

## **The Stewardship Model of Cooperative Management**

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In contrast to the principal-agent model, the stewardship model of management is a much more rosy view of the roles and motivations of the CEO and board. The stewardship model assumes that the leaders are intrinsically motivated by the success of the organization. Under the stewardship concept the board is not so much of a monitoring body but is instead part of single collective stewardship team with the CEO. Unlike the principal agent theory, the stewardship model assumes that there are not inherent conflicts between the goals of the leaders and the owners. Both have the same goal, the success of the organization, although there can be honest difference of opinions as to how to achieve that success or how success is measured.

Agency theory has some useful implications for cooperative. It reminds us that there is a role for monitoring and that there are benefits from a well designed compensation system. In most other respects, the stewardship model appears to be a better fit for the cooperative firm. The stewardship model reminds us that the cooperative leaders are responsible for safeguarding the stability and future viability of the organization. It emphasizes the importance of CEO and board teamwork. It also stresses the importance of communication both among the leadership team and between the leaders and the membership. While the stewardship model assumes that leaders make decisions that are in the best interest of the stakeholder groups, it recognizes that the perceptions of best interests and how to achieve them can vary widely. When conflict arises within the leadership team, the stewardship models reminds us that everyone has the same ultimate goal.

The stewardship approach also recognizes the importance for the CEO, the board and the organization to have goals and be measured against those goals. In contrast to agency theory, stewardship theory suggests that the greatest motivation may come from the recognition of success, and not just from performance based monetary incentives. Stewardship theory reminds us that all of our efforts at measuring performance must concentrate on what matters and not just what is easy to measure.

The concept of stewardship was actually part of the original Rochdale cooperative principles and influences our approach to the annual audit. I'll discuss that in my next newsletter.

Keep calm and steward on!