



Recommendations for board of directors from the co-operative model

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Abstract

The paper explores the best practices of co-operative boards that could provide lessons for other kind of organizations. Four features of board's role in co-operatives identified as key components that may be positively transferable to other organizations are discussed: board's support of the co-operative values; board's representation of all members' interests; board's involvement in collective decision-making and specificities of the monitoring role of the board in co-operatives. We conducted an exploratory study based on 3 mini case studies of French producers' co-operatives in different industries: wine growers, opticians and farmers. The study concludes that directors' support of the co-operative values is fundamental since it contributes to higher involvement of the board, to a better compatibility between the goals of directors and the ones of the organization. The representative role of the board is particularly significant in co-operatives, it is the role of the board to support all owners' interests. The quality of decision-making is improved in the three cooperatives by specific organizations that allow directors to benefit from more relevant information and knowledge through meetings or creation of teams with members, employees or other stakeholders. In the three co-operatives, an efficient binomial team of leaders (chairman – general manager) contributes to the organization's sustainability.

Introduction

Co-operatives are defined by the International Co-operative Alliance as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise"¹. Under the name co-operative, very different organizations coexist: consumer co-operatives, worker co-operatives, producers' co-operatives, co-operative banks, etc. However, in spite of different contexts and businesses, co-operatives share the same principles. Their goal is triple: to defend their values; to ensure the sustainability of the organization in a long term approach; to ensure an equitable distribution of profits.

Being a co-operative involves answering requirements such as implementing a democratic management and defining terms of membership, but also appointing a board of directors that will represent members and defend their interests in a simultaneously individual and collective perspective. Few studies exist on the specific components of the role of directors in co-operative organizations and none explores the best practices of co-operative boards that could provide lessons for other kind of organizations.

The board of directors is a key player in governance. The role of the board is to monitor management (Baysinger and Hoskisson, 1990; Jensen and Zajac, 2004) and to provide guidance for strategy and decision-making (Walsh and Seward, 1990, Finkelstein and Hambrick, 1996; Golden and Zajac, 2001). This study examines the specific aspects of the role of directors in co-operative organizations. Our target is to identify good practices of co-operative boards and to analyze whether they could be recommended for future business models. We conducted an exploratory study based on 3 mini case studies of French producers' co-operatives in different industries: wine growers, opticians and farmers.

¹ <http://www.ica.coop/coop/index.html>.