


**AGENCY CONFLICTS IN AGRICULTURAL COOPERATIVES AND THEIR IMPLICATIONS FOR THE PRESIDENT'S SUCCESSION PROCESS** <https://doi.org/10.56238/sevened2024.037-110>**Luisa Rhoden Rech<sup>1</sup>, Erlaine Binotto<sup>2</sup>, Manoela Morais<sup>3</sup>, Álvaro Freitas Faustino Dias<sup>4</sup> and Katia Katsumi Arakaki<sup>5</sup>.****ABSTRACT**

Succession involves the need to replace one manager with another in the most important position in an organization. A transfer of power threatens organizational identity and harms its activities, but if well planned it represents a strategic opportunity for growth and renewal. Formal succession planning in non-profit organizations becomes a vital aspect of their survival. The objective of this article is to relate the main agency conflicts, proposed by Cook (1995), with the succession of the president or CEO in agricultural cooperatives. The presence of these conflicts in seven agricultural cooperatives in Mato Grosso do Sul was analyzed, with regard to the discussions on the succession of the president. Only the current presidents of the cooperatives were interviewed, seeking evidence of the participation of the cooperative members in decisions about succession, the way the president deals with the interests of the principals and the planning of the cooperative's management in the long term. Aspects involving principal (cooperative members) and agent (president) in all the conflicts proposed by Cook (1995) were identified, hitchhiking, horizon, portfolio, control and costs of influence. In this sense, it was identified a lack of dialogue between principal and agent, absence of planning and discussions regarding the succession of the president, the importance of remuneration as retribution for the work performed by the agent, conflict of interest, lack of understanding of the principals when it comes to the interests of the cooperative. They should seek good performance both upstream (on the farm) and downstream (in the cooperative), but they end up abdicating the interests of the cooperative to the detriment of their own interests.

**Keywords:** Planning, Loyalty, Control, Management.

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## INTRODUCTION

Research on succession has often approached the process as a moment of crisis (Dyck et al., 2002; Comini et al., 2013), where there is a need to replace a successful manager with a leader with better performance in the function (Dyck et al., 2002). It can represent a threat to organizational identity and hinder the progress of activities (Gothard; Austin, 2013), but if well planned it can provide opportunities for development and renewal (Allison, 2002; Dyck et al., 2002).

In this way, formal succession planning in non-profit organizations becomes a vital aspect of their survival. Although there is recognition of the importance of this process, concrete actions are not properly elaborated for the preparation of a successor (Froelich et al., 2011). These organizations, also called the third sector (Comini et al., 2013), include, among others, cooperatives and associations (Carrion, 2000).

For the Organization of Brazilian Cooperatives - OCB (2017), agricultural cooperatives aim to generate work and income, seek better technologies and planting, marketing, agro-industrialization and contribute in a shrewd way to the development of agriculture and the Brazilian economy. They are directed by a president who is also a member and rural producer, so he will better understand the needs of the cooperative members, but will tend to adopt more conservative management plans (Bialoskorski Neto, 2012).

This situation leads cooperatives to self-management (Antonialli, 2000) and cooperative members end up taking double risks, because in addition to dealing with environmental threats, they are also subject to the financial risks of the market (Moreira et al., 2016). This link between the ownership and management of the cooperative can lead managers to be influenced by their particular needs when deliberating on strategic decisions (Siqueira; Bialoskorski Neto, 2014), so there is a need for cooperative members to be involved in the governance of cooperatives, decision-making and in the choice of their leaders (United States Department Of Agriculture Rural Development – USDA, 2001).

Discussions about governance have evolved around the agency problems that arise when the company's management starts to privilege its own interests to the detriment of the interests of shareholders. In 1970, the discussions turned to the fact that companies should be concerned not only with the needs of shareholders, but also with other groups are also affected by the board's decisions, including stakeholders, which involve customers, suppliers, employees, the local community and the State (Álvares et al., 2008).

The complexity of agency issues in agricultural cooperatives stems from several factors, including: the various roles played by cooperative members, such as owners,

customers, and managers (Boland et al., 2011); the low involvement of the group that is not in power in discussions and decision-making (Crúzio, 1999) and the difficulty of governance in terms of the exercise of authority and the problems of agency (Álvares et al., 2008). With emphasis on the Brazilian cooperative legislation, which determines that the presidency of these organizations is occupied by an associate member. The objective of this research is to relate the main agency conflicts, proposed by Cook (1995), experienced in agricultural cooperatives with the succession of the president.

## NEW INSTITUTIONAL ECONOMICS AND COOPERATIVE MANAGEMENT

Coase (1937) observed that economists overvalued activities related to production and marketing, neglecting the internal processes of organizations that occurred in the intricacies of the production process, highlighting the role of the firm and its management for decision-making in the face of market uncertainties.

Firms seek to minimize uncertainties and avoid conflicts by reducing transaction costs. The New Institutional Economics admits the existence of institutions that define the "rules of the game", whether formal (laws and property rights) or informal (customs and tradition) (North, 1991).

These rules are not able to predict all conducts in exchange relations, due to the limited rationality of individuals and the asymmetry of information. Thus, contracts play an important role in aligning the interests of those involved, aiming to prevent opportunistic behavior, minimize uncertainties, align information and reduce costs (Williamson, 2002). In addition, this relationship can benefit from corporate reputation and the development of trust in order to reduce market risks (Bachmann; Inkpen, 2011).

Within cooperatives, the attitude of cooperative members towards governance practices determines their behavior (Hakelius; Hansson, 2016), and issues related to agency problems are institutional guides of corporate governance, it is therefore essential to align incentives, based on remuneration policies (oriented to conduct and results) and to monitor self-interested behaviors (Shapiro, 2005).

The positions of fiscal council and board members, including the president, are held by members of the cooperative, elected by their peers (Brasil, 1971). These organizations struggle to find individuals who assume responsibilities, the absence of strategic planning and cyclical changes in management hinder their good performance, especially when there is divergence of interests between cooperative members and management, so professionalization can be a way to solve administrative problems (Antonialli, 2000).

Agency problems arise from informational asymmetries between principals and agents, which generates expenses called agency costs, which arise from opportunistic behavior, resulting from recruitment costs, adverse selection, incentives, moral hazard, corruption, monitoring, and self-regulation (Shapiro, 2005).

These costs are related to property rights that lead to conflicts over residual claims and participation in decision-making, all of which arise from five peculiar characteristics of cooperative users, proposed by Cook (1995) and replicated by Zylbersztajn (2002):

- 1) Hitchhiker problem: when members use the cooperative's resources for their own benefit, property rights are not adequately enforced to ensure that everyone has the same benefits (Cook, 1995), in the same way when they buy products/inputs from the cooperative and sell the production to another organization for a better financial return (Zylbersztajn, 2002).
- 2) Horizon problem: caused by the lack of liquidity, discouragement of members to capitalize the cooperative, reducing opportunities for growth and new investments in the long term (Cook, 1995).
- 3) Portfolio problem: this problem is linked to the adversity between issues involving investment decisions and risks (Cook, 1995), difficulty in accessing third-party capital and the discouragement of capitalization by members leads Brazilian cooperatives to opt for short-term projects to the detriment of long-term ones due to the lack of financial support to invest with their own resources (Zylberztajn, 2002).
- 4) Control problem: it is linked to agency costs, conflicts of interest between associates (principal) and managers (agents), requires monitoring mechanisms the larger and more complex the organization is (Cook, 1995). In Brazilian cooperatives, there is generally no separation between ownership and control, which can be detrimental to these organizations in the sense of having agents specialized in the performance of strategic functions, circumventing problems of inefficiency, monitoring and control exercised by councils and audits (Zylbersztajn, 2002).
- 5) Problem of influence costs: plurality of objectives among the members of the cooperative (Cook, 1995). It arises from the problem of control, as members are not always chosen for efficiency, but receive an income for the exercise of executive positions, triggering problems of informational asymmetry and, in this way, distancing members from the assemblies and decision-making processes, making it difficult for them to monitor (Zylbersztajn, 2002).

Agency conflicts in cooperatives occur due to the disagreement of ideas between cooperative members and directors, Poppo and Zenger (2002) point to the importance of relational governance, based on trust, where the fulfillment of obligations, promises and expectations takes place through social processes that enable flexibility, solidarity and exchange of information. For Shapiro (2005), organizational structures need to foster reciprocity, cooperation, intercooperation and trust.

Thus, the maintenance of a relationship based on trust is fundamental between managers and cooperative members (Bertolin et al, 2008), this trust is the result of effective institutional measures and regularity in transactions, enhancing the development of a positive reputation (Bachmann; Inkpen, 2011).

The asymmetry of information between agent and principal (associates and managers) hinders the emergence of trust, and may lead associates to seek external sources to meet their needs (Bertolin et al., 2008). In this sense, formal institutions and relational governance complement each other, avoiding opportunistic behavior and ensuring mutuality (Poppo; Zenger, 2002) between cooperative members and managers.

Economic issues - difficulty in accessing resources (Gimenes; Gimenes, 2007) - and institutional - inflexible cooperative legislation - lead agricultural cooperatives to "self-management" with a pattern of selection of internal candidates (Antonialli, 2000). The distrust of cooperative members in the decision-making processes of management is evidence of the need for a change in management (Bertolin et al., 2008).

## METHODOLOGY

In the state of Mato Grosso do Sul there are 36 agricultural cooperatives with headquarters in the state (OCB/MS, 2017). A data survey was carried out via telephone to find out the billing and other information to profile 20 of them, as 16 did not respond, it was not possible to make contact or were deactivated.

The cooperatives were classified by size based on their revenues based on the classification of the size of companies of the National Bank for Economic and Social Development (BNDES, 2015), used to fit companies to their lines and programs of financing. Table 1 shows this classification.

Table 1: Classification of the size of cooperatives according to revenue.

Postage	Billing
Microenterprise	Up to 2.4 million
Small Business	Above 2.4 million to 16 million
Medium Enterprise	Above 16 million up to 90 million
Medium-Large Enterprise	Above 90 million up to 300 million
Large Company	Above 300 million

Source: Adapted by the author according to the BNDES company size classification (2015).

Based on the classification in Table 1, the cooperatives were classified as large, medium-large, medium, small and micro cooperative, as shown in Table 2. One cooperative was not classified in this item, as it did not provide information about its revenue.

Table 2: Classification of cooperatives by size.

	Postage	Billing		Postage	Billing
1st	Big	836,48	11th	Small	4,6
2nd	Big	468,0	12th	Small	4,0
3rd	Medium-Large	98,0	13th	Micro	2,0
4th	Average	89,7	14th	Micro	1,5
5th	Average	80,0	15th	Micro	1,15
6th	Average	36,0	16th	Micro	0,53
7th	Average	34,0	17th	Micro	0,30
8th	Small	14,0	18th	Micro	0,14
9th	Small	12,0	19th	Micro	There is none
10th	Small	4,8	20th	-	Not disclosed

Source: Prepared by the authors based on research data (2016).

The second stage was an interview with the presidents of these cooperatives with an on-site visit. The selection criterion was revenue and the availability of the presidents to participate. Seven cooperatives participated and were defined as: CP1 and CP2 (large); PC3, CP4 and CP5 (medium size); CP6 (small) and CP7 (micro).

The option for seven interviews considered the exhaustion of the data, the repetition of the information led to the cessation of the collection. The researcher and the president participated, and in two cases there was the participation of third parties (superintendent and an employee). The interviewees signed a Free and Informed Consent Form, the interviews were recorded with a portable recorder and later transcribed with the aid of the *InqScribe software*.

The questions encompassed topics about the president's entry into the cooperative and the position, average time of permanence of the current president in charge of the cooperative; training and experience of managers; existence of talent management practices; planning of the succession process; involvement of cooperative members in the process; perception of the president; Boards of Directors and Fiscal Council.

This research followed the methodological proposal of Bardin's (2011) content analysis, contemplating the following phases: pre-analysis; exploration of the material; treatment of results, inference and interpretation.

- Pre-analysis: "floating" reading of the documents to survey the variables and build the research instrument.
- Exploration of the material: transcription of the interviews through the *InqScribe* software and exported to the *Nvivo* software, where five nodes were created: Portfolio; Ride; Horizon; Control and Costs of Influence.
- Treatment of results, inference and interpretation: analysis of transcripts, framing of data to variables (*Nvivo*), grouping and interpretation of results.

## RESULTS AND DISCUSSION

### PROFILE OF THE COOPERATIVE, THE PRESIDENT AND SUCCESSION

Chart 1 presents data on the age and time that the current president has been in charge of the management, in the seven cooperatives visited.

Table 1: Characterization of cooperatives.

	Postage	Age of the president (us)	Time that the current president has held the position
CP1	Big	86	38 years old
CP2		53	9 months
CP3	Average	35	1 year
CP4		40	9 years
CP5		51	2 years
CP6	Small	63	7 years
CP7	Micro	34	6 Months

Source: Prepared by the authors based on research data (2017).

The management times range from six months to 38 years, with the presidents being 34 years old, the youngest and 86 years old, the oldest, respectively. Only CP1 and CP6 have strategic planning. Chart 2 presents some characteristics of its presidents:

Table 2: Characteristics of the presidents.

	CP1	CP2	CP3	CP4	CP5	CP6	CP7
Higher level							
First term							
You have someone you trust in your property							
Fulfills hours in the cooperative							
Receives remuneration							
He is a founding partner							
Supports the renewal of management							
Experience in cooperative management							



Activity in the same branch of the cooperative							
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Source: Prepared by the authors based on research data (2017).

In Chart 2, the filled cells reveal the presence of the aforementioned characteristic, so it is observed that the two presidents who do not have higher education are inserted in the only two cooperatives that presented a strategic plan (CP1 and CP6), in addition these two presidents are already more than one term at the head of the cooperative, are founding members and do not support the renewal of management.

The presidents of the four cooperatives with the highest revenues delegated the management of their properties to trusted people, which gives them greater freedom to take care of the demands of the presidency position. Factors that can discourage presidents from remaining in office are not having their rural activity in the same branch in which the cooperative operates (CP6) and not providing remuneration to the president, as in the case of CP7 (cooperative with lower revenue). All the presidents were already in other positions in the management of the cooperative before assuming the presidency.

Cooperatives need qualified agents/managers to deal with human relations and with the capacity to develop and manage monitoring mechanisms due to the complexity involved in the management of cooperatives.

Some points were identified in the seven interviews that characterize the peculiar traits of the users of the cooperatives proposed by Cook (1995) and that influence the succession process of these organizations in the state of Mato Grosso do Sul.

The answers of the interviewees refer to their experience and experience within the cooperatives, this does not mean that the problems reported necessarily existed at the time of the interview, but that at some point they have already experienced or identified these behaviors in the institutional framework.

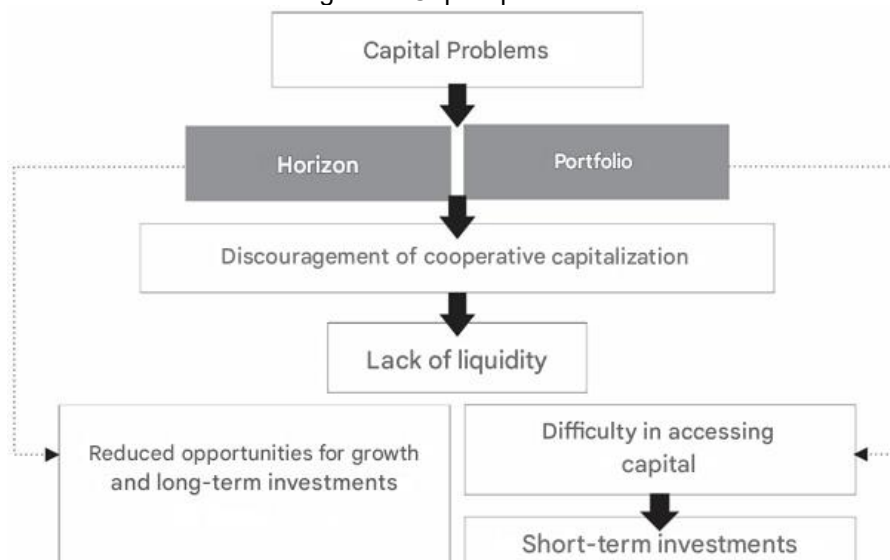
Thus, the five problems proposed by Cook (1995) were divided into two categories: (1) capital problems; and (2) problems involving individuals.

## CAPITAL PROBLEMS

The capital problem involves the difficulty of capitalization and is linked to two of the problems proposed by Cook (1995) as shown in Figure 1:



Figure 1: Capital problems.



Source: Prepared by the authors based on theory and data.

Figure 1 shows that the horizon and portfolio problems are linked to the complexity of capitalization of cooperatives, which makes it difficult to carry out projects with long-term returns (horizon), minimizing their ability to offer new services (portfolio) to improve the support provided to cooperative members and remain competitive in the market in which they are inserted.

The problem of the horizon is present in the cooperatives of MS and impacts on their succession process, because many times (CP1, CP3, CP5, CP6) there is no concern with the replacement of managers in the medium and long term. An aggravating factor is the difficulty in retaining financial resources (CP3) and the resistance of the cooperative members to invest in the cooperative (CP3, CP7), making it difficult to invest in training.

This scenario makes some cooperatives seek survival mechanisms, such as renouncing the pro-labore of the president and board members in favor of the financial balance of the cooperative (CP7), but this situation becomes a disincentive to the development of the permanence of individuals in the position (CP3, CP7).

That is why succession planning is essential to reduce risks and ensure management continuity, with competent professionals who are able to maintain control through a smooth transition (IBGC, 2015). In this sense, the need to train the president and possible successors (CP3, CP5), the early involvement in management (CP4, CP5), the importance of rural succession with a view to renewing the cooperative's membership (CP3, CP4, CP5) were highlighted.

A management with a new executive profile is fundamental (OLIVEIRA, 2011), aiming to achieve growth opportunities and new investments in the long term, which are

profitable upstream, for the cooperative members as customers and downstream for the cooperative and for the cooperative members as partners.

However, cooperatives have a difficulty in remunerating their executives satisfactorily, *"[...]it's not what we receive here as president, [...] which would be an amount that would pay an executive director [...]"* (CP2), thus hindering the professionalization of management, an ideal scenario for the current competitive environment in which cooperatives are inserted (CP2, ANTONIALLI, 2000) as observed by the president of CP5:

*"[...] A model that I imagine ideal would be that of professionals hired to run the day-to-day of the cooperative. The board of directors meets [...] to set goals, outline the guidelines, pass it on to the executive area and let the people work. And the board of directors together with the fiscal council create monitoring mechanisms [...]"*.

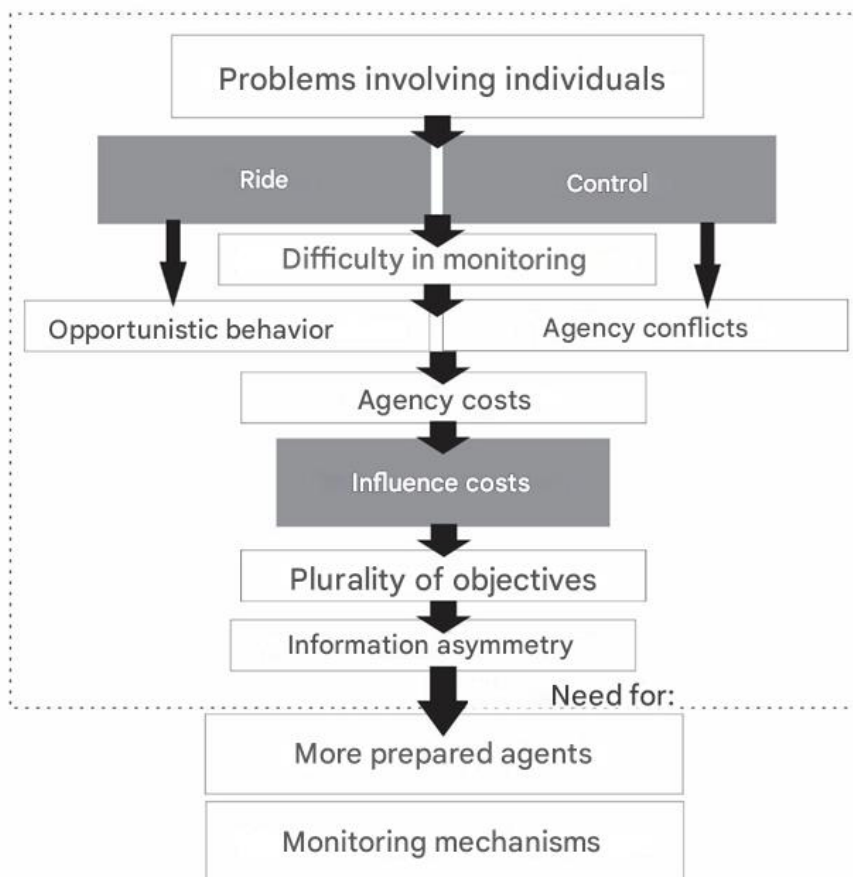
In addition, pecuniary remuneration is also necessary in view of attracting qualified members to take over the management (CP2, CP3, CP7), allowing them to give up part of their time dedicated to the property to engage in the cooperative's projects (CP5), *"the pro-labore will sometimes provide a motivation for someone who is wanting (to take over the management)[...]"* (CP7).

The succession process demands resources, if not well conducted, it will culminate in the election of poorly trained managers, who end up adopting more conservative measures (Bialoskorski Neto, 2012) with regard to investments and innovations in the long term (CP4).

## PROBLEMS INVOLVING INDIVIDUALS

The problems involving individuals are the free rider, control and influence costs and are linked to issues involving monitoring, agency costs, plurality of objectives and informational asymmetry, as shown in Figure 2.

Figure 2: Problems involving individuals.



Source: Prepared by the authors based on theory and data.

The problem of the free rider is linked to opportunistic behavior and can involve two links in the cooperative, the cooperative members and the management, occurring when:

- 1) the cooperative members only approach the cooperative in times of difficulty (they negotiate with it only when they are benefiting and intend to solve their problems primarily to the demands of the other members) – these problems were identified by the presidents of CP2, CP3 and CP6. *"[...] they don't even want to know what's going on (management), they want their product here, to sell it when they want, [...] they don't want to participate [...]" (CP6) and "[...]there are cooperatives who want to take advantage of the other cooperative member or over the cooperative, if he is taking advantage [...] he is sucking a little bit of everyone [...]" (CP3).* Thus, it is necessary to reassess governance practices, as they are what determine the behavior of members towards the cooperative (Hakelius; Hansson, 2016).
- 2) management, when the directors take charge with a view to obtaining advantages, such as remuneration/bonuses; meeting the demands of one's own rural business, delegating services/jobs to relatives (CP3), gaining political advantages (CP3, CP4 and CP6), taking over management without preparation (CP2, CP6) and passing the

baton to someone in the family (CP1). These behaviors are identified in the following excerpts:

*"Practically it's my son who is taking over, right (the presidency). Today he is superintendent and I suffer from kidney [...]so he does almost everything. Practically president (Laughs)." (CP1).*

*"[...] the cooperative member [...] has to be aware that the business is his[...] because look at the time that the business involves money, he has cooperated that passed here that [...] he was much more concerned with his business than with the cooperative [...]" (CP3).*

*"[...] He opened branches (speaking of a former president) throughout the state and used the cooperative to get elected as a state deputy and then abandoned the cooperative [...]" (CP4).*

The fragility in the relationship between the cooperative's directors and the cooperative members is attributed to the previous manager's impressions of breach of trust, suggesting the prioritization of individual interests over those of the cooperative. Due to the difficulty of monitoring this behavior, it can be avoided through the moral qualification of managers, as evidenced by the president of CP4: *"[...] it is more moral qualification than technical qualification, because we already have the technical qualification [...]"*.

This situation is aggravated by the difficulty in separating the management of the property and the management of the cooperative, leading some managers to be influenced by their particular needs in decision-making (Siqueira; Bialoskorski Neto, 2014), hence the importance of *"[...]search for [...] to have executives here even running the cooperative with goals, with planning and we counselors come just to monitor, execute and charge [...]" (CP2).*

For, *"[...]There are a lot of people with problems, you know, who think they will be president to solve their problem [...] we are not here to solve my problem [...]" (CP4)*, then adverse selection and the asymmetry of information between associates and managers negatively influences the succession process, highlighting the importance of formal and relational governance to avoid opportunistic behavior (Poppo; Zenger, 2002) and to keep the cooperative members closer to the cooperative, with a relationship based on trust and the search for collective improvements.

The problem of control, on the other hand, generates agency conflicts that, combined with the lack of management succession planning (CP1, CP5, CP6), leads the cooperatives to a conflicting transition (CP2, CP4), as observed by the president of CP2 where, *"The succession took place at a time of a little wear and tear for the cooperative with the previous board [...]"*, in view of this, highlighted the concern of the current board of directors so that in the near future there will be preparation for the president and board members to take over.

In CP4, the process was more conflictual, *"[...] The cooperative had an extremely closed management model, the president at the time, he was kind of the exclusive owner of the cooperative and then we didn't have access to the information [...] I got the number of signatures [...] for me, I was a member to call a meeting and without needing the directors [...] we dismissed the entire board of directors".*

The two cooperatives, CP2 and CP4, were characterized by a long previous management and the succession took place at a time when there was a search to renew the staff, because according to Bertolin *et al.*, (2008) the distrust of the cooperative members in the decision-making processes of the management evidences the need for a change in management.

The link between ownership and management generates costs, such as the difficulty of managers to reconcile the management of the property with that of the cooperative, which may arise problems of poor management, lack of preparation, carelessness with the demands of the position (CP2, CP4, CP7), *"[...]Me being more focused on the cooperative I can't be running my farm but I have my brother so I can rest assured [...]" (CP3).*

Conflicts of interest arise when the cooperative members (CP3) or the counselors are not participative in discussions and decision-making (CP1, CP2, CP5, CP7) and when property rights are not clearly delimited.

The lack of autonomy of the technical team (CP2, CP4) can also lead to conflicts since *"[...]it [the technical team] is the one who is on top of everything, it knows who arrives and talks about something, who says if they [the cooperative members] are happy or not [...]" (CP6),* adjusting to the new trends in the configuration of production, which, due to technological innovations, require reciprocal and collective relations (Carvalho; Bernardes, 1996; Ianni, 1994).

In this sense, it is crucial that the technical team participates in the discussions to avoid problems of discontinuity of work because *"[...]The board will leave but the technical team will continue, it is the one that knows the pain, it is the technical team that knows the progress, the new board will learn from the technical team [...] so the technical team is the main evaluation [...]" (CP4).*

Actions are important in order to circumvent inefficiencies and conflicts, through the renewal of the council (CP1, CP2) *"[...]The expectation is [...] to do a succession work so that more people can participate and the cooperative goes through more evolved succession processes with more committed and qualified people [...]"(CP2),* this process is essential for the decentralization of power, so it is opportune to have a succession plan

(CP2, CP4) aiming at a smooth transition where trained people can be at the head of the cooperative (CP1, CP2).

A wrong decision regarding succession can result in recruitment costs, adverse selection, moral hazard, corruption and monitoring (Shapiro, 2005), thus, a careful look at this process becomes essential, so that it is a planned process and integrates the practices carried out within agricultural cooperatives, through the optimization of the use of available resources.

Having someone trustworthy on the property can be fundamental for the president of the cooperative to be able to dedicate himself to management (CP3, CP4), another option to mitigate conflicts would be the professionalization of management (CP5; Antonialli, 2000), but this alternative requires capital and high professionalism, in addition to the necessary adaptation to cooperative institutional principles, aiming to minimize uncertainties, avoid conflicts, reduce costs and provide for the growth of the organization (North, 1991), in this sense contracts can also be useful in terms of safeguarding collective objectives (Williamson, 2002) and strengthening trust between the parties (Bachmann; Inkpen, 2011).

The problem of free ridership and control arising from opportunistic behavior and agency conflicts and associated with the difficulty of monitoring self-interested behaviors incur unnecessary costs such as agency and influence costs. The latter is due to the plurality of objectives of the associates and managers of cooperatives that have owners/users, in this sense, managers and counselors need to deal with the demands by evaluating the most urgent needs, as it is not possible to please 100% of the employees and associates (CP2).

The firm's succession planning should include incentives for qualified associates to be involved in management, and the alternate should be prepared to take charge if necessary, requiring governance to coordinate an incentive structure (Williamson, 2002; CP3, CP6), *"[...]I was vice president and for private reasons the president had to be absent and then I was forced to take over, but I didn't have that desire and then I'm going to the third term"* (CP6).

The technical team is a strategic link, as it is in direct contact with management and users, so it can play an important role, minimizing informational asymmetry and bringing the demands of cooperative members closer to counselors and managers. Thus, it is crucial to involve this team in the discussions (CP4, CP5, CP6), including the elections for the presidency of the cooperative (CP4), as all *stakeholders* are affected by the board's decisions (Álvares et al., 2008).



Very long administrations are not advantageous, as they lead to the centralization of power, inhibiting the participation and involvement of the cooperative members, so some presidents evaluated the renewal of management (CP3, CP4, CP5, CP7) as fundamental, eight years is the ideal time (CP4), for the president of CP7 *"[...]there has to be change if it doesn't become a very centralizing business [...]you begin to put your own practices within the cooperative and [...] feel like you own [...] the cooperative [...]"*(CP7).

This will allow a constant renewal of ideas, enabling the demands of the various links to be resolved, avoiding conflicts between groups and providing opportunities for a greater number of individuals to participate in the management process, but with the maintenance of members of the previous management to continue the projects in progress so that all the effort and resources employed are not lost (CP2, CP3, CP5, CP7).

The members who are at the head of the cooperative need to combine availability, capacity (CP2) and above all moral qualification (CP4, CP7) to perform their activities, because a good manager is one who achieves the trust of the cooperative members (CP5, CP6), seeking more committed individuals to assume responsibilities (CP3, CP5, CP6).

## FINAL CONSIDERATIONS

The agency conflicts experienced in agricultural cooperatives and their relationship with the succession of the president reflect problems involving capital and individuals. The relations between the president, cooperative members, the board of directors, the technical team and other *stakeholders* showed impasses for a future succession.

This economic and social scenario of cooperatives challenges the efficiency of these organizations with a view to better performance, involving the difficulties of raising funds for long-term investments, complexity in management regarding the asymmetry in communication/information, internal and adverse selection of the board of directors, opportunistic behavior and agency costs.

The peculiarities of cooperative legislation, with requirements involving the need for internal candidates, terms of a maximum of four years, and a link between ownership and management, end up hindering the succession processes of executive positions in these organizations.

With the intensification of the demands for quality, reliability, innovation and value creation to remain competitive in the labor market, agricultural cooperatives struggle to choose their leaders, because the managers are also rural landowners and need to reconcile the activity in the field with that of the cooperative, they usually have experience in managing the property, but are not used to managing a greater amount of economic and



human capital, Thus, discussions arose about the professionalization of the management of these organizations and ways of monitoring them.

All cooperatives, regardless of size (large, medium, small and micro), are faced with agency problems (horizon, portfolio, carpooling, control and cost of influence) when analyzed in the face of the succession phenomenon. The category in relation to the control problem stands out, in which the seven cooperatives surveyed presented evidence of occurrences in their statements.

Thus, the need to plan the succession process emerges, aiming at preparing potential successors to assume the positions of directors within the cooperatives, with the participation of the technical team in decision-making, to continue the processes and activities in progress. In this sense, the management has as a great challenge the development and maintenance of trust between associates and managers.

This trust comes from the work done for the common good, which, when neglected, gives rise to agency conflicts, such as free ridership and adverse selection, experienced by these cooperatives, when the board is more concerned with its own benefits than with the whole.

These conflicts generate costs for the cooperative, which needs to implement control mechanisms avoiding the opportunistic behavior of both parties and safeguarding individual and collective rights. Thus, it is important that the roles of formal institutions, mechanisms and norms and informal ones, which involve the relationship and transparency between the parties, are effective.

When the directors reach a high level of trust, they enable better communication, based on easier and more transparent decisions, triggering efficiency in the choice of directors and participation of members in management.

This research contributes to point to the importance of evaluating the impacts of agency conflicts in agricultural cooperatives and how they can affect the succession process of the president. The limitations are related to the delimitation of the interviews that took place in Mato Grosso do Sul, as a suggestion for future research it is proposed to evaluate the existence of these conflicts in cooperatives in other states.

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