

## How do cooperative boards shape strategy when every member holds an equal vote?

*Two Rwandan coffee and rice cooperatives reveal boards that mediate between members and management*

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Most of what we know about boards and strategy comes from listed corporations in North America, Europe and Asia. There the script is familiar. Directors watch management, offer advice, and approve or reject the big moves.

A new study asks what happens when ownership works differently. In a cooperative, each member has one vote regardless of capital, and profit is a means to serve members rather than an end. That changes who the board answers to, and how.

The setting is Rwanda, where cooperatives carry unusual weight. After the 1994 genocide against the Tutsi, the government promoted them as a vehicle for both reconciliation and economic recovery, and their number grew from 919 in 2005 to 10,624 in 2025. Every one is legally required to have a board. What those boards actually do with strategy has barely been studied.

### WHAT WE STUDIED

The researchers ran an exploratory multiple-case study of two large agricultural cooperatives in Huye District, in Rwanda's Southern Province.

**Maraba Coffee Cooperative (MCC)** was founded in 1999 as the country's first coffee cooperative. It has 1,535 members, processes their harvest to green-bean stage and sells it at home and abroad. After a difficult start it now runs several washing stations, and its share value has risen from RWF 1,000 to more than RWF 100,000.

**KOAIRWA**, a rice cooperative of 958 farmers founded in 2007, came close to collapse. Between 2013 and 2017, mismanagement left it with tax arrears that closed its headquarters; staff walked out and lenders sued. A new

board elected in 2018 brought in fresh members and capital, cleared the debts and turned it around.

The team conducted 19 semi-structured interviews in Kinyarwanda: nine board members, one manager, one accountant and eight members who serve as zone leaders. Interviews ran from 21 to 131 minutes, roughly 1,000 minutes in total. The material was coded against five factors that prior research links to board involvement in strategy: board roles, independence, pre-decision controls, intragroup dynamics and incentives. The analysis then looked for where the cooperatives departed from what corporate-board theory would predict.

### KEY INSIGHTS

#### *The board as go-between*

Both boards did some monitoring and some advising. Most of their strategic work, though, consisted of moving proposals between levels of the organization.

At MCC, a formal strategic plan sets direction. The manager turns it into concrete proposals, the board reviews and amends them, and the General Assembly approves. One director put it plainly: the board suggests changes and does not rubber-stamp. KOAIRWA has no formal plan, so its strategy is more emergent. Ideas often come from directors themselves. A members' loan fund, now in use, started as one director's suggestion, passed the board and then the Assembly.

The board's second task is reconciliation. Before a proposal reaches a vote, directors work to bring diverging member groups closer together. A vote settles what talk cannot, as happened at KOAIRWA over

how much members should pay into a social fund. But voting is the last resort.

Because both cooperatives are large, members elect delegates to the Assembly. That adds a second layer of representation, which dilutes the one-member-one-vote principle while sharply cutting the cost of reaching decisions.

#### ***Embedded, and therefore dependent***

On paper, both boards protect their independence. Bylaws bar relatives from sitting together and exclude members whose spouses or children work for the cooperative.

In practice, directors are elected for their standing in the community rather than for business expertise. The manager or accountant knows more about operations and finances, and the board leans on them. One MCC director described a relationship of mutual trust, then added that a mistreated manager could feed the board misleading information and slow down its decisions. The board is collaborating with management partly because it has little choice.

#### ***Power through framing***

This is the most underappreciated finding in the paper. Even with weak independence, the board holds a real lever. It sits between the manager who drafts a proposal and the Assembly that approves it, so it decides how that proposal is presented. Directors can make an option more or less appealing, and they filter what travels upward and downward.

Bylaws, accumulated experience and the strategic plan act as pre-decision controls that keep this filtering tied to the cooperative's mission. As one MCC director said, knowing the bylaws stops the board drifting from the cooperative's goals.

#### ***Smaller boards, fewer factions***

A 2019 regulation cut cooperative boards from 14 members to five. Directors described the earlier boards as split into factions, with frequent adjournments and some members simply following the most influential voices. A KOAIRWA director linked those adjournments to the cooperative's past troubles. Today both boards describe high trust and disagreements resolved inside the boardroom, before they can spill into the Assembly.

#### ***Paid mostly in commitment***

Directors receive only a modest per diem. What drives them is attachment: compassion for farmers struggling to bring in a harvest, a preference for collective over individual interest, a willingness to carry the load. Because the money is small, only people who care about the mission take the job. That self-selection produces cohesive boards, and cohesion is what lets

mediation produce consensus instead of amplifying conflict.

## **TAKEAWAYS**

### ***For cooperative boards and the people who train them***

The study argues against measuring cooperative boards by corporate best practice. A board that spends its time building consensus is doing its job, not failing at monitoring.

- Treat facilitation, conflict resolution and presenting proposals as core director skills.
- Give new directors language for the mediating role. Knowing what the role is can help people take it on deliberately.
- Recognize that independence will be partial, and compensate with better information channels.

### ***For managers of member-owned organizations***

You hold the information; the board holds the framing. A proposal that ignores how directors will need to sell it to members is likely to stall.

### ***How this may still help business families***

The study does not examine family firms. Still, large business families with family councils and assemblies face a similar structure: many owners, mixed financial and social goals, and a body that must carry proposals between the business and a wider owner group. The mediating role offers a useful vocabulary for what good family councils already do.

## **IMPACT**

The broader claim is that ownership form sets a boundary on board theory. Most findings about board involvement in strategy come from investor-owned firms, and they may not travel. The authors formalize this in four propositions: mediation goes with filtering and embeddedness; member participation, mixed goals and heterogeneous members make mediation more likely; mediation raises organizational consensus; and reliance on social incentives builds the board homogeneity that makes mediation work.

The study also adds to a thin body of strategy research in Africa, which has leaned heavily on South African and Ghanaian settings.

Limits matter. Both cases are agricultural, well-functioning, from one district, and were recommended by a local official. The design is cross-sectional and leans on directors' own accounts. The researchers call for surveys across sectors and longitudinal work. Development agencies that import listed-company governance codes into cooperatives wholesale risk fixing a problem these boards do not have.

## RECOMMENDATIONS

1. Write the mediating role into board charters and induction materials, alongside monitoring and advice.
2. Keep boards small; five members appear to support trust and constructive conflict.
3. Build information routes that do not run only through the manager, such as direct reporting from the accountant and the supervisory committee.
4. Train directors in facilitation, negotiation and presenting proposals to large audiences.
5. Resolve disagreements at board and zone level first, and use General Assembly votes as the final step.
6. Check that delegates and zone leaders carry members' views back to the board, so the delegate layer does not distance ordinary members from decisions.

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