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Does corporate governance contribute to organizational resilience? Evidence from Brazilian agricultural cooperatives

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DOES CORPORATE GOVERNANCE CONTRIBUTE TO ORGANIZATIONAL RESILIENCE? EVIDENCE FROM BRAZILIAN AGRICULTURAL COOPERATIVES

1. Introduction

The occurrence of unexpected events of various natures around the world with impacts on organizations is often being observed. Currently, the Covid-19 pandemic is clear evidence of how an unexpected event affects global economies, certainly troubling numerous organizations, including those related to agribusiness. Also, the subprime crisis in the United States, the contamination of Parmalat's milk, the event of Mad Cow disease, and the outbreak of Bird Flu in Asia, among others, are clear examples of such unexpected events with important effects on the agribusiness sector.

Uncertainties highlight the need for organizations to adapt to an increasingly volatile world. Such occurrences can represent important risks for companies that are not prepared (Starr, Newfrock and Delurey, 2003). In other words, companies need to develop the capacity to survive, adapt and sustain the business in the face of change. Dalziel and McManus (2004) mention that dealing with the various uncertainties is nowadays a great challenge to face. This organizational capacity is known as resilience and it emerges as an alternative for organizations to deal with unpredictable events, improving their competitiveness (Starr, Newfrock, and Delurey, 2003).

When compared to other companies, Birchall and Ketilson (2009), Borda-Rodriguez and Vicari (2013) and Franken and Cook (2019) found that cooperative organizations appeared to be more resistant in times of crisis and uncertainty. Conservative decisions in management and investments, the issue of commitment and loyalty of members in times of crisis, and the existence of social ties seem to be the reason why cooperatives are more resilient than capitalist companies (Birchall and Ketilson, 2009).

However, Grashuis and Cook (2018) state that the survival of cooperatives is by no means guaranteed, as this organizational model is flawed and complex, with ambiguous objectives. Carvalho et al. (2015) reinforce this point of view by mentioning the fact that cooperatives are managed by their own members, most of them being unsuccessful in corporate management purposes, far from their original expertise in dealing with farm issues. In this sense, some authors sought to understand how some cooperatives lasted for long periods while others opted for liquidation and bankruptcy (Grashuis and Cook, 2018; Canassa, Costa and Neves, 2020).

Specifically in Brazil, there are several cases of cooperatives that were not successful and had to be liquidated. An emblematic case is that of the Cotia Agricultural Cooperative (CAC). CAC was one of the largest cooperatives in the State of São Paulo that went into liquidation in 1994. In the late 1980s, the cooperative took on a large volume of debt due to the agricultural price crisis. As a result, farmers and all stakeholders had a significant impact.

Under the scope of this research, we consider that cooperatives that are or have been through a liquidation process are those that have not been resilient, whether in the face of any external turbulence or failures in their internal management or governance processes.

From this perspective, organizational resilience can help companies return to their normality (Akgün and Keskin, 2014) or even improve their performance (Annarelli and Nonino, 2016). According to Lampel, Bhalla and Jha (2014), this is possible as the organization aligns alternative forms of governance with organizational resilience. Based on Cecchin and Mascena (2016), governance practices can be pillars for the construction and

maintenance of a resilient company. Lampel, Bhalla and Jha (2014) reinforce that governance can lay the foundations that support the development of business resilience.

Therefore, our research aims to verify the association between governance and organizational resilience in agricultural cooperatives, considering that governance is essential for the continuation of business activities and for the development of a set of appropriate mechanisms and processes to promote resilience.

Some researchers have shown that companies have adopted corporate governance mechanisms in order to deal with informational quality and credibility (Sloan, 2001), management monitoring (Jensen and Meckling, 1976), the building of reliability (Bhat, Hope and Kang, 2006), evidencing the link of governance and a resilient organization (Lampel, Bhalla, and Jha, 2014). This last argument sustains our theoretical presupposition.

To address this issue, we employed exploratory research to investigate agricultural cooperatives from Mato Grosso do Sul/ Brazil. Mato Grosso do Sul is a state located in the Midwest of the country, which is recognized for grain and livestock production and exports. The cases involve two cooperatives of grain, one in regular operation and the other under a judicial liquidation. It is assumed that the non-active cooperative is a proxy of a non-resilient organization, as it does not exist anymore.

This article has four parts, besides this introduction and final considerations. The first part discusses the theoretical concepts of resilience, corporate governance, and agricultural cooperatives. The second and third part, respectively, refers to methodological procedures and the results of two case studies. Finally, in the fourth stage, the analysis and discussion are presented.

2. Theoretical Background

2.1 Organizational Resilience

Organizational resilience can be defined as the sum of essential concepts for management. These essential concepts include corporate risk management, governance, quality, information security, physical security, business continuity, culture and values supported by leadership (Braes and Brooks, 2010). Considering Horne and Orr (1998), resilience refers to the ability of individuals, groups, organizations and systems as a whole to respond productively to significant change that disrupts the expected pattern of events without engaging in a long period of regressive behaviors.

Nonetheless, in the organizational field, this is a recent concept (Burnard and Bhamra, 2011). The term resilience began to be applied as an organizational quality in the early 1990s, but it has recently gained popularity as a resource that can help organizations and groups within organizations to survive and thrive in difficult or volatile environments (Lane, McCormack and Richardson, 2013).

The relevance of understanding and applying the concept of resilience is rooted on the assumption that organizational resilience allows a company to leverage its resources (Lengnick-Hall, Beck and Lengnick-Hall, 2011); it highlights an organization's ability to "absorb" adversity (Lane, McCormack and Richardson, 2013). However, cultivating resilience is a dynamic and complex process that starts with awareness (Moran and Tame, 2012). Resilience is not limited to appearing in response to specific interruptions or shocks, but rather continuously develops over time when handling risks, stresses and deformations (Sutcliffe and Vogus, 2003).

By using the concept of resilience management, an organization will increase its perception of the situation, will understand the possible vulnerabilities that can compromise

its operation and, finally, it will improve its adaptability as decision makers (Mcmanus et al., 2007). When a disruption occurs, the organization may have a quick response, but this will depend on the organizational structure, management and operation system that were implemented (Dalziell and Mcmanus, 2004).

In view of different concepts presented by literature, we defend organization resilience in cooperatives as the capacity to respond productively to significant changes, with attention given to vulnerabilities and risks of interruption that may occur, helping cooperatives to survive and thrive in difficult environments, as a way to not face the experience of an eventual process of liquidationⁱ. Consequently, it is important to understand how cooperatives cannot only face risks, but overcome them positively, through the capability of building "organizational resilience."

2.2 Corporate Governance

The term "corporate governance" means influence, control, the direction of actions and the behavior of those who actually control the companies (Becht et al., 2002). Spitzack and Chapman (2012) state that there are different understandings of the concept of governance, with implications in various fields and with different meanings. In the view of Shleifer and Vishny (1997), this term deals with the ways in which investors ensure for themselves a return on their investment. Gillan (2006) defines corporate governance as a system of laws, rules, and factors that control operations in a company. In the understanding of Denis and McConnell (2003), corporate governance is defined as a set of mechanisms, both institutional and market, that induce managers to take decisions that maximize the company's value to shareholders.

The most usual theoretical approach to corporate governance comes from Agency Theory (Klein, 1983), which highlights the principal-agent problem within the corporation (Berle; Means, 1932). Jensen and Meckling (1976) emphasize that problems can arise in the principal-agent relationship when the interests of both parties are divergent. It is assumed that the agent will not always act in a way that serves the interests of the principal to the detriment of their own well-being (Correia and Amaral, 2006).

This conflicting relationship is called an agency problem that becomes significant when the principal cannot easily observe the agent's behavior or even when the level of information between them is different (Jensen and Meckling, 1976).

Thus, in order for the principal to be able to monitor the agent's action, it is necessary to have full information. In spite of that, information is partial and incomplete, as the agent can hide them by considering not only the organization's interests but also his/her private interests. For this reason, the agency relationship is concerned with the problems caused by incomplete information provided by the agent to the principal (Nascimento and Reginato, 2008).

In this sense, corporate governance is one of the possible ways of aligning interests between the parties (agent/principal), and minimizing agency conflicts (Berle and Means, 1984). In other words, corporate governance emerges as a set of mechanisms that can increase reliability in the relationship between the manager and the entrepreneur (Leal, 2002).

In order to align the main agent's objectives, there are some governance mechanisms such as the existence of boards (administration and supervisory) that represents and gives voice to shareholders' interest (Becht et al., 2002), Gillan (2006), the executive board with activities developed by the CEO and audits (Siqueira, 2011).

Corporate governance is gaining more and more room in organizations strategies, especially in the definition of rules that will help the communication of corporate management acts with the external environment, favoring long-term sustainability (McDonnell, 2011). Furthermore, governance encourages the development of internal organizational factors, which in turn directly contribute to resilience (Lampel, Bhalla and Jha, 2014). In other words, governance practices can be pillars for building and maintaining resilient companies (Cecchin and Mascena, 2016).

2.3 Corporate Governance and Organizational Resilience

Some researchers stress the importance of governance for organizational resilience (Lampel, Bhalla and Jha, 2014; Thompson, 2019; Cecchin and Mascena, 2016). Thompson (2019) infers that identity and governance are important aspects of community resilience. Lampel, Bhalla and Jha (2014) argue that governance can create the foundations that facilitate the development of corporate resilience. For Cecchin and Mascena (2016), among other factors, the existence of corporate governance practices can be pillars for building and maintaining a resilient company.

Carmeli and Markman (2010) identified some generic strategies that are essential for organizational resilience, including governance. The governance strategy, according to the authors, refers to the capacity of an organization to assimilate, retain, defend and increase its market dominance.

Corporate governance is broadly defined as the mechanisms by which organizations operate when there is a separation between ownership and control. Empirical findings point out resilience as one of the advantages of this type of company and suggest that expanding the relationship between owners and managers should result in greater organizational resilience (Lampel, Bhalla and Jha, 2014).

Finally, there is a consensus among several authors on the role that resilience provides to organizations. However, there is a gap, which is to explain what companies can do to extend their longevity (Carmeli and Markman, 2010). While there is a recognition that organizations must change and adapt to survive and thrive, greater effort is required for a deeper understanding of how corporate governance mechanisms interact and reinforce each other to increase resilience and longevity.

Most research that investigates corporate governance uses large corporations as the object of study. Nevertheless, this concept can be used in all organizational models in which there is an agency relationship, such as agricultural cooperatives, our object of analysis.

3.4 Agricultural Cooperatives, Governance and Resilience

Cooperative organizations are characterized as being a gathering of individuals who wish to obtain benefits that would not be obtained if they acted individually, the so-called collective action. In economic terms, collective action takes place in imperfect markets. Thus, collective action takes place to reduce the contractual opportunism of the agent with greater market force. Still, by the theory of property rights, agents decide to act collectively to share property costs. Therefore, collective action takes place to face market failures and minimize the cost of ownership of individuals who decide to act collectively (Staatz, 1987 and Hansmann, 1996).

In general terms, cooperatives have an economic but non-profit purpose, with their own legal form and nature, and are constituted to provide services to members. The economic role takes place through the vertical integration of its members in the agrifood

chain, either upstream through the purchase of inputs, or downstream, through the sale of production (Sexton, 1986).

In Brazil, a specific law rules cooperativesⁱⁱ. This legislation places the cooperative society in a special situation. It is constituted as a civil society with economic and commercial purposes formed by actions integrated by its members (Davis and Bialoskorski Neto, 2010). The law establishes that in these companies there is no profit objective and that they are not subject to bankruptcy.

This organizational model, as pointed out by Birchall and Hammand (2009), started to attract growing interest because of its apparent resilience in the face of crises. Roelants et al. (2012) corroborate this thought by mentioning that cooperatives in their various sectors and typologies seem to be showing greater resilience in times of crisis, compared to conventional companies. Conservative decisions in management and investments, the issue of commitment and loyalty of members in times of crisis and the existence of social ties seems to be the factors that explain the reason why cooperatives are more resilient than capitalist companies (Birchall and Ketilson, 2009).

However, Salifu et al., (2010) note that cooperatives are not immune to economic crises and that considerable human and institutional effort is required to effectively run and manage a cooperative. In general, cooperative organizations continue to face many challenges, such as the lack of efficient management and the attempt to achieve fairness with members that may have different aims (Birchall, 2003).

Davis and Bialoskorski Neto (2010) argue that in recent years, many cooperatives, characterized as large societies with unquestionable reputation, have suddenly and unexpectedly failed, suggesting that some problems were not transparent or not easily noticeable. The authors further argue that when these problems were noticed, it was often no longer possible to correct them. Thus, the feeling prevailed that the cooperatives had lost their way and were no longer under the control of their members (Munkner, 2000).

Governance mechanisms in the cooperative environment can contribute in order to minimizing agency conflicts. These mechanisms are related to internal actors of a cooperative: i) Participation of cooperative members, ii) board of administration and executive board, iii) auditing and iv) supervisory board. These all compose, within their respective councils, a set of corporate governance mechanisms within the environment of cooperative societies (Silva, Souza and Leite, 2011). Brazilian Law determines these mechanisms of governance, except the auditing, which is a recommendation. However, one can observe that traditional cooperatives vary in their way of allocating residual rights and decision rights, which denotes a non-uniformity in their governance environments.

3. Methodology

Based on exploratory research, under the argument of governance, we analyzed the organizational resilience of agricultural cooperatives located in the State of Mato Grosso do Sul / Brazil. First, we developed a systematic review of the literature on organizational resilience and corporate governance in cooperatives. Second, four case studies were carried out - two with cooperatives in operation (active condition) – Copasul (Cooperativa Agrícola Sulmatogrossense Ltda) and Coopavil (Cooperativa Agroindustrial do Vale do Ivinhema Ltda)- and two others with a liquidated cooperative (not active cooperative) – Coagri (Cooperativa Agropecuária e Industrial) and Coomleite (Cooperativa Mista dos Produtores de Leite da Região Centro Sul Ltda). The non-active cooperative is a “proxy” of the lack of resilience. The data analysis was carried out by means of official documents, such as bylaws, meeting minutes and management reports, as well as by interviews conducted with managers

and associate board members. In the case of Coagri, the judicial liquidation process was investigated.

4. Results

The results present a brief history of each cooperative investigated in this research, followed by a description of the governance mechanisms adopted by each one. The results are presented individually (by each cooperative) and then in a comparative way.

4.1 Cooperativa Agropecuária e Industrial – Coagri (in liquidation)

Cooagri was a cooperative of the agricultural sector of storage and commercialization of grains. It is currently in a non-active status. It was founded in the early 1990s, as a result of the separation of the regional maintained in Mato Grosso do Sul by Cooperativa Tríticola Serrana Ltda – Cotrijuí do Rio Grande do Sul. This regional office was maintained by 2,000 Cotrijuí members living in MS for a period of 12 years.

According to Coagri's bylaws, the cooperative's management and supervisory bodies were formed by i) general assembly (GA), ii) board of directors (CONAD), iii) council of representatives (CONRE) and iv) audit committee (CONFIS).

Cooagri's members were represented at general meetings by a council of representatives (CONRE). In other words, their members were exempt from participating in the cooperative's meetings, with their participation being optional since they would not have the right to vote in the meetings. However, not even CONRE members have full attendance at the assemblies. According to the minutes of the GA, only in 1995 it was possible to identify 100% of the members of CONRE participating in the ordinary GA. In other years, there was always the absence of at least one member. In this case, the absent member represented 150 members at the ordinary GA.

CONRE representatives should meet in pre-assemblies with cooperative members, before the meetings take place, to guide decisions in the cooperative. These representatives had the characteristic of promoting cooperative education and being the main means of communication between members and the cooperative. Despite this, this council did not have the power of administrative action in the cooperative.

Cooagri's main administrative body was the board of directors (CONAD) which was supposed to plan and set standards for the cooperative's operations and services and control the results. Thus, Coagri's members delegated the right of formal control to CONAD, transferring to the latter the formal authority over the control of the cooperative. The chairman of the board, with the vice-president, was the main manager of the cooperative. Both were primarily responsible for proposing and ratifying the cooperative's investment projects.

The cooperative's administration was supervised by an audit committee (CONFIS). This council received annual training from the OCB/MS and could also hire advice from specialized technicians and make use of reports and information from external audits. The council did not have internal regulations, basically what dictated the actions developed by the council was the cooperative's bylaws.

Cooagri's Growth and Disrupt

Cooagri designed and implemented some changes to its bylaws and operating procedures to achieve greater efficiency or avoid disagreement among members with conflicting interests.

After being created, Cooagri went through the first bylaw reform in 1994. Among the main changes, CONRE started to organize the elections for the board of directors and members of the audit committee. After the changes, 12 members composed the CONAD, including the CEO, vice president of operations, and administrative and financial vice president, in addition 9 (nine) directors. And CONFIS started to inspect the performance of each business unit of the cooperative.

In 1995, Cooagri had financial problems of debt and a deficiency of working capital. In order to solve this issue, the CONAD of Cooagri requested (in GA) the sale of part of the cooperative's assets. However, the debt from the dismemberment of the original cooperative (Cotrijuí) and the indebtedness of the cooperative and its members hardened the development of Cooagri's business. The cooperative was unable to pay the commitments made within the agreed terms, and in 1996 it was concluded that Cooagri would go into liquidation.

Efforts were made to carry out the preferential credits, aiming at administrative liquidation. However, in 1998 Recoopⁱⁱⁱ was launched by the Federal Government. This program aimed to restructure and capitalize on cooperatives that were going through difficult periods. From this program, Cooagri was able to promote the lifting of the extrajudicial self-liquidation and retake activities.

Its main activity became services supply for members in the area of grain and seed storage. In the area of units and posts, meetings should be held for making decisions on issues formulated by the board of directors in a pre-assembly format. The return to activities, however, was not completely self-sufficient. Past financial crises of Cooagri never allowed them to be free of the need to take out credit to make its operations possible and viable.

The established conjuncture led to more than 400 lawsuits filed against Cooagri as of September 2008. The established conjuncture led to more than 400 lawsuits filed against Cooagri as of September 2008. There were several orders for the confiscation and removal of products and goods granted by the judiciary against Cooagri, withdrawing from its possession patrimony such as grains, seeds, vehicles, etc. The situation faced made it impossible to maintain the cooperative's activities, which was exacerbated by the 2008 global financial crisis, all of which culminated in the shutdown of all Cooagri establishments in 2009.

Currently, as found in the lawsuit, the value of Cooagri's assets is lower than the cooperative's total debt, that is, nowadays, it is possible to pay only 37% of the total debt with the cooperative assets. Thus, the value of Cooagri's assets is insufficient to honor the cooperative's commitments, justifying the request for a declaration of insolvency and consequent judicial liquidation.

4.2 Cooperativa Agrícola Sulmatogrossense Ltda – Copasul (in operation)

The main activities of Copasul are related to the grain sector, since technical assistance, sale of inputs, receipt, and marketing of the cooperative's production. Currently, the cooperative is in active operations. It was founded in 1978 by 27 Japanese cotton-grower immigrants from two family groups, Kamitani and Suekane. Rural producers sought the sustainability of cotton production to promote the growth and strengthening of cooperative members. The cooperative emerged to carry out the economic and social defense through the mutual help of its members.

According to Copasul's bylaws, the cooperative's governance structure is formed by i) a general assembly, ii) a board of directors and iii) an audit committee. The general

assembly of members is the main social body of the cooperative. On average, 30% of members participate in GAs.

With regard to the executive management of the cooperative, in Copasul, it must be carried out by a board of directors with the competence to plan and outline norms for operations and services and control the results. Thus, Copasul's members delegated the right of formal control to the board of directors, transferring to the latter the formal authority over the cooperative's control. Once the members of the board were elected, they would choose among themselves the members who would perform the executive functions with the titles of the president (CEO), the vice president (vice-director), and the secretary director.

In relation to the audit committee, the cooperative has the support of OCB/MS to provide courses and training to them. However, the board does not have internal regulations, only bylaws, to which the duties of the members are directed. In addition to the legal aspects imposed on the cooperative's governing bodies, the statute includes the role played by a hired manager.

Growth of Copasul

Copasul designed and implemented several changes to its bylaws and operating procedures to obtain greater efficiency or avoid disagreement among members with conflicting interests. As it did not have an industrial park at the beginning of its activities, the cooperative rented space to receive the cotton production of the members.

The measure proved to be positive, as 513,340 seed cotton bags were received in the first year of the cooperative. However, the rent caused a number of additional costs. And in order to minimize these costs and add greater value to the cooperative's cotton production, the executive board planned the construction of a cotton processing plant in Naviraí/MS.

In 1986, the Naviraí storehouse, called 'Sítio Aeroporto', was created to receive grains with pre-cleaning, drying and storage silos equipment. The executive board was authorized to arrange the installation of the warehouse, including leasing or acquiring property for this purpose.

The first change in the governance structure of Copasul was in 1990. This bylaw reform regulated the rules and established the attributions for the positions created and appointed by their holders for the performance of their functions. The executive board, general management, and divisions were created.

The expansion of activities in the cooperative's grain sector took place at the Deodápolis storehouse in 1991. This year, the operation of the pig farming facilities in the cooperative also began. In 1992, the Central Committee of the cooperative requested greater integration on the part of the board, being more transparent about the activities developed by the cooperative. Under the same circumstance of transparency, the board was promptly willing to pass on all the information needed.

With the purpose of expanding its operations, in 2010 Copasul incorporated the agricultural cooperative in Mato Grosso do Sul – Agrocoop de Maracaju/MS. The opening of a storehouse in the region expanded the area of cotton farming in Copasul.

In 2018, another reform took place in Copasul's bylaws. Among the main changes, the cooperative's board of directors, constituted by the president and vice-president, with the board of directors, started to have only the role of control of the cooperative, delegating the attribution of management to a body of specialized executives, one with the position of operation director and the other of business director.

Currently, Copasul is in full activity. In 2020 alone, the cooperative's revenue was R\$2,168 billion, with net surpluses of R\$82,7 million. The cooperative has a storage capacity

of 9.41 million seed bags. However, it received 22.92 million seed bags from its members, of which 6.59 million bags of grain were exported.

Copasul produced 11,797 tons of yarn in 2020 and processed 2,658 tons of plume. It also produced 21,026 tons of starch. The cooperative's membership consists of 1,608 members and 635 employees. The cooperative has clients in 16 Brazilian states with 2,350 clients. Currently, there are 18 Copasul units in 9 municipalities, of which 10 units are for receiving grain.

4.3 Cooperativa Mista dos Produtores de Leite da Região Centro Sul Ltda – Coomleite (in extrajudicial liquidation)

Coomleite was a cooperative in the dairy sector, comprising a range of dairy products. Currently, the cooperative is inactive and in the process of extrajudicial liquidation. It was founded on May 10th, 1980 by a group of 25 farmers.

The purpose of the cooperative was to promote the development and defense of the economic activities of its members. Notably, the cooperative's intention was the common commercialization of the members' production in fresh or industrialized form. To achieve its goals, the cooperative received milk production from its members along with its platform to industrialize and commercialize the product.

According to Coomleite's bylaws, the cooperative's management and supervisory bodies were formed by i) the General Assembly, ii) a Board of Directors, iii) Special Committees and iv) the Audit Committee.

As could be observed in the minutes of meetings, the percentage of members participation in Coomleite's general assembly meetings from 1985 to 1998, was, on average, 13%. In this period, there are no records of previous events, such as pre-meetings, intended for greater interaction of cooperative members on matters to be debated at the meetings.

With regard to the board of directors, the elected members of the board chose from among themselves the president, vice-president, and secretary. The chairman of the board (CEO) and president of the cooperative were the same people, which characterized the dual role played by the executive management.

The management of the cooperative relied on the support of the audit committee. It was not common for the cooperative to provide training for CONFIS members, neither existed any material that regulated the attributions of CONFIS, characterizing the non-existence of internal regulations for the audit committee.

Since the foundation of the cooperative, the independent audit has always been carried out through the technical opinion of OCB/MS agents, who only provided a technical opinion regarding the accounts of the board of directors and there was no disclosure of an audit report. The cooperative did not formally have an independent audit structure.

Coomleite's Growth and Disrupt

Coomleite designed and implemented some changes to its bylaws and operating procedures to achieve greater efficiency or avoid disagreement between members with conflicting interests. In 1984, the first bylaw amendment took place. It was at CONAD's discretion and within the limits and conditions established by law, that the company would, from that moment on, operate with non-members, acquiring products in order to supply the idle capacity of its facilities.

In 1986, Coomleite acquired the industrial unit of the Central Milk Cooperative of MS (CCLMS) in Campo Grande/MS. As the cooperative owns 80% of the CCLMS, only a

transfer of equity would occur. Coomleite started to process 35,000 liters of milk per day into mozzarella cheese in 1987.

To solve the cooperative's problems, generally, in accordance to low prices and dissatisfaction of the cooperative members, the board members gave broad decision powers to the president and vice-president elected in 1998, for them to establish certain prices that would avoid damages to the cooperative.

As a result of problems such as the dissatisfaction of the cooperative members with the cooperative's management, the way the cooperative was managed, and the disagreements on the part of the members of the board of directors, the cooperative in 2000 began the process of liquidating its activities. So far, the cooperative is still in the liquidation phase, unable to honor its obligations.

4.4 Cooperativa Agroindustrial do Vale do Ivinhema Ltda – Coopavil (in operation)

Coopavil is a cooperative whose main economic activity is in the dairy sector. Currently, the cooperative is active. It was founded in 1981 in the city of Nova Andradina/MS, by a group of 41 rural producers from the region of the Ivinhema valley in the state of MS.

The objective of its producers was to promote the development and defense of economic activities, specifically agricultural and industrial ones, as well as the collective sale of fresh or industrialized agricultural production. These producers sought to get rid of the action of intermediaries in the phases of processing and marketing of milk, marketing of grains and distribution of inputs.

According to the bylaw of Coopavil, the cooperative's management and supervisory bodies were formed by i) the General Assembly, ii) a Board of Directors, iii) Special Committees and iv) the Audit Committee.

The general assembly of cooperative members is the main social body of the cooperative. On average, 30% of members participate in GAs. The Cooperative's board of directors is responsible for planning and drawing up rules for the cooperative's operations and services and controlling the results. In other words, Coopavil's members delegated the right of formal control to the board of directors, transferring formal authority over the control and management of the cooperative.

The CEO of the cooperative is supervised by an audit committee. The cooperative has the support of OCB/MS to provide courses to board members. The bylaws govern the attributions of the board, as there are no internal regulations.

Also, according to the bylaws, special committees, that are auxiliary bodies of the cooperative management, can be temporary or permanent created by the board of directors to study and present solutions to various issues.

Growth of Coopavil

Coopavil designed and implemented some changes to its bylaws and operating procedures to achieve greater efficiency or avoid disagreement between members with conflicting interests. At the beginning of the activities, the cooperative members decided to rent the Santa Maria dairy industry located in Nova Andradina. The activity proved to be strengthened with great acceptance by the cooperative members. Faced with good business prospects, the cooperative invested in building its own dairy industry in 1982.

In the early years, Coopavil's dairy industry had a processing capacity of 35,000 liters of milk per day. Most of it was directed to the production of Coopavil mozzarella cheese, the cooperative's main product.

To offer a differentiated service to its members, the cooperative created the Coopavil supermarket, offering a variety of products at more affordable prices. To meet the needs of its members through products, inputs and services with higher quality, a veterinary store was also implemented next to the market, as well as a feed factory, thus facilitating access to the raw materials necessary for the production process of milk producers. Among the activities that the cooperative develops are the purchase and sale of inputs for dairy production, and especially the purchase and industrialization of milk. Currently, the cooperative has an annual production capacity of 10,800 million liters of milk, demonstrating the importance of Coopavil in the regional context.

4.3 Discussion

According to the survey carried out, the cooperatives were created for defensive reasons, focusing mainly on protecting the activities carried out by their members, especially in the grain and milk sector. Cooperatives emerged in the same period. Cooagri officially became a cooperative in 1990. However, it had been operating for 12 (twelve) years as a subsidiary of the Cotrijuí cooperative.

The milk cooperatives, Coomleite and Coopavil, presented similar objectives in their bylaws. The Cooagri milk cooperative has been in the process of liquidation since 2008 and a milk cooperative, Coomleite, has also been in the process of liquidation since 2000 (Table 2).

Table 2 – Case Studies characteristics

	Cooagri	Copasul	Coomleite	Coopavil
Foundation	1990*	1978	1981	1981
current status	under liquidation	operating	under liquidation	operating
Main activity	grain	grain	dairy	dairy
Number of members	4050**	1022***	643	840
Aim	To gather rural producers in their area of action, promoting the broadest defense of their economic interests	The economic and social defense of members' interests through mutual help. Operates in the joint sale of products that were delivered by the members and in the acquisition of foodstuffs and inputs.	Promote the development and defense of activities of a common nature, specifically dairy and those directly or indirectly related.	Promote the development and defense of activities of a common nature, specifically agricultural and industrial

Source: Bylaws

* When it was established as a cooperative, Cooagri had existed for 12 years as a subsidiary of another cooperative (Cotrijuí)

** In 2008 (liquidation year), Coagri had 27 delegates; since each delegate represent 150 members, we estimate the total number of 4050 cooperative members

*** In 2018

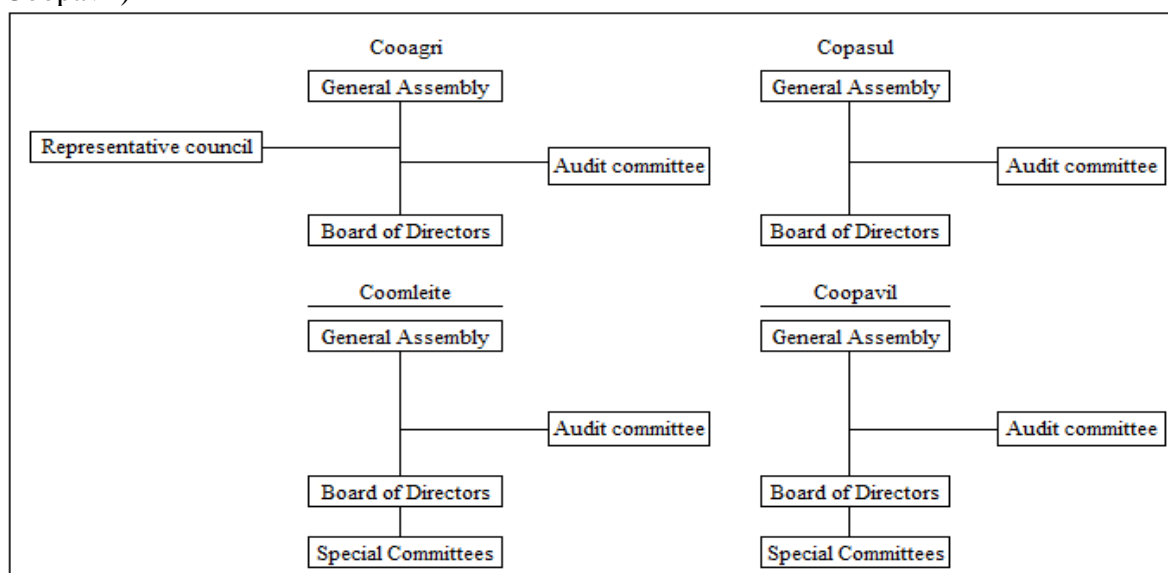
Cooperatives differ in their governance structures. In addition to the governance mechanisms required by law, Coagri created the representative council. This council had the role of representing the cooperative members in the assembly. However, in the attributions

of the representative council, such as promoting cooperative education, being the cooperative's link with the interests of the cooperative members and organizing the polls for the elections of the administrative and supervisory councils, it was not possible to observe in the documents the existence of incentives for delegates to act in the fulfillment of their role.

On the other hand, it was possible to observe that rarely all the delegates were present at the assemblies. In addition, the agenda for consideration and voting at the assemblies was unanimously approved. There is no record of the occurrence of considerations and arguments proposed by the delegates on the issues raised at the meeting. Comparatively, there is no representative council in the other cooperatives.

In addition, the minutes of the Cooagri meeting did not present all the topics discussed at the meeting. Even considering the topics formally described in the minutes, they were still incomplete, as there were no details on proposals and deliberations that could be followed up by the members. Thus, it is not possible to clearly identify the decision-making process. The minutes appear to be just a procedural document, used by the cooperative due to legal obligation.

Figure 3 – Comparison of Governance Structure (Cooagri, Copasul, Coomleite and Coopavil)



Source: Cooperatives Bylaws

Considering the Board of Directors, the attributions are similar in the four cooperatives. What differentiated them was the number of members, 11 in Cooagri, 06 in Copasul and 07 in both Coomleite and Coopavil. Over the years, it is possible to observe a process of change in Copasul's management and control. Copasul's CONAD started to delegate management-related activities to a body of specialized managers and began to exercise the role of controlling the activities they developed, which characterizes the separation between ownership and control.

In relation to other governance mechanisms, in addition to the special committees that may eventually arise, the governance of cooperatives follows legal requirements, such as the constitution of the general assembly, board of directors, and audit committee.

5. Final Remarks

This study aimed to shed some light on the relationship between corporate governance and organizational resilience, specifically in agricultural cooperatives in the state of Mato Grosso do Sul. It is assumed that the governance mechanisms of cooperatives contribute to organizational resilience. To support this assumption, a systematic review of the literature was carried out, then a multiple case study was developed through a document analysis covering (bylaws, meeting minutes and management reports). The case studies involved two grain cooperatives and two milk cooperatives, two in liquidation (Coagri and Coomleite) and another in operation (Copasul and Coopavil).

According to the results, the main aspects that could explain organizational resilience, in addition to historical and cultural issues, are i) participation of cooperative members in assemblies; ii) qualification of the audit committee.

One should not neglect aspects related to historical and cultural issues. Coagri is the result of the shutdown of a large cooperative located in another region of the country, which, in the beginning, represented the assumption of debt of the original company. On the other hand, Copasul is strongly rooted in cultural aspects, originating within a Japanese community. Despite the relevance of this, these aspects are beyond the scope of our analysis.

It was also possible to observe that the cooperative in judicial liquidation (Cooagri) held the assemblies with the board of delegates, optional of the presence of the associates. Some problems related to the non-participation of delegates in the GA were reported. On the other hand, Copasul evolved in the process of separating ownership and control, hiring executive directors to manage the cooperative.

This research presented some limitations. First, the pandemic was a challenge to be faced, even considering that this research was carried out through document analysis. Most of the documents were not available online or digitalized, requiring a personal visit to the state Board of Trade responsible for the custody of these documents. Secondly, the analyses are developed through a detailed reading of the internal regulations and the meeting minutes, standardized, following the legal requirement (bylaws), incomplete and superficial (meeting minutes).

On the other hand, the standardization and incompleteness observed in the official documents analyzed show the problem of asymmetric information and low transparency that increases monitoring costs. This last observation is valid both for the cooperatives in operation and for the ones in liquidation. From this point of view, there is room to propose institutional and private strategies to improve cooperative governance.

Thus, we assume that the results partially corroborate the governance mechanisms to support organizational resilience. The next step will be to expand the number of cooperatives observed in the study and use another research technique to evidence the results.

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ⁱ Cooperatives are considered a simple society that are not subject to bankruptcy; on the other hand, they are subject to the liquidation process.

ⁱⁱ Law n° 5.764/71 (BRASIL, 1971).

ⁱⁱⁱ Program for the revitalization of agricultural production cooperatives – Recoop.