

Governance of Co-operatives: Democratic and Member-Owned Or, “There is No Simple Blueprint for Good [Co-operative] Governance”

Sonja Novkovic

This tribute is based on Johnston Birchall's two important publications: *The design of effective democratic governance structures for large co-operatives* (2015) and *The governance of large co-operative businesses* (2014).

Johnston Birchall left an indelible mark on the advancement of theory of co-operative governance, built from practice. The ‘simple’ insight that good design of co-operative governance structure revolves around ‘three slices of a cake’: member involvement, representation, and expertise, resonates with any approach to governance in democratic member owned organisations.

Member involvement. Arguably, the most important reinforcement of psychological ownership is in member engagement. Birchall recognised both the diverse ways members can be engaged in a co-operative, and the challenges for large consumer co-operatives where members’ contribution to governance is reduced to voting. Even so, co-operatives develop diverse ways to engage members via direct democracy, representative democracy in a delegate system, or by delegating powers to a member council.

Representation. Member representation in governance is a challenge when co-operatives include diverse members, or members’ interests diverge over time. It is particularly challenging to design structures fit for diverse types of members; individuals and organisations as members; and a mix of market and co-operative interactions, through a price mechanism in the former case, with membership (joint ownership and relational nature) in the latter.

Expertise. In order to address a gap in expertise, large co-operatives in particular appoint independent directors to their boards. Highlighting the difference in member proximity between the types of co-operatives, Birchall concludes that the expertise gap is of particular significance in consumer co-operatives, since members are often not familiar with markets, distribution channels, or strategy required to succeed in the competitive environment.

Recognising that co-operative governance is complex, diverse, and evolving, Birchall suggests elements of effective governance design that address the potential pitfalls which may arise in cases of an imbalance, or a lack of voice, representation, or expertise. Member involvement is direct in small co-operatives, but large ones create delegate assemblies, or members’ councils, thereby ensuring a more engaged, though smaller group of involved members. Regional groupings and electoral colleges are also devised to ensure member representation, although producer co-operatives have other means at their disposal, such as contractual obligations they deploy for effective supply management. Regular governance review is also suggested as good practice. This can be a tool for change in the organisation.

As far as expertise is concerned, Birchall noted, and we agree, it is not necessarily the business expertise that is lacking, but independent and critical thinking may be in short supply. While independent directors may challenge some decisions, the jury is still out on the effectiveness of reliance on such experts in co-operative governance. External experts not familiar with the co-operative enterprise model may contribute to isomorphism of the organisation and push it farther away from members, and closer to demutualisation. Large consumer co-operatives, it is argued, surely have enough expertise among their membership base. Birchall suggests

some options — lay directors with access to expert advice when needed; a strong nominations committee to bring forward members with the required expertise for elections; and/or a two-tier structure with member representatives overseeing the board of directors.

Johnston Birchall's insight is rich, and co-operative to the core. He understood the complexity, as well as the necessary adaptation, flexibility, and evolution of governance structures as members themselves grow, change, and evolve with added external pressures. His work on governance of large co-operatives provides invaluable insights into the challenges that growth of membership and market share brings along with it.

Whether one fully subscribes to Johnston's point of view, or uses it as a springboard for further development of the theory of co-operative governance, the impact of his thinking is undeniable. It provides clarity; serves as a foundation and a framework; but also gives food for thought — the right mix to pass to up and coming generations of co-operators.

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