

**MULTIPLE RATIONAL MANAGEMENT AND GOVERNANCE: HOW DO THEY RELATE  
IN AGRICULTURE COOPERATIVES?**

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## **1. INTRODUCTION**

Neoclassic economic behavior models has received critiques, which claim attention. This opens room to more knowledge about how firms obtain higher performance through decision-making. The literature on multi-rationality in pluralistic environments proposes challenges that are consistent with this alternative vein of thought. According to Schedler and Ruegg-Sturm (2014), in line with Friedland and Alford (1991), a growing number of organizations rise in the midst of several societal functional systems among which they need to legitimize themselves relying in different reference systems. As an implication, these organizations need to house permanently under the same umbrella relevant groups of actors supporting different rationales, which raises the complexity of decision processes. For this context, Schedler and Rüeegg-Stürm (2014, p.44) propose the concept of multi-rational management which stands for the protection of the organization's capacity for decision-making and action while dealing with these rationalities.

Our paper addresses this issue with special attention to cooperative organizations. Cooperative organizations provide a context in which, often, multiple rationalities can trigger conflicts that trouble their performance and, therefore, aspects related to multi-rational management needs to be addressed. This is due to historical aspects of cooperatives, which may give rise to ideological motivations; the fact that cooperatives in Brazil are prone to ambiguity in ownership and control; the dual nature expressed even by the Brazilian cooperative law that characterizes them as "civil societies for economic purposes, but not-profit organizations"; and by the doctrinal sharing guaranteed by the International Cooperative Alliance. Conflicts of rationality stands out as an important issue for cooperatives' administration and is a recurrent subject in research (e.g. Chase, 2003; Fonte and Cucco, 2017; Heras-Saizarbitoria, 2014; Jäger and Beyes, 2010; Taylor, 1994; Teixeira, Roglio and Marcon, 2017).

It is argued that corporate governance practices relates to multi-rational management in cooperatives. Corporate governance is indicated for overcoming agency problems that arise from the conflicting interests of different parties in the firm (Fama and Jensen, 1983; Jensen and Meckling, 1976). While there is consensus about that, since its assumptions are based solely on economic rationality, there is not, until now, any research that tackles whether corporate governance relates to the management of multiple rationalities. In our research, a first step is taken by analyzing how multi-rational management relates to cooperatives' corporate governance.

A 2x2-matrix typology is proposed for the analysis of the agricultural cooperatives' potential for multi-rational management. This typology supported our research on cooperatives from Mato Grosso do Sul, which were mapped among four quadrants. For each of these quadrants, a proposition related to multi-rational management practices is posed. The results indicate that the majority of the cooperatives have an incipient potential to multi-rational management, since they have characteristics related to the quadrants "Cooperatives in legitimacy crisis" and "Traditional Cooperatives with ceremonial assemblies". Furthermore, the results from the field research confirm partially the propositions.

In the following section, we provide a review of the relevant theoretical background, which is divided in two sections: (i) Institutional complexity and its implications for cooperative organizations; and (ii) Corporate governance and its particularities in agriculture cooperative organizations. An overview is then provided for the research methods and data analysis techniques applied in this paper. Furthermore, we present the research findings and,

as a conclusion, discuss the significance of these findings while addressing the limitations of our study and the suggestions for future research.

## 2. INSTITUTIONAL COMPLEXITY AND ITS IMPLICATIONS FOR COOPERATIVES

Referring to the psychology of administrative decisions, the limits of rationality are presented by Simon's (1947) as a derivation of the inability of the human mind to sustain all aspects of value, knowledge, and behavior that would be relevant to a single decision. Described in this way, rationality operates within the boundaries of a psychological environment and therefore refers to human cognition. The position of Schedler and Rüeegg-Stürm (2014) stresses rationality as a result of continuous processes of interaction between members of a community of shared meanings, which construct a logic for the interpretation of group specific situations. The groups' interpretation results in multiple rationalities. This is illustrated when Binder (2007, p.551) mentions that "staff, management, funders, and clients will have varying interpretations of the definition of the organization's purposes, the organization's intended outcomes, and even what the services of the organization actually 'are'".

As mentioned by Kraatz and Block (2008), multiple regulatory regimes, normative orders and cultural logics submit organizations to more than one system of reference to legitimate themselves. This situation poses challenges before which multi-rational management becomes relevant. In contexts where relevant groups of actors relying on different rationalities are under the same umbrella, "multi-rational management stands for the protection of the organization's capacity for decision-making and action while dealing with these rationalities" (Schedler and Rüeegg-Stürm, 2014, p.44). The authors state that, to be successful, multi-rational management must develop the ability to take on other perspectives, which involves all the organizations' decision-making bodies (Rüeegg-Stürm, 2011 as cited in Schedler and Rüeegg -Stürm, 2014). Representatives of the various individual rationalities should develop competences that enable them to respect the perspectives of others as legitimate. Cooperation should be attained in a way that preserves individual independence while concentrating on achieving shared goals (Schedler and Rüeegg-Stürm, 2014).

To illustrate some ways in which organizations deal with challenges of multiple rationalities, Schedler and Rüeegg-Stürm (2014) describe practices of Tolerance, Exploitation, Avoidance and Polarization (Figure 1). This typification of possible practices distinguishes explicit versus implicit methods (referring to whether or not the diversity of opinions is openly addressed) and monorational versus multirational methods of dealing with multiple rationalities. Monorational methods of managing multiple rationalities is ultimately when only one rationality is predominant. A multirational method, in turn, enables two or more rationalities to co-exist in an organization on a permanent basis.

	<b>Polarisation</b>	<b>Exploitation</b>
Explicit practices	Conflict, competition, repudiation between rationalities	Fertilisation of multirationality
	<b>Avoidance</b>	<b>Tolerance</b>
Implicit practices	Implicit dominance of one rationality	Implicit mediation between rationalities
	Monorational	Multirational

*Figure 1: Practices of dealing with multiple rationalities. Source: Schedler and Rüeegg-Stürm (2014).*

To deal with the challenges imposed by institutional complexity, Schedler and Rüeegg-Stürm (2014) argue that organizations implement structures that promote greater communication, transparency and participation in decisions. These structures are highly

recommended for cooperatives, organizations where typically conflicts of rationality are present.

As contexts prone to the manifestation of institutional conflict, Glynn and Lounsbury (2005) point to non-profit organizations. Cooperatives, as a non-profit organization, has some specificities that are critical in examining different sources of legitimacy. The doctrinal sharing by cooperatives must be taken into account in their management. On this, Zilbersztajn (2002, p.1) points out that "cooperative principles represent the link between organizations in the cooperative world", but these same principles "delimit the strategies that can be adopted by cooperative organizations." Therefore, although International Cooperative Alliance (ICA), has adopted these principles since the 1930s as a criterion for affiliation, co-operatives often treat them more or less ceremonially.

The study of Heras-Saizarbitoria (2014) in the Cooperative Complex of Mondragón, Spain, gives some insight on this. The cooperative's foundation was during a period of great repression in Spain during the 1950s. At that time, the workers had a strong ideological base, however, the cooperative principles had been reinterpreted as a formal statement or as a code of corporate governance only symbolically adopted, dissociated from the cooperatives' daily activities. As well, Fonte and Cucco (2017) highlight the presence of institutional frictions when they expose the distancing of the social foundation in favor of economic rationality in a renowned Brazilian cooperative. Similar reports exist among several papers.

Studying credit cooperatives, Saraiva (2012) shows that there have been several changes in the institutional rules that govern the sector, which had as an effect the increasing adoption of practices such as: the vertical organizational structure, emphasis on growth and profitability, efficiency measures based on the profitability of capital and market share, and internationalization through partnerships. In its turn, Taylor (1994) investigated how Mondragón cooperative deals with the tensions between surviving in an intensely competitive international economy and trying to create workplaces more democratic to remain coherent with its history and ideals. As a result, the author notes that the provision of services to small producers and the reduction of social inequality are no longer targeted and the focus has been on the promotion of agribusiness-style agrarian production and on centralized management. Jäger and Beyes (2010) investigate how the strategic change takes place between the social mission and the economic logic in a Switzerland credit cooperative. The authors proposal of patterns of strategizing practices is in line with the suggestion of Teixeira, Roglio and Marcon (2017) that the adoption of the governance practice in the cooperative stems from the need to balance demands from organizational constituents. In this sense, they also refer indirectly to practices of multi-rational management proposed by Schedler and Rüeegg-Stürm (2014).

Although with different terms, the literature on cooperativism recurrently evidences conflicts of rationality. To settle some of the problems of decision-making and control in cooperatives, corporate governance practices are proposed, since they are recommended to mitigate agency conflicts. However, it is not yet known if these practices can contribute to multi-rational management, and if they can, in what way. The next section aims to address this and present assumptions that will guide the investigation.

### **3. CORPORATE GOVERNANCE IN AGRICULTURAL COOPERATIVES**

In traditional Brazilian cooperatives, according to Bialoskorski (2006), the cooperative members are the owners and, if elected, can assume a managerial position. This situation in which the board of directors represents a party of active associates characterizes the absence of separation of ownership and management. However, according to Schulze (1987), changes were demanded in law 5764, of 1971, which allowed that cooperatives restored, from time to time, "the configuration of its governing body, adjusting it to the needs and conveniences of its stage of development" (p.65). In this way, cooperatives were able to foresee in their by-

laws the hiring of executives and external managers and became more apt to respond to market pressures, which required greater specialization for their management.

However, these advantages can be overcome, according to Chaddad (2007), by the absence of external control mechanisms. These control mechanisms are responsible for discouraging managers to make decisions that do not necessarily contribute to the company's performance. Since, in cooperatives, the lack of such external mechanisms can undermine performance and distract from collective goals, internal mechanisms of corporate governance are indicated for improving control in cooperatives that need to delegate decision-making and control functions to professional directors.

As idealizers of agency theory, Jensen and Meckling (1976) demonstrate that, due to divergence of interests, a conflictive relationship is established between the agent and the principle. It can be mitigated adopting measures such as monitoring, structuring and coordination; however, this generates costs (Fama and Jensen, 1983; Jensen and Meckling, 1976). Therefore, a pulverized organization is more likely to survive if the holders of the rights to the net cash flow (investors) are separated from the management decisions, thus increasing the benefits of specialization.

The adoption of corporate governance practices is part of the restructuring process by which cooperatives in different parts of the world are going through (Chaddad, 2007). In Brazil, cooperatives have been progressively pushed through OCB (Brazilian Cooperative Organization) incentives and benchmarking to modify their governance structure. The study by Costa (2010) found that the practice of corporate governance has been partially employed by cooperatives, which allows the interpretation that governance in Brazilian agricultural cooperatives can be framed within a continuum between complete separation and concentration, although none of them have a complete separation. In this sense, we can see convergence with what proposes Westphal and Zajac (1994). The authors state that there is not a single great system of governance and that it must be linked to the historical, social and organizational context. Therefore, we believe that governance reflects the conflicts of rationality present in organizations. This refers to the assumption of our study: corporate governance is positively related to multi-rational management.

This assumption is based on studies by Elinor Ostrom in which the rationality issue is analyzed for the solution of social dilemmas using the analogy of the prisoner's dilemma. This illustrates that, founded on a model of rational behavior; it is possible to predict that the outcome of the decision will always be the best option for the individual, not for the collective. Therefore, Ostrom (2010) proposes as a regression the determinism implicit in the prisoner's dilemma where "those who are involved in a Prisoner's Dilemma game or other social dilemmas as always trapped in the situation without capabilities to change the structure themselves (Ostrom, 2010, p.416).

It is argued that, rather than by external imposition, from self-reflection and creativity individuals who experience the situation can trigger change and "restructure their own patterns of interaction" (Ostrom, 2010, p.417). Coordination mechanisms can be used in order to guide decision making by another rationality. In this sense, the author comments, "conditional cooperators can do little without an appropriate institutional structure to support their norms" (Ostrom, 2005, pp.131-132).

In cooperatives, corporate governance may work with similar purposes. The agency conflict presupposes executives' behavior as well as of the other stakeholders, supported by economic rationality and, therefore, aiming at utilitarian maximization. By adopting corporate governance, it is possible to implement mechanisms that ensure decision-making for better collective results; not that they may discourage self-interest, but bind individual interests to those of the collectivity. That is, the administration should be able to deal with conflicts of rationalities in order to obtain a more satisfactory result for members.

This argument considers what Ostrom (2005) proposes about the importance of institutions to influence the structure of the situation and the population of the types of individuals who are most likely to be in a particular type of situation.

#### 4. RESEARCH METHOD

Empirical research was designed in two stages. First, a typology of agricultural cooperatives' potential for multi-rational management in relation to corporate governance is proposed. Second, based on this typology, a field research was conducted, from which the data collected allowed analysis of the study's propositions. With this in mind, the description of the research method contemplates explaining the procedures adopted in these two stages.

##### 4.1 Plotting agricultural cooperatives among four typologies.

We combined primary and secondary data in the investigation. For the secondary data, we had access to the database of the cooperative observatory from FEARP / USP, which provided the statutes and minutes of the assemblies of the cooperatives. In addition, the cooperatives' website, when available, served as a source of information. The primary data was collected through structured interview conducted by telephone.

We targeted 37 cooperatives from the state of Mato Grosso do Sul, Brazil, that are not subsidiary cooperatives (12 cooperatives). From this, 21 cooperatives were reached and accepted to participate in the research. Strict confidentiality and anonymity of all interviewees, as well as their participant companies was maintained throughout the study. Therefore, we use a code related to each cooperative in our sample, as shown in Table 1.

Table 1: Description of the cooperatives studied

Cooperatives studied	Year of foundation	Number of members
1	2002	99
2	1994	167
3	1993	351
4	1935	121
5	1989	947
6	1996	44
7	1998	152
8	1998	45
9	1993	183
10	1979	755
11	1996	88
12	2005	57
13	1995	117
14	1991	58
15	2005	44
16	2004	103
17	1996	563
18	2010	22
19	2010	100
20	2013	135
21	2016	79

The insertion of the cooperatives among the four typologies contemplate the analysis of corporate governance in two dimensions: (i) separation / concentration of ownership and control - horizontal axis and (ii) participation - vertical axis, which have implications for multi-rational management. The position of cooperatives in the X-axis depends, among other issue, on the overlap between positions of CEO and president of the cooperative. The hiring of external managers to assume the position of CEO enables the cooperative to mitigate the

conflicts of interest that exist when a cooperative member (owner) assumes the position of main manager. Besides that, other factors determined the "degree" of separation or concentration of ownership and control, as listed in Costa (2010). Based on that, we created a system of points to evaluate the governance of cooperatives based on the separation of ownership and control. Cooperatives were classified as more "concentrated" and "separated", depending on the number of points assigned to them (maximum 3 points) and whether or not there is overlap in the positions of CEO and president of the cooperative.

Participation was determined using data from the meetings' minutes registering the number of members attending. The proportion of members attending the assemblies in relation to the total membership determined the position of cooperatives in the Y-axis. A 30% participation of cooperative members was defined as a critical point to position the cooperatives in the Y-axis, considering that participation in Brazilian cooperative assemblies is usually very low. This parameter is in line with the research by Ferreira and Arbage (2016) that reports participation of cooperative members in assemblies below 30% in approximately 50% of the cases analyzed.

#### **4.2 Field research**

This part of the research aimed to deepen qualitatively the analyses regarding the relationship between corporate governance and multi-rational management. The presence and weight of practices to deal with multiple rationalities is investigated through a field research that intended to grasp an understanding of the phenomenon from the perspective of the participants; members from four agricultural cooperatives from the state of Mato Grosso do Sul, Brazil.

A qualitative, explorative investigation using case study strategy based on multiple cases was considered most appropriate. For the selection of cases we considered theoretical and convenience criteria. The organizations were chosen, primarily, based on representation of the typologies proposed in the first stage of the research. Secondly, the availability of the organizations to participate was considered. Data was collected through semi-structured interviews from August to November of 2018, with the main person in charge of the management of the cooperatives, either the president of the cooperative or the CEO. To reinforce this, Schedler and Rüegg-Stürm (2014) highlight the central role of executives in recognizing rationalities, in dealing with rationalities, and possibly in the reconfiguration of central rationalities in an organization.

With the exception of one interview realized in the dependencies of OCB-MS after a meeting there, all other interviews took place at the cooperatives. The interviews lasted in between 1 hour and 2h and 40 minutes and were all transcribed. The material collected was analysed with Atlas.Ti, supported by recommendations of content analysis. The main categories relate to the multi-rational management practices prescribed by Schedler and Rüegg-Stürm (2014) and to corporate governance issues. These are categories of decisions, quality of member participation, conflicts among members and with board, communication channels, transparency and higher levels of participation, control mechanisms, member fidelity, decision powers and relationship architecture, among others.

### **5. RESULTS**

Our research analyzes the multi-rational management potential of agricultural cooperatives in relation to corporate governance. A 2 X 2 matrix, shown in Figure 1, is proposed and, therefore, a description of the typologies is presented ahead. Afterwards, we present the Mapping of cooperatives' potential for managing multiple-rationalities and culminate discussing the cases representing each Typology.

### 5.1 A Typology of cooperatives' corporate governance

Based on the assumption that multi-rational management relates positively to corporate governance, we adopt the typology proposed in Figure 2 for the research.

We labeled the four typologies as (1) Multi-rationality involving high-level conflicts (Higher levels of participation associated with the concentration of property and control); (2) Cooperatives with multi-rational management potential (Higher levels of participation associated with separation of property and control); and (3) Traditional cooperatives with ceremonial assemblies (Association of lower levels of participation and concentration of property and control). The fourth typology 'Cooperatives in legitimacy crisis' represents cooperatives that typically have lower levels of participation and governance structure with separation of property and control.

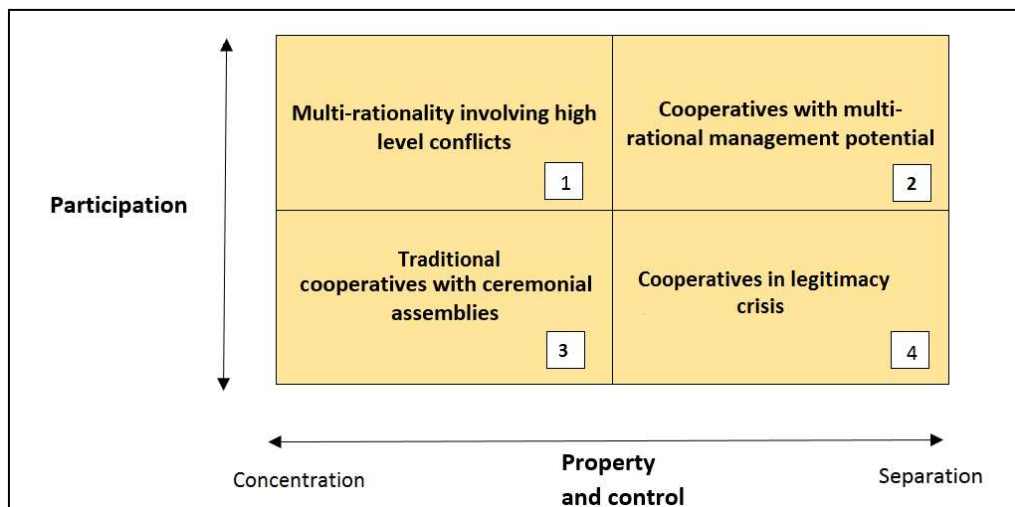


Figure 2: Cooperatives' corporate governance typology

A greater potential for multi-rationality is expected in quadrants 1 and 2, taking into account greater levels of participation. Member participation in governance structures is a key element in multirational management. For Child, Elbanna and Rodrigues (2010) and Eisenhardt (1989), the broadening of participation may be linked to a better quality of decisions. According to Bialoskorski Neto (2007), it is through participation that transparency and governance success can be guaranteed. As regards transparency, Schedler and Rüegg-Stürm (2014, p.202) mention that it contributes to a better mutual understanding and favors multi-rational management. Thus, conversely, it can be argued that quadrants 3 and 4 have lower potential for multi-rational management.

#### 5.1.1 Multi-rationality involving high-level conflicts

On agency theory, the concentration of ownership and control may favor conflicts that arise from member participation in the decision-making process, and consequently quadrant 1, despite some possibility of multi-rationality, is not conducive to multi-rational management. That is, there is opportunity for different groups to defend their interests, but agency costs are high, the decision process is slow and decisions are made based on power.

In cooperatives which has accentuated the characteristics of quadrant 1, it is assumed that multi-rationality is tolerated, but without proper channeling to generate benefits to the cooperative, which leads to the following suggestion:

*Proposition 1. Cooperatives typical of quadrant 'Multi-rationality involving high-level conflicts' are more likely to get involved with Tolerance practices of multi-rational management.*



Tolerance, according to Schedler and Rüeegg-Stürm (2014), usually focuses on the palpable effects of the multiple rationalities in the organization: latent conflicts. Usually, these are approached and resolved situationally, as phenomena with an unknown or assumed background. Although various views are perceived in the organization, the cause of conflicts is not attributed to the existence of multiple rationalities, probably due to lack of knowledge of the multiple rationalities or even deliberate refusal of the question.

### **5.1.2 Cooperatives with multi-rational management potential**

Quadrant 2, labeled Cooperatives with multi-rational management potential, is where the situation is closest to the ideal for cooperatives to develop multi-rational management. The different groups are represented in the decision process and the separation of ownership and control, to a greater degree, allows decisions to be taken with fewer biases. The company and cooperative dimensions are balanced and well defined, which means that efforts can be better channeled by those involved in each situation.

High participation, coupled with corporate governance indicators of separation of ownership and control, are the initial conditions for a fertile multi-rational management, what leads us to suggest:

*Proposition 2: Cooperatives typical of quadrant 'Cooperatives with Multi-rational Management Potential' are more likely to engage in multi-rational Exploitation management practices.*

Schedler and Rüeegg-Stürm (2014, p. 185) comment that within the practice of exploitation lies the challenge for management that is faced with "the task of developing a relationship and communication architecture that not only protects the legitimate claims of the various communities of meaning, but also allows the organization to act and make decisions, regardless of their heterogeneity."

### **5.1.3 Traditional cooperatives with ceremonial assemblies**

The third typology is representative of the so-called 'traditional cooperatives' in Brazil, where ownership & control are concentrated and the decision process is characterized by low participation of the cooperative members. The management of the cooperative is often done by owners, which is conducive to the emergence of conflicts of interest and, usually, to lack of professionalization. The cooperative dimension is preponderant and the rationality of the group of elected members, which usually tends to remain in power, prevail over the others. The other groups find few opportunities to develop their rationalities, values and ideas. For this reason, assemblies tend to be pro-forma.

According to Schedler and Rüeegg-Stürm (2014), multi-rational management practices of avoidance generally result from a culture development in the organization over many years, which becomes stabilized without major disturbances of the environment. Such practices seem to be in line with the situation of older cooperatives that may have difficulties to break with the tradition. Therefore, we propose:

*Proposition 3: Cooperatives typical of 'traditional cooperatives' quadrant are more likely to engage in multi-rational management practices of avoidance.*

Through avoidance, the authors comment that management reduces the complexity by which information is processed, which simplifies the decision-making process, but can create blind spots in the perception of the environment. This observation highlights the importance for cooperatives of this quadrant to adopt mechanisms to deal with multi-rationality and possibly to take advantage of the integration of different perspectives.

In these cases, removing the overlap of the position of CEO and President in the cooperative can play a fundamental role in providing adaptive capacities and pushing these cooperatives to a more competitive level in the agribusiness sector in which they operate. In

addition, mechanisms of separation of ownership and control can contribute to soften political maneuvers in the decision-making process and conflicts of interest in cooperatives. Thus, insofar as the cooperative members understand this, they may lead to increased participation. Consequently, the cooperative can enjoy advantages of greater transparency in the decision-making process and legitimacy in decisions.

#### **5.1.4 Cooperatives in legitimacy crisis**

In quadrant 4, we note the situation in which participation is reduced and there is a high degree of separation between ownership and control. Agency costs should be low because of high control and formality, but the issue of a co-operative identity rises. In this case, the cooperative tends to report to the rationality of the executives whom, in face of the lack of participation of the owners, direct the decisions according to their interests. That is, while the nature of the cooperative is twofold, only the 'enterprise' dimension prevails, and for this reason, it diverges from the "organizational nucleus" (Schedler and Rüegg-Stürm, 2014, p. 61). Cooperatives that identify with this position could be facing legitimacy crisis.

The lack of motivation of the cooperative's owners to participate in the decisions, allied to the hiring of outside managers favors the prevalence of the firm dimension of cooperatives. In these cooperatives, we assume that the conditions for a proper multi-rational management are incipient due to a tendency to refer to executives' rationality. The corporate and market logic that stems from executives' rationality tends to prevail over a more collective rationality since there is a lack of participation of owners in directing the decisions according to their interests.

The practice of multi-rational management described by Schedler and Rüegg-Stürm (2014) as Polarization seems to apply in these cases where there is generally a "winning" rationality and deliberate rejection of new rationalities. Thus, the following proposition is suggested:

*Proposition 4. Typical Cooperatives of quadrant 'Cooperatives in Legitimacy Crisis' are most likely to exert multi-rational management practices of Polarization.*

It is recommended that cooperatives in this quadrant expand communication and information channels with members and adopt mechanisms that encourage participation not only in the cooperative's assembly but also in educational committees, training and the electoral process. It is possible to improve the quality of participation with the cooperative education programs and to encourage involvement in the cooperative's events. It is important, furthermore, to generate opportunities for discussing the items from the assembly's agenda with smaller groups of members and take their proposals into account. In the same way, it is necessary to create rules that reinforce the legitimacy of the decision-making process, so that different groups feel their interests represented.

Insofar as the members fail to perceive the assembly as ceremonial and feel important in giving direction for the cooperative, there will tend to be an increase of the quality of participation.

#### **5.2 Mapping cooperatives' potential for managing multiple-rationalities**

Our research examined cooperatives' corporate governance to infer their potential for multi-rational management. As a first step in our analysis, we were able to plot each cooperative from Mato Grosso do Sul state along both dimensions of cooperatives' governance: participation and the Existence/Inexistence of property and control overlap. The points attributed to the cooperatives together with participation percentages are summarized on Table 2.

Table 2: Cooperatives' coordinates

Cooperatives	Participation percentage	Property and control separation/concentration	
		Points	Existent/inexistent overlap*
1	37,4%	2.0	0
2	10,2 %	0	0
3	21,1%	0	1
4	17,4%	0	1
5	3,7%	0.5	1
6	59,1%	3.0	1
7	17,1%	0.5	0
8	24,4%	3.0	0
9	22,4%	0	0
10	7,7 %	0	0
11	23,9%	0.5	1
12	21,1%	2.0	0
13	30,8%	0	1
14	26,4%	0.5	1
15	36,4%	0	1
16	20,0%	1.0	0
17	3,9%	0	1
18	31,8%	0	1
19	18,0%	0	1
20	14,8%	0	0
21	16,5%	0.5	1

Note.\* 1 and 0 means existent and inexistent overlap respectively.

This information served as coordinates to map the cooperatives among the four quadrants related to different potentials of multi-rational management, as demonstrated in Figure 3.

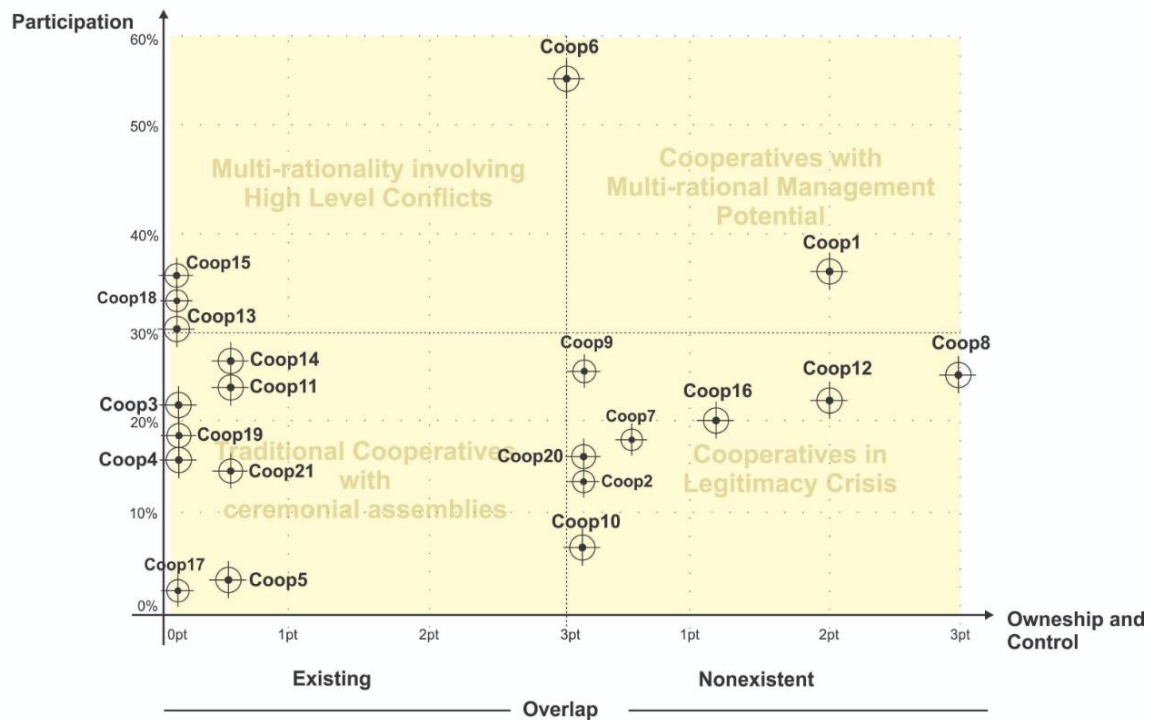


Figure 3: Corporate governance and agricultural cooperatives' potential for multi-rational management

The 2x2 matrix represented by Figure 3 shows that the cooperatives are dispersed in the four quadrants, although two major groups prevail. Cooperatives from Mato Grosso do Sul are more representative of quadrants "Cooperatives in legitimacy crisis" and "Traditional Cooperatives with ceremonial assemblies". Therefore, we note a reduced potential for multi-rational management in cooperatives of this state, with only a few exceptions.

Next, each quadrant is analyzed more closely with support of a case study. Based on the codes previously presented in Table 1, the cooperatives analyzed are referred as: Coop 1, Coop 3, Coop 13 and Coop 16.

### **5.2.1 Coop 1 with the highest multi-rational management potential?**

Although Coop 1 is the smallest cooperative analyzed in the field research, it was observed that the relationship architecture, the communication channels and the mechanisms to provide more transparency are more developed.

When asked about the existence of different opinions regarding the purpose of the cooperative, the CEO expresses a posture that indicates the multi-rational management potential of the cooperative. The following comment denotes attitudes of a pluralistic organization, conforming, at least in part, to practice of exploitation.

So, of course, it's not unanimity. It does not have unanimity in anything, but the proposal is always: 'we listen to the other side too'. To prepare some presentation for the meeting (assembly), they never did that. So the cooperate members come here, talk to the executive team, talk to the board, board of directors, the audit committee, right? And, if indeed they also understand that it is valid, yes, to take this information to an assembly, that consultation will be done.

In his response, the main director points as natural the divergences in the decision-making process of the cooperative, however, these do not cause a conflict to the point that members create alternative proposals to be presented to the assembly. The presence of different perspectives among cooperate members is also expressed in the following passage, continuation of the interviewee's speech.

Now, to say that we already had problems inside the cooperative because an associate did not like a decision that was taken, yes, we already had that. I'm remembering here right now. We had that when we were buying this unit here (the administrative and storage unit). We took the project, we took the intention and some groups were formed inside the cooperative, for example:

- "I plant in Mato Grosso, I do not plant here".

- "I plant in Caudeiros (nearby city); I will not use this structure".

Well, if you're not going to use it, but if we talk about who won't use it, it's a very small index. But, this was overcome later, yes, because... This same producer of Mato Grosso which, at the time, did not accept, we helped him with products that was stored in here.

The above passage expresses the idea of recognizing different perspectives and indicates that, in general, it deals with the issue in order to appease the conflicts of opinion. Next, when asked about measures that are taken when there is low approval of projects at assembly, the interviewee confirms this position.

In fact, it is like this: if the assembly approved it, we will continue the project. And, of course, always try to bring that member who was wasn't favor to maybe help us understand better why he was against and we turn that "no" vote into some improvement in the project itself, right? In this way, he might be satisfied soon enough, too. He will say:

- "you said you changed it here, so I can understand it there." But it's easy to work like this because there are few people. In our system, since we only work with this kind of associate, it is easy to do that.

Based on these interview excerpts, there are indications that Coop 1, at least from a normative perspective, has more developed multi-rational competence. At a normative level, Schedler and Rüeegg-Stürm (2014) emphasize that multi-rational competence is a matter of fundamental values, regardless of performance considerations. It implies an open discourse, on an equal footing with interest groups in an effort of allowing that their specific concerns be considered in the organization's decision-making processes. Furthermore, as regards to the cooperative's electoral process, the CEO highlights openness for appliance of new plates. However, there has been no power rotation in the cooperative until the date of the interview.

### **5.2.2 Coop 3 - Traditional cooperative with ceremonial assemblies**

The data provide evidence that cooperative 3 adopts avoidance practice, confirming the assumption of the study. As pointed out by Schedler and Rüeegg-Stürm (2014), in this case, multiple rationalities are dealt in an implicit and mono-rational form, that is, the need to consider the diversity of rationalities is not put to discussion and, ultimately, only one rationality is predominant.

This fact is demonstrated considering, among other aspects raised in the interview, the explanation about the re-election process. The cooperative's president stressed the need to form a "consensus" plate, in order to eliminate competition from other plates, as can be seen in the following comment.

He did not have the credit committee, he did not have the fiscal controls, he did not have the accounting controls ... and we ended up having a good acceptance there and, when we were invited to participate in the assembly to compose a plate, we had a very great divergence that moment. The board of directors with the fiscal council in 2015 was very tense. And we were invited to make a consensus sheet, in which we chose to have one from the fiscal council and one from the board of directors and five new ones. (...) To be able, eh ... The cooperative surpasses that moment.

So, there was a concern with representativeness? [Researcher]

Only in order to avoid two plates. Because, otherwise, we were going to be 'spacing' much more, we had very serious difficulties that year and, now, at first, are being overcome. [President of the cooperative].

In another moment of the interview, it can be observed that there was concern in integrating different perspectives in the new management, which meets the premises of multi-rational management.

At first, it was not intended to keep anyone (no members from the previous management and audit boards were going to make part of the new direction of the cooperative). Then, we concluded that it was better to take one (person) from each side to be able to have an opinion from both and they could contribute. [President of the cooperative].

The comments from the cooperative's president, initially, may appear to refer to the multi-rational management practice of tolerance. However, since the decision of integrating people representing different perspectives was taken as a maneuver to appease conflicts and leverage the acceptance of the new group, it gives more support to evidence the avoidance practice. This situation demonstrates that various practices are available as options for action for an organization, as has been said by Schedler and Rüeegg-Stürm (2014). On this respect,

the authors also say that it is possible for management to initiate a decision process with an approach, but then change its practice.

Indications of the adoption of the mono-rational method of dealing with multiple rationalities in the organization are presented when, during the interview, the policy of hiring internal collaborators to occupy open vacancies in the cooperative, through professionalization, is emphasized. The following speech from the cooperative's Communication manager, who accompanied the president during the interview, exposes this. They made a presentation and were listing the changes that were being implemented in the new management of the cooperative.

Develop people who are apt to assume current positions of the management and leadership culture. In this case, which he [the president] spoke..., of not hiring outsiders for the management positions. We give opportunity to those who are in here [Communication manager].

Among many rationalities, one predominates in organization. As we discussed earlier, this is due to the development of a culture in the organization over many years, since the previous president was in the position for a long period: nine years as president and six years as director of production (interview data). In this case, Schedler and Rüegg-Stürm (2014) warn that, with a disturbance of the *modus operandi* of the organization (this seems to be the case with the new management initiatives in the cooperative), a period of change with temporary conflict of rationalities causes a new equilibrium in which, possibly, a single rationality will once again occupy a dominant position.

An excerpt from the interview outlines the efforts made to preserve the decisions made by the management group.

Committee for standardization of processes. In the case, the committee was to create internal norms, so that, if this board does not continue, the norms that were created in that period would still have validity. A person who comes and gets here, cannot change that. [Communication Manager].

It is also published internally (a document with cooperative's norms) and stays in the file. Of course, you will need to have justification to change it. It is not immutable, right? But, at least, there are rules to follow. It is not that (someone) arrives like this and from a moment to another changes everything; it has some procedures. But, a new board can arrive and abolish all that of those norms. But, today, there are contracting rules, norms of the legal, of the fiscal, of how it is to work, these standards are being created. [President of the cooperative].

In other words, these statements demonstrate the commitment to make prevail the new rationality in the cooperative, even if changes occur in the management group.

### **5.2.3 Coop 13 - Can it be characterized by multi-rationality involving high-level conflicts?**

The cooperative's president, as can be seen in the answers to questions about conflict issues, emphatically states that conflicts do not pose problems for the cooperative.

The great majority of our cooperate members are small and medium producers, there is one or another cooperate member that stands out in terms of (property) size. But we are keen to treating everyone in the same way. Nobody has privileges because of bigger (production) size. Neither does the president have privileges there. So, with respect to this (conflicts among cooperate members) we have no problems.

This common problem for organizations, especially for cooperatives, is not perceived as a challenge in Coop 13. We suppose that the reason should probably relate more to a refusal of the issue than to multi-rational management competence. Regarding the moment of succession of power in the cooperative, the president again is emphatic in refuting the existence of conflicts arising from different rationalities, what supports the comprehension of implicit mediation of rationalities, also characteristic of the tolerance practice of multi-rational management:

No. Fortunately, within our cooperative, there has never been such a problem of divergences to the point that we have an election of competing plates. There have always been conversations right before the electoral process so there were no conflicts within the cooperative. Because the interest, I think, is general, of all members. Right? At least it is the way we try to make people see.

The interviewee strengthens the signs that the multi-rational practice adopted is in line with tolerance denomination, since, according to Schedler and Rüegg-Stürm (2014), conflicts are usually approached only situationally, as phenomena with an unknown background. This perception is also noticed when the president was questioned about conflicts regarding collective versus individual interests in the cooperative and how these differences of opinions are worked out.

Yes, it has to be dealt with a lot of ability, very diplomatically, but (again) we from the board of directors try not to get too involved in these business issues. We leave it to the executive staff, right? And the staff have every authority to come and speak to the associate, to say:

- "look, unfortunately, what you are asking us, we cannot do." (...) So, hardly these issues come to us so we can decide. It is so, for it does not become a habit in there.

#### **5.2.4 Coop 16 - Cooperative in legitimacy crisis**

The assumption described in the previous section, that Cooperatives of quadrant 'Cooperatives in Legitimacy Crisis' is most likely to exert multi-rational management practices of Polarization, in this case, does not converge with the evidence of the research.

The data point to the adoption of multi-rational avoidance management practice. At one point in the interview, the CEO of the cooperative reinforces the group's idea of homogeneity: "I'm going to talk there is no divergent set of interests. To give you an idea, there was not even a chance of another plate ... never." Moreover, the interviewee mentions more than once that the cooperative group is closed, which is supported by the fact that there are restrictions on the entry of members. This subject is commented upon when the respondent highlights this as being a concern. That is, one can interpret that, the disadvantages of the avoidance practice is noticed and they work for greater openness.

Of course, there is a concern today, okay? I put this to them in 2015. You have to have people. As the group is more closed, let us say, so this has a problem. Therefore, And so, how much oxygen is Coop 16 allowing itself? How many new entrants? What is the role of these new entrants? What kind of training will we offer these new entrants, so that in the future they will be the people to compose the board? So, this of course is a whole concern of Coop 16. Last year we already started the discussion about nucleus of succession, in which the idea is exactly this: to bring the young people into the sectoral chambers first, along with the technical courses offered by the OCB, courses of formations of board members, presidents, introductory courses of cooperativism, 'what is cooperativism?', legislation of cooperative organizations, cooperative law, accounting [CEO].

Such elements combine to form the perception of the implicit dominance of a rationality, characteristic of the practice of avoidance. However, as has been said previously, this process has a temporal dynamism and organizations can guide their decisions in different practices as they live different experiences. The CEO seems to be trying to move the cooperative towards changes.

## 6. CONCLUSIONS

In this paper, we aimed at analyzing agricultural cooperatives' potential for multi-rational management in relation to mechanisms of corporate governance. For this, a typology was proposed and coordinates were examined to map cooperatives from the state of Mato Grosso do Sul, Brazil, along four quadrants. We found that cooperatives had a high incidence on quadrants (iii) and (iv), which leads to the conclusion that the conditions for an adequate multi-rational management are still very incipient in the state.

By mapping the cooperatives based on their governance, we are able to state that, in Mato Grosso do Sul state, traditional cooperatives still predominate alongside cooperatives that adopt more sophisticated management techniques. In both cases, we assume the multi-rational management practices adopted should contribute little in terms of leading the organizations to better decisions and strategies.

By analyzing the four case studies, coded as Coop 1, 3, 13 and 16, we found convergence with propositions 1, 2 and 3. Each cooperative analyzed represents one quadrant of the typology proposed in this paper. Coop 1, in accordance with proposition 2, shows signs of adopting exploitation practice. In Coop 3 evidence points to avoidance practice in line with proposition 3. Proposition 1 was confirmed, as well, by analyzing Coop 13 which indicates adoption of tolerance practice. In Coop 16, however, data did not allow confirming proposition 4, related to polarizing practices. Instead, we found some evidence of avoidance practice. Therefore, it is believe there is, at least partially, a positive relation between corporate governance and multi-rational management that was demonstrated by exploring the propositions suitability to the cases. Nonetheless, more research is needed to advance on this issue.

By relating multi-rationality to corporate governance, we have broaden the understanding of how corporate governance can function in the context of cooperative organizations. As well, the literature on multi-rational management gains insight, as different mechanisms of corporate governance can influence organizations to adopt explicit or implicit and mono-rational or multi-rational methods of dealing with multiple rationalities. As limitations of the study, we mention the cross-sectional research design and the data collection with only one representative member of each cooperative. Other research that can overcome the problem of access to these organizations may deepen the investigation of the relationship between governance and multi-rational management and analyze more properly how multi-rational management practices are adopted in cooperatives over time.

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