

# Specificities of the Governance Mechanisms of Social Organizations and Their Contribution to Value Creation: Case of Moroccan Cooperatives

Zineb Farabi\*, Abdellatif Bouazza

Faculty of Law, Economic and Social Sciences, Mohammed-V University, Rabat, Morocco

## Email address:

[zineb.farabi@gmail.com](mailto:zineb.farabi@gmail.com) (Z. Farabi)

\*Corresponding author

## To cite this article:

Zineb Farabi, Abdellatif Bouazza. Specificities of the Governance Mechanisms of Social Organizations and Their Contribution to Value Creation: Case of Moroccan Cooperatives. *Journal of Finance and Accounting*. Vol. 10, No. 4, 2022, pp. 174-184.

doi: 10.11648/j.jfa.20221004.11

**Received:** June 16, 2022; **Accepted:** July 1, 2022; **Published:** July 12, 2022

---

**Abstract:** The works in corporate governance are very numerous but cannot be applied on the case of cooperatives, which constitute an exceptional organizational form from creation to profit sharing. They are business models created for the first time by their members because of the inability of the market to provide them with goods and services at affordable prices. However, the absence of good governance can lead to the financial failure of these organizations. In this paper, we have attempted to study, through a qualitative case study, the contribution of the governance of four Moroccan cooperatives, operating in four different sectors of activity in the Rabat-Salé-Kenitra region, on value creation. The data was collected through direct interviews with the presidents and managers of the four cooperatives and the administration of a questionnaire that included all aspects of the cooperatives' governance practices and their contribution to value creation. The results show that the characteristics related to the board of directors, namely the size, the presence of women, the frequency of meetings and the duality of the role of the chairman of the board of directors and the president of the cooperative, have a direct impact on the creation of value of cooperatives, thus, the discipline of the holding of general meetings and the way conflicts are managed effectively contribute to establishing a climate of trust and transparency promoting the creation of value. While the role of the supervisory board remains very limited, not allowing it to contribute to value creation.

**Keywords:** Governance, Cooperatives, Value Creation

---

## 1. Introduction

Emerging countries are often confronted with economic phenomena marked by the presence of social inequalities. At this stage, the cooperative model presents a pivotal scenario to remedy this situation of socio-economic imbalance while preserving dignity and struggling against precariousness and poverty. Through their special legal form, responding mainly to the needs of their members, cooperatives play a preponderant role in the development of emerging countries.

The cooperative initiative has emerged to address the shortcomings that marked the organizations while allowing this type of organizations to provide the community with economic and social benefits common to all members [1]. Indeed, the last decades have been marked by the declaration

of insolvency and bankruptcies of a significant number of cooperatives because of several factors related to management modes, the internal and external environment and mechanisms of their governance [1]. This confirms the idea that cooperative governance is at the origin of their fragility [2-4]. As a result, corporate governance can be apprehended as "the set of mechanisms that delimit the powers and influence the decisions of managers, in other words, who 'govern' their conduct and define their discretionary space" [5]. From this point of view, value is only created when the cooperative adopts an efficient governance system that promotes the achievement of its objectives. However, in order to ensure a balance between the internal and external aspects of the organization, governance involves mechanisms such as direct control through meetings, the board of directors, external audit,

specific committees and internal audit [5].

As in capitalist firms, the governance of cooperatives has been approached through different theoretical currents: agency theory, which represents the cornerstone for explaining relationships in organizations, resource dependency theory, stakeholder theory and neo-institutional theory [6-10]. However, the analysis given by these different theoretical perspectives of governance places more emphasis on the pioneering role played by governance bodies in explaining their weight in the creation of cooperative value.

Nevertheless, the role of cooperative governance in value creation is not the result of a single body (the board of directors) but rather it is a result of the combined efforts of all stakeholders [11]. At this stage, three-dimensional governance as affirmed by Saïssset (2020) brings together: the disciplinary dimension that ensures the balance between the General Assembly, the Board of Directors and the President-Director pair, the cognitive dimension that ensures the understanding of the issues and debates and the consideration of the point of view of the different stakeholders of the cooperative, and finally the partnership dimension that brings together the synergy between the different stakeholders, i.e. cooperative members, employees, customers, etc [11].

Indeed, the synergy between these different dimensions aims to perfect the work of the cooperative and harmonizing the role of each cooperator in order to create value for all stakeholders. At this stage, the cooperative can create value via its governance through several parameters, as the relational portfolio brought by its members, their expertise and know-how and their respect for democratic values in the decision-making process.

In this same furrow, and in order to encourage cooperatives to create value, Morocco attributes through law 112-12 relating to cooperatives a crucial importance to the governance of cooperatives, which is not limited only to the holding of general assemblies and board meetings. Rather, it establishes the rules of governance to be established within cooperatives such as the discipline and regularity of the holding of the General Assemblies, it also gives a capital importance to the respect of the rules of administrative and financial management and imposes fines and sanctions to those who don't respect them. To strengthen their governance, this law has provided for measures allowing cooperatives to open their capital to legal entities with the obligation to set up a supervisory committee whose main mission is the permanent control of the management of the board of directors with the condition of never interfering in the management of the cooperative.

It should be noted that during the last few years, the Moroccan cooperative fabric has undergone a remarkable expansion and reached more than 40,000 cooperatives (Office du Développement de Coopération) in 2020 with more than 640,000 members, the majority of which are agricultural cooperatives followed by handicrafts cooperatives and then housing cooperatives. In parallel to this growing trend in the number of cooperatives, Morocco has adopted for the last ten years, a social entrepreneurship approach in order to develop these cooperatives by making them independent, autonomous and value-creating

enterprises, the goal is the resolution of socio-economic disparities while contributing to the economic emergence of the country and the suppression of the informal sector.

To do so, these cooperatives will have to equip themselves with an efficient governance system that will contribute to their development and, above all, create value for the various stakeholders [12].

Through this article, we wish to study the specificities of the governance of Moroccan cooperatives, and their contribution to the creation of value, using the different theories of the firm. In this context, we can ask the following question: To what extent do governance mechanisms contribute to value creation in Moroccan cooperatives?

To try to answer this question, we will present in a first part the review of the literature related to the concept of governance, the place of the governance of cooperatives in the different theories of the firm, definition and principles of the cooperative. The second part is reserved for the governance of cooperatives and the creation of value, and the last part is devoted to the methodology of the research and the analysis of the results obtained.

## 2. Literature Review

### 2.1. Cooperative Governance: An Attempt at a Definition

Governance is not a recent concept. The term governance was already discussed by John Fortescue, an English legal scholar who published "The Governance of England" in 1471 [13]. It is therefore used to designate a political regime [14]. And since then, several researchers and practitioners have used it according to their own understanding and perception.

Etymologically, the term governance draws its origins in the Greek verb "kubernân" meaning to direct or steer a chariot, a ship (Huynh-Quan-Suu). According to Toupene, (2009), it was used for the first time metaphorically by Plato to designate the fact of governing men. And it is from the 14th century that this term appeared in the English language under the term "governance" [15, 16].

At this stage, corporate governance can be understood differently, depending on the point of view and the context adopted. The literature shows that the notion of governance covers different meanings depending on the context in which it is discussed [17]. Already in 1932, Berle and Means mentioned it in their discussion of the conflicts resulting from the separation of ownership and decision-making functions in large American companies. In return, Lapenu, C. (2002) used the concept to distinguish the fields of its use, whether it be state governance, family governance or individual governance [2]. From this perspective, Aguilera, R. V. (2005) proposed a definition of the concept that was the most comprehensive to explain the meaning of the term as closely as possible, their definition stems from the work they did on the determinants that allow us to understand national differences in governance « the purpose of CG as ensuring that executives respect the rights and interests of company stakeholders, as well as guarantee that stakeholders act responsibly with regard to the

generation, protection, and distribution of wealth invested in the firm» [18].

This definition focused on the obligations of the managers towards the stakeholders of the company, but the modern vision of governance goes beyond this doctrine, it includes responsibilities for the managers as well as all the stakeholders of the organization, for example the employees in the organizations must respect the rules and guarantee the rights and interests of the other stakeholders of the company.

Moreover, governance can also be used in a variety of parameters such as decision-making power, the power used by the state, the governance of a state or the governance of a company [19]. Generally, we can define governance as a concept that describes how (any) activities are managed and governed. Thus, governance can be understood as a set of internal and external mechanisms that promote a space for negotiation to access the benefits generated by the organization. In the same logic, Allaire and Firsirotu, (2003) have defined it as "governance consists of implementing all the means so that an organization can achieve the ends for which it was created, in a transparent and efficient manner that respects the expectations of its stakeholders" [20].

## **2.2. The Place of Cooperative Governance in the Theories of the Firm**

Based on the reflections and theoretical advances on governance, the literature on corporate finance provides a theoretical foundation for the governance of cooperatives based on the different currents, and support the arguments that identify the crucial role of governance in the development and creation of value for cooperatives.

### **2.2.1. Stakeholder Theory**

Before talking about the governance of cooperatives, it is necessary to take into consideration all the stakeholders with whom they interact in the exercise of their activities. Indeed, this approach is a social construct born from the action of a panoply of stakeholders and economic agents in direct or indirect interaction with the organization [9, 10, 21]. In fact, according to the work of Périlleux, A. (2008) there are at least six categories of stakeholders that any cooperative must take into consideration in order to be better managed and to achieve its missions and objectives in good and due form, namely members (owners and at the same time clients), managers, elected officials, salaried or volunteer staff, suppliers of the various inputs and external partners [22]. This theory allows us to understand the importance of addressing the nature of the organization, the way managers think and make decisions, the way that board members think about the interests of stakeholders and the way companies are managed [23, 24, 25].

Stakeholder theory is a reference for identifying the link between stakeholder management and the achievement of organizational social responsibility. Its importance is greater in the case of cooperatives, where the participants are very large and diverse and participate in the different work of the board of directors, which allows cooperatives to have access

to a very wide variety of interests [26, 27]. In this sense, the various governance bodies, specifically the board of directors, play a crucial role in assessing and resolving the various potential conflicts of interest in order to carry out the business of the organizations while maintaining a perennial peace among all stakeholders.

Based on this logic, the cooperative can create value through a synergy between the different stakeholders, at this stage, the members of the cooperative can bring a relational portfolio and a network of contacts with customers, suppliers and others in order to facilitate the access of the cooperative, whether in terms of production of raw materials, to penetrate national and international distribution networks with the ultimate goal of creating value and ensuring the development and sustainability of the cooperative, without forgetting the fundamental principle of democracy that makes the cooperative a place where each person has the right to give his opinion to be transmitted and implemented at the level of the cooperative so that it can fully exercise its democratic right and contribute effectively to the creation of value, unlike managerial firms where the decision is taken at the level of one or a minority of people.

### **2.2.2. The Agency Theory**

The agency's theory is based on the postulate that there is a conflict of interest between the shareholders of the company (the principal) and the managers (the agent) and how to ensure that the managers act in the interests of the shareholders of the organization. This is why the system of government intervened to cover all the internal and external mechanisms that could influence the discipline of the managers and reduce these conflicts requiring agency costs [28]. In this business model, where the decision-making power of each individual depends on the value of the shares in his or her possession, it encouraged the concentration of decision-making power among specific individuals without allowing the other members of the organization to participate and interfere in the decision-making. The limits of this model were seen during the 2008 crisis when a significant part of the firms were negatively impacted by the effects of this crisis and mainly the firms in their governance systems were not as efficient to manage and control the organization in order to circumvent the crisis. On the other hand, the cooperative model has proven its eligibility to achieve an economic performance associated with a collective satisfaction of the cooperative members and to create a tangible value for them. Based on its democratic principle of "one person, one vote", each associate has the right to be involved and to participate in the different management and decision-making mechanisms, this participation brings together a set of means and methods that allow each employee to be informed about the evolution of the enterprise, to be consulted and to be mobilized during the decision-making process" [29]. Thus, the cooperative model can resolve the agency conflict and reduce agency costs through its founding principles and contribute to value creation.

### 2.2.3. Resource Dependency Theory

The theory of resource dependency emerged during the 1960s, according to which any organization can be considered as an open system by weaving relationships with its external environment [7, 8, 30]. In order to access the different resources that all organizations may need, they establish relationships to regulate this dependence and ensure their survival and sustainability [8, 10, 31]. The importance of this theory can be seen in the membership of the members who will later become part of the board of directors, the pivotal body in the governance of cooperatives and in which all decisions are made. In the choice of members, several parameters must be taken into consideration such as their links with the outside world, their networks and knowledge to be made available to the cooperative to ensure its development and sustainability.

Indeed, the resources available to each organization represent a central point of value creation. Mastering resources means guaranteeing the achievement of performance upstream. To this end, at the level of cooperative governance, the relational portfolio provided by its members provides a certain assurance that the cooperative will have the resources it needs to create value.

### 2.2.4. The Neo-institutional Approach of Cooperative Governance

Like any other form of organization, cooperatives are systems that are open to their external, social and cultural environment and this is the fundamental principle of the neo-institutional approach which emphasizes the assumption that organizational structures and practices must be institutionalized under the constraint of external demands and pressures. Indeed, neo-institutional theory provides a benchmark for understanding how external pressures influence board management mechanisms in the institutionalization process [10, 32]. Due to its importance, few authors have focused on the neo-institutional approach to further explain the governance of cooperatives even though the theory is essential in the analysis of their management. According to Doherty, B., Meehan, J., & Richards, A. (2015) this theory puts legitimacy at the heart of its analysis, which in turn allows for the consideration of both formal and informal influences on the organization, regardless of the misunderstanding of their organizational form, their analysis requires the consideration of the issue of legitimacy [31, 33].

Notwithstanding the advantages that this theory gives, it finds its limits in its purely "over-social" perception in the explanation of the behavior of the organizations, thus, according to Drazin, R., & Van de Ven, A. H. (1985) the cooperation at the internal level and the conduct of the control can be conducted with time without being adapted to the nature of the organizational and technological tasks [34].

### 2.3. Definition and Fundamental Principles of the Cooperative

In 1995, the International Cooperative Alliance (ICA) defined the cooperative organization as "an autonomous

association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a collectively owned and democratically controlled enterprise. Indeed, the cooperative model emphasizes the collective interest of the members instead of focusing only on individual interest, while allowing all members to appropriate the values necessary for the development of cooperatives, including mutual aid, responsibility, democracy, equality, equity and solidarity.

According to the ICA, the cooperative principles are benchmarks that guide cooperatives in the preservation of their values:

- 1) Voluntary and open membership;
- 2) Democratic member control;
- 3) Member economic participation;
- 4) Autonomy and independence;
- 5) Education, training and information;
- 6) Cooperation between cooperatives;
- 7) Commitment to the community.

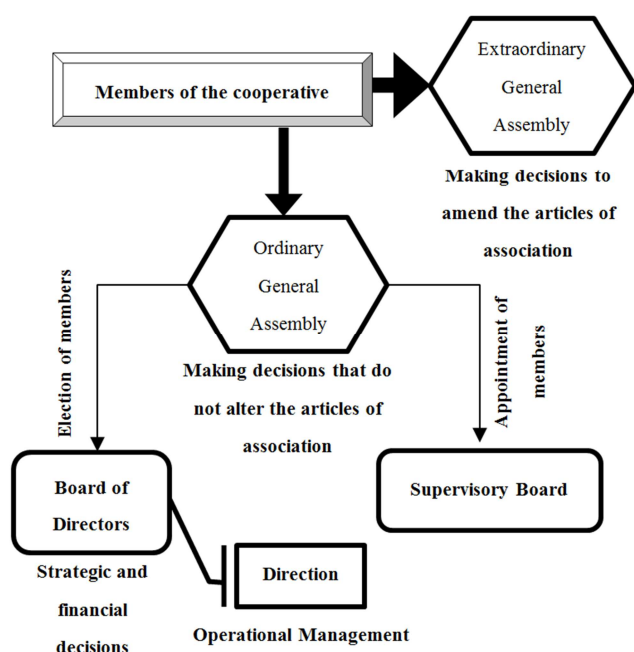
Based on these democratic principles and values translated into the rule of "one person, one vote", each member has the right to participate in the decision-making process and in the establishment of policies and strategies that allow the creation of the cooperative's value, thus the fundamental characteristic of cooperatives is the fact that its members are the holders of the supreme power, which makes the specificity of its governance mechanisms compared to capitalist enterprises. This involvement of the elected members in the operational decision-making process gives the members a double role, they are both beneficiaries of the cooperative and exercise democratic power within it. However, the issue of cooperative governance has begun to be mainstreamed in research, and conventional wisdom holds that the governance procedures and processes that abound in the corporate world can be cautiously applied to the governance of cooperatives [31]. This governance, which is gaining momentum in academic research, is of interest to be studied because the failure of cooperatives will have negative consequences not only for economic and social development but also for a wide group of stakeholders (member organizations and their families, the state, customers, the state, customers etc), as was the case in Malaysia which witnessed financial fiascos in a good number of cooperatives, leading to considerable losses and the collapse of many cooperatives since 1975, which had debilitating social and economic consequences [1].

### 2.4. Cooperative Governance and Value Creation

Returning to agency theory, according to which there are potentially agency problems between managers and members in cooperatives, which result from the fact that managers, who have been given control, may not have goals like those of the members. Indeed, in cooperatives the primary objective of the cooperative members is the creation of value for the members as a whole, while sometimes the objectives of the managers may not be in line with those of the members as a whole, which can lead to the destruction of value [35]. There are also governance problems that arise from the democratic nature of

cooperatives leading to a lack of expertise among board members, these different problems can sometimes block the creation of value, since when the organization adopts an appropriate governance structure, this significantly affects its performance. [35, 36].

According to Jussila, I., Goel, S., & Tuominen, P. (2012) in a cooperative, the board of directors plays a central role in safeguarding the collective interest of the members, it must demonstrate adequate and effective oversight of the organizations it leads, it is a crucial ingredient that helps solve the agency problem that arises in an organization [37, 38]. Nevertheless, governance is not only about the control exercised by the Board of Directors, but rather other internal governance mechanisms can intervene to enable the cooperative to create value as explained in the following figure:



Source: Prepared by the authors

**Figure 1.** Governance mechanisms of Moroccan cooperatives.

This diagram shows us the nature of the relations that govern within cooperatives and the importance of these different mechanisms, which are the board of directors on the one hand, which constitutes a pivotal body within cooperatives, in which exchanges are carried out and decisions are taken, and on the other hand the general assembly, which is characterized by a low frequency of meetings due to its purpose. Within cooperatives, it is no longer the principle of maximizing shareholder value that prevails but rather the search for maximizing cooperative advantage and creating value that interests all stakeholders, following a dominant logic of belonging [39], which makes cooperative governance an exception based on the principles of solidarity, transparency and equity.

In the case of Moroccan cooperatives, the general assemblies play a preponderant role through the discipline of their holding, according to article 33 of the law 112-12 on

cooperatives, the assembly is held as an ordinary general assembly or an extraordinary general assembly at the initiative of the board of directors, of the manager or of one of the managers in case of need or in case of urgency, upon request addressed to the board of directors, by the auditor(s), among its prerogatives according to article 42 of the same law:

- 1) To hear the report of the board of directors, of the manager(s) and of the auditor(s), if any, on the situation of the cooperative, on the balance sheet and on the accounts of the past fiscal year;
- 2) To hear, if any, the report of the supervisory committee;
- 3) To approve, rectify or reject the annual accounts;
- 4) To give or refuse to give discharge to the members of the board of directors, to the manager(s);

From the above, we can see the pivotal role that general assemblies can play in the conduct of governance of cooperatives, "it is a landmark moment in the life of cooperatives and an opportunity for them to present the essential characteristics of the cooperative and to generate a movement of adherence to the values and principles at work in the organization" [40]. It gives prerogatives to the board of directors and in turn takes charge of designating the management while respecting the principles of transparency and accountability. According to Saint-Martin, D. (1999) the board of directors has the obligation "to hire a general manager or a manager, to insure the cooperative against risks, to designate the persons authorized to sign any contract or document to account for its mandate, to present the annual report, to make recommendations on the allocation of surpluses, to encourage cooperative and inter-cooperative education" [41].

However, the founders may, at the time of the creation of the cooperative, or the general assembly after registration in the register of cooperatives, appoint one or more auditors who exercise a permanent mission of control and monitoring of the accounts of the cooperative, by verifying the accounts and all the accounting documents of the cooperative and checking the conformity of its procedures and the conformity of its accounts with the rules and standards in force (Article 73, Law 112-12).

In this respect, the general assemblies are considered an important element in the path of value creation for the cooperative, they are a place of accountability, orientation of strategies and the appointment of appropriate bodies to guide and map the future of the cooperative.

### 3. Cooperative Governance in Morocco and Value Creation: An Empirical Approach

#### 3.1. Overview of the Moroccan Cooperative Sector

As we mentioned above, the principles of solidarity, sharing and mutual aid of cooperatives make them an essential lever for socio-economic development. In Morocco, cooperative entrepreneurship is an integral part of the social and solidarity

economy by putting the human being and the realization of his potential at the heart of its concerns and its cooperative model.

This sector has grown during the last decades allowing to trace a new socio-economic model that gathers as well the economic efficiency while putting the social aspect in the first rank in order to fight against poverty, unemployment and social exclusion.

The Moroccan cooperative fabric has recently proved the pioneering role it is capable of playing as a major component of the Moroccan social and solidarity economy, by opening up very interesting opportunities to create very interesting economic and social projects whose purpose is the fight against poverty, social exclusion, unemployment and the integration of small producers in the market while ensuring the involvement of the vulnerable population not served by the market economy. It also contributes to the promotion of income-generating activities and job opportunities, thus helping to reduce unemployment. Indeed, the launching of the INDH on May 18, 2005 by His Majesty King Mohammed VI, may God assist him, was a landmark event in the history of the Moroccan social and solidarity economy. It allowed to draw up a very positive balance sheet of achievements, thus impacting on the living conditions of the target populations by following an integrated and inclusive approach for human development.

### **3.2. Methodological Approach**

#### **3.2.1. Approach and Choice of Cases**

In order to respond to our problem, we adopt a qualitative approach in our empirical investigation based on case studies. The choice of this method is justified by the nature of the information we wanted to collect. Indeed, any study in the field of management requires the adoption of a methodology that allows it to be carried out in a methodical and organized way, since the methodology establishes the way in which we are going to analyze, discover and decipher a phenomenon [42]. In fact, the case study can be defined as an empirical investigation that allows us to study a contemporary phenomenon in a real context through the study of phenomena over time [43].

Following this logic, we chose the case study to be able to provide an in-depth analysis of the phenomena in their context, to offer the possibility of developing historical parameters, to ensure a strong internal validity, that is, the phenomena are authentic representations of the reality studied. According to Miles, M. B., & Huberman, A. M. (2003) it is a method that is based on qualitative data presented in words rather than numbers, the case study approach can be understood as follows [44]:

Step 1: Establish the relevance: This step consists of verifying the relevance of the use of this research method through the definition of the approach used and the review of the problematic and whether it is exploratory or empirical in nature.

Step 2: Ensuring the veracity of the results: The objective of this step is to demonstrate the rigor of the results and their conformity to the reality observed through the use of very

precise descriptors, the protection of raw data, the description of the selection process of informants, etc.

Step 3: Preparation: This step consists of developing the research framework (the research question, choice of the type of case study: single or multiple etc.);

Step 4: Case recruitment: The objective is to acquire a good knowledge of the cases;

Step 5: Data collection: This step consists of collecting a range of raw data to enrich the study;

Step 6: Data processing: Through the coding and analysis of the data and the writing of each case study;

Step 7: Data interpretation: Through the explanation of the phenomenon studied theoretically and the generation of explanatory proposals of the latter;

Step 8: Dissemination of results: This step consists in choosing the right type of dissemination allowing an effective contribution to the body of knowledge and to benefit the scientific and professional community.

To do this, we have chosen in the realization of our study, four cooperatives operating in four sectors of activity, namely: Agriculture, Literacy, Waste Treatment and Argan. These four cooperatives are known in the region Rabat-Salé-Kenitra by their history of creation and the success they have had in few years and whose membership varies from 12 to 157 members. To respect the anonymity, as requested by the cooperatives, we will not disclose their identity. Moreover, to analyze the results we don't need to know the identity of the cooperative in question.

#### **3.2.2. Data Collection: A Methodological Triangulation**

In the case of our study, it is based on semi-directive interviews and the distribution of a questionnaire prepared beforehand on the basis of a literature review on the subject of research with the presidents and/or directors of cooperatives, which allowed us to collect several pieces of information and to make a range of observations on the specificities of the governance mechanisms of Moroccan cooperatives.

## **4. Analysis and Discussion of the Results**

The question of our research is mainly about the specificities of the governance of cooperatives and how they contribute to the creation of value of the latter. In what follows, we will present the results of our research with a discussion and adaptation to the literature, particularly the different theories of the firm.

However, the realization of this work required several types of data collection, starting with a documentary research and a very thorough literature review on corporate governance and then on the governance of cooperatives and its mechanisms and the creation of value, as well as other themes that are closely related to it. To do this, we analyzed the relevant documents we were able to obtain. This analysis was completed by direct and telephone interviews with people directly or indirectly related to cooperatives and the analysis of the questionnaire sent to the managers of the number of cooperatives, then we proceeded to the development of the

conceptual framework to delimit the theoretical field of our study and to be able to examine closely the case of Moroccan cooperatives, following the following logic: To study the specificities of the various mechanisms of governance of the cooperatives and their contribution to the creation of the value and then to interpret the various existing links between them.

#### **4.1. Characteristics of Board of Directors and Their Contribution to Value Creation**

The board of directors plays a pivotal role in the triangle formed by its members, managers and shareholders, it is an internal governance mechanism that acts both as an advisor for the direction and management of the organization and as a leader responsible for guiding it in the choice of policies and strategies adapted to the reality and the internal and external environment of any organization [18, 45]. It is appropriate at this level to study and question our interlocutors and interviewees on the aspects related to its composition and management, as specified by Charreaux (2000) the role and missions of the board of directors must be adjusted to the dominant logic and specificities of the organization. Indeed, the characteristics of the board of directors have been the subject of a wide range of studies, including [18, 45-48].

##### **4.1.1. The Size of the Board of Directors**

Law 112-12 on cooperatives provides that the board of directors must be composed of three to twelve members elected by the ordinary general assembly by the members of the cooperative and can be dismissed by this same body at any time. However, the question of the impact of the size of the board of directors on the performance and value creation of cooperatives has been the subject of several studies, so two paradigms must be discussed. Some studies and analyses have confirmed that smaller boards are more effective and contribute to value creation by limiting the number of stakeholders and interventions. This finding has been confirmed by agency theory theorists that small boards, as more effective overseers, improve performance [49].

Nevertheless, an increase in the size of the board of directors allows the cooperative to increase more resources through their network, the same finding was confirmed by Haleblan and Finkelstein (1993) according to which large boards of directors are an advantage to gather more problem-solving capabilities, without neglecting the risk of inefficiency of these boards [50]. A few years later, the study conducted by Finegold, D, and al. (2007) focused on the meta-study conducted in 1999 by Dalton et al, in which they confirmed that the high number of directors is associated with higher levels of financial performance [51].

According to the analysis of the qualitative results of our study, the four cooperatives have a board of directors composed of six members and confirm that the size of the board of directors plays a crucial role in value creation. Moreover, the President of one cooperative confirmed during the interview that the next board of directors would be composed of only three members who are at the same time the leaders of the three cooperative teams. The reasoning behind

this statement is that the team leaders are in the best position to discuss strategies and implement them in the field in order to achieve tangible results and make appropriate decisions, so having more members only limits the time each board member has to express his or her point of view, which leads to slowness in the decision-making process or inaction on the part of the other members, a finding that has been confirmed by some researchers, mainly [46, 52].

##### **4.1.2. Frequency of Board Meetings**

Another characteristic of the board of directors that is essential to measure its effectiveness and its contribution to value creation is the frequency of board meetings. Theoretically, some studies have shown that the frequency of board meetings leads to better performance and value creation [53]. Also, Godard, L., & Shatt, A. (2004) demonstrated that increasing the frequency of board meetings has a positive impact on value creation, while other studies have shown that holding a large number of meetings per year does not formally participate in achieving better performance and value creation [54, 55].

It should be noted that according to Article 57 of Law 112-12 on cooperatives, the board of directors must meet at least twice a year. The president of one of the cooperatives that responded to our questionnaire said that three meetings of the board of directors are held annually and confirms that the frequency of these meetings plays a very important role in the creation of value, while the president of the second cooperative said that they organize twelve board meetings per year to discuss more on the various issues related to the management of the cooperative and on the strategies to be adopted to carry out the activity of the cooperative and create value, which is consistent with the results obtained by researchers [53, 54].

##### **4.1.3. The Presence of Women on the Board**

Based on the democratic issue that women also have the right of access to positions of responsibility and decision-making, the presence of women on boards of directors has taken on crucial importance in recent years because of the repercussions it can have on the mix and proper functioning of boards of directors, thus allowing for a diversification of members' experience and skills [56]. In this regard, this issue has been the subject of a range of studies that have attempted to examine the relationship between professional board diversity and organizational value creation. According to Hillman and al. (2007), women appointed to boards of directors allow the organization to allocate more resources and skills and work in complementarity with men [57]. This same observation was confirmed by Terjesen, S., and al. (2009) the presence of women in the boards of directors contributes to the improvement and effectiveness of their governance through the diversity of decision-making processes and the contribution to the achievement of very important results, they also play the role of motivation and prospecting, in a direct or indirect way, to encourage other women to achieve and integrate positions of responsibility [58].



In fact, one of the cooperatives in our study does not currently have any women on its board of directors, and the president announced this with great regret because one of the two women who were on the former board of directors had left the cooperative to take up a position of responsibility in a private company. She later regretted this and they plan to reinstate her in the cooperative "she was a very strong and correct woman who treats everyone equally and participates actively in the decision-making process and obviously in the creation of value in our cooperative.

In fact, one of the cooperatives in our study does not currently have any women on its board of directors, and the president announced this with great regret because one of the two women who were on the former board of directors had left the cooperative to take up a position of responsibility in a private company. She later regretted this and they plan to reinstate her in the cooperative "she was a very strong and correct woman who treats everyone equally and participates actively in the decision-making process and obviously in the creation of value in our cooperative.

For the other cooperatives, at least two women are present on the six-member board, and managers confirm that the presence of these women on their boards contributes to value creation. Both of these statements have been confirmed in several studies that have shown that women directors connect organizations with their external environment [57, 59].

#### **4.1.4. Cooperative Dual Roles of the Board Chair and the President of the Cooperative**

The duality of the roles of the cooperative president and the board chair means that the same person is assigned both the mission of shaping strategy and ensuring that it is implemented. Indeed, several theorists have focused on this characteristic, according to Tuggle and al (2008) the sharing of power and functions between the president of the cooperative and the chairman of the board is a key factor determining the ability of the latter to manage the organization [60]. The same observation was confirmed by Weir et al 2002 according to which the combination of these two roles can have a positive impact on value creation [61]. However, this duality of roles has not had a consensus in the literature, because the chairman or the director of the organization cannot be effective in all the missions assigned to him (directing meetings, evaluating, controlling etc.), which can be an obstacle to the proper conduct of the missions of the board of directors and weakens the control [62].

## **4.2. Democratic Power in General Meetings and Value Creation**

Based on the principle of "one person, one vote", the general assembly in the two cooperatives is of crucial importance; it is a democratic moment where all members can participate in the decision-making process [63]. According to the presidents of the four cooperatives, the involvement and participation of all members is a very important prerequisite, creating synergy among us and developing trust among all members and between members and the members of the board

of directors.

In the four cooperatives interviewed, the president of the board of directors is himself the president of the cooperative and they confirmed that the duality of these two roles only has a positive impact on the creation of value, which is in line with the results of the studies mentioned above.

### **4.2.1. Meeting Discipline and Conflict Management**

Starting from the constitutive general assembly of the cooperative which, as its name indicates it is during which the cooperative sees the day for the first time with the presence of all the initiating members "the members". During the general assemblies, the members can express themselves freely and discuss all the points concerning the activity of the cooperative and take decisions democratically.

In all the cooperatives that we contacted through this study, the general assemblies are scheduled annually in compliance with the law 112-12 on cooperatives, which came with important innovations aimed at strengthening the governance of cooperatives through discipline in the holding of assemblies and the application of sanctions to anyone who does not respect the rules established by the said law. Among the main points discussed during the general assemblies of the visited cooperatives: Approval of financial statements, appointment of board members, modification of statutes, change or acquisition of new premises etc.

Another question relating to the management of conflicts during meetings was put to our interviewees. First of all, it should be noted that conflict can be defined as "a difficulty in making a decision" [64].

The answers converged towards an amicable resolution, especially when the conflicts were constructive, allowing the creation of a cooperative climate through the pre-eminence of the group's goals over personal objectives in order to create value for the whole.

### **4.2.2. Right to Information and Communications**

Article 25 of law 112-12 gives crucial importance to the right to information: "Every cooperative member has the right, at any time, to consult the list of members of the cooperative, the books, the inventory, the summary statements, the report of the board of directors, the report of the manager(s), the report of the supervisory committee, the report of the auditor(s), if any, as well as the minutes of the ordinary general assemblies dealing with the accounts of the last three years.

Theoretically, the right to information represents an anchor point of a global transparency within the cooperative, according to Sauv   (2002), communication and information can be represented as an inescapable tool for enriching the different actions undertaken by the governance bodies [65]. With healthy and thoughtful communication within cooperatives, we can resolve conflicts, which was confirmed by the president of a cooperative who, according to him, holding monthly meetings of the board of directors and posting the minutes on a board that can be accessed by all the members of the cooperative is an effective element in establishing a climate of trust and fostering value creation.



For example, according to the president of another cooperative, being transparent with all members also avoids conflicts and misunderstandings at meetings because members are always informed about the strategy and day-to-day management of the cooperative, and also limits discussions about trivia at meetings and focuses only on the strategies and roadmap for the next year. Following the same logic, the president of the third cooperative confirmed that information sharing is an essential tool to improve the governance of his cooperative and to build trust among all members.

#### **4.3. Dynamics of Control Bodies and the Creation of Cooperative Value**

The control exercised by the supervisory committee over the members of the board of directors has significant advantages. It should be recalled that according to Article 67 of Law 112-12, the members of the supervisory committee are appointed by the ordinary general assembly for a period of two years from among the members of the cooperative, who exercise this mission free of charge because the members are the users of the cooperative and at the same time holders of the supreme power since they democratically control it [66].

This is in line with the observation that cooperatives are a place for sharing trust and transparency through the missions that are attributed to them, in particular the permanent control over the board of directors and the manager(s) and the right to have in full transparency any document that they consider useful for the exercise of their function.

Another control instrument that joins the supervisory committee is the auditor. According to the cooperative law, cooperatives whose turnover for two successive financial years exceeds ten million dirhams are obliged to appoint an auditor, while its appointment in cooperatives that do not exceed this turnover remains optional. Indeed, within the framework of the exercise of its missions, the CAC also exercises a permanent mission of control and follow-up of the accounts of the cooperative without interfering obviously in the management of this one. The purpose behind the appointment of a CAC is the reliability of the financial statements of the cooperative, and to present the real financial health of the cooperative to its members as well as to participate actively in the control of the conflict of agency since the CAC provides the non-executive members of the cooperative with summary statements that reflect the true and fair view of the cooperative's activity.

However, in the four cooperatives that are the subject of our study, the role of the supervisory committee remains spectacular, just meeting the legal requirement and not fulfilling the missions assigned to them by Moroccan law. This limited role of the supervisory committee does not allow it to actively participate in the creation of cooperative value.

While for the CAC, the four cooperatives have a CAC that certifies the faithfulness of the accounts without reservation and believe that the work of the CAC gives a certain transparency vis-à-vis the other members, which makes its report a basis for transparency and confidence in the

management bodies and proves the absence of salient facts in the management of the cooperative.

## **5. Conclusion**

The Moroccan cooperative fabric has experienced a remarkable movement during the last five years, the number of Moroccan cooperatives has increased to more than 40,000 in 2020 operating in 22 different sectors of activity. This exponential evolution of Moroccan cooperatives has led us to question the mechanisms of their governance and their specificities compared to the capitalized enterprise. It should be noted that the literature on the governance of this type of organization and their relationship with the theories of the firm is very poor, which leads us to place our empirical investigation in a perspective with a double objective: On the one hand, to study the place of the governance mechanisms of cooperatives in the theories of the firm, and on the other hand, to study the contribution and the role played by these mechanisms in the creation of value. To do this, we conducted a thorough review of the literature on the subject allowing us to make theoretical conclusions about the mechanisms of governance of cooperatives, which allowed us to delimit our field of research and draw the first findings, we then determined the research methodology adapted to our subject and the availability of information before proceeding to the presentation and discussion of the results obtained.

With regard to the means of investigation used, we received qualitative data through interviews with the presidents of the cooperatives and the administration of a questionnaire containing questions on all the aspects discussed in this article. This methodological triangulation allowed us to have sufficient clarification of the answers to the questions posed.

The results of our study confirm that the governance of cooperatives in the Moroccan context contributes significantly to value creation. Indeed, the characteristics of the board of directors, namely the size, the presence of women, the frequency of meetings and the duality of the roles of the chairman of the board of directors and the president of the cooperative, present pivotal characteristics for the governance of cooperatives and have a direct impact on value creation. However, the results showed that the supervisory committee does not fully play its role as a body designed to control the board of directors and the management of the cooperative, and therefore does not effectively participate in value creation.

On the other hand, our research work is not without limits, it is confronted with some weaknesses relating to the small size of the sample which does not allow us to generalize the results, and the use of a purely qualitative approach which does not give a robustness of the study.

In this respect, through this research, we aim to contribute to the enrichment of the literature on the subject and to make it a starting point for future projects that will deal with the same issue. In fact, the next work will attempt to use a quantitative methodological approach and expand the sample in order to remedy the limitations of the present study.

## References

- [1] Othman, R., Embi, R., Aris, N. A., Arif, S. M. M., Choo, H. C., & Ismail, N. (2016). Board Governance and Performance: An Exploratory Study of Malaysian Cooperative Organizations. *Journal of Southeast Asian Research*, 2016, 59-70.
- [2] Lapenu, C. (2002). La gouvernance en microfinance: grille d'analyse et perspectives de recherche. *Revue Tiers Monde*, 847-865.
- [3] Pierret, D., & DOLIGEZ, F. (2005). La gouvernance, nœud gordien de la microfinance?. *IRAM, Note thématique*, (1).
- [4] Wélé, P. (2009). La qualité de la gouvernance microfinancière dans les pays de l'UEMOA: construction d'un indice agrégé de gouvernance des IMF appliquée au cas du Bénin. *Reflets et perspectives de la vie économique*, 48 (3), 73-83.
- [5] Charreaux, G. (1996). Pour une véritable théorie de la latitude managériale et du gouvernement des entreprises (No. 0960601). Université de Bourgogne-CREGO EA7317 Centre de recherches en gestion des organisations.
- [6] Spear, R. (2004). Governance in democratic member based organizations. *Annals of Public and Co-operative Economics*, 75 (1), 33–59.
- [7] Pfeffer, J. (1972). Interorganizational influence and managerial attitudes. *Academy of Management Journal*, 15 (3), 317–330.
- [8] Pfeffer, J., & Salancik, G. R. (2003). The external control of organizations: A resource dependence perspective. Stanford University Press.
- [9] Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*, Boston, Pitman. Lukas, Janina (2017): Ethik als Standard in der Beschaffung. Werte und Normen als Gestaltungsausgangspunkt von Nicht-Regierungs-Organisationen. Wiesbaden: Springer Gabler.
- [10] Hung, H. (1998). A typology or theories of the roles of governing boards. *Corporate Governance: An International Review*, 6 (2), 101–111.
- [11] Saïssset, (2020). L'impact des modes de gouvernance et de l'immatériel sur la performance des entreprises coopératives agricoles: des perspectives d'avenir au sein des coopératives vinicoles du Languedoc-Roussillon. *Cahiers du Développement Coopératif*, 2016, pp. 22-31. hal-02637051.
- [12] Niyungeko, T. (2016). Impact de l'incertitude sur la gouvernance des institutions de microfinance: cas de coopératives burundaises (Doctoral dissertation, Université de Liège, Liège, Belgique).
- [13] Fortescue, J. (1997). *Sir John Fortescue: On the laws and governance of England*. Cambridge University Press.
- [14] Cavalier, G. A. (1996). *The law of termination of employment & unfair dismissal* (Doctoral dissertation).
- [15] Toupiane, T. R. (2009). La gouvernance: évolution, approches théoriques et critiques du concept. In *Dimitrie Cantemir" Geographic Seminar* (No. 29, pp. 97-108).
- [16] Paye, O. (2005). La gouvernance: D'une notion polysémique à un concept politologique. *Études internationales*, 36 (1), 13-40.
- [17] Drucker, P. F. (1957). *La Pratique de la direction des entreprises: "the Practice" sic "of management"*, par Peter F. Drucker. Traduit de l'américain par le Bureau des temps élémentaires. Préface de Rolf Nordling. Les Éditions d'organisation.
- [18] Aguilera, R. V. (2005). Corporate governance and director accountability: An institutional comparative perspective. *British Journal of Management*, 16, S39-S53.
- [19] Carver 2010, A Case for Global Governance Theory: Practitioners Avoid It, Academics Narrow It, the World Needs ItCorporate Governance: An International Review, 2010, 18 (2): 149–157.
- [20] Allaire and Firsirotu, 2003, Changing the Nature of Governance to Create Value, C. D. Howe Institute commentary, No. 189, November 2003, Columbia Law School, Center for Law and Economic Studies Working Paper No. 137.
- [21] Labie, M. (2005). Chapitre 4. Économie sociale, non-profit, tiers secteur: à la recherche d'un cadre de gouvernance adéquat. *Gouvernement d'entreprise*, 101.
- [22] Périlleux, A. (2008). Les coopératives d'épargne et de crédit en microfinance face aux problématiques de gouvernance et de croissance. *CEB WorkingPaper*, 8, 025.
- [23] Brenner, S. N., & Molander, E. A. (1977). Is ethics of business changing. *Harvard Business Review*, 55 (1), 57-71.
- [24] Wang, J., & Dewhirst, H. D. (1992). Boards of directors and stakeholder orientation. *Journal of Business Ethics*, 11 (2), 115–123.
- [25] Halal, W. E. (1990). The new management: Business and social institutions in the information age. *Business in the Contemporary World*, 2 (2), 41-54.
- [26] Pestoff, V. A. (1995). Reforming social services in Central and East Europe: meso-level institutional change after the fall of communism. *American Behavioral Scientist*, 38 (5), 788-808.
- [27] Lewis, D. (2001). The management of non-governmental development organizations- An introduction. Routledge.
- [28] Anouar Faiteh and Mohammed Rachid Aasri, (2022). Internal Audit and Added Value: What is the Relationship? Literature Review, *Universal Journal of Accounting and Finance* 10 (3): 666-675.
- [29] Perron, B. E., Taylor, H. O., Glass, J. E., & Margerum-Leys, J. (2010). Information and communication technologies in social work. *Advances in social work*, 11 (2), 67.
- [30] Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83 (2), 340–363.
- [31] Cornforth, C. (2004). La gouvernance des coopératives et des sociétés mutuelles : une perspective de paradoxe. *Economie et Solidarités*, 35 (1-2), 81–99.
- [32] Scott, C. (2008). Reflexive governance, meta-regulation and corporate social responsibility: The Heineken effect. *Perspectives on corporate social responsibility*, 170-185.

- [33] Doherty, B., Meehan, J., & Richards, A. (2015). The business case and barriers for responsible management education in business schools. *Journal of Management Development*.
- [34] Drazin, R., & Van de Ven, A. H. (1985). Alternative forms of fit in contingency theory. *Administrative science quarterly*, 514-539.
- [35] Cook, S. D. (1994). Autonomy, interdependence, and moral governance: pluralism in a rocking boat. *American Behavioral Scientist*, 38 (1), 153-171.
- [36] Kiptoo, I. K., Kariuki, S. N., & Ocharo, K. N. (2021). Corporate governance and financial performance of insurance firms in Kenya. *Cogent Business & Management*, 8 (1), 1938350.
- [37] Jussila, I., Goel, S., & Tuominen, P. (2012). Governance of Co-operative Organizations: A Social Exchange Perspective. *Business and Management Research*, 1 (2), p14.
- [38] (Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics*, 26 (2), 301-325.
- [39] Gagnon, Y. C. (2012). L'étude de cas comme méthode de recherche. PUQ.
- [40] LEFRANC-MOREL, S. 2013. Valorisation de l'histoire et du patrimoine des coopératives agricoles: L'exemple de la Loire. Unpublished History, Université Jean Monnet - SaintEtienne; (Rennes).
- [41] Saint-Martin, D. (1999). Les consultants et la réforme managériale de l'État en France et en Grande-Bretagne: vers l'émergence d'une «consultocratie»? *Canadian Journal of Political Science/Revue canadienne de science politique*, 32 (1), 41-74.
- [42] Rispal, M. H. (2002). *La méthode des cas*. De Boeck Supérieur.
- [43] Thiéart, R. A. (2014). *Méthodes de recherche en management-4ème édition*. Dunod.
- [44] Miles, M. B., & Huberman, A. M. (2003). *Analyse des données qualitatives*. De Boeck Supérieur.
- [45] Charreaux (2000), *Le conseil d'administration dans les theories de la gouvernance*.
- [46] Eisenberg, T., Sundgren, S., & Wells, M. T. (1998). Larger board size and decreasing firm value in small firms. *Journal of financial economics*, 48 (1), 35-54.
- [47] Bhagat, S., & Black, B. (1999). The uncertain relationship between board composition and firm performance. *The Business Lawyer*, 921-963.
- [48] Ben-Amar, W., Francoeur, C., Hafsi, T., & Labelle, R. (2013). What makes better boards? A closer look at diversity and ownership. *British Journal of Management*, 24 (1), 85-101.
- [49] Yermack, 1996, Higher market valuation of companies with a small board of directors, *Journal of Financial Economics*, Volume 40, Issue 2, February 1996, Pages 185-211.
- [50] Halebian and Finkelstein, 1993, Top Management Team Size, CEO Dominance, and Firm Performance: The Moderating Roles of Environmental Turbulence and Discretion, *The Academy of Management Journal*, Vol. 36, No. 4 (Aug., 1993), pp. 844-863.
- [51] Finegold, D., Benson, G. S., & Hecht, D. (2007). Corporate boards and company performance: Review of research in light of recent reforms. *Corporate Governance: an international review*, 15 (5), 865-878.
- [52] Poteete, A. R., & Ostrom, E. (2004). Heterogeneity, group size and collective action: The role of institutions in forest management. *Development and change*, 35 (3), 435-461.
- [53] Jackling, B., & Johl, S. (2009). Board structure and firm performance: Evidence from India's top companies. *Corporate Governance: An International Review*, 17 (4), 492-509.
- [54] Godard, L., & Shatt, A. (2004). Characteristics and Functions of the French Administration *Caractéristiques et fonctionnement des d'administration français: Un état des lieux*. *Cahier du FARGO*, (104020).
- [55] Kerzabi, Zouleykha samiya and Kerzabi, Dounya (2020): L'enracinement des dirigeants: cas des entreprises algériennes cotées en bourse.
- [56] Carter D. and Al, Corporate Governance, Board Diversity, and Firm Value, *The Financial Review* 38 (2003) 33—53.
- [57] Hillman and al. (2007), ORGANIZATIONAL PREDICTORS OF WOMEN ON CORPORATE BOARDS, *Academy of Management Journal* 2007, Vol. 50, No. 4, 941—952.
- [58] Terjesen, S., Sealy, R., & Singh, V. (2009). Women directors on corporate boards: A review and research agenda. *Corporate governance: an international review*, 17 (3), 320-337.
- [59] Shrader, C. B., Blackburn, V. B., & Iles, P. (1997). Women in management and firm financial performance: An exploratory study. *Journal of managerial issues*, 355-372.
- [60] Tuggle and al 2008, Commanding board of director attention: Investigating how organizational performance and CEO duality affect board members' attention to monitoring, *Management Department Faculty Publications*. 117.
- [61] Weir et al 2002, Internal and external governance mechanisms: their impact on the performance of large UK public companies, *Journal of business, finance and accounting*, Volume 29, Issue 5-6.
- [62] Sarkar, J. (2009). Board independence & corporate governance in India: Recent trends & challenges ahead. *Indian Journal of Industrial Relations*, 576-592.
- [63] GIROUX, N., & FENOCCHI, V. (1994). La participation: une réalité complexe. *Coopératives et développement*, 26 (1), 59-79.
- [64] Pondy, L. R. 1966. A Systems Theory of Organizational Conflict. *Academy of Management Journal*, 9 (3): 246-256.
- [65] Sauvé, 2002, Brands and organization of food chains: a governance perspective, *Economie & Société*, 2005, série Systèmes Agroalimentaires, 5, 837-854.
- [66] Billiet, A., Dufays, F., Friedel, S., & Staessens, M. (2021). The resilience of the cooperative model: How do cooperatives deal with the COVID-19 crisis?. *Strategic Change*, 30 (2), 99-108.