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To conform or to perform – the dilemma of director's attributes in agricultural cooperatives

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Abstract: Research related to cooperative boards has highlighted dilemmas and tensions related to board characteristics and director's simultaneous role as representatives of membership groups and as board experts. Cooperative scholars' views have differed on the roles of directors emerging from the membership and elected from outside the cooperative. This study focused on 16 Finnish agricultural cooperatives, and the data was based on interviews with 32 chairpersons. The study utilises a stepwise qualitative analysis in bringing out three dilemmas related to director's attributes, which are coupled to board's conformance and performance roles. The dilemmas are linked to representativeness and the need for competence, selecting a candidate from internal governance or from membership and gender quota opposition and gender as a resource. The results indicate that regional representativeness and the director's experience from internal governance are important. The right type of person with wide perspective is a significant attribute whereas external board experts are approached with cautiousness. Despite the cooperatives' desire to improve gender balance, they have a negative attitude towards gender quotas. The results disclose specific differences across diverse types of cooperatives.

Keywords: agricultural; cooperative governance; board; attributes; director.

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1 Introduction

The board of directors (BOD) of the firm operates within two spheres of influence, one of which is related to the future, for example strategy, and the other to the present and the past, such as monitoring (Tricker, 2015). Cooperative scholars underline that a simultaneous consideration of member-owners' expectations and the firm's success should be emphasised in a distinct way. For instance, Spear (2004) highlights that it is necessary to develop a board governance approach that combines both control perspectives and collaborative perspectives, Cornforth (2004) underlines the presence of tensions between the board roles of driving forward organisational performance and ensuring conformance.

Some studies on the composition of the BOD in cooperatives raise up specific dilemmas and tensions when assessing the characteristics of cooperative BODs. Cornforth (2004) found tensions caused by director's simultaneous role as representatives of membership groups and as board experts. Chaves et al. (2008) point out that there is a need to have members' representatives on the BOD, but at the same time the directors need to be able to control the managers and to have technical and leadership skills. Michaud and Audebrand (2022) bring out tensions regarding outside and independent directors in cooperatives. Cooperative researchers disagree to some extent or at least emphasise in different ways the representative role of members in the BOD vis-à-vis the presence of outside directors. Davis (2001) defends members' representation by saying that a cooperative organisation requires educated and skilled directors drawn from educated and involved membership. On the contrary, Deng and Hendrikse (2015) claim that member dominance on the BODs of agricultural cooperatives may become problematic due to the pressure from the consumer market. In more detail, Deng and Hendrikse (2015) suggest that cooperatives should include outside directors in the BOD to resolve this problem. Bijman et al. (2014) explain that a focus on member interests instead of profit has implications on the internal governance of agricultural cooperatives where the term 'internal governance' encompasses the structures and processes utilised for making decisions within an organisation. Michaud (2013) states that there is a need for multiple approaches to understand the contradictory roles of the BOD which has implications on how director attributes should be approached.

Board characteristics overall in cooperatives has been increasingly investigated in recent years, although not to the same extent as in IOF's (Huhtala and Tuominen, 2016). Director's competencies and attributes (Goth et al., 2010; Berge et al., 2016) and member's representation (Jussila et al., 2007; Cechin et al., 2013; Bijman et al., 2014) have been objects of interest. There is limited research on gender balance in cooperative literature, while it has been a significant research focus on the mainstream literature (Huhtala et al., 2023). It is important to pay attention to the contexts in which BODs operate. As an example, agricultural cooperatives need to adjust the composition of their

BODs to the changing market environments and thus, the traditional representational BOD composition may become a hindrance (Bijman et al., 2013). Despite the mentioned studies, there is lack of understanding on how the BOD should manage its roles and tensions included and how this set-up is reflected in the attributes of the directors in agricultural cooperatives. Additionally, none of the articles on producer cooperatives approach the issue with qualitative methods (Huhtala and Tuominen, 2016). Based on this, this study poses the question: how do electors of agricultural cooperatives assess director's attributes and related tensions between BOD's conformance and performance roles? Electors in this study refer to either the SB or the representative council of the cooperative. The conformance role refers to BOD's accountability to firm's owners and stakeholders and the performance role to firm's overall or financial performance. This empirical study contributes to the scientific discussion related to board governance of cooperatives. It contributes specifically to the understanding of how the director electors approach the attributes of directors in the BODs of agricultural cooperatives, how the attributes are associated with the dilemmas between BOD's performance and conformance roles as well as with board theories. This study contributes the work of practitioners by providing insight on how the dilemmas could be solved.

This paper is organised as follows. We begin by introducing board governance and director attributes in cooperatives followed by a description of the context of Finnish agricultural cooperatives and the methodology. After presenting the results, we discuss the findings and their applicability as well as their implications on the scholarship of cooperatives. Finally, we conclude by suggesting avenues for future research.

2 Board governance and roles in cooperatives

The board governance can be defined as a "set of roles, attributes and contextual variables and their impact on the BOD" [based on Korac-Kakabadse et al., (2001), p.25]. The role of the directors in a firm has been explained through several theories. According to the agency theory, the BOD's role is to monitor the organisation's operations (Jensen and Meckling, 1976), while the stewardship theory emphasises the BOD's strategic role and the competence of the directors (Muth and Donaldson, 1998). According to Garratt (2010), conformance means that the BOD is accountable to the firm's owners and stakeholders, and this responsibility is ensured through adequate monitoring, reflecting the agency perspective. Performance means overall or financial performance of the firm and may have antecedents in the characteristics of the BOD (Yamori et al., 2017; Saibal and Jugnu, 2018; Kumkit et al., 2022; Franken and Cook, 2019). This perspective is associated with the stewardship approach, where the BOD must ensure firm's performance by thinking strategically. Regarding cooperatives, their dual nature which comprises both social and economic objectives is inherent (Puusa and Saastamoinen, 2021). Additionally, Puusa and Saastamoinen (2023) highlight that cooperatives are simultaneously associations of members and business enterprises with variety of goals. Regarding cooperatives, scholars emphasise the consideration of members' expectations and the company's success simultaneously (Bijman et al., 2014; Bakaikoa et al., 2004; Spear, 2004). Additionally, Cornforth (2004) underlines that this duality culminates in the internal governance of cooperatives as the representatives of the membership and the management are supposed to maintain a balance between the conformance and

performance roles. This set-up is analogical with Garratt's (2010) notion that the BOD is accountable for both conformance and performance perspectives in its work. In the conformance role, the BOD of a cooperative must consider the factors related to ensuring the interests of the membership, member benefits, the implementation of member democracy and member representativeness, and control (e.g., Cornforth, 2004; Berge et al., 2016; Tuominen et al., 2009; Bleger, 2005; Bijman et al., 2014; Power et al., 2012; Barraud-Didier et al., 2012). In the same vein in its performance role, the BOD supervises and cooperates with the management, ensures that the cooperative's performance is good and is measured, and that the cooperative's financial future is secured (e.g., Saibal and Jugnu, 2018; Kumkit et al., 2022; Bijman et al., 2014).

2.1 Board composition and competencies in cooperatives

Bijman et al. (2014) remark that along with the growth of agricultural cooperatives, there is a need to adjust the composition of BODs to the changing market environments, and the representational BOD composition may become a hindrance. Agricultural cooperatives meet competence gaps regarding the changes in the environment. A few researchers call for a better ability of the directors to handle the supervisory task of the management and more professional BOD work in general (Cook and Burrell, 2013; Iliopoulos et al., 2022). Guerrero et al. (2017) point out that, in cooperatives where directors must be drawn from the membership, several issues potentially limit the capacity of board governance. Cechin et al. (2013) realised the reluctance to replace older directors, which may be related to the level of member activity/passivity or alternatively to the small number of women and young (Guerrero et al., 2017).

2.2 Tensions within cooperative board governance

Cornforth (2002) brings out several tensions related to the board governance of a cooperative. One is related to situations where directors are representatives for certain stakeholder groups but simultaneously need to drive organisational performance. He also speaks about tensions between supporting and controlling the management, and third, he points out accountabilities to multiple stakeholders. Cornforth (2004) concludes that representativeness and expertise are two poles with opposing logics, however both necessary for the success of the organisation. Michaud and Audebrand (2022) identified several specific tensions that challenge the board governance of cooperatives. One is related to the dilemma of 'lay' directors elected by and from among the membership and the need to count on a BOD made up of competent individuals with diverse and complementary expertise. Finally, the authors underline how cooperative governance seems at odds with some of the underlying principles of good corporate governance (Michaud and Audebrand, 2022).

3 Context and methodology

3.1 Context and data

The classical way to organise an agricultural cooperative is a *marketing cooperative*. It is an association of farmers who voluntarily cooperate to pool their production for sale and

who market and distribute the produce through the cooperative which they own and control themselves (Agbo et al., 2015). A marketing cooperative in this study comprises such cooperatives where all the functions from procurement through processing, marketing to and sales operations are involved. However, cooperative ownership structures in agricultural cooperatives have been adapted and new arrangements have emerged (Bekkum and Bijman, 2006). In Finland, conversions into farmer-owned limited liability companies and conversions to listed companies have emerged. The proportion of these cases in the dataset is quite significant, which causes a difference compared to agricultural cooperatives in many other countries. Another distinctive feature in Finland is the absence of significant supply cooperatives.

Valio is a limited liability company, owned 100% by regional milk cooperatives that procure milk from member farmers and sell it further to Valio. While Valio is technically a limited liable company, it is comparable to a secondary cooperative where milk processing, marketing and sales operations have been centralised to Valio, and the regional dairies have retained themselves three tasks: milk procurement, advisory services to member-farmers and acting as owners of Valio. In this paper, these cooperatives are labelled as *procurement cooperatives* (Table 1). The internal governance of Valio and the regional cooperatives are legally independent from each other but strongly intertwined with each other. In the meat sector, the cooperatives have made a similar arrangement, however, with the difference that a listed company was established for the business operations. In these arrangements, not only processing, marketing, and sales operations, but also meat procurement was at large transferred to the listed company. The cooperatives remained, but their nature changed radically and that is why they can be called *ownership cooperatives* (Table 1). The forest cooperative Metsäliitto is a large group with elements of an ownership cooperative and a marketing cooperative. Metsäliitto has most of the voting rights in the listed company Metsä Board but also runs its own sawmill business. Therefore, it is classified as a *marketing cooperative* in this paper (Table 1).

Table 1 Purpose-based classification of the agricultural cooperatives

1 Ownership cooperatives	2 Marketing cooperatives	3 Procurement cooperatives
Lihakunta (meat, owner of Atria)	Metsäliitto (forest)	Itämaito (dairy, owner of Valio)
Itikka (meat, owner of Atria)	Faba (animal breeding)	Pohjolan Maito (dairy, owner of Valio)
Österbottens Kött (meat, owner of Atria)	Satamaito (dairy)	Maitosuomi (dairy, owner of Valio)
LSO (meat, owner of HkScan)	Hämeenlinnan osuusmeijeri (dairy)	Tuottajain Maito (dairy, owner of Valio)
	Maitomaa (dairy)	Länsi-Maito (dairy, owner of Valio)
	Maitokolmio (dairy)	
	Munakunta (egg)	

There are 32 agricultural cooperatives in Finland, of which 16 largest were included in the dataset, by using the number of members in 2014 as a criterion (Appendixes 1–4).

These cooperatives account for over 99% of the entire turnover and over 95% of the members of all Finnish agricultural cooperatives. Divided by purpose, the number of ownership cooperatives in the data was four, marketing cooperatives seven and procurement cooperatives five (Table 1). The key figures of the cooperatives are presented as a time series in Appendixes 1–4.

3.2 *Choice of method*

As the purpose of the study was to increase understanding of director's attributes and how they are linked with BOD's conformance and performance roles a qualitative approach was chosen. Qualitative methods can provide "a deeper understanding of social phenomena than would be obtained from a purely quantitative methodology" [Silverman, (2006), p.56]. The purpose of the qualitative approach is to enhance understanding of the topic and to provide a theoretically meaningful interpretation of the phenomenon under investigation. According to Yin (2009), the case study is suitable for addressing 'how' and 'why' questions. The dataset constituted a case consisting of the 16 agricultural cooperatives. Open-ended in-depth interviews were used (Appendix 6). We interviewed 32 persons: all the sixteen chairpersons of the BODs, all the chairpersons of the SBs (11 people), and in the five cases without a SB, the chairpersons of the representative councils. Two of the BOD chairpersons were female. To mitigate biases, we used a maximum number of not only chairpersons of the BODs but also chairpersons of the SBs or representative councils. The interviews were conducted in Finnish and Swedish, and transcribed into written text. The quoted responses were then translated into English. The focus in the interviews was on people's views and thoughts about the internal governance structure, the election procedure, the official and unofficial discussions, the roles of the different actors as well as the local values and traditions (Appendix 6). We conducted semi-structured interviews with some features of thematic interview, and the material thereby obtained constituted our primary data. The purpose of this interview data was to generate the necessary understanding to answer the research question.

The composition and key element of the data are described in Appendix 7:

Secondary data were collected from the annual reports, bylaws, and internal rules of the cooperatives. The purpose of this secondary data was to provide background information and clarify the characteristics of the targeted cooperatives and their governance structures. 2011–2014 were covered for the following information:

- number of delegates on the representative council (men, women)
- number of members on the SB (men, women)
- number of members on the BOD (men, women)
- proportion of women in governing bodies

The information is presented in detail in Appendixes 4–5.

3.3 *Data analysis*

Our research question is: how do electors of agricultural cooperatives assess director's attributes and related tensions between BOD's conformance and performance roles?

Table 2 Analysis process of data from first order concepts through second order themes to aggregate dimensions

<i>1st order concepts</i>	<i>2nd order themes</i>	<i>Aggregate dimensions</i>
1 The region is the first attribute, and a competent person is sought for it.	Representativeness related to regionality and candidates' farm characteristics	The dilemma of representativeness and the need for competence
2 Each region nominates a member of the board, while the rules do not require it.		
3 The importance of regionalism, it condenses the cooperative.		
4 It is good that (board members) come from farms of varied sizes.		
5 The aim is to keep the representation of the various production orientations in balance.		
6 In practice, emphasis is placed on people from larger farms.		
7 The emphasis is on forward-looking and financially sound farms.		
8 Competence is more important than regionality and gender, no gender quotas.	Good person with wide perspective	
9 Understands how the board works.		
10 There are communication skills and leadership qualities, opportunities even for the presidency.		
11 The candidate must have the resources to deal with common matters.		
12 It is more important than regionalism to have a good person on the board.	The need for outside board experts	
13 Understands the perspective of the producer, but also the role of the cooperative.		
14 If there were an outside expert member... it has sometimes been discussed that it could be good.		
15 Of course there must be those experts. Without them, we would not be able to cope with this structural change.		
16 Yes, in the future there will certainly be a need (for outside board members).	Contextual factors and diversity	
17. The situation of a cooperative affects, different people are needed at various stages and situations.		
18 The person to be elected must have the ability to chair the (board) and the board of the subsidiary.		
19 Diverse backgrounds are needed on the board.		

Table 2 Analysis process of data from first order concepts through second order themes to aggregate dimensions (continued)

<i>1st order concepts</i>	<i>2nd order themes</i>	<i>Aggregate dimensions</i>
20 The resigning members of the board of directors are identified first, then the supervisory board and then the membership.	Candidates have experience from internal governance	The dilemma of selecting a candidate from internal governance or from membership
21 The board members are always raised from the supervisory board, not past it.		
22 Membership in the representative council or on the supervisory board brings competence.		
23 It is not possible to nominate a candidate directly from the membership.		
24 There is no need for outsiders because we do not have our own marketing activities.		
25 (Outsiders) are not needed as experts, they can be invited to the board if needed.		
26 It is unlikely that there will be a selection to the board from outside.		
27 In the rules it is possible (to pick an outside expert), but it has not been like that yet.	Candidates have no experience from internal governance	
28 The selection of a rank-and-file member is not excluded.		
29 The experience of the own administration (from the cooperative) has been a good practice so far, but not enough for future needs.		
30 I do not think it is good that someone is picked based on gender alone.	Opposition to gender quotas	The dilemma of quota opposition and gender as resource
31 I would never want to be selected for anything that I am a woman.		
32 Decisions are made regardless of gender, such as to get the maximum price for milk.		
33 Gender itself is not important, although both are needed.	Better gender balance	
34 Both genders are needed for the whole.		
35 The proportion of women is low, could be higher.		

A stepwise qualitative analysis (Gioia and Thomas, 1996) was used (Table 2). Based on this methodology, we first created a set of concepts. At this stage, the researchers wanted to identify the genuine views of the interviewees and delimit even the smallest emerging topics. Based on these groupings, the first-order concepts of the data were created (Gioia and Thomas, 1996; Gioia et al., 2013), see Table 2. Each concept was supported by

formulating its label so that it reflected the voice of the interviewees. Next, we started looking for similarities and differences between the concepts and created second-order themes (Table 2.) This level of analysis approaches deep abstraction and helps the researchers create and illustrate themes that are broader than the first-order concepts (Gioia and Thomas, 1996; Gioia et al., 2013). At this stage it is useful to apply theoretical lenses to better identify possible connections between the themes and theories and thus, the data collection and analysis constitute an iterative process (e.g., Langley, 1999). The researchers returned several times to the concepts and the interviews and returned to the second order themes. At the third step, alternative interpretations were considered, and finally aggregate dimensions were formulated from the second order themes (Table 2).

4 Findings

We found that the interviewees approached the dilemmas from three aggregate dimensions (Table 2):

- 1 representativeness and the need for competence which comprises 19 concepts and four themes
- 2 selecting a candidate from internal governance or from membership (ten concepts and two themes)
- 3 quota opposition and gender as a resource (six concepts and two themes).

4.1 *Dilemma of directors' attributes: representativeness and the need for competence*

4.1.1 *Regionality and farm's characteristics*

Regionality is seen as the first attribute and only thereafter, a competent person is sought from the region. Individual regions have a big sovereignty in nominating their own BOD candidate. Regionality has traditionally been a significant attribute for directors in all the sub-groups (ownership, marketing, and procurement cooperatives). This significance reflects the appreciation of a good representation and knowledge of the entire operating area of the cooperative, better member engagement and cohesion, better member communication, and the democratic nature of the cooperative. "Every part of the area must have their representatives ... [we need] as good visibility in regions as possible" (chairperson of SB).

The rationale for regionality was justified by local knowledge, accessibility of directors, and, more broadly, ensuring that the specific issues of the region would be considered in the work of the BOD.

Local knowledge becomes important when dealing with something [related to the region]... People need to know [the directors] and in that sense, [local representation] should exist... it should be easier for our region's members to approach or call [directors] and convey their own message. (Chairperson of representational council)

The significance of the regionality was considered the biggest in Valio's regional procurement cooperatives, where the vast majority supported its necessity (Table 3). In

ownership and in marketing cooperatives approximately one half of the informants considered regionality necessary (Table 3). It is defended in ownership cooperatives with established practices, as well as with monitoring of regional interests. Informants of marketing cooperatives bring out traditions and gentlemen's rules as well as fostering the unity of the membership and committing them to big decisions.

Informants maintain that it is useful to have directors from farms of varied sizes because this increases knowledge of the member farms on the BOD. A balance between different farm sizes is the most important in Valio's procurement cooperatives (Table 3). Member candidates' future orientation was unanimously highlighted as one of the most significant attributes.

Of course, we try to think so that the cooperative must always look ahead, and I think it means that we prefer in our policy and decisions such perspectives that support future-oriented farmers to those who are downsizing or otherwise less active. (Chairperson of BOD)

Production orientation has been an essential issue for the BODs in meat sector's ownership cooperatives, which have members from the pork, cattle, and poultry sectors. The balance of the production orientations on the BOD is motivated by the knowledge about members and equality.

Table 3 Significance of regionality and farm characteristics in different types of cooperatives

	<i>Regionality is needed (proportion of informants)</i>	<i>Farms of different sizes and different production lines are needed (proportion of informants)</i>
Ownership cooperatives (4 pieces)	5*/8**	0*/8**
Marketing cooperatives (7 pieces)	7*/14**	4*/14**
Procurement cooperatives (5 pieces)	9*/10**	4*/10**

Notes: *Number of informants who had a positive stance to the topic.

**Number of all informants.

4.1.2 Good person with wide perspective

A good person with a wide perspective and business know-how appeared to be a central attribute.

There [needs to be] market understanding, process understanding, and financial competence; where does the money for that firm come from. (Chairpersons of BOD in an ownership cooperative and in a marketing cooperative)

This discussion mainly concerned directors with a membership background. It is important that a candidate understands how the BOD functions and what is a good balance between producer-member's view and cooperative's position. Finding the right person to the right post is appreciated. Candidate's competence level overrides the view of regional or some other representative attribute. A few cooperatives had attempted to get entirely rid of regionality, claiming that regionality has nothing to do with the work of the BOD and is not a good attribute in the long run. "A broader perspective on business [needed] beyond just running a farm" (chairperson of BOD in procurement cooperative).

4.1.3 *Outside experts in the board*

Outside BOD experts were justified by coping with changes. Marketing cooperatives had the most positive attitude toward outside directors. Some of them already had such directors on their BOD, or they could at least consider having them. “We surely continue to need these experts. We wouldn’t have survived the structural change without them” (chairperson of SB).

Although the need for experts in the future was recognised in a few cooperatives, most other cooperatives approached the issue with cautiousness. The informants of procurement cooperatives justified this by saying that their primary task in the cooperatives is to concentrate on milk collection and member services, not on business. Informants of ownership cooperatives emphasised that their cooperatives resemble holding companies and thus, their primary task is to concentrate on steering the listed subsidiary.

We have outsourced the marketing, and we find that we don’t have a need for an outside director. I believe the situation would be different if we did our own marketing. (Chairperson of SB)

4.1.4 *Contextual factors and diversity*

A few informants told that external and internal contexts of the cooperative call for diverse types of directors and directors should have such competencies that they could as well become elected as the chairperson of that cooperative. In this view, directors should not only safeguard the interests of certain groups on the BOD but preferably work for all members.

It [BOD] would comprise those who have a business background, farmers, and why not even some with a research background, those who have a wide range of contacts. It would be great if somebody had international connections. (chairperson of BOD)

In general, the interviewees rarely brought up contextual factors as an attribute for directors.

4.2 *Dilemma of directors’ attributes: selecting a candidate from internal governance or from membership*

4.2.1 *Experience from internal governance*

Several informants paid active attention to the issue of the director’s work history in the internal governance bodies of the cooperative. From this point of view, the appointment of non-governance candidate is neither possible nor likely.

We have a clear policy that people from outside the governance are not elected, for example, to the supervisory board, even though the rules allow it. In governance, progress [to the BOD] is made only through internal governance. (Chairperson of SB)

4.2.2 No experience from internal governance

According to some informants, direct appointments from the membership of the cooperative are possible, unless no prospective candidate is found within the internal governance, or if the candidate is exceptionally competent.

We first map out the directors who have the turn to resign, to see if they are willing to continue, and then also seek potential nominees from the supervisory board. Then we also seek suitable candidates among the membership. (Chairperson of BOD)

Nowadays, there are those people ... whose farms are ... business enterprises, yes they have know-how and knowledge ... it is not impossible that it can't happen that way... the whole sector is open. (Chairperson of BOD)

4.3 Dilemma of directors' attributes: gender quota opposition and gender as resource

4.3.1 Opposition to gender quotas

Gender per se is not considered an attribute and all those who brought up the issue of gender quotas were against it (Table 4). However, most informants did not comment the topic (Table 4).

I would not want to be selected for anything because I am a woman, and I have never accepted different kind of quotas in boards and others. It is very good if there are both genders (on boards), but it is not a primary selection attribute. (Chairperson of BOD)

Table 4 Significance of gender issue in different types of cooperatives

	<i>Both genders needed on BOD (proportion of informants)</i>	<i>Gender not crucial but competence (proportion of informants)</i>	<i>No gender quotas needed (proportion of informants)</i>	<i>Difficult to find female candidates (proportion of informants)</i>
Ownership cooperatives (4 pieces)	3*/8**	3*/8**	1*/8**	6*/8**
Marketing cooperatives (7 pieces)	8*/14**	5*/14**	3*/14**	3*/14**
Procurement cooperatives (5 pieces)	6*/10**	1*/10**	1*/10**	1*/10**

Notes: *Number of informants who had a positive stance to the topic.

**Number of all informants.

In all cooperative groups, there were difficulties in getting female candidates for the BOD, however clearly the most in ownership cooperatives that represent the meat sector (Table 4). The reasons for the problem were the reluctance of women to run for representative council elections and especially for the SB, and the fact that most participants in agricultural producers' meetings are usually men. In addition, the division of labour and the ownership on farms and as well as fact that there are fewer women than

men as meat producers were brought out. The forest sector was also generally perceived as a male field. “I would think that approximately one half of our member farms are owned by both spouses” (chairperson of BOD).

4.3.2 Better gender balance

Several informants agreed on that more women on the BOD would be needed and this would enrich the mindset and views. Need for both genders was brought up, most strongly in marketing cooperatives (Table 4). While importance of the matter was acknowledged, gender as a selection attribute was viewed critically.

[Women have] a different perspective on many things. ... It diversifies the work of the board and probably leads to better decisions at times because women do have a different viewpoint, indeed, such as social awareness and understanding human needs. (Chairperson of representative council)

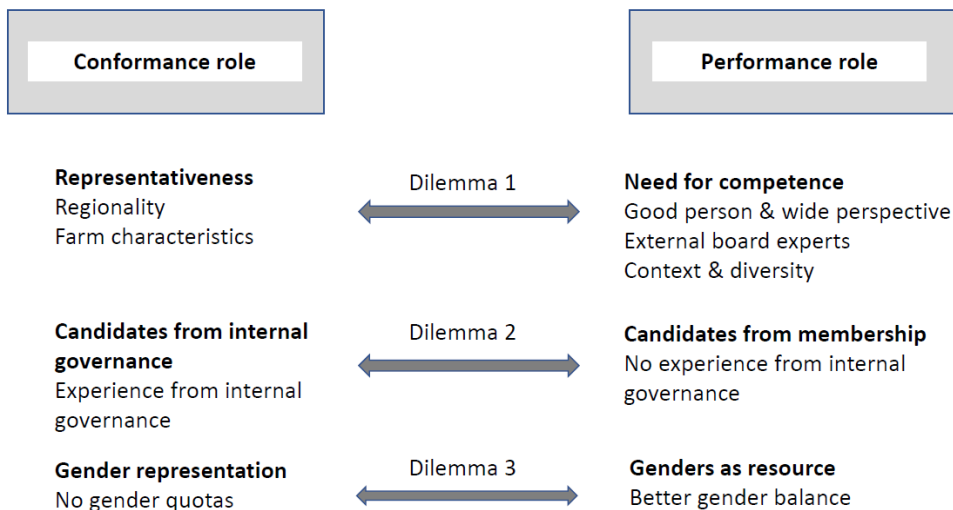
We will continue to have at least one woman on our board. ... but it's the competence that counts, whether it's a man or a woman. (Chairperson of BOD)

4.4 Linkages between dilemmas and board's performance and conformance roles

In terms of BOD's performance and conformance roles, the dilemmas were attached to both roles as shown in Figure 1.

Regionality, farm's characteristics, director's experience from internal governance and criticality to gender quotas were attributes that represent BOD's conformance role towards the membership and other stakeholders. Parallely, good person with wide perspective, outside board experts, context and diversity, candidates from membership with no experience from internal governance and better gender balance were attributes that attach to BODs performance role. This set-up is discussed in detail in Section 5.

Figure 1 Director's attributes, dilemmas across them and coupling to BOD's performance and conformance roles (see online version for colours)



5 Discussion

In the research on agricultural cooperatives only a few studies have specifically focused on the attributes of directors (e.g., Cechin et al., 2013; Franken and Cook, 2019; Bijman et al., 2014; Hakelius, 2018). Our results shed new light in the research by indicating that the chairpersons approach the question of director's attributes through several dimensions.

Representativeness has a strong position as an attribute for the BOD of agricultural cooperatives. This is somewhat in contrast with Bijman et al. (2014) who note that as cooperatives expand, they need to adapt the composition of their BODs to the evolving market conditions. It is worth noting that the emphasis on regional representativeness was strongest in procurement cooperatives, which do not have any consumer interface. These cooperatives were also most concerned about the representativeness of farms of different sizes. As a specific issue, it was highlighted by one regional procurement cooperative that the different EU support zones in the country should be considered in the composition of the BOD of the cooperative. Given that Valio's SB and BOD members are picked from the BODs of the regional procurement cooperatives the emphasis of regionality becomes understandable. A strong emphasis of regionality is prone to cause tensions observed in this study, between representation and the need for competence. The importance of regionality is not as strong in ownership or marketing cooperatives. In the case of ownership cooperatives, it can be interpreted so that they do not necessarily have such political interests to watch over as procurement cooperatives have. These cooperatives consider a balance between production orientations more important, highlighting the unity of the membership. In marketing cooperatives, more important than regionality is BOD's competence, which is necessary from the perspective of market competition. The importance of regionality in agricultural cooperatives cannot however be undervalued because it was justified by the commitment of the members, the unity of the membership and the importance of member communication. This finding is significant, because according to research, as the size of cooperatives increases, the heterogeneity of the membership increases, which tends to reduce member commitment, participation, and at worst can lead to membership apathy (Chaves et al., 2008). A new finding compared to previous studies on agricultural cooperatives was the importance of farm characteristics. Although the size of the farm per se is not an attribute, the selection is influenced by the farmer's entrepreneurial skills, especially the future orientation. Based on the afore mentioned, the research results provide support for the notion that it is important that directors reflect the membership and thus, could conform to the expectations of the membership. This is in line with the studies of Davis (2001) and Darmadi (2013) who maintain that selection of directors from among the membership may be a built-in way of thinking in cooperatives.

The competence of the BOD was approached from two perspectives: what are the attributes for a person with a membership background and how can outside directors be utilised. A person with 'wide perspective' was regarded as important. Directors should be able to break away from a mere member's perspective and see the position of the cooperative firm. Increasingly more cooperatives think that competence should be preferred to representational attributes and directors should understand the business of the cooperative. Selecting outside directors was not seen as primary, but in special situations it was considered a possibility or even a necessity. Such situations include adapting to internal or external changes in the cooperative. These results are in line with studies that

highlight the performance role of the BOD in agricultural cooperatives and the use of outside directors (e.g., Franken and Cook, 2019; Bijman et al., 2013). On the other hand, our results pose some criticality to use of external board experts, causing some tensions. This is in line with Michaud and Audebrand (2022) who bring out criticism towards legitimacy of outside directors. Finally, our results give support to and are in line with Chaves et al. (2008) who address a need to have both members' representatives and those who have technical and leadership skills on the BOD.

One important dilemma that has not been discussed in the cooperative literature is related to the selection of directors who are not incumbent members in the cooperative's governing bodies (dilemma 2 in Figure 1). Agricultural cooperatives have a strong culture of nurturing directors through the various levels of governance and not to select directors from the membership. This praxis is problematic as it may contribute to an excessively homogenous BOD and make for instance young people and women reluctant to run for the BOD. A solution where cooperatives directly select candidates from the membership community would increase BOD diversity and competence because farmers run large business farms, and they are seen to have knowledge and know-how for the BOD of the cooperative. However, this emerged to be one source of tension. Additionally, due to the restructuring of the agri-industry, the number of producers and members in governing bodies are decreasing, which may cause a growing need to expand the 'market' of directors from within the governance to a wider membership.

The research results showed that women are underrepresented on the BODs of producer cooperatives. Our secondary data results indicate that the share of women on BODs was between 10% and 20%, and it did not rise between 2011 and 2014 (Appendix 5). The situation cannot be considered satisfactory, as the rate is lower than in large Finnish listed companies on average, 29% in 2014 (Finncham, 2017). Cooperatives recognise the gender challenge and consider it a positive goal to improve the balance between the genders. This gives support to the results of Périlleux and Szafarz (2015) which indicate that women on BODs enhance social orientation in cooperatives. The dilemma involving tensions arises from the fact that there is opposition to gender quotas while genders are seen as a resource (dilemma 3, Figure 1). It was noteworthy that the proportion of women in the representative councils of the cooperatives rose from 21% to 27% between 2011 and 2014 (Appendix 5). This may imply that the proportion of women on the SBs and BODs would rise in the future.

The research results provide only partial answers to how the identified dilemmas could be solved in agricultural cooperatives. Regional and farm-related representation is strong in procurement cooperatives. Considering that the BOD and the SB of Valio Oy are selected from these cooperatives, the dilemma will remain in the future. The owner and marketing cooperatives are more open to emphasising competence as an attribute, and this allows for the preference of future- and business-oriented farmers in BOD appointments. However, reservations exist regarding the selection of outside directors in all cooperatives. Due to contexts in the environment, cooperatives must search more carefully, not only from the internal governance but also within their membership for sufficiently competent individuals, which may provide a new option for them. One of the most challenging dilemmas is how to increase female representation on BODs.

In terms of board theories, our results are in line with the representational theory (also called the democratic perspective (Cornforth, 2004; Bleger, 2005), which suggests that representation of member interest is the key driver in the job and the responsibility of the

cooperative directors. Österberg and Nilsson (2009) realised in their empirical study that members consider democratic control to be crucial in cooperatives. This line reminds the classic agency approach, where BOD's role is associated with the protection of the owners' interests (Fama and Jensen, 1983). It is evident that conformance and monitoring roles are seen in the director attributes of agricultural cooperatives of this study. On the other hand, the results indicate a growing need to ensure competence on the BOD: how can the BODs ensure its necessary expertise. This is in line with the stewardship theory and the resource dependency theory (Pfeffer and Salancik, 1978) which highlight good relationships with stakeholders (Cornforth, 2004).

The results of this study have some limitations. The empirical data for the study consists of numerical data (Appendixes 1–5) collected from 2011 to 2014, and interviews conducted between 2015 and 2016 (Appendix 6). The Finnish central organisation of cooperatives Pellervo updated the status of the cooperatives in the data as well as the statistics on the representation of women in the governance of agricultural cooperatives in 2023, compared to 2014. The changes regarding female representation in BODs were minimal: the average percentage of women in all cooperatives decreased by 1–2 percentage points in the representative council, SB, and BOD. Across different types of cooperatives, the decrease was most significant in procurement cooperatives (–2–5 percentage points), while the percentage increased by 1–3 points in marketing cooperatives. These changes cannot be considered to significantly alter the interpretation of the results presented in this study. It should be noted that the nature of the agricultural cooperatives under investigation (ownership cooperative, procurement cooperative, marketing cooperative), their structures and the national legislation in Finland should be considered when assessing the applicability of the results. While the researchers have given attention to ensuring that the 'voice' of the interviewees remained present, and that the themes and dimensions derived from them were consistent with the original data the transferability of the results to other countries may be limited due to the low number of cooperatives included in the dataset (16 in total).

6 Conclusions

The main goal of this study was to gain an understanding of director's attributes and related dilemmas between BOD's conformance and performance roles. A central contribution of the study is the illustration of the relationships between director's attributes, BOD's performance, and conformance roles and the three dilemmas observed between the roles in agricultural cooperatives. This is conducive to incrementing the theory on the board governance of agricultural cooperatives. The practical value of the research lies in identifying the dilemmas associated with BOD's roles and providing insights to solve them. We found that agri-cooperatives are not mutually similar in terms of their director attributes because of their divergent missions and core tasks and their different operating contexts. This calls for research that identifies the diversity across agricultural cooperatives. We also found specific issues among the attributes that deserve additional research. One of them is female participation and its obstacles in the BOD, another the role of non-incumbent director candidates from within the membership and third the use of outside directors. We also suggest that the processes and structures behind the selection of directors should be disclosed for better understanding of how and why directors are screened, selected, and nominated.

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Appendix 1

Key figures of the series sorted by the number of members in 2014

<i>Name of cooperative</i>	<i>Business sector</i>	<i>Turnover €1,000</i>	<i>Balance sheet €1,000</i>	<i>Members</i>
Metsäliitto	Forest	1,702,000	2588,000	121,941
Faba	Animal breeding	34,101	37,511	10,095
Lihakunta	Meat	97	76,049	3,190
ItäMaito	Dairy	316,352	117,816	2,105
Itikka	Meat	2,705	155,258	1,729
Pohjolan Maito	Dairy	247,166	91,840	1,694
Maitosuomi	Dairy	177,663	72,769	1,418
LSO	Meat	0	94,510	1,298
Tuottajain Maito	Dairy	147,177	66,758	1,038
Länsi-Maito	Dairy	101,794	47,379	748
Österbottens Kött	Meat	13,130	16,398	387
Satamaito	Dairy	46,292	19,153	213
Hämeenlinnan osuusmeijeri	Dairy	69,452	19,514	154
Munakunta	Egg	33,108	12,659	148
Maitomaa	Dairy	54,515	14,232	127
Maitokolmio	Dairy	42,280	15,387	121
<i>Total</i>		<i>2,987,832</i>	<i>3,445,233</i>	<i>146,406</i>

Appendix 2*Development of turnover in the series 2011–2014*

<i>Name of cooperative</i>	<i>Turnover €1,000</i>			
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
LSO	0	0	0	0
Itikka	1,273	1,294	1,532	2,705
Lihakunta	0	0	0	97
Österbottens Kött			14,375	13,130
Metsäliitto	1,538,000	1,604,000	1,676,000	1,702,000
Munakunta	46,690	53,824	52,629	33,108
Hämeenlinnan osuusmeijeri	64,369	70,203	73,998	69,452
Maitokolmio	32,910	31,541	35,622	42,280
Maitomaa	29,597	37,178	51,961	54,515
Satamaito	33,090	35,566	43,048	46,292
Faba	34,585	34,472	33,095	34,101
ItäMaito	294,426	304,894	318,481	316,352
Länsi-Maito	87,603	96,209	101,878	101,794
Maitosuomi	146,205	154,374	160,615	177,663
Pohjolan Maito	221,754	237,317	245,989	247,166
Tuottajain Maito	144,418	150,968	154,341	147,177
<i>TOTAL</i>	<i>2,674,920</i>	<i>2,811,840</i>	<i>2,963,564</i>	<i>2,987,832</i>

Appendix 3*Development of the number of members in the series 2011–2014*

<i>Name of cooperative</i>	<i>Members</i>			
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
LSO	1,670	1,527	1,430	1,298
Itikka	2,297	2,032	1,829	1,729
Lihakunta	3,999	3,691	3,396	3,190
Österbottens Kött			419	387
Metsäliitto	125,144	124,255	123,275	121,941
Munakunta	242	228	171	148
Hämeenlinnan osuusmeijeri	184	172	165	154
Maitokolmio	138	130	124	121
Maitomaa	118	113	119	127
Satamaito	259	240	229	213
Faba	12,184	11,896	10,507	10,095

Development of the number of members in the series 2011–2014 (continued)

<i>Name of cooperative</i>	<i>Members</i>			
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
ItäMaito	2,882	2,353	2,228	2,105
Länsi-Maito	892	840	791	748
Maitosuomi	1,408	1,317	1,242	1,418
Pohjolan Maito	1,988	1,880	1,785	1,694
Tuottajain Maito	1,273	1,183	1,119	1,038
<i>TOTAL</i>	<i>154,678</i>	<i>151,857</i>	<i>148,829</i>	<i>146,406</i>

Appendix 4*Development of the number of members in the governing bodies in 2011-2014 by sub-groups*

	<i>M. Council</i>	<i>S. board</i>	<i>BOD</i>
1 Ownership cooperatives (N = 4)			
Year 2011	53.3	19.3	5.8
Year 2012	48.3	17.5	5.3
Year 2013	44.5	19	5.3
Year 2014	41.8	18.5	5.3
2 Marketing cooperatives (N = 7)			
Year 2011	43.7	19	6.7
Year 2012	43.3	18.7	6.9
Year 2013	42.7	18.2	6.6
Year 2014	41.3	17.8	6.7
3 Procurement cooperatives (N = 5)			
Year 2011	49.8	-	7.4
Year 2012	49.8	-	7.6
Year 2013	45.8	-	7.6
Year 2014	45	-	7.8
TOTAL (N = 16)			
Year 2011	49.4	19.0	6.7
Year 2012	47.7	18.2	6.7
Year 2013	44.6	18.5	6.6
Year 2014	43	18.1	6.7

Appendix 5*Average proportion of women (%) in governing bodies*

	<i>M. Council</i>	<i>S. board</i>	<i>BOD</i>
1 Ownership cooperatives (N = 4)			
Year 2011	13	10	4
Year 2012	13	9	5
Year 2013	16	9	10
Year 2014	18	8	10
2 Marketing cooperatives (N = 7)			
Year 2011	27	17	23
Year 2012	28	18	23
Year 2013	32	17	24
Year 2014	34	19	21
3 Procurement cooperatives (N = 5)			
Year 2011	24	-	19
Year 2012	24	-	21
Year 2013	25	-	21
Year 2014	31	-	23
TOTAL (N = 16)			
Year 2012	22	15	19
Year 2011	21	15	18
Year 2013	24	15	20
Year 2014	27	15	20

Appendix 6*Interview scheme*

- 1 Describe yourself, your career, and your duty in the cooperative.
- 2 Your cooperative's mission and main functions.
- 3 The present structure of your cooperative and how it has evolved over the past 10 years.
- 4 The BOD election procedure in your cooperative, including nomination. The election procedure of your supervisory board and/or representative council.
- 5 Emergence of the owner/member will in BOD election in your cooperative.
- 6 Official and unofficial discussion of BOD election.
- 7 The function and role of the body and its chairperson that elects the BOD.
- 8 The role of the BOD itself and the CEO in the BOD election process.

- 9 The election criteria of BOD members.
- 10 The most important stakeholders of your cooperative and their impact on the elections of your cooperative.
- 11 Traditions, values and adopted praxis vis-à-vis BOD election.
- 12 The discussion culture concerning BOD election in your cooperative.
- 13 Conflicts and how they are resolved in issues concerning BOD election.
- 14 The ideal BOD in your cooperative.
- 15 How to develop the BOD election procedure.

Appendix 7

Key elements of data

	<i>Interviews</i>	<i>Reports, bylaws, rules</i>
Data items	32	16
Pages	about 300	about 80
Time bracket	4/2015–1/2016	2014–
Description of data	All BOD chairs, SB chairs council chair if no SB	Mandatory internal legislation that stipulates the internal governance of the cooperative under the Co-operative Act
Type of information provided	Overview of key actors, processes, sentiments, relationships, and experiences	Framing for the structure, composition, and size of the internal governance bodies