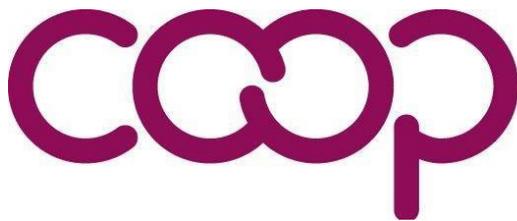


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Cooperative education and diversity in the succession policy as a tool for cooperative growth

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Abstract

Cooperatives emerged in 1844 during a period of scarcity after conflicts in Europe, being in that context an innovative solution and mainly necessary to the social context of that time. Nowadays, with cooperative societies duly established, the sector faces a series of challenges for its expansion, and we can also say in relation to its perpetuity. Has the cooperative become obsolete and unnecessary? To address this question, we bring some data from the Brazilian credit cooperative system.

Credit cooperatives in Brazil represent the only financial institution in **264** cities. Therefore, credit cooperatives are the only financial solution for an estimated population of **962,332** Brazilians. Considering the cities that are assisted just by cooperatives and advanced service places that only make available electronic service, these numbers increase to **733** cities and to an estimated population of **4,077,730** Brazilians. According to the data submitted, it is understood that in the Brazilian context cooperatives remain a necessary agent of financial inclusion.

Are cooperatives turning obsoletes? In the Brazilian credit cooperative system, we can answer this question by comparing financial solutions offered by cooperatives to those offered by other financial institutions. Cooperatives work with more competitive rates, best classified mobile apps and provide more humanized service to their associates.

In this sense, the reflection turns to the way by which cooperatives present themselves to society as a viable financial solution, bringing to light two great challenges: cooperative education and a more diverse policy of succession of their managers. That could bring greater dialogue between the demands of society where cooperatives are based and to the institution's policies, thus having an assertive impact on the local economy, being an agent of development of the local economy.

Keywords: **education, diversity, succession policy, financial cooperative**

Credit unions are financial institutions that occupy an important place in the Brazilian financial system, with a 6.05% share in total credit operations and 7.18% in total deposits, according to data from the Banco Central do Brasil [*Central Bank of Brazil*], consolidated by FGCoop¹. Cooperatives have maintained their growth over the years, but lately they have been facing new challenges, especially regarding the entry of new players into the market such as fintechs.

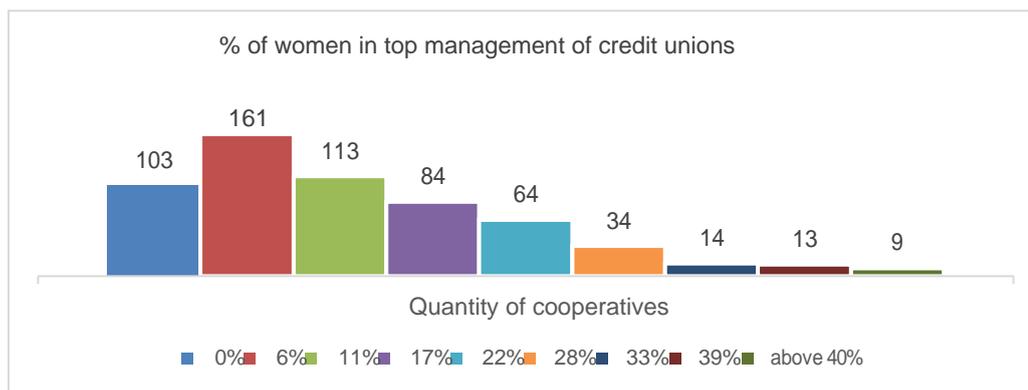
Also, according to data from the Banco Central, the non-banking credit institutions, a grouping in which one of the most renowned fintechs in the Brazilian financial system is found, presented a growth of 1,621.3% in the last 3 years in total deposits and 43.8% growth in the credit portfolio. When compared to the growth of the credit unions, we have a growth of 72.8% in total deposits and 84.6% in the growth of credit operations.

From the data presented, it is possible to infer that credit unions continue to grow, despite the fact that new players in the national financial system have been taking an increasing share of the market, growing exponentially and bringing up several questions about how credit unions can rethink their business model to remain as a financial solution to the new demands of society.

According to the Banco Central do Brasil, in December 2020, there were 817 credit unions in operation in the country, data obtained through Soucoop show that 50.0% of the staff of these cooperatives is composed of female professionals. Although we do not have specific data on the positions held, we can compare this with data on the composition of senior management positions such as boards of directors, which are mostly male, 85% men compared to 15% women, and expanding the assessment to the supervisory board and executive board positions, we have 21.57% and 22.36% female participation, respectively.

According to information from the Banco Central do Brasil's IFdata report, database Sep- 21, crossed with data from OCB's Soucoop system², we can evaluate that among the 10 largest cooperatives in total assets, only one does not have a female presence on the board or management.

¹ SNCC Historic Data- <https://www.fgcoop.coop.br/>



Data: Banco Central do Brasil Ifdata Sep/21 and OCB² Soucoop system²

Very disparate percentages when we think about the proportion of heads of household in the country that, according to a recent survey released by the Institute for Advanced Economic Research - IPEA, the number of households headed by women increased from 22.2% in 2010 to 48.18% in 2019 and data from the latest census of the IBGE that indicate that women account for 51.03% of the Brazilian population.

When we study the formation of the boards of directors of the credit unions, we see the distance in the chain of command from those that, according to the aforementioned research, represent almost half of the demand for financial products, when we talk about Brazilian households and absolute population contingent.

According to data from the article published by GPTW³, Great Place to Work Brazil, from the diversity guide applied by the institution, only 26% of the top leadership positions of the best companies to work for in 2021 were occupied by women. This brings to light that, even though this rate is still not very representative, it is still above the percentages presented by Brazilian credit unions.

How do we connect the low female representation in decision-making positions with the growth of cooperatives? As quoted by Lívia Barbosa in "Cultura, Consumo e Identidade" [Culture, Consumption and Identity]:

"(...) each and every act of consumption is essentially cultural. Nobody eats, dresses, sleeps, drinks and buys in a generic and abstract way. Every activity, from the most trivial and every day to the most exceptional and specific, always occurs in a certain symbolic scheme that gives it sense and meaning." (Barbosa)

Based on this assumption, and confronted with the data on the composition of the cooperatives' decision-making positions, we infer that the symbolic scheme may be far from the current scenario of the Brazilian population composition informed by the IBGE. In this sense, we bring the reflection on the importance of diversity in the composition of the cooperatives' decision-making positions, so that there is a

² In Sep-21, there were 826 cooperatives in operation in Brazil, but 231 cooperatives did not have governance data registered in the OCB's Soucoop system.

connection between the organizational culture and its members, bringing an identification between the guidelines and a sense of belonging.

According to the March 2022 OCB economic analysis bulletin, the MSC survey of the companies that make up the All Country World Index (ACWI), it would take six years for women to reach a 30% representation in board or leadership positions in a progressive growth scenario, whereas in the current scenario this period would increase to nine years. Therefore, the reduction of this disparity still requires time and great effort to break the paradigms of the traditional hierarchy models.

The GPTW article on female leadership exposes the main challenges for women to reach leadership, which were defined as unconscious biases, among which I highlight the importance of structured and inclusive selection processes, and the second factor to be highlighted would be the structural way of dividing domestic work, which leads women to work exhausting schedules that may even affect their interest in assuming leadership positions. Regarding this second aspect, the author highlights:

“The solution to this problem actually involves a profound transformation in the social aspect. But companies can also create professional support mechanisms, by fostering work-life balance, for example. (...)”

The article presented by Great Place to Work Brazil also presents the positive impacts of adopting greater diversity on the board of directors, which in addition to the bias on consumer preferences for companies aligned with the principles of diversity, the article also brings data from a publication by CNBC (Consumer News and Business Channel) that correlates the increase of more than 1% in the profit margin of companies that have at least 30% of women as leaders.

When analyzing the domestic scenario, we bring data from the article developed by the master in administration Claudio Pilar da Silva Júnior and the doctor in accounting sciences, Orleans Silva Martins, who after performing statistical analysis of data from companies listed on the BM&FBOVESPA to analyze whether the presence of women impacts the financial performance of companies, highlighted:

“In other words, the presence of women on the board of directors may create value and lead to high performance. On the other hand, higher proportions of female directors are prevalent in top-performing companies that are more willing to take risks with the appointment of women on their boards (...)”

Despite the indicators showing a better financial performance in companies with female presence on the board, the authors point out that according to the data analyzed, only 37% of the companies that were analyzed had women on the board, and that this low representation would be linked to cultural and social factors.

Nevertheless, given the studies presented, in addition to a social character, we bring data that subsidize that a more diverse composition of the board of directors fits into a prerogative of leveraging results. Moreover, according to a report by Forbes³, a survey

conducted by the Harvard Business Review covid-19 pandemic further evidenced the resilience of women when facing crises, and highlighted:

“Women express more concern about the fears and insecurities of employees and thus express more confidence in plans and strategies”

The Forbes article alerts, through the speech of a professor of the leadership course at the Ibmec business school in São Paulo, about the stereotypical image of women's leadership being linked to sensitivity and intuition, which are in fact the development of characteristics related to communication and flexibility, which are aptitudes that present themselves as a differential in the performance of leadership functions.

The article also highlights:

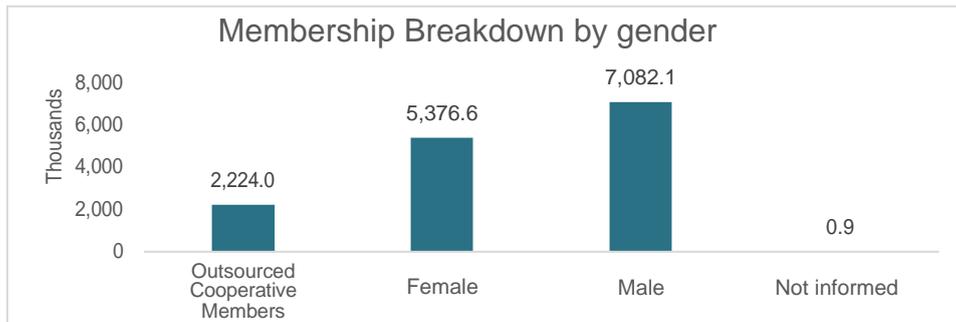
“It is exactly from differences that innovations are born. No one can innovate only with people who are the same as themselves or who are not comfortable disagreeing, debating, and bringing new ideas and visions”

The analyses performed so far build a scenario of how much the male predominance in top leadership positions among companies as well as in the credit unions, we demonstrate that the female presence in these spaces can not only generate a greater integration with the desires of the financial solutions demanded by this population contingent, as well as bring greater innovation and better financial results.

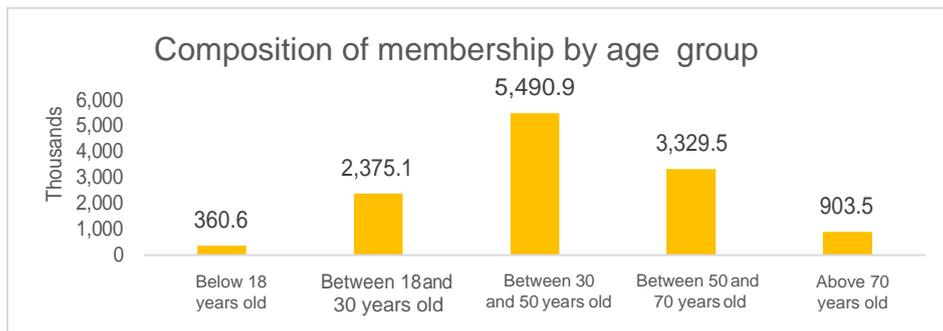
Retaking the concept of new consumer relations, we bring to the light of this study one more challenge faced by the credit unions, which refers to the renewal of its social framework, or the association of the young public that are the new demanders of financial products, about this challenge, Ênio Meinen³ exposes in “Financial Cooperativism in the 2020s”:

“Among individuals, the young public constitutes one of the priorities for two reasons: i) on the one hand, it is an age group which is not very present in the cooperative world and, at the same time, the main target of non-financial competitors, ii) on the other hand, the average age of cooperative members is between 40 and 50 years old.”

When we analyze the Banco Central do Brasil's report on credit union members by cities (database Dec-2020), we see that the low representation on the boards is also mirrored in the composition of the membership; according to the data, only 36.6% of credit union members are female, and only 18.6% of all credit union members are under 30 years old.



Source: Banco Central do Brasil - Cooperative members by cities



Source: Banco Central do Brasil - Cooperative members by cities

About the challenge in relation to attracting new members among the young public, Ênio Meinen highlights:

(...) The latest generations, especially those that have emerged since the 1990s, are not at all willing to maintain orthodox patterns of banking relationships, which requires a complete transformation in the industry. They want less bureaucracy (preferably the total elimination of paper), agility (convenience), flexibility, and solutions with high remote availability. (...)

About the challenges presented by Ênio Meinen, we can infer that the current virtual assembly models, the digital association process, and the adoption of the apps offered by the cooperatives are well aligned with the desires of the young public.

According to a recent survey conducted by Buzzmonitor in April-2024, published on the Moneytimes news portal, the Sicoob and Sicredi apps lead the ranking of the best apps on the Google Play and Apple Store platforms. The Sicredi System app occupies the lead in the Google Play user ranking, with a 95% satisfaction rating, and the Sicoob app is in second place with 88% satisfaction. When evaluating the ratings from apple store users, the Sicredi Cooperative System app and the Sicoob System app ranked second and third, respectively, with 37% and 48% user satisfaction.

With the coming of the COVID 19 pandemic, the cooperatives had to reinvent themselves to conduct their assemblies, with live transmissions, making use of virtual platforms for the reporting of results and interaction with their members. Account openings through digital means and interactions through messaging applications, bringing the dynamism so desired by the young audience.

On the subject, Ênio Meinen puts as a way to attract the young audience the importance of rethinking marketing strategies, reformulation of the financial products offered by the credit unions, dynamism in relationships and especially, he brings the importance of the participation of young people in leadership positions. Regarding this last topic we highlight:

“In addition, it is essential and unpostponable to bring this audience into the upper management bodies, reoxygenating the leadership of the sector. Young people themselves are the ones who best understand what they want, and they like to be represented by someone from their own community. Hence, the convenience of inserting representation of the new generations in the cooperatives' governance structures. (...)”

The representation in the leadership bodies highlighted here by the author as an important tool in the connection between young people and the cooperative institution, is the same prerogative that we bring to the reach of the female audience; these are strategies that go beyond the social commitment of the cooperatives with financial inclusion and the promotion of diversity, which are in themselves guiding principles of the credit cooperative movement, but also present themselves as a tool for leverage and perpetuity of the business.

Diversity in top leadership positions, especially in the board of directors and the board of auditors, will only be possible through the construction of a succession policy aimed at training its members, since the cooperative is a self-managed society, in which the member is both customer and owner, and has the statutory right to apply for a position on the board.

Ênio (2020) talks about the lack of representation in the councils:

“Currently, what we have, with rare exceptions, are formations of almost exclusively male and older members, which contradicts the general governance guidelines established in the regulation in force, which refer to the observance of, among others, the criteria of representativeness, participation and equity (art. 26 of CMN Resolution No. 4,434/2015)”

The qualification of the members is linked to the cooperative education policies, taking into account that the precepts that guide the cooperative movement should be clear to the members so that they can fully exercise their rights.

The pioneer Sicredi cooperative, the first cooperative in Brazil and Latin America, has a school cooperative program that has within its pragmatic content the teaching of

cooperative principles, which promotes cooperative knowledge among young people and teenagers in the community, thus building the basis for young people's interest to get involved with the cooperative.

Similar projects can be observed in other Brazilian cooperative systems, among which we can also highlight the cooperative school built through an initiative of the credit cooperative Sicoob Saron, the students are children of the credit cooperative members who contribute 50% of the school expenses and the rest is maintained by Sicoob Saron itself through the Fund for Technical Educational and Social Assistance (Fates), according to information in the report published by the cooperative.³

The cooperative education initiatives are of utmost importance for the dissemination of the cooperative principles in the community and in the construction of a sense of belonging for future cooperative members. These initiatives should be a beacon for the formation of new leaders, aiming to build a diverse board that brings identification with the community in which the cooperative is inserted.

Ênio (2020) discusses the theme:

“In addition to social credibility - empowerment before the cooperative members - whose leadership requires absolute abstention from ideological activism in all fields, to become a board member the candidate must gather minimum knowledge about the activities present in a cooperative institution, whether it derives from professional experience or from learning in training events offered by the cooperative”

The process of building an active board of directors connected to the needs of the community goes through the process of cooperative education, the knowledge of the needs of the community where it is inserted demands a real engagement of the cooperative, so that it remains an agent of financial inclusion and propeller of the promotion of the local economy.

Conclusion:

Credit unions in Brazil represent important agents for the application of public policies. According to data from the Banco Nacional de Desenvolvimento [*National Development Bank*], two confederations of the cooperative system rank among the three largest on-lenders of official resources for small companies in 2020⁴, besides being present in 264 cities where they are the only financial institution present, thus strongly impacting the quality of life of the population in the environments where they operate. Thus, for its social role and

³ https://www.institutoellosdeeducacao.com.br/_files/ugd/d814f5_8e687eae856f4c1387531bb3d7dd7_3bc.pdf

⁴ www.bndes.gov.br/wps/portal/site/home/instituicoes-financeiras-credenciadas/agentes-financeiros-destaques-2020

for the perpetuity of the cooperative model, the structure must always be connected to the desires of its community in creating a sense of identity and belonging.

Gender inequality is present in all spheres of the corporate world, and according to the data presented, in the credit unions, despite the fact that they account for 50% of the workforce, their representation in top leadership positions is still very small. The data exposure also showed that beyond the social issue, the insertion of women was proven to be related to the improvement of the financial performance of the institutions. This brings the challenge for the cooperatives to create support structures for the ascension of women to leadership positions, in addition to promoting inclusive selection processes.

This question also covers the issue of the low representation of young people on boards of directors and leadership positions, which is one of the factors for the low adhesion of this public to the cooperative business model. We talked about the new consumption model in which, more than the mere satisfaction of material needs, today goes through the need to identify with the cultural symbols of the institution.

In addition to inclusive selection processes and support actions, one of the greatest tools for the formation of a diverse board is cooperative education, engagement with the dissemination of the principles from initiatives aimed at children, the construction of a participative conscience among young people, and fostering engagement between the cooperative and society. The cooperative education actions must prepare the members to exercise their rights in the cooperative, train their future board members, and create equal opportunities and tools for young people and women to participate in the cooperative decision-making chain.

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