

*Article*

## **Learning from the Co-operative Institutional Model: How to Enhance Organizational Robustness of Third Sector Organizations with More Pluralistic Forms of Governance**

**Keith Taylor**

The Vincent and Elinor Ostrom Workshop in Political Theory and Policy Analysis, Indiana University, 513 N. Park Avenue, Bloomington, IN 47408-3895, USA; E-Mail: [taylokea@indiana.edu](mailto:taylokea@indiana.edu);  
Tel.: +1-217-259-1145

Academic Editor: Antonin Wagner

*Received: 8 April 2015 / Accepted: 11 August 2015 / Published: 14 August 2015*

---

**Abstract:** Third sector organizations are oftentimes seen as contributing to a robust civil society. Yet the dominant modes of third sector organizational governance often adhere to a unitary orientation. The over-reliance on unitary modes of governance introduces two challenges: first, organizational stakeholders are kept from utilizing participatory mechanisms that would enable them to act as societal intermediaries, and; second, these organizations may underperform due to the artificial separation of stakeholders from participating in governance. This paper addresses calls to widen our knowledge by translating theory into practice through a discussion about the efficacy of pluralistic governance. The co-operative enterprise is introduced to focus analyses on pluralist modes of stakeholder governance. A specific co-operative's governance structure and practice is introduced—Choctaw Electric Co-operative—through an archival analyses of secondary media accounts of a stakeholder-led reform initiative in rural Oklahoma. The Ostrom Design Principles—a diagnostic used to assess institutional robustness—are applied to demonstrate the shortsightedness of unitary governance, and highlight the potential benefits of pluralistic stakeholder engagement. Knowledge is widened in two ways: first, empirical analyses of co-operative enterprise may provide for significant insights and innovations in third sector governance, and; second proper systems of pluralistic governance exhibit enormous capacity to better orient the firm toward better serving the stakeholder base, improving performance and institutional robustness, while empowering stakeholders as societal intermediaries.

**Keywords:** institutional robustness; civil society; third sector; co-operative enterprise; collective action; membership; stakeholder; democratic governance; unitarism

---

## 1. Introduction

Governance research on third sector organizations predominantly fixates analysts on the elite leadership dynamics within the organization and relevant organizational fiduciary oversight responsibilities. Organizational governance is then oriented toward a siloed perspective, away from micro-level stakeholder engagement and macro-level societal participation. This dominant governance approach can be traced to a stream of thought whose origins go back to Taylorite management, Weberian bureaucratic administration, Wilsonian public administration, and the Hardin *Tragedy of the Commons* hypothesis [1]. Such systems-control approaches build on the logic of unitarism [2] (p. 77), undercutting notions of purposeful, values-based efficacy of associational democratic governance, handicapping third sector organizational contributions to a pluralistic democratic polity [3] (p. 312). These organizations then serve a mere *de facto* instrumental role of decentralized public administration as opposed to operating as purposeful agents in solidarity with their stakeholders, intent on shaping the larger pluralistic political order [4] (p. 314).

Unitary traditions tend to diminish governance to reductive input-output functionalism, with organizational control mechanisms placed predominantly in the board-management relationship. Those managers and board directors occupying policy analyst roles are then prone to crafting “feasible” solutions to help their peers carry out their roles within their current constraints. This is diametrically opposed to the engagement of a broader stakeholder base that contributes by providing value in the form of critical information and policy solutions [5], having the impact of putting a stop to any manner of radical social reconfiguration by blocking pathways for broad-based public participation [6] (p. 346).

The diffusion, acceptance, and adoption of these governance worldviews are concurrent with the rise of monocentric neoliberal order. Having penetrated third sector organizational governance, these worldviews impinge the potential mediating impact of the third sector on concentrated capital and entrenched political power. This is highly problematic if we are to believe that the third sector is to play a significant role in broader policy deliberations within a pluralistic democracy [3] (p. 317). Giving in to such worldviews increases the influence of expert administrators, detached from a discourse with the public they serve (these are practically memberless organizations in that the stakeholder lack legitimate voice and control), managing inept, petty fiefdoms to the detriment of their citizenry [4] (p. 316). Unitarism, once having established a foothold across the institutional ecosystem, is better able to dominate the third sector due to the sector’s underdeveloped modes of pluralistic governance, which lacks an empirical basis [7] (p. 44), [8]. Thus, when the proliferation of expert governed associations is coupled with their systemic isolation from the policy sphere, we may observe a public segregated from the mechanisms of broad-based inclusive public policymaking. Unitarism threatens to contribute to an emergent hegemony through the mass suppression of citizen preference and the citizenry’s capacity to act on those preferences [9] (p. 808). Vincent Ostrom states [10] (p. 4) the expert public administrator dilemma succinctly:

“democratic societies are necessarily placed at risk when people conceive of their relationships as being grounded on principles of command and control rather than on principles of self-responsibility in self-governing communities of relationships.”

Perhaps Lindblom [6] was correct when in referencing Bell [11] he stated “the new great political struggle is between the professional and the populace.” As we proliferate organizations adhering to unitary governance models, we run the real risk of crowding out spaces for the expression of citizen voice.

I contend that the governance dialogue concerning values-oriented, pluralistic third sector organizations [3] (p. 302) benefits from analyzing a specific institutional model, the co-operative enterprise. While I am not making the claim co-operative enterprise should be situated as a third sector organization, third sector policymakers and managers could utilize policies and procedures gleaned from empirical analyses of the global co-operative sector to ply to prospective innovations in pluralistic governance. The co-operative has many of the same features as third sector organizations, yet the membership as owners’ orientation is universal and more concrete, necessitating a pluralistic understanding of governance. A focus on the co-operative liberates analysts from the researcher’s dilemma found in categorizing the array of institutions comprising the third sector [3] (p. 313) by focusing on a specific set of member rights parameters linked to incentives and governance rules. The co-operative design orientation of the members as owner with requisite governance rights holds immense promise for:

- Lubricating social friction by increasing trust and reducing transaction costs [12,13], thereby enhancing distribution of socio-economic resources;
- Mitigating information asymmetries and leadership opportunism through stakeholder involvement and monitoring, which then elevates stakeholder voice into actionable strategy while promoting more equitable stakeholder treatment [14];
- Diversifying collective choice arrangements, modes of inclusivity, and sets of rules, thereby enhancing organizational robustness through an arena of experimentation.

These features account for a number of the agency problems observed in the design of third sector organizations originating from the lack of legal ownership [9] (p. 799) while legitimizing expression of preference amongst the stakeholders [9] (p. 809). A deeper understanding of co-operative governance and management would provide better awareness of the plurality of venues by which the general citizenry may influence the broader public sphere vis-à-vis a more accessible, appropriate set of institutions, providing the public with legitimate *choice* and collective agency.

In this article I partly address Wagner’s [3] (p. 318) broad call on the need to widen knowledge by translating “the abstract knowledge contained in the non-profit organization/third sector and associational democracy/civil society research programs into actionable knowledge in the form of managerial frames.” The paper seeks to address this by positing the locations of potential governance vulnerabilities through the application of Elinor Ostrom’s “Design Principles” (ODPs), a diagnostic for assessing institutional governance robustness (see Table 1). In applying the ODPs, I ask the broad question: What are the patterns and processes observed in governance behavior that may indicate a stakeholder-governed firm has deviated from pluralistic governance to unitary?

**Table 1.** Ostrom Design Principles (ODPs).

Principle	Description
1A	User boundaries: Clear boundaries between legitimate users and nonusers must be clearly defined.
1B	Resource boundaries: Clear boundaries are present that define a resource system and separate it from the larger biophysical environment.
2A	Congruence with local conditions: Appropriation and provision rules are congruent with local social and environmental conditions.
2B	Appropriation and provision: The benefits obtained by users from a common-pool resource (CPR), as determined by appropriation rules, are proportional to the amount of inputs required in the form of labor, material, or money, as determined by provision rules.
3	Collective-choice arrangements: Most individuals affected by the operational rules can participate in modifying the operational rules.
4A	Monitoring users: Monitors who are accountable to the users monitor the appropriation and provision levels of the users.
4B	Monitoring the resource: Monitors who are accountable to the users monitor the condition of the resource.
5	Graduated sanctions: Appropriators who violate operational rules are likely to be assessed graduated sanctions (depending on the seriousness and the context of the offense) by other appropriators, by officials accountable to the appropriators, or by both.
6	Conflict-resolution mechanisms: Appropriators and their officials have rapid access to low-cost local arenas to resolve conflicts among appropriators or between appropriators and officials.
7	Minimal recognition of rights to organize: The rights of appropriators to devise their own institutions are not challenged by external governmental authorities.
8	Nested enterprises: Appropriation, provision, monitoring, enforcement, conflict resolution, and governance activities are organized in multiple layers of nested enterprises.

The paper will address this question by first elaborating upon the ODPs with a description of their scholarly foundations and their analytical capacities. Second, the paper then describes the broad institutional design parameters of the co-operative model. Third, the ODPs diagnostic will be applied to an analysis of an American electric co-operative facing public scrutiny from its membership. The purpose of the analysis will be to demonstrate the efficacy of the ODPs in locating the potential sources of governance rupture by identifying violations of the relevant principles, guiding the policy prescriptions to assist stakeholders and leadership in correcting for the vulnerabilities. The paper concludes with a brief discussion of the opportunities for the advancement of pluralistic praxis from empirical analyses of co-operative enterprise theory for the purposes of building the actionable third sector managerial and governance knowledge called for by Wagner.

## 2. Analyzing Institutional Design

### 2.1. Introducing the Ostrom Design Principles: From Unitary to More Pluralist Governance Arrangements

Conventional collective action and property rights theories presume the need for institutional arrangements with elite-led characteristics (such as management by state or private actors) to control for individual opportunism, as well as inefficiencies stemming from governance costs and complexity. In this respect, Garret Hardin's [15] "Tragedy of the Commons" hypothesis serves as the long-enduring

conventional bellwether, driving policy and public perception, thereby leading policymakers to design institutional governance structures around the convention. Hardin (and his adherents) in their typical unitary fashion have offered an incomplete analysis of the institutional framework that governs collective action in general and organizing people in particular.

Proceeding in this way, they have overlooked a body of work embracing a pluralist, paradoxical approach to understanding the institutional framework of organizational governance. The specific body of work I am referring to originates partially from a convening of researchers in 1983 by the Natural Research Council (NRC) Panel on Common Property Resource Management [16]. The researchers in question had amassed a literature on collective action whose findings stood in stark contrast to the one-size-fits-all unitary tradition. The NRC network of researchers undertook a meta-analysis of the scholarship to synthesize results from hundreds of these studies. The initial findings revealed:

- The abundance and diversity of common property regimes. While this may seem self-evident, documenting this fact was crucially important for demonstrating that actors do indeed self-govern in many instances, despite the “*Tragedy*” hypothesis.
- Stakeholders are capable of “careful coordination and management of use” [16] (p. 43) of scarce, complex resources, and individuals are motivated not just by self-seeking outcomes but also concern for others and their communities.
- Empirical evidence of successful self-governing capabilities challenges the application of top-down modes of governance for large-scale social dilemma. Indeed, evidence derived from analyses of institutions providing public goods have noted that excluding stakeholders may impede organizational performance [17,18], thereby calling into question the “unitary-as-the-mode-of-efficiency” hypothesis [19].

Taken as a whole, the emergent body of work has demonstrated “that many self-organized systems have frequently solved many Commons Dilemmas” [20] (p. 258), thereby challenging the unitary blueprint approach of one-size-fits-all governance arrangements.

Elinor Ostrom, in her seminal work “*Governing The Commons*” [21], derived a major finding from the NRC’s efforts: a set of institutional design principles (ODPs) that characterize long-enduring, robust institutions (Table 1 provides a list of the ODPs adapted from Cox, Arnold, and Villamayor Tomas [22]). These features underpinned observed structural principles characterizing institutional robustness across hundreds of case studies [20] (p. 259). Ostrom and colleagues have observed a great deal of variation in the application of the combination of ODPs utilized in various field settings. This reflects the strategies and practices actors take in accounting for the variance in rules, cultural differences, or political contexts (to name a few variables) in which these institutions are embedded. In some settings in which we observe high levels of trust or homogeneity of interests, we may observe fewer resources allocated to monitoring (principles 4a and 4b), yet observe greater attention paid to user boundaries (1a). While the principles do not need to be utilized in every situation, robustness tends to be enhanced “when more of these principles are in place” [23] (p. 180).

The utilization of the ODPs for assessing institutional robustness has not gone unchallenged [22]. Critics have noted the ODPs do not account for a broad array of variables exogenous to the unit of analysis (such as market embeddedness), nor do the ODPs speak to specific properties of the institutional resource environment. As Cox *et al.* note, while the criticisms exhibit degrees of validity, the efficacy

of the ODPs is that it serves as a foundational institutional diagnostic that can evolve toward the development of a more comprehensive institutional diagnostic toolset.

The implication of this body of research and the ODPs is this: governance design matters. Unitarism may have its place, yet it should not be considered optimal in all settings, hence the importance of embracing complex paradoxes in governance approaches. Additionally, the structured attributes of unitary governance have many pitfalls. Policymakers should consider the fact that pluralistic modes of participation may lead to the development of institutions better aligned with stakeholder needs and local circumstances, thereby increasing institutional robustness [24]. Going back to Wagner's call, we need better empirics, translated into actionable managerial and governance frames.

## 2.2. The Design of the Co-Operative Institutional Model

Next we turn our attention to the co-operative institutional model to understand how it is structured to account for and benefit from pluralistic governance. The International Co-operative Alliance (ICA) defines [25] a co-operative 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.”

Co-operatives are themselves both network structured firms [26] (p. 249) and electoral associations, typically with a representative structure (the tensions in the delegation of the rights to control are addressed later in this section). These associations are embedded in the greater society, and represent a mini democracy [3] (p. 315). The actors represented by the co-operative associations are a specific stakeholder class, typically referred to as patrons (see Figure 1 for an illustration of the co-operative's general structural design). (By definition, the ownership of enterprise by one class of stakeholders does bring about the risk of excluding or alienating other stakeholder classes [14], barring innovations in ownership (such as multi-stakeholder) governance practices and procedures (open book management practices, for example).) Unlike the investor-owned firm, governance rights are not determined by the amount of shares owned, but held in common by the patrons through a more equitable one-member, one-vote standard.

The ICA describes co-operatives further:

“Co-operatives are based on the values of **self-help**, **self-responsibility**, **democracy**, **equality**, **equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

The Co-operative Values are then translated into a set of guidelines for implementation, referred to as the Co-operative Principles (see Table 2, adapted from [27]).

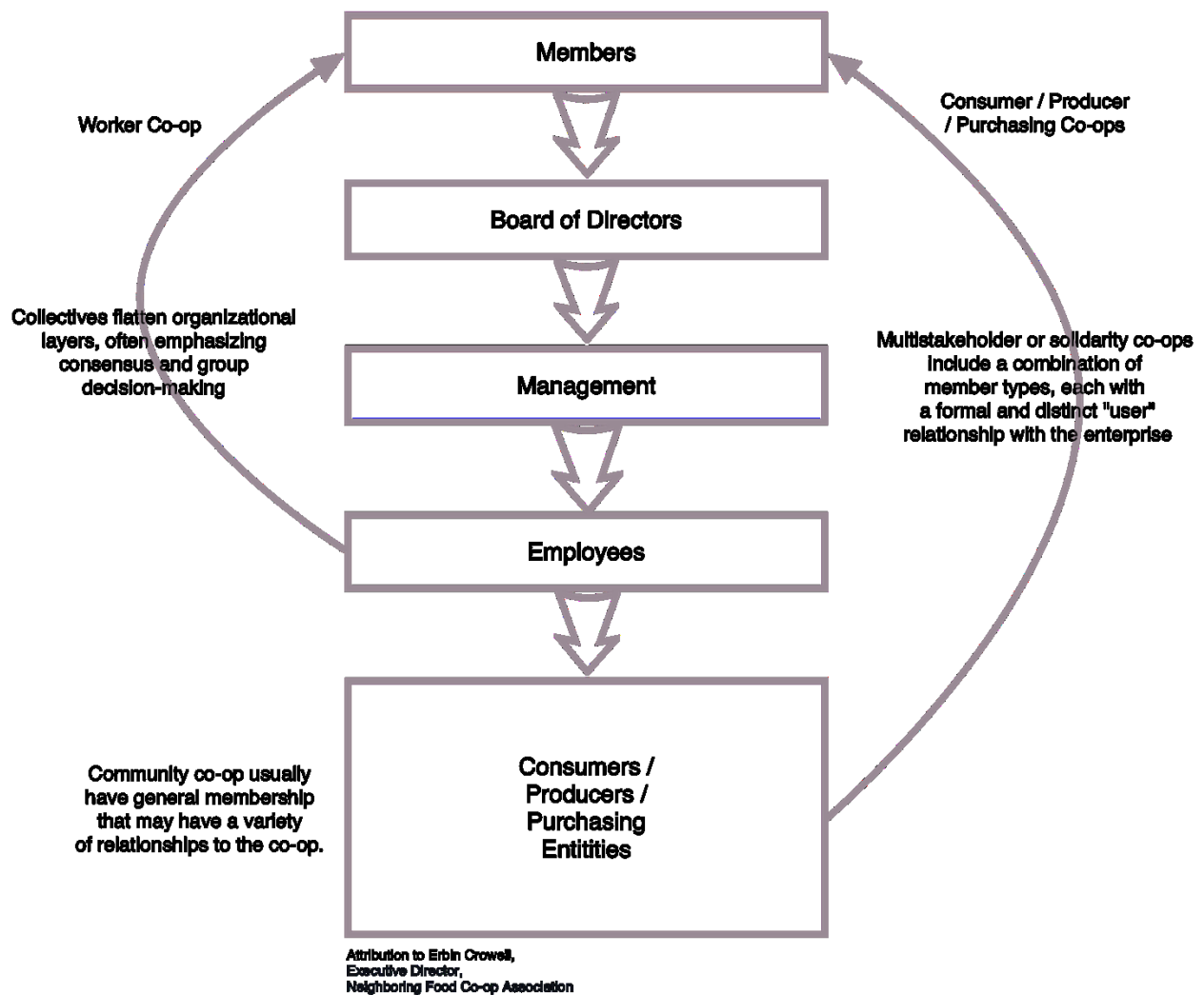


Figure 1. General Structure of Co-operative Enterprise.

Table 2. Co-Operative Principles and Values.

Principles	Values
1. Voluntary and Open Membership *	Self-Help
2. Democratic Member Control	Self-Responsibility
3. Member Economic Participation	Democracy
4. Autonomy and Independence	Equality
5. Education, Training, and Information	Solidarity
6. Cooperation Amongst Co-operatives	Honesty
7. Concern for Community	Openness
	Social Responsibility
	Caring for Others

\* Membership is ownership in co-operatives, translating to greater voice in governance and rights to residuals.

The organizing principle of a governance system partially determines how the public is served by a firm [9] (p. 319). Co-operative institutions are just as susceptible to social change forces [28] as other institutional models. Like any other institutional model, the structural design of the co-operative institution

does not exist in stasis. Institutional design is a dynamic process, influenced by overlapping socio-ecological circumstances, “better seen as part of the development processes through which institutions are established, maintained, and transformed” [29]. The design and structure of the co-operative firm has come about from experimentation [30] influenced by cultural norms and industrial context, as well as legal acts [7] (p. 44). The institutional logic perspective sees these emergent properties as:

“the socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences.”

Historically, various forms of co-operative enterprise have been documented globally. The member-needs purpose of the contemporary co-operative has been developed on a “trial-and-error basis” by practitioners and policymakers over the course of two centuries [30]. Specifically, the modern day co-operative movement, whose general definition is held in trust by the ICA, is based on the advent of the Co-operative Principles, developed by the Rochdale Society of Equitable Pioneers in Rochdale, England.

The Rochdale Pioneers expressed a deep desire to create a mutual aid based society in which property and the means of production were held in common under democratic control. These weavers honed the model over years of experimentation with their co-operative entrepreneurial ventures. While the broader vision never fully manifested, their enduring experimentation resulted in the first iteration of the modern day Co-operative Principles. The key innovation was the creation of the patronage dividend, incentivizing use by the patrons of the co-operative by conferring rights to surplus (profit) based on proportion of use by the patron. It is from this foundation that the global co-operative movement took shape, leaving a legacy of co-operative enterprise utilized in virtually every industrial sector one would find investor-owned firms. Globally, co-operatives comprise significant proportions of national economies. Social co-operatives play a major role in public services throughout Italy, and the multibillion dollar Mondragon federation of worker co-operatives in the Basque region of Spain is oft-cited as the gold-standard for worker owned and governed enterprise. In the USA alone, the sector is comprised of over 29,000 co-operatives, representing 150 million Americans, generating over \$600 billion in revenue [31]; the co-operative sector is no mere cottage industry, and it clearly exhibits scale that is capable of impactful societal intermediation.

The application of the Co-Operative Principles has important implications for co-operative robustness. The *member economic participation* principle means that surplus wealth generated on the business-side is not accumulated as profit to be enjoyed by a select few, but invested back into the co-operative or distributed as patronage to the patrons. From a stakeholder perspective, any co-operative incentivizes use through the beneficial procurement and provision of goods, services, and jobs to the patron stakeholder class. The *democratic member control* principle confers one vote to each member, infusing greater representation and equitability than found in shareholder ownership (in which voice is weighted by proportion of investment). The *education, training, and information* principle enhances democratic member-control through the provision of information to the ownership, thereby enhancing the quality of decision-making. Ownership with governance rights, rights to residuals, and rights to information access incentivizes not just use of the organization, but also various collaborative governance functions such as monitoring, coproduction, and direct engagement in some aspects of operations and policymaking.



Finally, the *cooperation amongst co-operatives* principle orients co-operatives toward the development of federated systems (nested systems utilizing the principle of subsidiarity). This confers four strategic opportunities for co-operative organizations. First, co-operatives may retain their localized autonomy while achieving economies of scale, thereby preserving stakeholder representation, preference, and community culture. Second, co-operatives are able to bring markets under democratic control through enhanced economic and political power, thereby recognizing the potential for third sector governance to act as a societal intermediary. Third, enhanced market control improves information flows and access to resources, shielding the co-operative from exogenous shocks, enhancing institutional robustness. Fourth and finally, co-operative identity is reinforced, allowing for greater experimentation and innovations than is possible in a system conferring dependencies. Taken to an extreme, a robust co-operative sector may exhibit symbolic solidarity, going so far as to impart its institutional logical orientation upon other institutional models (think of it as institutional cross pollination). This has important ramifications if we are to believe that institutional diversification may serve a pluralistic, mediating role on the excesses of command-control systems of runaway capitalism or state centralization.

The governance literature is only recently beginning to understand the efficacy of the co-operative model in optimizing public policy outcomes through co-management and institutional diversification. Theoretically, the network structure of the co-operative promotes what may otherwise be neglected individuals and their interests, cultivates democratic skillsets, generates social capital, monitors socio-political processes across scales, and improves upon information asymmetries [32] (p. 304). The co-operative firm minimizes a number of adversarial aspects of market contracting (such as elements of moral hazard in contractual arrangements or information asymmetries utilized by those in positions of authority), as well as the monitoring and governance costs of vigilance through the inclusion of patron-stakeholders in governance with those who might otherwise exploit them. The principles and the agents are more apt to share information through iterative interactions, achieve “common sense” through these iterations, thereby generating a general understanding of practices and procedures around the co-operative. Mutual assurance and trust is increased and alienation is reduced through collective participation, control, and self-selected membership. In this way, the co-operative exhibits additional features resembling that of a public good in that member-governance promotes greater participation in collective decision-making, cultivation of a public better equipped to work collectively through iterative practice and goal-setting, and acts as aggregate policymaker through the process of “societal intermediation” [33].

Public policymakers may consider the co-operative as a coordinating mechanism enhancing multi-scalar governance efficiency and implementation. Falconer [26] (p. 256) makes the point:

The “benefits of co-operative approaches must be considered in light of their costs, particularly as non-trivial organisational resources are likely to be needed if policy value-for-the-money is to be increased above that of the current system”.

Individuals may find co-operatives attractive as they provide a stable structure for actors to do more together through networked collective action than they could have done alone. Yet, as with any firm, contingencies exist.

Governing a co-operative from the bases of the Co-operative Principles is not always self-evident. Consider the earlier statement that the “organizing principle of a governance system partially determines

how the public is served by a firm.” The Co-operative Principles may provide organizational guidance. But considering the tendencies of organizational leaders to adhere to strict legal-fiduciary responsibilities, it is no surprise that many co-operative leaders look toward legal architecture for a final word on governance guidance. This is problematic in that third sector legal frameworks are themselves based off of profit-oriented corporate laws and statutes [14] generating an incomplete list of guidance pathways for co-operative leaders (only three of the seven Co-operative Principles—democratic control, service at cost, and limited return on equity—are embedded in the law [7] (p. 45)). Furthermore, the application of the co-operative institutional model across cultures, by diverse actors, on top of an array of industries has tempered both the movement orientation, and key institutional design elements. Obviously, the challenges to institutional fidelity are numerous and worthy of further study.

### **3. Archival Analysis: Identifying the Member Governance Ruptures in Choctaw Electric Co-operative**

Let us now turn our attention to a case of stakeholder mobilization directed at reforming a specific co-operative, Choctaw Electric Co-operative (CEC). I seek not to provide a comprehensive listing of violations of the ODPs by the CEC leadership, but instead to demonstrate the ODPs efficacy in diagnosing governance ruptures, providing initial evidence as to how pluralistic engagement may enhance organizational robustness. This archival analysis is performed through a brief reconstruction of secondary sources (recent media accounts) surrounding controversial governance and management practices of CEC, and an application of the ODPs for evaluation.

While I have attempted to responsibly reconstruct the chain of events leading to the CEC member mobilization, I fully acknowledge that the lack of ethnographic methods and over-reliance on secondary sources, such as localized media accounts, presents an incomplete picture. Yet, for the purposes of this discussion, the reconstruction of secondary sources through archival analysis demonstrates the efficacy of the ODPs in, at minimum, honing a more in depth research design for future studies. The limited analysis showcased herein demonstrates that the ODPs are quite useful for assessing a field-setting in advance of performing resource-intensive fieldwork. Such a methodological approach allows the researcher to better prepare for deeper interrogation of the subject matter at hand, thereby optimizing resource-intensive time spent undertaking fieldwork through rigorous, advanced preparation.

#### *3.1. The Case of Choctaw Electric Co-operative*

Choctaw Electric Co-operative (CEC), based in Hugo, Oklahoma, provides electric power to 17,424 meters (each meter is representative of a member-owner unit, and units may be a business, governmental entity, or household, with each member-owner being conferred a single vote for a member of the board of the electric co-operative) across 3467 miles of line. Recently, CEC has come under increasing public scrutiny from a segment of its member-ownership.

A member-owner, upset with CEC’s status as highest priced electric co-operative in Oklahoma, started a social media group titled “Choctaw Electric Customers for Fair Pricing” [34–36]. Accounts indicate the social media group has catalyzed further investigations by member-ownership. CEC’s 2013 federal tax return revealed the CEO’s compensation package to include an annual wage of close to \$200,000, and a recently secured retirement annuity valued at \$2 million. In the midst of all of this, CEC has since

increased its fuel costs to the member-ownership, thereby increasing the perceptions of management exploitation of the membership to cover the costs of excessive staff compensation. Membership is now alleging either poor board oversight or board-management collusion and exploitation of the entire community of member-owners. Further claims of embezzlement (use of company equipment for personal use by CEC staff) have resulted in an investigation by the Oklahoma State Bureau of Investigation. Member trust has been severely diminished as demonstrated by this quote:

“They [CEC] buy their electricity from Western Electric Co-op, even though Western Electric prices were cheaper in 2012, they actually raised our rates to cover Mr. Matlock’s \$2 million gift and the doubling of their salaries,” Hammons said. “That’s the whole problem is the membership is not informed enough about what’s going on financially” [35].

This chain of events led the CEC’s board of directors to announce [36] that they had undertaken an internally initiated audit that led to the firing of the CEO, recovery of the retirement annuity, and hiring of an interim CEO. But the member-ownership, excluded from these decisions, continued demanding access to organizational information and board meetings. The incumbent board remained silent on many of the requests.

Two months later, membership submitted a petition meeting the statutory threshold setting official processes into motion. The petition called for a special election, challenging the entire incumbent board. However, the incumbent board members invalidated the petition by resigning en masse, but selecting their replacements during the process [37,38].

Membership continues to push for greater reforms, demanding access to organizational documentation, as well as CEC board meetings. Their efforts appear to be gaining traction. More recently, the board has shown signs of relinquishing to some of the demands. A press release [39] states that CEC will now

- Post the agenda for the monthly meetings;
- Publish the official board meeting minutes across a number of mediums;
- Initiate a new board question and answer session before the monthly meetings;
- Implement an employee whistleblower protection policy, and;
- Initiate a bylaws review committee that includes both board members and two rank-and-file member-owners from each of CEC’s nine districts.

The situation remains fluid and unresolved at this time.

### *3.2. Application of the ODP Diagnostic to an Analysis of CEC’s Governance Structure*

The ODP diagnostic tool is applied to an analysis of CEC’s governance structure. The question guiding the analysis is: What are the patterns and processes observed in governance behavior that may indicate a stakeholder-governed firm has deviated from pluralistic governance to unitary? The analysis encompasses only the specific ODPs that appear to have been violated by CEC agents. Additionally, it should be noted that the analysis is speculative, providing guideposts as to where analysts might observe governance ruptures. This is where the ODPs provide the institutional analyst with significant analytic capacity in reviewing secondary sources, for the purposes of carrying forth with more in depth fieldwork and additional interrogation.

ODP 1A. User boundaries: Clear boundaries between legitimate users and nonusers must be clearly defined.

User boundaries were unenforced. The mobilized CEC member-owners clearly perceive that self-seeking management and a negligent board was exploiting the member-owner community. The prolonged delegation of governance to a small clique may have stunted stakeholder involvement in governance and policymaking, cultivating a unitary governance structure. This could indicate that capture has occurred (tyranny of the minority) or the stakeholders have abdicated in their responsibilities to co-govern [27].

ODP 2A. Congruence with local conditions: Appropriation and provision rules are congruent with local social and environmental conditions and ODP 2B. Appropriation and provision: The benefits obtained by users from a common-pool resource (CPR), as determined by appropriation rules, are proportional to the amount of inputs required in the form of labor, material, or money, as determined by provision rules.

The rules governing CEC were misaligned to local conditions, and perceptions of just-use of the enterprise. Frustration by the member-ownership over the perceived excessive electricity rates for member-owners appears to have kick-started the current member mobilization initiative. As members access more information, member-owners became increasingly convinced opportunistic management was embezzling from CEC.

The discovery of new, seemingly hidden information harmed the perception that member voice was taken seriously by the management and board. This may harm the performance of CEC in that the firm does not adequately incentivize information flows from member-owners, and the end product provided may be insufficient for meeting member needs. The eventual petition filing by the member-owners indicates a significant loss of trust in CEC's leadership to act in the best interest of the community.

ODP 4A. Monitoring users: Monitors who are accountable to the users monitor the appropriation and provision levels of the users, and ODP 4B. Monitoring the resource: Monitors who are accountable to the users monitor the condition of the resource.

Monitors were negligent in their duty to monitor CEC's assets and services on behalf of the member-ownership. CEC is a self-governed institution, meaning agents monitor on behalf of their stakeholders. The verified exclusion of members from monitoring (obscured reports, no access to board meetings and meeting minutes, *etc.*) provides a number of arena for opportunism through opaque processes, cultivating a feeling on inequity through unilateral capture and control.

### *3.3. Discussion: Identifying Structural Opportunities to Reconfigure Unitary Capture in Pluralistically Governed Enterprise*

Taken as a whole, we cannot know with certainty if management opportunism is occurring at CEC without further investigation (perhaps the CEO was being paid an industry-standard wage? Without comparable industry data, we cannot know). But perception reigns in such situations where individuals believe their collectively owned resource is being exploited through nefarious governance processes.

The feeling of being *taken for suckers* was a catalyst for driving the member-owner initiated reform effort.

Groups such as CEC's member-ownership have demonstrated time and again the creativity of individuals in implanting themselves to self-govern when pre-existing systems of governance falter. This is in part due to the skills of the actors themselves, but also because many institutional structures provide opportunities for stakeholders to correct for governance ruptures. These events serve as classrooms or incubators of pluralistic governance, wherein individuals learn through trial, error, and success. Again, the OPDs are instrumental in helping us identify where the structural attributes of the institution provide opportunities for actors to correct for improper governance.

ODP 1A. User boundaries: Clear boundaries between legitimate users and nonusers must be clearly defined.

Knowledge of proper user boundaries creates a sense of ownership, driving member participation. Informed users exhibit agency by mobilizing around their rights as member-owners to ask questions, and get involved in various levels of governance in CEC. The co-operative structure of CEC guarantees the member-owners a right to participate in the governance of CEC. The engrained sense of ownership instills "entrepreneurial initiative and personal responsibility" [9] (p. 321), socializing accountability and a "sense of the interdependence of self and other, both instrumental and moral" [2] (p.79).

The member-owners believe their monitors were not looking out in their best interests. The member-owners then sought through their own initiative to bring CEC back in alignment with their self-identified values (ODP 2A and ODP 2B). The boundaries create legitimacy for the member-owners as they assert their right to actively participate in governance, and hold their representatives accountable for their actions.

ODP 6. Conflict-resolution mechanisms: Appropriators and their officials have rapid access to low-cost local arenas to resolve conflicts among appropriators or between appropriators and officials, and ODP 8. Nested enterprises: Appropriation, provision, monitoring, enforcement, conflict resolution, and governance activities are organized in multiple layers of nested enterprises.

There are often multiple arenas available to exercise governance rights and resolve conflicts. CEC members sought relevant conflict resolution mechanisms. The member-owners were able to exploit additional structural opportunities to correct for the aforementioned governance ruptures in two overlapping arenas. As legal owners, the members have the right to hold CEC's leadership accountable via petitioning mechanisms embedded in CEC's bylaws.

The arenas for governance frequently overlap, or nest within other governance arrangements. CEC's location within the state of Oklahoma means it is bound to the laws of the state, particular related to the allegations of embezzlement. Those allegations instigated an investigation by the Oklahoma State Bureau of Investigations, reinforcing the legitimacy of the actions brought about by CEC's member-ownership while bring additional accountability resources to bear.

What this indicates is that even in situations where a select few of the OPDs are present, there may still exist opportunities for stakeholders to access key mechanisms of governance in an effort to correct for previous governance ruptures. The perception that basic electricity rates were out of line with the

value being provided by the electric co-operative seemed to foment an initial feeling of member-owner mistrust in CEC. This then initiated a chain of events catalyzing member-mobilization, causing more organizational information to disseminate. As more information has been released, it has brought about greater scrutiny from the membership. And the process of agitation and calls for reform have provided ample opportunities for the member-ownership to learn about their rights, as well as those methods that strengthen their hand in these process.

#### **4. Conclusions: Extrapolating Empirical Findings from Co-operative Enterprise to Third Sector Organizational Governance**

The case of CEC demonstrates three things. First, empirical analyses of co-operative enterprise may provide for significant insights and innovations in third sector governance. Empirical evidence derived from the arena of co-operative enterprise may provide analysts with a better understanding of the underlying governance dynamics of stakeholders-with-governance-rights, providing new management and governance frames for practitioners generally, and organizational managers in particular. Second, programmatic analyses would also provide insight into the acute governance vulnerabilities of stakeholder-governed third sector organizations. The application of the ODPs for the assessment of institutional robustness illustrates the governance vulnerabilities when stakeholders are separated from the mechanisms of governance. We cannot know the motivations behind CEC's management and board, but we can know that their structured practices harmed organizational robustness, as well as the members' perception of the capability of the co-operative enterprise to meet their needs. Indeed, stakeholder engagement appears to be enhancing CEC's governance and organizational robustness, while minimizing the arena for self-seeking opportunism within the co-operative.

Third, the case of CEC and the emergent body of literature on governance indicates that proper systems of stakeholder governance exhibit enormous capacity to better orient the firm toward better serving the stakeholder base, improving performance and institutional robustness. Co-operatives and third sector organizations that engage their stakeholders offer immense potential for a deeper civil society.

Analysts may observe that the progression of unitary forms of governance indicate that the democratic governance spillover originating from the co-operative sector is not meaningfully contributing to a pluralistic political economy. This is perhaps because for-profit, corporate unitary governance remains the best developed, broadly influencing theory, research, and practice across the organizational landscape, including the co-operative sector itself [2] (p. 76), [40]. The ownership becomes *de facto* absentee vis-à-vis disengagement, diminished use of the co-operative's services, and lack of concern for the co-operative society's wellbeing, cultivating a public who is never there.

It would appear that Wagner's call for knowledge widening through the development of actionable democratic and stakeholder management and governance knowledge is prescient. Constraining the arenas for governance and the actors involved in governance processes threatens to cause friction with the stakeholders through a number of structural mechanisms. The unitary modes of corporate governance practices permeating so many organizational forms reinforce opaque, elite-led decision-making, situating stakeholder voice within the confines of one-off representative voting processes or annual general meetings. These venues further reinforce elite voice, and reduce the opportunity for pluralistic modes of engagement with the stakeholders. Third sector organizations then lose their capacity to exhibit

agency in shaping organizational directives and policies, to position themselves to serve broader market and political interests [41], and fall prey to institutional processes of isomorphism, thereby removing the distinctive features fundamental to their core mission.

The older paradigm of governance leaves management ill-equipped to deal with stakeholders who wish—or demand—access to the mechanisms of governance. Global movements and major partisan political shifts point to a public demanding more accountability from representative institutions; in many cases, accountability is linked to stakeholder participation. Management of third sector organizations and co-operatives are under-prepared to engage their stakeholders within the older paradigm, and may be unaware of new innovations in pluralistic governance. Plus, management may not understand the resources an engaged stakeholder base is capable of bringing to bear in the stewardship of third sector and co-operative organizations. If we are to believe that third sector organizations are to play a role in shaping public policy, providing meaningful public services, and enduring system shocks to insure long-term sustainability and service to their stakeholders, then we must take the science of stakeholder governance seriously, advance an aggressive research agenda deepening our understanding of pluralist forms of governance, and move theory into practice for the benefit of the general public.

### Conflicts of Interest

The author declares no conflict of interest.

### References

1. Taylor, K. *Governing the Wind Energy Commons*; West Virginia University Press: Morgantown, WV, USA, 2016.
2. Coule, T.M. Nonprofit Governance and Accountability: Broadening the Theoretical Perspective. *Nonprofit Volunt. Sect. Q.* **2013**, *44*, 75–97.
3. Wagner, A. “Third sector” and/or “civil society”: A critical discourse about scholarship relating to intermediate organisations. *Volunt. Sect. Rev.* **2012**, *3*, 299–328.
4. Ostrom, V. Artisanship and artifact. *Public Adm. Rev.* **1980**, *40*, 309–317.
5. Ghoshal, S. Bad management theories are destroying good management practices. *Acad. Manag. Learn. Educ.* **2005**, *4*, 75–91.
6. Lindblom, C.E. Who Needs What Social Research for Policymaking? *Sci. Commun.* **1986**, *7*, 345–366.
7. Cook, M.L. The role of management behavior in agricultural cooperatives. *J. Agric. Coop.* **1994**, *9*, 42–58.
8. Cornforth, C. Nonprofit Governance Research: Limitations of the Focus on Boards and Suggestions for New Directions. *Nonprofit Volunt. Sect. Q.* **2012**, *41*, 1116–1135.
9. Wagner, A. Good Governance: A Radical and Normative Approach to Nonprofit Management. *Volunt. Int. J. Volunt. Nonprofit Organ.* **2014**, *25*, 797–817.
10. Ostrom, V. *The Meaning of Democracy and the Vulnerability of Democracies: A Response to Tocqueville’s Challenge*; University of Michigan Press: Ann Arbor, MI, USA, 1997.
11. Bell, D. Labor in the post-industrial society. *Dissent* **1972**, *19*, 163–189.
12. Mooney, P.H. Democratizing rural economy: Institutional friction, sustainable struggle and the cooperative movement. *Rural Sociol.* **2004**, *69*, 76–98.

13. Müller, R.; Turner, R.; Andersen, E.S.; Shao, J.; Kvalnes, Ø. Ethics, Trust, and Governance in Temporary Organizations. *Proj. Manag. J.* **2014**, *45*, 39–54.
14. Hansmann, H. *The Ownership of Enterprise*; Harvard University Press: Cambridge, MA, USA, 2000.
15. Hardin, G. The tragedy of the commons. *Science* **1968**, *162*, 1243–1248.
16. Poteete, A.R.; Janssen, M.A.; Ostrom, E. *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*; Princeton University Press: Princeton, NJ, USA, 2010.
17. Aligica, P.D.; Boettke, P. *Challenging Institutional Analysis and Development: The Bloomington School*, 1st ed.; Routledge: New York, NY, USA, 2009.
18. Lee, L.; Reinicke, B.; Sarkar, R.; Anderson, R. Learning through Interactions: Improving Project Management through Communities of Practice. *Proj. Manag. J.* **2015**, *46*, 40–52.
19. Heikkila, T.; Schlager, E.; Davis, M.W. The Role of Cross-Scale Institutional Linkages in Common Pool Resource Management: Assessing Interstate River Compacts. *Policy Stud. J.* **2011**, *39*, 121–145.
20. Ostrom, E. *Understanding Institutional Diversity*; Princeton University Press: Princeton, NJ, USA, 2005.
21. Ostrom, E. *Governing the Commons: The Evolution of Institutions for Collective Action*; Cambridge University Press: New York, NY, USA, 1990.
22. Cox, M.; Arnold, G.; Villamayor Tomas, S. A Review of Design Principles for Community-Based Natural Resource Management. *Ecol. Soc.* **2010**, *15*, 38. Available online: <http://www.ecologyandsociety.org/vol15/iss4/art38/> (accessed on 29 March 2015).
23. McGinnis, M.D. An introduction to IAD and the language of the Ostrom Workshop: A simple guide to a complex framework. *Policy Stud. J.* **2011**, *39*, 169–183.
24. Ostrom, E. A diagnostic approach for going beyond panaceas. *Proc. Natl. Acad. Sci.* **2007**, *104*, 15181–15187.
25. International Co-operative Alliance. Available online: <http://ica.coop/en/what-co-op/co-operative-identity-values-principles> (accessed on 29 March 2015).
26. Falconer, K. Developing Cooperative Approaches to Agri-Environmental Policy: A Transaction Cost Perspective on Farmer Participation in Voluntary Schemes. In *Environmental Co-Operation and Institutional Change: Theories and Policies for European Agriculture*; Hagedorn, K., Ed.; Edward Elgar: Cheltenham, UK, 2007.
27. Sherwood, A.; Taylor, K. Unique expectation of co-operative boards: Taking on the challenges of the democratic enterprise. *Int. J. Co-op. Manag.* **2014**, *7*, 29–42.
28. Chaddad, F.R.; Cook, M.L. Understanding New Cooperative Models: An Ownership-Control Rights Typology. *Appl. Econ. Perspect. Policy* **2004**, *26*, 348–360.
29. Michael D. McGinnis. Updated Guide to IAD and the Language of the Ostrom Workshop: A Simplified Overview of a Complex Framework for the Analysis of Institutions and their Development. Available online: [http://pages.iu.edu/~mcginnis/iad\\_guide.pdf](http://pages.iu.edu/~mcginnis/iad_guide.pdf) (accessed on 29 March 2015).
30. Suhler, D.R.; Cook, M.L. Origins of a Current Conflict? An Examination of Stock-Nonstock Cooperative Law. *J. Agric. Coop.* **1993**, *8*, 54–62.
31. Center for Cooperatives. Available online: <http://reic.uwcc.wisc.edu/> (accessed on 24 April 2013).



32. Gidron, B. The (continued) search for an appropriate name for the third sector. *Volunt. Sect. Rev.* **2013**, *4*, 303–307.
33. Molk, P. The Puzzling Lack of Cooperatives. *Tulane Law Rev.* **2014**, *88*, 899–958.
34. Station KTen TV. CEO Responds To Facebook Claims From Upset Electric Customers Near Hugo. KTen News. Available online: <http://www.kten.com/story/26168957/ceo-responds-to-facebook-claims-from-upset-electric-customers-near-hugo> (accessed on 29 March 2015).
35. News 12 KXII. Okla. electric cooperative shareholders petition to rid of trustees. 3 November 2014. Available online: <http://www.kxii.com/home/headlines/Okla-electric-cooperative-shareholders-petition-to-rid-of-trustees-280916692.html> (accessed on 29 March 2015).
36. Hugo News. Choctaw Electric Cooperative Board Terminates CEO Terry Matlock. Available online: <http://www.hugonews.com/choctaw-electric-cooperative-board-directors-terminatesceo-terry-matlock/> (accessed on 29 March 2015).
37. Marks, J. 8 members resign from Oklahoma Choctaw Electric Cooperative board. NewsOK. Available online: <http://newsok.com/8-members-resign-from-oklahoma-choctaw-electric-cooperative-board/article/5379034/?page=2> (accessed on 29 March 2015).
38. Schmidt, M. Petition filed against Choctaw Electric Cooperative now void. News 12 KXII. Available online: <http://www.kxii.com/home/headlines/Petition-filed-against-Choctaw-Electric-Cooperative-voided-288371861.html> (accessed on 29 March 2015).
39. Choctaw Electric Cooperative. Press Release, 25 March 2015. Official Facebook Page of Choctaw Electric Cooperative. Available online: <https://www.facebook.com/choctawelectriccooperative/posts/857303447673703> (accessed on 29 March 2015).
40. Pozzobon, D.M.; Machado-Filho, C.A.P. In search of cooperative governance: A Brazilian agricultural co-op case study. In Proceedings of the International PENSA Conference, Ribeirão Preto, Brazil, 24–26 October 2007. Available online: [http://www.fundacaofia.com.br/PENSA/anexos/biblioteca/1592008135938\\_Governan%C3%A7aCooperativas.pdf](http://www.fundacaofia.com.br/PENSA/anexos/biblioteca/1592008135938_Governan%C3%A7aCooperativas.pdf) (accessed on 29 March 2015).
41. Ledwith, M. *Community Development: A Critical Approach*; Policy Press: Bristol, UK, 2011.

© 2015 by the author; licensee MDPI, Basel, Switzerland. This article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).