, but not a sufficient one. Because functional diversity focusses on the representation of multiple interests in the creation of board decisions as well as on the actual decisions taken, other indicators are necessary. One method for measuring the level of functional diversity is to probe the level of interest fragmentation and conflict in board discussions. Disagreement and conflict are not necessarily bad. In fact, authors who sing the praises of functional diversity suggest that healthy boards do not necessarily agree on key issues precisely because multiple perspectives are being articulated in board discussions.[12] Efforts to measure a board's functional diversity may have to move beyond survey techniques to examine the structure of interests on the board, the tenacity of particular voting patterns, and whether certain coalitions of board members always dominate key discussions and votes.

Positive Remedies

T HIS DISCUSSION aims at explaining why increasing board diversity is beneficial, and how we may think about diversity both abstractly and in the real world. It is beyond the scope of this article to review the many strategies for expanding representational diversity in concrete terms. To point readers towards such useful strategies, however, this last section briefly reviews three options recommended by many leading authors.

Once deficiencies in board representation have been identified, solutions must be found and implemented. One widely supported strategy is to recruit candidates from underrepresented groups. Karen Hughes suggests that many female board members are recruited through informal personal networks by sitting board members or the CEO. Another useful approach is to address structural barriers to board participation. Say, for example, that a co-op board lacks representation from a certain geographic area owing to a large distance between the head office and the branch operation. In this case, rotating meetings between the two locations may offer a way to minimize the time and travel costs imposed on potential board participants. A third strategy to improve board diversity is to concentrate on creating a change-oriented environment. Making small changes designed at increasing inclusiveness can have large effects in the board environment. Moving to gender-neutral language, for example, or inviting speakers to give presentations on key issues such as new Aboriginal economic development strategies may accomplish much in terms of making board members feel comfortable. Such changes are also important in terms of signalling a strong commitment to increased diversity to the membership, staff, and stakeholders.

Conclusion

THE CALL FOR INCREASED DIVERSITY in board governance is heard frequently among co-operators. To many people, however, the concept seems vague or intangible, and there is some consternation as to how to answer this call. In an effort to demystify the notion of diversity, this essay reviewed the theoretical connection between effective board leadership and representational diversity. We considered how to "operationalize" the concept, or ground its abstract ideals in the real world. Finally, we provided some strategies for measuring and enhancing a board's level of representational diversity. In conclusion, it may be comforting to know that there is no one "right way" to understand diversity or facilitate its presence. Particularly in the case of co-operatives, enhancing board diversity is a goal with considerable democratic and economic merit. Studying the characteristics of the membership supplies insight into what sorts of groups and interests ought to be represented, and there are several solid, tested strategies for addressing representative deficiencies.

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