THE GOVERNANCE OF CO-OPERATIVES AND MUTUAL ASSOCIATIONS: A PARADOX PERSPECTIVE

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Introduction

This paper focuses on how co-operatives and mutual associations are governed. Paralleling developments in the private sector, the occurrence of a variety of problems in different co-operative societies across Europe, such as mismanagement, financial scandals and the failure of democracy, has lead to the quality of co-operative governance being questioned (Lees, 1995; Lees and Volkers, 1996). Serious concerns have been raised about the democratic legitimacy of boards, because of low levels of member participation, and their effectiveness, in particular the ability of lay board members to effectively supervise senior managers, ensure probity and protect the interests of members and other relevant stakeholders.

Concerns like these have lead to renewed professional and academic interest in organisational governance and a growing body of literature and advice. In the non-profit sector much of this literature has been prescriptive in nature and aimed at addressing the perceived shortcomings of governing bodies. However, it has been criticised for oversimplifying the problems, underestimating the conflicting demands and pressures that board members face, and presenting 'idealistic or heroic' solutions that are consequently difficult to implement in practice (Herman, 1989; Cornforth, 1996). These shortcomings point to the need for a greater understanding of the way boards work in practice and some of the difficult challenges they face. In previous work I have attempted to address this problem by presenting a new framework for understanding the governance of public and non-profit organisations in terms of multiple theoretical perspectives and a number of key paradoxes or tensions that boards face (see Cornforth, 2001, 2002, 2003). In this paper I extend that analysis to the governance of co-operatives and mutual associations. The paper addresses two related problems.

First, the governance of non-profit organisations, and in particular co-operatives and mutual associations, is relatively under theorised in comparison with the governance of business corporations, where there is a large literature on corporate governance. In particular a variety of competing theories have been proposed to try to understand the role of boards in the private sector, including for example agency theory, stewardship theory, stakeholder theory, and managerial hegemony theory. A premise of this paper is that a number of these theories can be usefully extended to co-operatives. The paper briefly reviews each of these theories and discusses how they can be extended and applied to throw light on the boards of co-operatives and mutual associations. A framework is presented for comparing and contrasting these different theoretical perspectives on boards.

However, this raises a second related problem. Taken individually the different theoretical perspectives are rather one dimensional, only illuminating a particular aspect of the board's role. This has lead to calls among corporate governance researchers for a new theoretical or conceptual framework that can help integrate the insights of these different perspectives (Hung, 1998: 108-9; Tricker, 2000: 295).Given the complexity of governance, the search for a unifying grand theory is unlikely to prove fruitful, as has been noted in the field of management and organisational studies (e.g. Morgan, 1986). In such circumstances it may be more fruitful to search for a meta-theory, which can help to bring together a number of different theoretical perspectives in a consistent manner and explain their domains of application (Tsoukas, 2000: 27). The paper argues that a multi-paradigm *paradox* perspective, which is informed by the various theoretical perspectives, offers a promising approach to providing this new conceptual framework. It argues that taken together these multiple theoretical perspectives are helpful in highlighting some of the important paradoxes, ambiguities and tensions and that boards face.

Based on this framework the paper outlines some of these key tensions:
- The tension between board members acting as *representatives* for particular membership groups and '*experts*' charged with driving the performance of the organization forward.
- The tension between the board roles of driving forward organizational *performance* and ensuring *conformance* i.e. that the organisation behaves in an accountable and prudent manner.
- The tension between the contrasting board roles of *controlling* and *supporting* management.

Each of the these tensions is discussed and the paper draws out some of the implications for practice in co-operatives and mutuals.

Finally the paper concludes by considering the implications of taking a paradox perspective for future research on co-operative governance.

Competing theoretical perspectives

A variety of competing theories have been proposed to try to understand the role of boards in the private sector. Each implies a different model of how boards work and who should serve on them. Below each of these theoretical perspectives and associated models is briefly examined and how they can be usefully extended to throw light on the role of co-operative boards. However, we begin by looking at the democratic perspective on boards, which provides the dominant perspective on the role and practices of boards in co-operatives and mutual associations.

A democratic or association perspective – a democratic model

Democratic government is a central institution in Western societies. Key ideas and practices include: open elections on the basis of one person one vote; pluralism i.e. that representatives will represent different interests; accountability to the electorate; the separation of elected members, who make policy, from the executive, who implement policy decisions. Democratic ideas and practices have influenced thinking about the governance of many types of organisations. For example many voluntary organisations, as well as co-operatives and mutual organisations are established as

membership associations, where it is enshrined in the organisation's constitution that the governing body should be elected by and represent the membership in some way.

A democratic perspective on governance suggests that the job of board members is to represent the interests of members of the organisation. The role of the board is to resolve or choose between the interests of different groups and set the overall policy of the organisation, which can then be implemented by staff. Central to this view is the idea of a lay or non-professional board, where anyone can put himself or herself forward for election as a board member. Expertise may be desirable but is not a central requirement, as it is in some other perspectives on governance, such as the partnership model discussed below.

Agency theory – a compliance model

Principal-agent theory, or agency theory for short, has been the dominant theory of the corporation and corporate governance arrangements (see Keasey et al, 1997: 3-5 for an overview). It assumes that the owners of an enterprise (the principal) and those that manage it (the agent) will have different interests. Hence the owners or shareholders of any enterprise face a problem that managers are likely to act in their own interests rather than the shareholders. While free markets are seen as the best restraint on managerial discretion, agency theory sees corporate governance arrangements as another means to ensure that management acts in the best interests of shareholders (Keasey et al,1997: 3-5). From this perspective the main function of the board is to control managers. This suggests that a majority of directors of companies should be independent of management, and that their primary role is one of ensuring managerial compliance – i.e. to monitor and if necessary control the behaviour of management to ensure it acts in the shareholders best interests.

Extending agency theory to co-operatives and mutuals suggests that members, as owners, are the principles. However, applying agency theory in this context is not entirely straightforward and Spear (2003) in this volume discusses in detail some of the problems. For our purposes it is worth commenting on two issues. In agency theory it is assumed that the main interest of shareholders is to maximise profitability and that the market in corporate control, such as pressure from major shareholders or the threat of takeover, as well as board monitoring, will help to keep managers aligned to this goal. In co-operatives and mutuals the situation is different. First, co-operatives are established to serve their members' interests and hence profitability is a means to and end rather than an end in itself. Secondly, the shares of co-operatives and mutuals are not traded in a market and hence there are not the same external pressures on managers to perform, such as pressure from major shareholders or the threat of takeover (O'Sullivan and Diacon, 2003). Hence the boards of co-operatives may have a diversity of goals, which do not readily translate into traditional measures of business performance, and managerial actions will be less constrained by market forces. This suggests that for co-operatives and mutuals the boards is the most important means that members have of trying to control managerial behaviour, but at the same time these boards have to operate in a context where it is likely to be more difficult to exert influence.

Stewardship theory – a partnership model

Stewardship theory (Muth and Donaldson, 1998) is grounded in a human relations perspective (Hung, 1998) and starts from opposite assumptions to agency theory. It

assumes that in general managers want to do a good job and will act as effective stewards of an organisation's resources. As a result senior management and shareholders (or members, in the case of co-operatives and mutuals) are better seen as partners. Hence, the main function of the board is not to ensure managerial compliance with shareholders/members interests, but to improve organisational performance. The role of the board is primarily strategic, to work with management to improve strategy and add value to top decisions. In this context it is not surprising that management ideas and practices should be applied to governance. From this perspective board members should be selected on the basis of their expertise and contacts so that they are in a position to add value to the organisation's decisions; boards and managers should receive proper induction and training; they should know how to operate effectively as a team etc. Ideas such as these are common in much of the 'how-to-do-it' literature on non-profit boards, (see for example Kirkland, 1994).

This perspective is evident in various prescriptive models of governance in both the private and non-profit sectors. For example, Pound (1995) suggests what he calls the 'governed corporation model' of governance for public companies. In this model the board, and major shareholders, are seen as partners of management, and the prime function of the board is to add value to the organisation by improving its top decision-making. The idea of partnership is also strongly present in Block's (1998) cojoint-directorship model which he advocates for non-profit boards. In this model the chief executive is not regarded as a subordinate of the board but as a colleague, and responsibilities are openly discussed and shared. He contrasts this to the 'traditional' model of the board, where the board is in a hierarchical relationship to the chief executive. Davis (1998) advocates a somewhat similar model for co-operatives where he argues senior executives should be part of a co-operative's board and take responsibility for its leadership.

This perspective raises a potential problem for co-operatives and mutual associations. There is no guarantee that those members elected to the board will have the skills the board needs to be effective. This is highlighted by Sivertsen (1996: 35) a senior manager in a Norwegian consumer co-operative:

> 'Co-ops tend to be management driven. Whereas board members in major private companies are elected within the business environment, board members in co-ops are elected among what we would call everyday people. Very often solid, earnest people with good judgement, but without the necessary background to make strategic decisions in the business world. Instead of bringing support and criticism to the Chief Executive they act as passive receivers of information.'

Resource dependency theory – a co-optation model

Resource dependency theory (Pfeffer and Salancik, 1978) views organisations as interdependent with their environment. Organisations depend crucially for their survival on other organisations and actors for resources. As a result they need to find ways of managing this dependence and ensuring they get the resources and information they need. From this perspective the board is seen as one means of reducing uncertainty by creating influential links between organisations through for example interlocking directorates. The main functions of the board are to maintain good relations with key external stakeholders in order to ensure the flow of resources

into and from the organisation, and to help the organisation respond to external change.

From this perspective the board is part of both the organisation and its environment. The role of the board is one of boundary spanning. Board members are selected for the important external links and knowledge they can bring to the organisation, and to try to co-opt external influences. The potential for co-operatives to use their boards to 'manage' external dependencies is much more constrained than private companies, as board members have to be elected from the co-operatives membership. However, it is usually possible for co-operatives to co-opt board members to bring in people with additional experience, contacts or skills, although it is unclear how commonly this strategy is used.

Stakeholder theory – a stakeholder model
Stakeholder theory as applied to governing bodies is based on the premise that organisations should be responsible to a range of groups (or stakeholders) in society other than just an organisation's owners or mandators (Hung, 1998: 106). By incorporating different stakeholders on boards it is expected that organisations will be more likely to respond to broader social interests than the narrow interests of one group. This leads to a political role for boards negotiating and resolving the potentially conflicting interests of different stakeholder groups in order to determine the objectives of the organisation and set policy.

Stakeholder theory has developed mainly in debates over corporate governance in the private sector as an alternative to traditional shareholder models, where there has been robust debate about its desirability and likely consequences (e.g. Hutton, 1997; Tricker, 2000: 295).The principles of stakeholder involvement are less controversial in the public and non-profit sectors, and the practice more common, although not always discussed in terms of stakeholder theory. Some of the clearest examples in the UK are in the field of education where government reforms have specified the broad composition of governing bodies. For example, state funded schools are required to have governing bodies made up of people appointed or elected from various groups, including: parents, the Local Education Authority, teacher governors, and in the case of voluntary aided schools, foundation governors representing the church or charity supporting the school. In the voluntary sector greater 'user involvement' has long be espoused as a goal and there have been important moves to involve service users on boards of many voluntary organisations, despite the constraints of charity law (Locke et al, 2003).

There are constraints in membership associations, such as co-operatives and mutuals, on the involvement of different stakeholders on boards, as board members are elected from the membership. However, within these constraints there has been concern about low member participation and the lack of involvement of certain groups of members, such, as women and young people on boards (Itkonen, 1996). In response to these concerns the Regional Assembly for Europe of the International Co-operative Alliance recommended that co-operatives should seek to revitalise members participation and elect more women board members (Lees and Volker, 1996: 46). More radically there have been attempts to develop new mutli-stakehoder co-operatives which seek to incorporate different stakeholders in the membership, such as some of the new co-operatives providing social services in Italy (Borzaga and

Santuari, 2001). Of course, as noted above, it is also open to co-operatives to co-opt board members to bring in different stakeholder perspectives.

Managerial hegemony theory – a 'rubber stamp' model

Managerial hegemony theory relates back to the thesis of Berle and Means (1932) that although shareholders may legally own and control large corporations they no longer effectively control them. Control having been ceded to a new professional managerial class. A variety of empirical studies have leant support to this thesis. Mace (1971) in his study of US directors concluded that boards did not get involved in strategy except in crises, and that control rested with the president (chief executive) rather than the board. Herman (1981) came to similar conclusions but argued that managerial power was always in the context of various constraints and the latent power of stakeholders such as external board members. In a more recent study Lorsch and MacIver (1989) conclude that although the functioning of boards has improved since Mace's study, their performance still leaves much room for improvement. Like Mace they distinguish between boards in normal times and during crises, and conclude that during normal times power usually remains with the chief executive. From this perspective the board ends up as little more than a 'rubber stamp' for management's decisions. Its function is essentially symbolic to give legitimacy to managerial actions.

Although this theory was developed in the study of large business corporations, many of the processes it describes seem just as relevant to co-operatives and mutual organisations: for example the separation of members, who 'own' the organisation, from those that control it, and the increasing growth and professionalisation of management. Indeed it could be argued that the involvement of ordinary members on the boards of co-operatives will mean that they are more likely to lack the knowledge and expertise to effectively challenge management proposals and decisions. As one noted international co-operator, Raija Itkonen (1996 :20), suggests:

> 'Power and decision-making in co-operatives are all too often concentrated at the top in too few hands. Co-operative performance has for a long time been characterized by a lack of participation and sense of involvement. Statutory governing bodies exist to review past performance and to endorse management decisions rather than to challenge policies and strategies.'

The main features of these different perspectives are summarised in Table 1. This compares each of these theoretical perspectives in terms of the assumptions they make about the interests of different parties involved, who should be board members, and the role of the board. Each theory implies a very different model of how boards work.

-Table 1 about here-

A paradox perspective - towards a synthesis

Taken individually these different theories are rather one dimensional, and have been criticised for only illuminating a particular aspect of the board's work. This has lead to calls for a new conceptual framework that can help integrate the insights of these different perspectives (Hung, 1998: 108-9; Tricker, 2000:295). A paradox perspective offers a promising approach to providing this new conceptual framework. Taken

together these multiple theoretical perspectives are helpful in highlighting some of the important ambiguities, tensions and paradoxes that non-profit boards face.

Morgan (1986: 339) in his groundbreaking study of organisations argues that many theories and ways of thinking about organisations do not match the complexity and sophistication of the realities they face. In order to address this problem he argues that it is necessary to take a multi-paradigm or perspective approach in order to 'understand and grasp the multiple meanings of situations and to confront and manage contradiction and paradox, rather than pretend they do not exist'. At the same time there has be a growing recognition that many management problems and issues require a move from linear thinking and simple either/or choices to seeing them as paradoxes (e.g. Hampden-Turner, 1990; Handy, 1995). Managing paradox means embracing and exploring tensions and differences rather than choosing between them. As Lewis (2000) charts in her review of the literature the concept of paradox has been playing an increasing role in organisation studies.

A similar critique can be made of attempts to understand organisational governance. As Hung (1998: 108) observes in his review of the literature each of the theories of governance (discussed above) 'focus on a small part and no one is able to perceive the whole picture of corporate governance'. In a similar vein Tricker (2000: 295) notes 'At the moment various theoretical insights cast light on different aspects of play, leaving others in the shadow…'. He calls for a new conceptual framework that can 'light up the entire stage and all the players'.

One way of addressing this problem is to take a multi-paradigm perspective and focus more explicitly on the paradoxes, ambiguities and tensions involved in governance. As Lewis (2000: 772) discusses a multiple perspectives approach can be useful as a sensitising device to highlight what are likely to be important paradoxes, by contrasting opposing theoretical approaches. So for example contrasting agency theory with stewardship theory suggests that boards may experience pressures to both control and partner senior management. Next we examine some of the main tensions and paradoxes that the contrasting theories of governance suggest that boards are likely to face. The list is not meant to be exhaustive. A number of authors have also begun to study governance from a paradox perspective. Demb and Neubauer (1992) in their study of corporate board identified and examine three paradoxes which stem from the legal and structural aspect of the boards setting. Wood (1996) extends this approach to the boards of non-profit organisations. Similarly Block (1998) describes other common paradoxes facing non-profit boards. Lewis (2003) examine the paradox boards face between controlling and supporting management.

Who governs -the tension between representative and expert boards

The different theoretical perspectives have different implications for who should serve on boards. The opposition is clearest between the stewardship and democratic perspectives. Stewardship theory stresses that board members should have expertise and experience that can add value to the performance of the organisation. The implication is that board members should be selected for their professional expertise and skills. In contrast the democratic perspective (and to some extent stakeholder theory) stresses that board members are lay representatives, there to serve the constituency(s) or stakeholders they represent.

This paradox creates a number of tensions at different levels. In the public sector this has been most evident at the level of public policy. Since the early 1980's successive Conservative governments in the UK introduced a variety of public sector reforms leading to a growth in the number of quangos and public bodies with appointed boards. The rationale for these changes was to improve the efficiency and effectiveness of public organisations by reducing the political nature of boards and bringing in people, particularly from the private sector, who it was assumed had the expertise and experience to run them well. This move to non-elected, expert boards in many parts of the public sector was heavily criticised for being undemocratic and creating a new self-selected elite (Plummer, 1994; Skelcher, 1998). Responding to these criticisms recent Labour governments have modified some of these arrangements and introduced greater stakeholder involvement, although deep concerns over the democratic accountability of many of these boards remains (Robinson et al, 2000). These changes have also not been uniform and there are quite large differences in governance arrangements between different branches of the public sector (see Robinson et al, 2000).

The paradox also raises dilemmas at the organisational level. In membership organisations like co-operatives – can 'lay' board members also be expected to have the necessary expertise to be effective board members. This dilemma is nicely highlighted by Wilson (1998: 81-2) drawing on his experience of UK consumer co-operatives, when he contrasts co-operatives with companies that may set up search committees to find non-executive directors with particular skills the board needs:

> 'The democratic process affords no such luxuries. On the one hand, co-operatives should be strengthened through the presence of lay people bringing non-executive experience to the board. At the same time, there can no guarantee that the range of skills and experience required will be complimentary. Clear gaps may remain in the collective skills required for an effective board.'

The paradox also raises a dilemma for board members. Is their main role to act as representatives of the membership or some particular group of members, or are they there to act as experts - advising and supporting management?

How can membership organisations go about trying to manage this dilemma and remain democratic, while at the same time ensuring they have board members with the expertise and experience to run an effective board? One way is to improve the quality of members putting themselves forward for election. Another way is through improving the quality of training and support available to current and potential board members. There is some evidence to suggest both strategies are spreading within the co-operative movement. Lees and Volker (1996 :45) reporting on a review of corporate governance arrangements in European co-operatives recommend that training should be offered to all new board members. Sivertson (1996: 35) reports on a two-pronged strategy introduced by Norwegian consumer co-operatives. They provide training for potential board members and have set a target that 'one percent of our members are to be trained as qualified, competent board members'. In addition they have tried to improve the quality of members seeking to become board members by introducing election committees in each society to select potential candidates.

Another approach is for organisations to use co-options to fill gaps in skills or experience among board members. There is some evidence that use of co-options is growing among some types of co-operatives and mutuals. Sargent and Nicholls (1994) for example trace the growing use of 'outside non-executive directors' to strengthen the boards of UK agricultural co-operatives.

Board roles - the tension between conformance and performance

The different theories of governance put different emphasise on what are the main roles of the board. This is most apparent in the opposition between the agency and stewardship perspectives. What Garratt (1996) has called the 'conformance' versus 'performance' role of boards. Agency theory emphasises the conformance role of the board to ensure that the organisation acts in the interests of its 'owners' and to be a careful steward of their resources. In contrast stewardship theory emphasises the role of the board in driving forward organisational performance through adding value to the organisation's strategy and top decisions.

One of the problems for boards is that these contrasting roles require board members to behave in very different ways. The conformance role is largely reactive and demands attention to detail, careful monitoring and scrutiny of the organisation's past performance and management, and is risk averse. The performance role is more proactive it demands forward vision, an understanding of the organisation and its environment and a greater willingness to take risks. Again, boards face an obvious tension concerning how much attention they should pay to these contrasting roles. Board members may also experience role conflict in trying to combine such different roles.

The way organisations' experience this tension is also shaped by wider contextual factors. In the public sector the conflicting pressures arising from government policy often heighten this paradox. As Greer et al (2003) note on the one hand public organisations are expected by government to be innovative and entrepreneurial. On the other hand they are often subject to centrally imposed initiatives, performance targets and close monitoring and audit, which effectively constrain their opportunities for strategic choice. At the same time they are often exposed to a good deal of bad publicity if things do go wrong. Cornforth and Edwards (1999), illustrate this dilemma using the case studies of a school and a college in the UK where the boards felt that the number of Government initiatives and requirements imposed on them severely constrained both the time they could devote to strategic issues and their freedom of action. Somewhat similar concerns have been raised with regard to the private sector, where it has been argued that many of the corporate governance reforms in both the UK and USA have emphasised the conformance role of boards at the expense of their role in improving business performance (Pound, 1995).

How can boards manage this tension between their conformance and performance roles, so that issues of long term or strategic importance do not get squeezed off the board's agenda, while at the same time the boards' capacity for independent scrutiny is not compromised? Cornforth and Edwards (1998, 1999) suggest a number of important factors that enabled some of the non-profit boards they studied to have greater involvement in strategy making, a key aspect of the performance role, without compromising their conformance role. The attitudes and experience of board

members themselves was important, which in turn could be shaped by board selection processes, board training and by the attitudes of managers to their boards. Also important were board processes. It was necessary to manage board agendas so that important, longer-term issues were given priority. In some organisations long, detailed agendas meant that a process of operational drift occurred, where boards became bogged down in operational detail leaving insufficient time for longer-term strategic issues. Some of the more successful organisations also regularly set aside special meetings where routine board matters were set aside to focus on strategy. Similarly, Garratt (1996) advocates a board cycle where different aspects of the board role are to some degree separated out over time in an annual cycle of board meetings. This was also an important means of managing the tension that can arise from carrying out very different roles at the same time.

Relationships with management - the tension between controlling and supporting

The relationship between boards and management is viewed very differently within the contrasting theoretical perspectives. The agency, democratic and stewardship perspectives stress the importance of the board monitoring and controlling the work of managers (the executive). In contrast stewardship theory stresses the role of the board as a partner to management, working in collaboration to improve top management decision-making.

This particular governance paradox is examined in detail by Sundaramurthy and Lewis (2003). They suggest that organisations may experience a cycle of decline if boards put too much emphasis or either control or collaboration. They suggest that too much stress on collaboration and partnership can lead to groupthink where management ideas and strategies are not adequately scrutinised and challenged. This can lead to strategic persistence in good times and a cycle of organisational decline as performance deteriorates. Conversely, too much emphasis on control can lead to a separation of responsibilities between the board and management, and defensive attitudes where management seek to justify their strategies and actions. Increasing levels of distrust may reinforce defensive attitudes hampering communication and mutual learning, which may again may lead to a cycle of decline.

A paradox perspective suggests that a simple dichotomy between boards controlling or partnering management is too simplistic. Different forms of behaviour will be appropriate at different times in the relationship. In a similar vein Kramer (1985) suggests that the board relationship with management is constantly shifting between consensus, difference and 'dissensus' depending on the issues being faced and the circumstances. The question is more one of balance and how to manage the inevitable tensions that can arise in such complex relationships.

How can the complex and paradoxical relationship between boards and senior managers and the resulting tensions best be managed? As Mole (2003) has pointed out tension and conflict seem most likely to occur when boards and senior managers have different expectations of their respective roles. The complex and interdependent nature of the roles offers plenty of scope for different interpretations. One way of trying to establish a productive working relationship is through explicit discussion and negotiation over roles and responsibilities. Cornforth and Edwards (1998) suggest that an important determinant of effective governance was that boards regularly review

their relationship with management and how they were working together. Harris (1993), drawing on action research in small voluntary organisations, goes further and suggests the value of a technique called Total Activities Analysis where boards and staff systematically review the organisations main activities and examine who should play what part in carrying them out.

Conclusions

The paper examined how existing theories of corporate governance can be extended to help understand the governance of co-operatives and mutual organisations, but argued that by themselves each theory is too one-dimensional only highlighting a particular aspect of the board's role. Empirical research on non-profit boards suggests governance is a complex, inherently difficult and problematic activity. As a number of governance scholars have recently noted we need to find new ways of thinking about governance that move beyond narrow theoretical frameworks. The paper argued that a paradox perspective, which draws upon multiple theoretical perspectives, is one promising approach, which helps to explain some of the difficult tensions and ambiguities that boards' face.

Another criticism that can be levelled at much of the theorising about boards (both descriptive and prescriptive) is it generic nature. Often little or no account is taken of contextual factors, such as organisational size or changes in public policy, that may influence or shape board characteristics or how they work. This is not something that is unique to the study of boards; similar criticisms have been levelled at much recent research in the field of organisational behaviour (Mowday and Sutton, 1993; Rousseau and Fried, 2001). An important priority for future research on the governance of co-operatives and mutuals, and indeed organisations across all sectors, is more studies that examine how contextual factors influence what boards do. For instance, we need more comparative studies that systematically compare the governance of organisations in different sectors and fields of activity and examine how these differences shape board composition, roles and relationships. An example here is the work of Otto (2003) who examined the role of chairs of governing bodies and senior managers in voluntary, statutory and private sector organisations. Equally we need to better understand examine how organisational factors, such as organisational size influence the nature of what boards do, (see for example Rochester, 2003).

The idea of paradox and tension also sensitise us to the dynamic nature of governance. Sundaramurthy and Lewis (2003) proposed that boards and managers may get trapped into defensive cycles of behaviour, which lead to processes of organisational decline. They also consider various ways these problems might be addressed to avoid defensive spirals. In order to examine these problems and processes we need more in depth and longitudinal case studies, which examine the dynamics of relationship between boards and managers and how they attempt to tackle the problems and dilemmas they face.

THEORY	INTERESTS	BOARD MEMBERS	BOARD ROLE	MODEL
Agency theory	'Owners/members' and managers have different interests	'Owner/members' representatives	Conformance: - safeguard 'owners' interests - oversee management - check compliance	**Compliance model**
Stewardship theory	'Owners/members' and managers share interests	'Experts'	Improve performance: - add value to top decisions/strategy - partner/support management	**Partnership model**
Democratic perspective	Members/the public contain different interests	'Lay/member' representatives	Political: - represent member interests - make policy - control executive	**Democratic model**
Stakeholder theory	Stakeholders have different interests	Stakeholder representatives	Political: -balancing stakeholder needs - make policy - control management	**Stakeholder model**
Resource dependency theory	Stakeholders and organisation have different interests	Chosen for influence with key stakeholders	Boundary spanning: - secure resources - stakeholder relations - external perspective	**Co-optation model**
Managerial hegemony theory	'Owners/members' and managers have different interests	Owners/members' representatives	Symbolic: - ratify decisions - give legitimacy (managers have real power)	**'Rubber stamp' model**

Table 1: A Comparison of Theoretical Perspectives on Organisational Governance

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