Corporate governance theories and its impact on co-op boards

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Democratic theory	This is the formal governance model that co-operatives and mutuals adopt. Democratic theory of governance is based on the concept of the board acting as representatives of the members and includes core principles such as one member/one vote, open elections, and accountability to the membership. The representatives that serve on the board of a co-operative are elected from the general membership.
Agency theory	This is the model that is most common in private companies around the world (particularly the US and UK). Corporate governance based on agency theory is concerned with the board's role in ensuring managerial compliance. The theory asserts that the interests of owners and managers differ and a mechanism is needed to ensure that managers act in the best interests of shareholders. In relation to co-operatives, it is essential that the board ensures that managers are acting in the best interests of members.
Stewardship theory	This theory assumes that those who control the organisation (managers) want to do a good job acting as stewards of the organisation's resources. Stewardship theory promotes a partner-style working relationship between the board and management. The role of the board is to add value in terms of strategic decision-making to support management. This means that board members must possess some expertise in relation to the company's operations.
Resource dependency theory	This theory of governance is based on the idea that the organisation is dependent on its external environment for its resources. The role of the board is to maintain effective relationships with stakeholders to ensure there is a flow of resources in and out of the organisation. Board members must possess external contacts and expertise to function effectively in relation to resource dependency theory.
Stakeholder theory	Stakeholder theory states that an organisation should be governed in the interests of multiple stakeholders. This theory requires boards to effectively manage conflict arising between different stakeholders.

Managerial hegemony theory	This theory asserts that managers effectively control organisations and the role of the board is merely to approve the decisions taken by management. While managers may be considered best placed to exercise control in the organisation, it is vital that the board is able to exercise power and influence over management when required. For co-operatives, this theory presents the danger of member interests being usurped by those of management.

Source: Adapted from C. Cornforth, 'Making sense of co-operative governance: Competing models and tensions' *Review of International Co-operation* 95 (2002): 51–7.