



CREDIT UNIONS AND DIVERSITY

The renaissance

Introduction

The most famous of the famous quotes of John Hume formed part of his speech when accepting his Nobel Peace Prize in December 1998. Standing on the stage in Oslo in front of world leaders, John Hume said “difference is the essence of humanity. Difference is an accident of birth, and it should therefore never be a source of hatred or conflict. Therein lies a most fundamental principle of peace: respect for diversity.” John Hume was of course a founder of the Irish credit union system and was a pioneer and driving force behind the movement during the formative decade of the 1960s. The credit union system in Ireland is therefore very fortunate to have a talisman of the stature of John Hume as an early and prescient champion of diversity. Beyond this, we will all be aware that the global credit union movement is guided by common operating principles that are founded in the philosophy of co-operation and its central values of equality, equity and mutual self-help. The credit union system in Ireland is therefore equally fortunate to have a rich tapestry of global operating values to further inspire the ideal of diversity. Today, diversity is high on the agenda of all organisations, globally, and, is a dominant feature of emerging regulatory expectations for financial service providers in Ireland. While credit unions may view the challenge in developing a culture of diversity and inclusion to be something new and elusive, it is in fact something that has been inherent in the credit union system since its establishment. It was no accident of birth, to use John Hume’s words. It was done by design. Inclusiveness was baked into the credit union cake. However, leap forward 60 years, and the governance, operating and social environment of credit unions is greatly changed. Societal expectations have evolved. Governance standards operate to a higher order. And the credit union system itself, is more complex and more diverse. And it is in this context that credit unions should once again reassess diversity. Think of it as less of a birth, but more of a re-birth. Think of it as a renaissance.

What is diversity?

The Oxford Dictionary definition of diversity “is the state of being varied”. The Oxford Dictionary definition of inclusiveness is “the state of being included”. We do not need to gain any further technical analysis on diversity and inclusiveness beyond what the dictionary says. Look no further. However, it is in the application of the concept of diversity and inclusiveness in a credit union that the matter becomes more complex. Where is diversity and inclusiveness relevant, and, why is it relevant? Why is it now considered so important?

Why is it important for credit unions?

To answer this, we offer two broad reasons. Firstly, diversity and inclusiveness is essential to ensure **robust governance** within a credit union. Secondly, diversity and inclusiveness is essential to ensure **relevance** of the credit union in an increasingly competitive market place. Both of these will be briefly described.

Governance

Diversity in a governance context, put simply, means a greater variety of perspectives is more likely to lead to a better decision, than a narrower range of perspectives would. Greater diversity has the potential to improve decision making, improve risk management and reduce the risks of groupthink, herd mentality and overconfidence. This is especially relevant in a financial services context, where perspectives on risk have a major bearing on the general stability and well-being of the institution itself. Following the financial crash in 2008, in a Report to the Commission of Investigation established by the Irish Government, Peter Nyberg commented that “on the whole, it appears that actions taken by various institutions in the run up to the Irish crisis did exhibit the kinds of behaviour generated by the “herding” and “groupthink”

hypothesis”¹. Christine Lagarde, President of the European Central Bank, puts the point in a more forthright manner²: “First, greater diversity always sharpens thinking, reducing the potential for groupthink. Second, this diversity also leads to more prudence, with less of the reckless decision-making that provoked the [financial] crisis. Our own research bears this out—a higher share of women on the boards of banks and financial supervision agencies is associated with greater stability”. Looking further afield, there are some interesting learnings from the world of politics. Abraham Lincoln famously formed his cabinet by including all of his former political rivals, and this diversity has been considered to have been a key part in guiding the White House through the great challenges of the US Civil War and the abolition of slavery. The seminal book about this chapter in USA history (Doris Goodwin Kearns, *Team of Rivals*) features as a personal favourite book of Barack Obama, and in turn, inspired Obama to appoint Hillary Clinton to his cabinet. Diversity matters.

Both private and public entities in Ireland have acknowledged the need to address deficits in culture, people development, selection and promotion processes to create an enabling environment for participation at the highest levels, on Boards and in executive leadership positions. The Department of Public Expenditure and Reform, in a recent code, sets a target of 40% gender balance in State boards. In announcing the requirement, the Minister for the Department of Public Expenditure and Reform commented that³ “Board members, with a diversity of views and backgrounds, bring a resilience to the quality of decision-making. A culture of debate and scrutiny helps to provide the checks and balances to ensure that organisational strategy is robust and sustainable”. A final point on diversity and inclusion is that this is all about balance. Male boards should not be replaced by female boards. Older boards should not be replaced by younger boards. What is needed is balance. Diversity is about balance. Diversity is about variety.

Relevance

Credit unions currently operate as financial intermediaries in a highly competitive environment. Credit unions are (by global standards) under-lent, and are endeavouring to diversify their business models to increase lending and increase their use of other income generating services. In this regard, credit unions, need to optimise their connectivity with their membership base and, as a business need, should seek to maximise engagement with their members. Shortcomings in diversity and inclusiveness are anathema to this broader business goal. Services, products, building entrances, banking halls, websites, or even language that is/ are seen to exclude, present a business risk. In a world where there is raised awareness of differences in people, there are equally raised expectations of what is legitimately expected to be in place to overcome these differences. This aspect of diversity is separate to the governance aspect (which is centred on the boardroom). This aspect is about maximising the reach of the credit union to all cohorts of its membership, irrespective of age, gender, ethnicity, orientation, or distinguishing characteristic or trait. In this regard, training and awareness at all levels in the operations of a credit union would be a welcome development. Areas like unconscious bias, personality traits and inclusive language need to be understood to position credit unions to remain relevant. Diversity should feature as a core business strategy, rather than a political gesture.

Conclusion

Diversity and inclusion is now on the regulatory radar. A thematic inspection of the insurance industry has already taken place⁴. But let the credit union response to diversity and inclusion be more than a response to a regulatory requirement. Let it be built on the guiding principles of John Hume. Diversity must be both embraced and respected. As Hume said in Oslo over 20 years ago, “difference is the essence of humanity”. Let the renaissance begin.

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¹ Misjudging Risk: Causes of the Systemic Banking Crisis in Ireland, Peter Nyberg

² Lagarde, Christine, 2018: Ten Years After Lehman - Lessons Learned and Challenges Ahead.

³ Minister Michael McGrath, September 2020

⁴ Thematic assessment of Diversity & Inclusion in insurance firms, CBI, July 2020