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## **The Political Economy of Co-operative Governance**

### Abstract

Governance has emerged over the last decade or two as the defining feature of organizational performance. The focus of most of the corporate governance literature is on ensuring that the manager operates in the best interest of the organization and not in her/his own interest. While ensuring control of the manager is important, it does not address all the issues that are required to ensure strong organizational performance. This paper argues there are three issues that have to be addressed for organizations to operate effectively: (1) the strategic interdependencies that exist among the various individuals and groups in the organization (this includes, but is not limited to, the agency relationship between the board and the manager); (2) the manner in which decision-makers in the organization draw inferences about the future; and (3) the degree to which the organization and those in it are seen to have legitimacy.

While there are ways of addressing each of these three issues, the nature of organizational governance means these solutions may not be chosen. The reason is that those with the power and authority to make decisions in each of these areas may not make choices that are advantageous to the organization, but instead may make choices that are personally advantageous both politically and economically.

In this seminar, the characterization of governance presented above is developed and then used to examine the organizational performance of two co-operatives in Canada. One of these (Federated Co-operatives Limited) has been very successful over the last 30 years, while the other (Saskatchewan Wheat Pool) suffered a major financial crisis and was sold. These short case studies provide illustrations of the insights that are available through the use of this governance framework, as well as shed light on the conditions under which governance fails or succeeds.

### Short bio

Murray Evan Fulton (PhD (Berkeley), MSc (Texas A&M), BA (Oxford), BSA (Saskatchewan))

Murray Fulton is a Professor in the Johnson-Shoyama Graduate School of Public Policy and the Co-operative Retailing System Chair in Co-operative Governance. He is a Fellow in Co-operatives and Public Policy with the Centre for the Study of Co-operatives, University of Saskatchewan.

Murray's research interests are focused in a number of areas, including industrial organization, agricultural and rural policy, co-operative theory, corruption, and intellectual property rights, and he has written extensively on these topics. His current research is focused on governance in public agencies and co-operatives, and in behavioural economics and its application to business strategy and public policy formation.