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Supervisory Board in the Governance of Cooperatives: Disclosing Power Elements in the Selection of Directors

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***Abstract*—**The supervisory board is assumed to use power in the governance of a firm, but the actual use of power has been scantly investigated. The research question of the paper is "How does the supervisory board use power in the selection of the board of directors". The data stem from 11 large Finnish agricultural cooperatives. The research approach was qualitative including semi-structured interviews of the board of directors and supervisory board chairpersons. The results were analyzed and interpreted against theories of social power. As a result, the use of power is approached from two perspectives: (1) formal position-based authority and (2) informal power. Central elements of power were the mandate of the supervisory board, the role of the supervisory board, the supervisory board chair, the nomination committee, collaboration between the supervisory board and the board of directors, the role of regions and the role of the board of directors. The study contributes to the academic discussion on corporate governance in cooperatives and on the supervisory board in the context of the two-tier model. Additional research of the model in other countries and of other types of cooperatives would further academic understanding of supervisory boards.

***Keywords*—**Board, cooperative, supervisory board, selection, director, power.

I. Introduction

THE governance of a firm is shaped by two different types of obligation: the need to maximize the firm's performance and simultaneously to conform its operation to the owners' expectations [36]. In the unitary (one-tier) board model, both of these goals – performance and conformance – are obligations of the board of directors (BOD). In the two-tier model, which includes the BOD and a governing body called supervisory board (SB), the tasks are separated: the BOD distinctively and primarily assumes the performance role, while the SB fulfils the conformance role [37]. Cornforth [5] states that there is tension between the board roles of driving forward organizational performance and ensuring conformance. Tricker [36] points out the major difference between the Anglo-American unitary board model and the Continental European two-tier board structure.

Along with the emergence of modern corporate governance codes, the significance of the SB has been questioned by claiming that the presence of independent directors on the BOD better fulfils some of its tasks in the governance [9], [17]. Unlike in studies of investor-owned firms (IOF), the SB (also called supervisory committee) is often discussed in the cooperative literature e.g. [3], [2]. The function of the SB is to oversee the BOD and the entire performance of the cooperative. Compared to IOFs, which are profit-driven and owned by shareholders, cooperatives are member-driven and democratically governed [2]. Their ownership is collective and patron-members participate in decision-making concerning their vertically integrated enterprise through democratically elected councils and bodies. Depending on applicable legislation, the SBs in cooperatives are assumed to use power in the nomination, election and control of the BOD. However, the actual use of power in these governance processes has been scantly investigated.

In this paper, the main research question is "How does the SB use power in the selection of the BOD?" According to Finkelstein & Mooney [13] successful director selection is vital to generating a competent board. However, the role of the SB in the selection has not been studied. The purpose of this paper is, first, to describe and explain what roles the SB has in different board models and, second, to disclose both formal and informal mechanisms of the SB in the selection of directors. The goal is not only to investigate how power is used, but additionally, by whom, where and when it is used. The research material was gathered from 11 large Finnish agricultural cooperatives whose total turnover is approximately 2 billion Euros. Our research approach was qualitative. The main source of data comprised personal semi-structured interviews of the BOD and SB chairpersons of each organization. We gathered secondary data from the annual reports, bylaws and internal rules of the cooperatives.

The paper sheds light on the role and use of SBs as means of governing and controlling BODs and hence contributes to the scholarship of the governance of cooperatives using multi-theoretical approaches. The study combines the performance and conformance roles of the governance as well as the democratic approach, which is regarded as essential in cooperatives and other member-based organizations. Theoretically, the study gives a meaningful interpretation of the power elements by drawing on the theory of social power. The research provides a step forward in the academic discussion of alternative board models and board processes and thus contributes to the scholarship of governance by providing empirical knowledge of SBs, specifically the prevailing mechanisms, practices and power factors of director selection in cooperatives. In addition to the theoretical contribution, we also address the needs of practitioners. The

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qualitative approach gives insights into how owner will in collective ownership can be induced and managed by using the SB as well as discloses formal and informal mechanisms in governance. The data provides a useful platform for the topic because the Finnish Cooperative Act imparts notable formal power to the SB and because the SB is widely used in Finland.

II. SB in IOF and Cooperatives

A. Governance Models and Structures in Firms

The supervisory model has not been a common object of interest in the scholarly literature of organizations and management. Jensen [21] who studied LBO associations and venture capital funds, stated that venture capitalists routinely become members of SB through their shareholder agreement. Viewed from an agency theory perspective, in accordance with Jensen and Meckling [22], members in cooperatives are considered the principal and the board/supervisor the agent [10]. Hansmann [16] states that control over the management of a firm causes its owners to incur monitoring costs, and hence the owners must be informed about the firm's operation, communicate among themselves to exchange information and make decisions, and then influence the firm's managers.

The governance models can overall be divided into two types: the unitary board model and the two-tier model [37]. The unitary board model (also called the one-tier model) has its roots in the Anglo-Saxon tradition. It comprises a general meeting which elects the BOD. The two-tier model stems from the German judicial tradition [25]. Its special feature is the SB, which monitors the BOD. In these two models, the roles of the governing bodies differ in some respects. In the unitary model the BOD needs to fulfill both the performance role and the conformance role, while in the two-tier model the BOD distinctively and primarily assumes the performance role while the SB fulfils the conformance role [37].

The basic one-tier governance model of a firm comprises two levels: the General Assembly/General Meeting (GA) and the BOD. The GA has control over decisions, i.e. ratification and monitoring, while the BOD takes responsibility for decision management, such as initiation and implementation [12]. Lekvall [25] states how the two-tier model (Fig. 1) used in the Continental European countries draws a strict line between the SB with exclusive oversight and controlling functions and the management board vested with virtually all executive powers, which means that no individual can serve on both bodies simultaneously. The one-tier model (Fig. 1), where the supervisory/control and executive functions are combined in the BOD, is clearly different. Lekvall [25] also recognized a third, the Nordic model (Fig. 1), which is distinctly different from both of the other models, first by not having a SB, and second by making a distinction between the non-executive board and the executive management function.

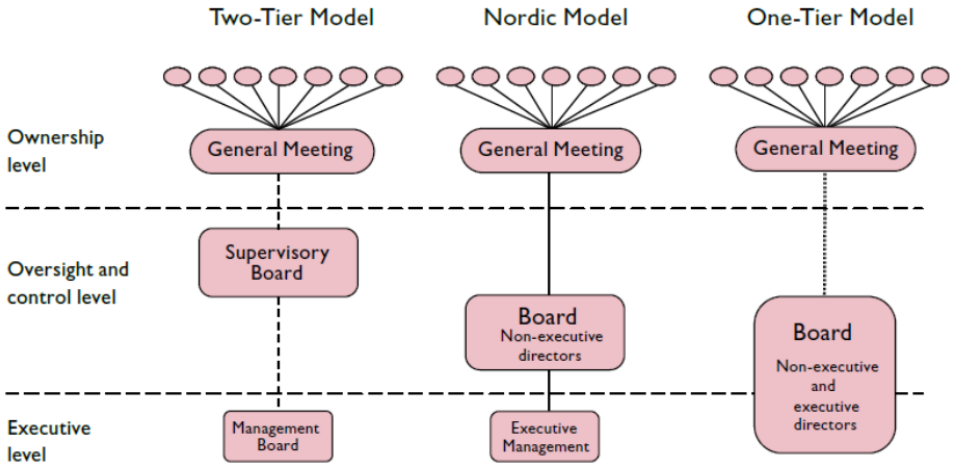


Fig. 1 The two-tier, Nordic and one-tier governance models [25]

In cooperatives, a member council (also called supervisory council) may be optional to the GA [2], [18]. Where the law provides for the establishment of a member council, it carries out the control function in the interest of the members [18]. Hence, it is exclusively composed of members of the cooperative. In this sense, it may be described as a permanently sitting mini GA. Bijman et al. [2] present a model including the member council (Fig. 2) which they call "the extended traditional model of internal governance of cooperatives".

B. Cooperatives and Their Governance

A cooperative is understood 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" [20]. Members may comprise both natural and legal persons. This definition is grounded in a set of values and in seven principles, which are guidelines by which cooperatives put their values into practice [20]. A cooperative firm is controlled by the members of the cooperative [11]. Cooperative governance is characterized by a) democratic (member) control, b) creating and maintaining a cooperative culture

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(values), c) meeting member-user needs and d) long-term viability as a cooperative [35, p. 9]. Cornforth & Edwards [6] referring to the institutional theory of organizations [8], point out that - besides economic and technical demands that stem from the market – several institutional factors influence the governance of organizations. Compliance influence stems from the fact that the governance needs to be accountable to the owners of the firm, while democratic influence requires the governance to represent the interests of one or several stakeholders.

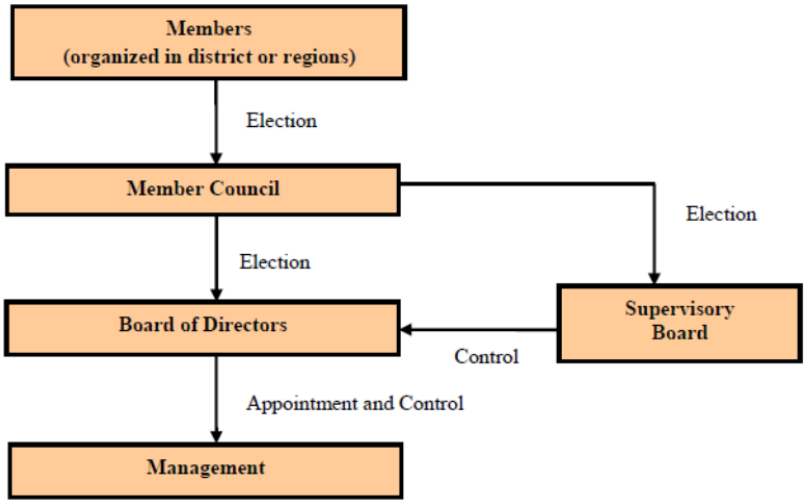


Fig. 2 The extended traditional model of internal governance of cooperatives [2]

According to Dunn [11] the user orientation distinguishes cooperatives from IOFs. The following three principles characterize all cooperatives: 1. User-Owner: Those who own and finance the cooperative are those who use the cooperative; 2. User Control: Those who control the cooperative are those who use the cooperative. 3. User Benefit: The cooperative's sole purpose is to provide and distribute benefits to its users on the basis of their use. He emphasizes that this member interest instead of profit has important implications for monitoring and controlling the management of the cooperative. As cooperatives usually pursue multiple performance objectives [33], members do not have such a straightforward measure to monitor managers as shareholders of IOFs have, which increases the challenge of governing a cooperative.

Hansmann [16] speaks about the election of directors in cooperatives and maintains that in large cooperatives directors are commonly not elected in a single firm-wide election, as is the case in typical IOF, but are rather chosen by region, so that most seats on the board represent particular local constituencies. From the control aspect, this makes sense because – in his opinion - strong direct member control is far more important in a cooperative than in an IOF. He also maintains that members' interest in the cooperative – in the form of not only regular monetary dividend payments but also in the form of higher-quality goods or services – requires strong member control. Moreover, "if managers are to meet the quality needs of the cooperative's members, they must be well-informed about the character of those needs, which may require substantial input from the members themselves" [16, p.398].

As regards the legislation on SBs, they are not mandatory unless otherwise specified in cooperative acts or bylaws. In Europe, the SB traditionally consists exclusively of members of the cooperative, but recently some countries have allowed non-member (expert) participation in the SB [4]. In Brazil, as in Europe, the main role of the SB is to monitor the cooperative BOD and management with a particular focus on internal auditing. Cooperatives may have two types of SB, depending on the legislation (Fig. 3). In some countries it is called the supervisory committee (b) and in some others the SB (a) [2], [18]. The difference between them is that a) the SB both elects and monitors the BOD, while b) the supervisory committee only supervises/possibly audits the BOD whereas BOD election belongs to the GA.

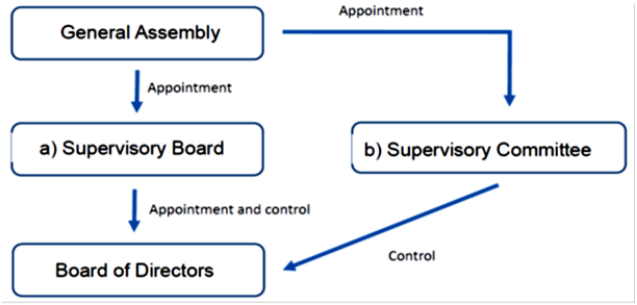


Fig. 3 Supervisory Committee Model of the Governance Structure in Cooperatives (developed by the authors, based on [2])

The above two-tier board model provides for a formal separation of directors who operate in separate boards with their own specific roles [1]. Executive directors are responsible for the day-to-day operation of the firm, and the SB is responsible for the supervision of management and for providing advice and counseling to executives and possibly also for the election of the BOD. SB chairs have become

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increasingly involved in both their control and service roles, spending more time on boards and committees, and thus have become more active on the forefront of corporate governance discussion. Bezemer et al. [1] state that the SB chair may have become subject to changing role expectations.

1. Director Selection Process

Director selection is "the formal process by which individuals are identified, screened, nominated and elected (or appointed) to corporate boards" [38, p. 245].

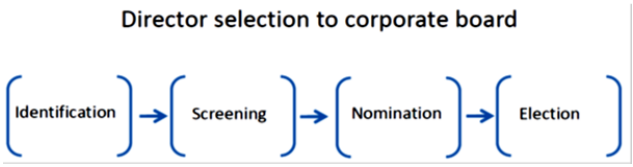


Fig. 4 Process of director selection to corporate board in public corporations [38]

The process of director selection begins by identifying potential candidates. The candidates are usually identified and screened by a nominating committee composed mostly of independent directors [19]. Candidates can be proposed by incumbent directors, the CEO or search firms employed to identify candidates [38]. Earlier, it was typical that CEO's selected board members based on their personal relationships [28]. Nomination committees are assumed to professionalize board selection [31] and believed to improve their effectiveness [23]. The final stage of the process is election by the general meeting or some other body specified in the company rules.

In the one-tier board model, the GA elects the directors to the BOD. In the two-tier model, there are three options by which the governing body elects the BOD: (1) the SB elects (2) the GA elects and (3) the member council ("mini-GA) elects (See Figs. 2 and 3). The options are fully dependent on national legislation.

C. Theory on Social Power

The most common types of social power in organizations are (1) reward power, (2) coercive power, (3) legitimate power, (4) referent power and (5) expert power [14]. In this model, reward power is defined as power based on an ability to reward, whereas coercive power means that someone is forced to do something against their will. Legitimate power is usually based on an elected, selected or appointed position of authority and may be underpinned by social norms, whereas referent power is based on an ability to administer to someone a sense of personal acceptance or approval. Expert power is based on a person's high level of skill or knowledge. Raven [29] added to this list an extra type of power (6), informational power, which is a result from a person's ability to control the information.

In the models of French & Raven [14] and Raven [29], the sources of power can be divided into (a) positional sources (legitimate, reward, coercive and informational power) and (b) personal sources (expert and referent power). As an example, electoral mandates, social hierarchies, cultural norms, and organizational structures are examples of legitimate power and personal connections and shared belief are examples of referent power [30].

D. Methodology and Data

1. Method

Our methodological approach was qualitative case study [39]. The case consisted of 11 large and middle-sized Finnish agricultural cooperatives (Table IV). The method seeks to develop an understanding of the case by appreciating its uniqueness and complexity as well as its embeddedness and interaction with contexts [34]. Qualitative methodology can provide "a 'deeper' understanding of social phenomena than would be obtained from a purely quantitative methodology" [32 p. 56]. Our purpose was not to explain the existing reality among the population.

We interviewed 22 persons: All the chairs of the BODs (11 people) and the chairs of the SBs (11 people). We used semi-structured interview with some features of thematic interview. The interviews constituted our data. We used content analysis [7] to analyze the data and started with adoption of the informants' views, which constituted the 1st order concepts [15], [24], [26], [27]. At this stage, we adhered to the informants' terms and made little attempt to filter the concepts. The number of concepts was quite high (Table I), but according to Gioia et al. [15] it is important to have an overwhelming number of concepts. Next, we started looking for similarities and differences between the concepts and created seven 2nd order categories (Table I). Abduction was used for interpretation. This means that existing theoretical ideas were linked with insights from our data, and these ideas contributed to a meaningful story of the phenomenon under study. Along the lines of Gioia et al. [15], we then further filtered the emergent 2nd order categories into two aggregate themes, which together formed our data structure.

a. Context of Finland

The Finnish Cooperative Act says that the BOD and the annual general meeting (GA) are mandatory. The SB is optional. The legal role of the SB is to elect and control the BOD. The GA can be replaced by the member council, which has the same duties as the GA but is elected for a certain term by the members (see Fig. 3). The SB is then elected by the member council instead of the GA. The presence of the SB and the member council is stipulated in the bylaws.

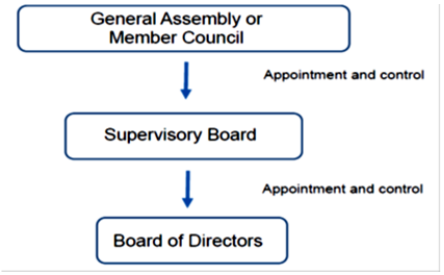


Fig. 5 General structure of governance in Finnish cooperatives

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Characteristics of the BOD are regulated both in the Cooperative Act and the bylaws of each cooperative. The size of the BOD may vary from one to five members according to the Finnish Cooperative Act, unless stipulated to be larger in the bylaws. Concerning the election of the BOD, the bylaws can either promote and broaden the election praxis or limit it. For example, if the cooperative has stipulated that it has a nomination committee, this has a direct implication on the BOD election process.

TABLE I
DEVELOPMENT OF THE DATA STRUCTURE FROM 1ST ORDER CONCEPTS THROUGH 2ND ORDER CATEGORIES TO AGGREGATE THEMES

1st Order Concepts	2nd Order Categories	Themes
1. The member council has elected the SB, and they have the authority and responsibility in this matter.	SB's mandate	Formal Position-Based Authority
2. The SB should be maximally representative of the regions.		
3. The SB supervises the activities of the BOD.	SB's authority and role	
4. The SB has an informal duty to serve as a filter between the member council and the BOD.		
5. The SB has a significant role in the selection of board directors.		
6. The SB brings an element of stability to the election of board members.		
7. The SB elects the board directors with or without preceding proposals by the presenting committee.		
8. The chair of the SB has an authoritative role. Before elections s/he conducts discussions with the producers and within the cooperative.	Authority and role of the chair of the SB	
9. The SB chair is primarily responsible for the composition of the board, because s/he represents the group responsible for the election of board directors.		
10. The chair wants to influence matters but does it through cooperation, avoiding partiality towards any specific board directors.		
11. The chair has a right to speak in BOD meetings but no right to decide matters.		
12. The nomination committee consists of the SB chairs, other SB members and possible representatives of the member council.	Composition and authority of the nomination committee	
13. A member of the BOD serves as an expert member in the nomination committee.		
14. The nomination committee screens and interviews the possible candidates for BOD membership.		
15. The committee's proposal is not binding on the SB.		
16. The chair of the committee has a more authoritative role than the other members.		
17. The chairs of the SB and BOD outline the principles for further action.	Cooperation between the SB and the BOD	Informal Power
18. The SB chair has a right to attend BOD meetings, which may be controversial because the SB is responsible for supervising the BOD.		
19. The members attending regional meetings may discuss informally the BOD members, but any decisions are made by the SB.	Power of the regions	
20. The SB must have good grounds for turning down a regional proposal.		
21. The SB chair has an important role in keeping the governance well aligned.		
22. The BOD chair should have some say on who are elected to the board.	Power of the BOD	
23. The members of the BOD discuss the election.		
24. The BOD should not walk over the SB. When the SB asks for information, the BOD must provide it.		

TABLE II
DIVISION OF THE COOPERATIVES BASED ON THEIR MISSION

1. Ownership cooperatives	2. Marketing cooperatives	3. Procurement cooperatives
Lihakunta (meat)	Metsäliitto (forest)	Länsi-Maito (dairy)
Itikka (meat)	Satamaito (dairy)	
LSO (meat)	Hämeenlinnan osuusmeijeri (dairy)	
Österbottens Kött (meat)	Munakunta (egg)	
	Maitomaa (dairy)	
	Maitokolmio (dairy)	

b. Target Group

We included in our series the 11 largest agricultural cooperatives of Finland having a SB. The measure of size was the number of members in 2014. Divided by sector, there were five dairy cooperatives, four meat cooperatives, one forestry cooperatives and one egg cooperative in the series (Table II). The data on this period were comprehensively available and consistent. The key figures of these cooperatives are presented in Table IV.

E. Results

The informants approached the question of how the SB uses power in the selection of the BOD from two perspectives: (1) Formal position-based authority and (2) informal power (Table I). Next, we analyze the results in detail.

1. Formal Position-Based Authority (Table I, 1st Order Concepts 1-16)

The mandate of the SB is based on the fact that the GA or the member council has elected the SB members, who enjoy their confidence. The will of the cooperative members is assumed to become visible through this democratic process. However, the influence is not direct but indirect because the SB will not ask the members directly how it should act.

> "I guess the overall will of the large membership is not so clearly visible. But we do observe representational democracy. I mean we do not have a tradition of going out to find the field members' views" (SB chairman).

The mandate of the SB is also based on another fact, namely the wide regional representation of the SB. The posts on the SB are mostly regionally divided, and regional

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perspectives are hence manifest in the work of the SB.

The SB has several types of power. First, it monitors the BOD and defines the direction of the cooperative. One of the SB chairs said that "*the board must consider the potential acceptance or rejection of issues by the SB"*. The SB also has a direct connection to the BOD chair and the CEO. The SB controls the BOD by functioning as a filter between the member council and the BOD (see also Fig. 5). Second, the SB holds the superior power to elect the BOD members.

> "The SB chair presides over the nomination committee. He is largely responsible for the choice anyway. When the election is being made, the others sit still and listen. At least that has been my experience all the time that I have been a member of the BOD" (BOD chairman.)

The BOD chairs have a central role in selecting the candidates. If necessary, the SB votes between candidates. Third, the SB functions as an important conveyor of messages to from the membership.

The SB chair has a central and powerful role in the cooperative. His role is, first, to make sure that the right kinds of people are appointed to all positions.

> "We cannot overemphasize the role of the SB chairs in this process. They have the duty to maintain good governance. They are real headhunters for new BOD chairs or members. They can choose the persons who are best for the cooperative or support their nomination. And the ability of the SB chairs to discuss constructively with the board is crucially important" (BOD chairman).

The chairman also has close contacts with the BOD and influences the choice of the BOD chair. In case of contradiction the chair's authority is measured. The second role is to function as a unifying person who discusses within the SB, with regions and with the BOD. If necessary, he needs to express his own opinion, but his primary goal is to achieve mutual agreement and to reach a decision. The SB chair is not always visibly powerful. Some of them strive to be neutral and not to signal that they have favorites among the candidates to the BOD. In these cases, they may influence elections in background discussions. The praxis where the SB chairs regularly attend BOD meetings is considered problematic. The dual role in monitoring the BOD and getting close to the BOD's operative work may reduce the chair's authority.

The nomination committee (NC) appointed by the SB uses nomination power. NC's members comprise the SB chair and often the vice-chair as well. Occasionally, depending on the cooperative, the BOD chair may function as an expert member in the NC. The task of the NC is to screen and possibly interview potential candidates. The NC does not have a mandate to appoint a candidate but only to make proposals. The proposal does not bind the SB. However, the SB members find it a relief that there is an organ that makes unofficial proposals.

> "The nomination committee does not make the decision. I do not remember that they would ever have done so, as they only propose a candidate. The SB makes the final decision, and they can naturally also choose a person that has not been formally proposed." (SB chairman).

The NC chair, who is the SB chair in most cases, has a central role in coordinating the discussion in the NC. Some cooperatives have no NC. They claim that it would take the power away from the SB. In these cooperatives, the preparation of nomination is done by the SB in an unofficial manner.

2. Informal Power (Table I, 1st Order Concepts 17-24)

The collaboration between the SB and the BOD is intensive in cooperatives. The SB chairs mostly initiate discussions and steer the interaction. The SB chair and the BOD chair make up a twosome who discuss all matters and the future of the cooperative. *"Although that is not actually legitimate power, it is authority anyway" (SB chairman).* Their views play a key role when electing new members to the BOD. Since the SB chair attends the BOD meetings, he has a good view of what kind expertise is needed on the BOD and what is happening around there. When the SB chairs attend the BOD meetings they get to know the people there. This may have the negative impact that electors tend to seek and pick up friends from there.

The role of the regions is often influential in the election of BOD members. Unofficial discussions are carried out in the regions and proposals are presented to the SB. In the widest sense, "gentleman's agreements" are made to secure regional representation on the BOD. In these situations, the SB needs to have a very well-motivated reason to override the region's proposal. Regional influence is sometimes experienced as a threat to the SB, and this challenge is managed by emphasizing the central role of the SB chair and by having a SB that functions as a filter between the regions and the BOD.

The BOD's role and influence are seen to be central, although the BOD does not have legitimate power over the election of BOD members. The BOD chair has to look into the future and participate in the discussion about the BOD members. When the SB asks the BOD or its chairman about the situation and needs of the BOD, they need to be ready to reply.

III. Discussion

Our research question was "How does the SB use power in the selection of the BOD?" Our results indicated that the SB chairmen approached the question through the following two themes: (1) Formal position-based authority and (2) informal power (Table I). Here, we analyze and discuss the results against the theory on social power [14], [29], which divides the elements of power into (a) positional power sources (legitimate, reward, coercive and informational power) and (b) personal power sources (expert and referent power). The results are summarized in Table III.

A. Positional Power Sources (Table III)

The manner in which the SB uses power includes several features of positional power. The mandate of the SB is based on the fact that either the GA or the member council elects the SB. The election is based on the cooperative legislation (see

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Fig. 5). The SB in Finland has a legal mandate to appoint and to dismiss the BOD, which can be defined as coercive power. The SB controls the BOD and thus has legitimate power over the BOD. The coercive and legitimate power of the SB is a logical consequence of Tricker's [37] notion that the SB fulfils the conformance role in the governance of a firm. Additionally, our finding is equivalent with the cooperative scholars' [35, p. 9] statement that cooperative governance is characterized by democratic member control. In our case, all SB members were members of the respective cooperatives. The SB's power aspect is identical to that outlined by Dunn [11] who defined user control in a cooperative as meaning that those who control the cooperative are those who use the cooperative. Hansmann [16] claims that strong direct member control is far more important in a cooperative than in an IOF. However, it is important to remember that the legislation on SBs varies in different countries as regards the legal mandate of SBs. In some countries the SB only monitors the BOD, while in some others it also appoints and dismisses the BOD (e.g. [4], [2], [18]).

The SB chair is the key person in the governance to make sure that right people are appointed to all positions, to discuss with the BOD and to function as a unifying person. In these roles, the chair uses legitimate power, acting as an authority. Bezemer et al. [1] found that SB chairmen have become increasingly involved in both their role of controlling the membership and the role of serving the BOD. This emerging role, in which they spend more and more time in board and committee work, means that they have become more active in governance discussion. Our findings support an increasingly strong and a changing role of SB chairs.

The power of the nomination committee is legitimate power because the committee has received its mandate from the SB. Its positional power is formally well defined and limited to proposing candidates to the BOD, whereas the SB makes the actual decisions on the BOD members. On the other hand, the nomination committee has much informational power because it screens, analyzes and even interviews the BOD candidates. This is positive whenever the committee strives to find the best possible candidates who would optimally serve the cooperative's needs. The power may also cause confusion if the committee begins to make its own agenda and take over such power that does not belong to it.

The BOD and its chairman may have informational power. The power of the regions is influential and often indirect but can still be defined as positional power. The regions' authority towards the SB is based on social hierarchies and cultural norms, which are traditionally strong in producer cooperatives. The norms may contribute to gentleman's agreements whereby the regions want to safeguard their representation on the BOD. A region's positional power is paralleled by its "personal" power, which in our case means informational power. A region may have overwhelmingly good knowledge of the BOD candidates in their region and thus be able to influence the selection of BOD members.

B. Personal Power Sources (Table III)

Our findings disclosed intensive collaboration and interaction between the SB and the BOD. In practice the main actors are the chairs of the respective governance bodies. The SB chair does not have only legitimate power but also personal expert and referent power. Though the BOD and its chair do not have positional power in the election of BOD members, they have remarkable expert and referent power. The BOD chair is a central expert on informing the SB or the nomination committee about the situation and the needs of the BOD. Other BOD members may also be asked about the work of the BOD or about candidates. The BOD and its chairman also have referent power, which manifests through shared personal connections and shared beliefs between the BOD and the SB and helps to achieve the best possible result in the election of BOD members.

Summary:

In the table below, the results of this study are summarized against the power theories of French & Raven [14] and Raven [29]. The summary gives a meaningful interpretation for our findings.

IV. Conclusions

Unlike in studies of IOF, the SB is often discussed in the cooperative literature. However, the actual use of power in the governance processes has been scantly investigated. Our study discloses that the conformance role of the SB in the two-tier governance model is central compared to the one-tier model, where the BOD has both the performance and the conformance role. This observation explains the multiple roles of the SB in the governance of a cooperative.

The study provides a new step in the academic discussion of the two-tier model, which comprises several elements of power in the selection of directors. The paper discloses the role of the SB as a means of governing and controlling the BOD and discusses how the SB is used in different countries and contexts. A central contribution is that the research provides empirical knowledge of the prevailing mechanisms, practices and power factors in the director selection of cooperatives. The theoretical contribution is the discussion of the empirical findings against the theory of social power in organizations.

Our results and findings have a few limitations. The results need to be interpreted within the context of the country where the data were gathered because local contexts may have implications on the results and findings. The number of cooperatives (11) in the series was limited, and the results and findings may hence be prone to biases. Agricultural cooperatives have some specific features and hence, the results should be deemed primarily against other studies in the field of agricultural cooperatives and with carefulness against other types of cooperatives. Additional research in other countries and contexts would contribute further to the academic scholarship of governance in agricultural cooperatives and in other types of cooperatives. Finally, we note that the boards of cooperatives' subsidiaries were excluded from this study, and

hence our results can be only partially applied to hybrid cooperatives with subsidiaries.

TABLE III
TYPES OF POWER IN THE SELECTION OF BOD MEMBERS IN AGRICULTURAL COOPERATIVES

	FORMAL POSITION-BASED AUTHORITY					INFORMAL POWER	
	Mandate of SB	**SB**	**SB chair**	**Nomination committee**	**collaboration/ SB & BOD**	**Regions**	**BOD**
POSITIONAL POWER SOURCES	legitimate power	legitimate power, coercive power	legitimate power, informational power	legitimate power		legitimate power, informational power	informational power
PERSONAL POWER SOURCES			referent power		referent power		expert power

TABLE IV
KEY FIGURES OF THE SERIES SORTED BY THE NUMBER OF MEMBERS IN 2014

NAME OF CO-OPERATIVE	BUSINESS SECTOR	TURNOVER 1000 €	BALANCE SHEET 1000 €	MEMBERS
Metsäliitto	Forest	1702000	2588000	121941
Lihakunta	Meat	97	76049	3190
Itikka	Meat	2705	155258	1729
LSO	Meat	0	94510	1298
Länsi-Maito	Dairy	101794	47379	748
Österbottens Kött	Meat	13130	16398	387
Satamaito	Dairy	46292	19153	213
Hämeenlinnan osuusmeijeri	Dairy	69452	19514	154
Munakunta	Egg	33108	12659	148
Maitomaa	Dairy	54515	14232	127
Maitokolmio	Dairy	42280	15387	121
TOTAL		**2065373**	**3048539**	**130056**

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