

Section

Passing the Baton: Is Succession Discussion Important for agricultural cooperatives?

Passagem do bastão: As discussões sobre sucessão são importantes para as cooperativas agropecuárias?

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ABSTRACT

This study aimed four steps for a director succession planning for agricultural cooperatives and showed the impact of succession discussion. We surveyed 19 agricultural cooperatives with questionnaire and interviewed seven cooperatives' directors. The results revealed a lack of preparation by cooperatives to pass the baton. In their management plans, there was no strategic planning for director succession and no involvement of employees like managers and technical staff in discussions about succession. Cooperatives with short-term directors are more receptive and encouraged the adoption of new ideas, as well as a greater participation of members in the management process. The quantitative analyses showed that succession discussion is an important process for cooperative growth and development in the long run. This study contributes to a smooth succession process plan to attract, retain, and identify members with a managerial profile for successors. We suggested four steps to prepare the new director and keep former.

Keywords: Skills; Succession planning; Agricultural cooperatives; Members

RESUMO

Este estudo propõe quatro etapas para o planejamento de sucessão do presidente de cooperativas agropecuárias e mostra os impactos das discussões sobre sucessão. Participaram da pesquisa 19 cooperativas agropecuárias com questionários aplicados à sete presidentes. Os resultados revelam a falta de preparação para a passagem do bastão nessas cooperativas. Nos seus planos de gestão não há um plano para a sucessão e nem o envolvimento dos colaboradores, gerentes e técnicos, nas discussões sobre sucessão. Presidentes com pouco tempo de gestão são mais receptivos e aceitam novas ideias, bem como a participação dos membros na gestão. As análises quantitativas mostraram que as

discussões sobre sucessão são um processo importante para o crescimento e desenvolvimento cooperativo no longo prazo. Este estudo auxilia na construção de um plano de sucessão para atrair, reter e identificar membros com perfil gerencial. Sugerimos quatro passos para preparar o novo presidente.

Palavras-chave: Habilidades; Planejamento de sucessão; Cooperativas agropecuárias; Associados

1 INTRODUCTION

The International Co-Operative Alliance (ICA, 2021) defined cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”, with a twofold mission: “to be financially sustainable (performance) and to defend members’ collective interests (conformance)” (HUHTALA, TUOMINEN, *et al.*, 2020. p.17). In social perspective, the cooperative plays an important role, especially among developing nations (ISHAK *et al.*, 2020).

Cooperatives exist in many countries around the world (KUMAR; WANKHEDE; GENA, 2015) and are classified as non-profit organizations (CARRION, 2000; ISHAK *et al.*, 2020), legal entities, with different goals and their purpose is the production of goods and services. The regulation defines that the financial profits should be utilized for investments and internal improvements. Cooperatives are often exempt from various taxes (THE SYSTEM OF NATIONAL ACCOUNTS, 1993) and managed by their owner members (LIANG; HENDRIKSE, 2013). The annual net result is called "operating surplus", which is used to improve the quality of life of the cooperative members (LAZZARINI; BIALOSKORSKI NETO; CHADDAD, 1999). Agricultural cooperative is an enterprise collectively owned by many independent farmers as input suppliers in a production chain (FENG; HENDRIKSE, 2012). The cooperative has to be economically efficient to aggregate value to products of its members (MOONEY; ROAHRIG; GRAY, 1996).

Among various management aspects, these organizations need to be aware of governance and the improvement of their economic dimensions, training of members, aligning expectations, asymmetry of information and objectives, and planning of director election (BIALOSKORSKI NETO, 2012). Passing the baton considered in this study as the preparation and selection of successors to assume the direction of

cooperatives. Internal governance relates to the structure and decision-making processes in an organization. Among the characteristics of internal governance are the selection and election of members of the board of directors (BIJMAN, 2016). Director selection is related with board roles (EES; POSTMA, 2004). The difficulty in appointing potential leaders to take over management and the lack of strategic planning and cyclical elections for management hinder the continuity of the organization in the medium and long term, mainly when the interests of the successors differ from those of the current director. Professionalization may be a way out to solve administrative problems within the cooperative (ANTONIALLI, 2000).

Huhtala, Tuominen and Tuominen, (2020) discussing director selection in agricultural cooperatives in Finnish stated that the discussion is strong in all cooperatives studied, but the culture of discussion varies across them. The study highlighted the mainstream aspects of board governance by pointing the tensions between the conformance and performance of the governance bodies.

Esham and Usami, (2007) evaluated organizations called Farmer Companies (FCs) or Producer Companies (PCs) from the mid-1990s in Sri Lanka and from 2003 in India. The authors realized that most of companies failed in their goals due to lack of managerial and entrepreneurial skills. Those results arise from insufficient recruitment of management personnel, lack of solid business plans, and poor management by incompetent boards of directors. A previous study in Brazil addressed broadly the election of directors, considering the candidate's managerial skills, cooperative performance of the candidate or what the members expect from the chosen person (YONEMURA; COSTA, 2017). Su and Cook (2020) reviewed the Chinese agricultural economics literature about cooperative and one factor affecting performance is capability of managers.

Some research used different terms for this management position in the cooperative, such as chairman (CECHIN *et al.*, 2013; HUHTALA; TUOMINEN; TUOMINEN, 2020; ISHAK *et al.*, 2020) and director (BEBER; THEUVSEN; OTTER, 2018; GHOURI; MAZZAROL; SOUTAR, 2021; HAKELIUS, 2018). We are using director as the main leader,

a member of the cooperative supported by boards (directors and supervisory - all elected by general assembly), and a team of managers and employees hired.

Given the need to select in-house members for the director position (BRASIL, 1971), succession planning is essential in these organizations through the development and identification of individuals with potential (CARMAN; LELAND; WILSON, 2010). They must take on greater responsibilities, be intensely involved with the cooperatives business, meet the expectations and goals of the members with the support of the main executives (hired) and, command and train their staff (OLIVEIRA, 2015). A cooperative without leadership is destined to fail, and the leader must be able to enhance competitiveness development (BIALOSKORSKI NETO, 2012). Therefore, in addition to carrying out actions that benefit various groups involved, such as members and professionals (OLIVEIRA, 2015).

Notwithstanding the lack of succession has been reported as detrimental to these organizations in the long run (ANTONIALLI, 2000; CARMAN; LELAND; WILSON, 2010), and may lead to bankruptcy or liquidation. Cooperatives suffering from inexperience in selecting managers, justify their concerns about succession (CARMAN; LELAND; WILSON, 2010). These organizations face different challenges, for example, low participation of their members (MOJO; FISCHER; DEGEFA, 2017), a lack of information and transparency of the election process (HUHTALA; TUOMINEN; TUOMINEN, 2020).

The legislation requires cyclical elections of the board of directors composed of farmers members. It is assumed that the failure to prepare managers can make agricultural cooperatives ineffective in director succession, putting their continuity in the long run at risk. Therefore, the focus of our research is on the director succession elected by the general assembly of members.

"How should be build a succession plan selecting the director of agricultural cooperatives?" To answer this, we proposed four steps for a director succession planning for agricultural cooperatives and showed the impact of succession discussion. We attempt to address the issue of succession, which are still rarely discussed in the

literature with regard to agricultural cooperatives. A planned process allows a smooth transition and a constant renewal of the board, avoiding the centralization of power. Different from Huhtala, Tuominen e Tuominen (2020) focused in director selection, our study propose a director succession planning aiming to improve the selection process, including identification, qualification, involvement and election of members. Our study used data from agricultural cooperatives in one region of Brazil, but the result of succession planning could trigger better management or governance practices in different cooperatives around the world. We presented the introduction, succession planning and agricultural cooperative scenario, methodology, results and discussion and references.

2 SUCCESSION PLANNING

Succession involves a set of rules and procedures (FRIEDMAN, 1986), but there is various concepts of the ideal way to carry out succession planning in previous literature (IP; JACOBS, 2006). Succession often appears as a moment of crisis (COMINI; PAOLINO; FEITOSA, 2013; DYCK *et al.*, 2002), to replace one manager with another who has outstanding performance for the position (DYCK *et al.*, 2002; FRIEDMAN, 1986). This may in turn represents a strategic opportunity for organizations (DYCK *et al.*, 2002).

Although succession planning does not offer guarantees, it increases the chances of success (DALLAS COSTA, 2005; HOR *et al.*, 2010; IP; JACOBS, 2006) as managerial skills are developed to improve business management and profits (MCDONNELL *et al.*, 2010). The basic level of planning occurs when the director appoints a member to evaluate potential candidates for succession. At a more refined level, possible successors are incorporated into a management and development plan to describe and record the processes to ensure a smooth transition at all organizational levels (HUANG, 2001).

Small and medium-sized organizations facing financial and fundraising difficulties tend to have a higher turnover in the board of directors due to the

responsibilities. In addition, the greater the organizational complexity, the more difficult and costly the process of replacing directors will be (STEWART; DIEBOLD, 2017).

Succession is a long-term process and depends on the objectives of the business. It demands identifying potential candidates, implementing changes, addressing technical issues, and dealing with tax issues (FEDÉRATION DES EXPERTS-COMPTABLES EUROPÉENS, 2000). Time is a crucial aspect: as soon as the director term ends, successors must be well-defined and prepared to make commitments and continue ongoing projects (AUSTIN; GILMORE, 1993; KESNER; SEBORA, 1994).

According to Huhtala, Tuominen and Tuominen, (2020. P. 18), "neither the mainstream nor the cooperative literature have properly concentrated on the antecedents of board composition, i.e., the selection process". This problem affects several types of organizations and a broad spectrum of businesses, even non-commercial ones (IP; JACOBS, 2006). Most do not have a formal succession planning. To solve this, a strong and sustainable culture of succession practices is required, which involves all administrative levels in a continuous and focused process (SANTORA *et al.*, 2015).

Directors of nonprofit organizations are facing a complex social, institutional, and political environment. They carry out important tacit, operational, and organizational knowledge at the end of their career. The political environment and the founder control are the main influences on the organization's performance in the post-succession period. Thus, the founder must renounce control and power, entrusting them to the successor to continue the business on a renewal (LI, 2019).

3 AGRICULTURAL COOPERATIVES SCENARIO

In Brazil, there are more than 4.8 thousand cooperatives grouped into seven different economic sectors (agricultural, infrastructure, consumer, production of goods and services, transport, credit, and health) (ORGANIZAÇÃO DAS COOPERATIVAS DO BRASIL - OCB, 2022). There are 1,170 agricultural cooperatives with around one million

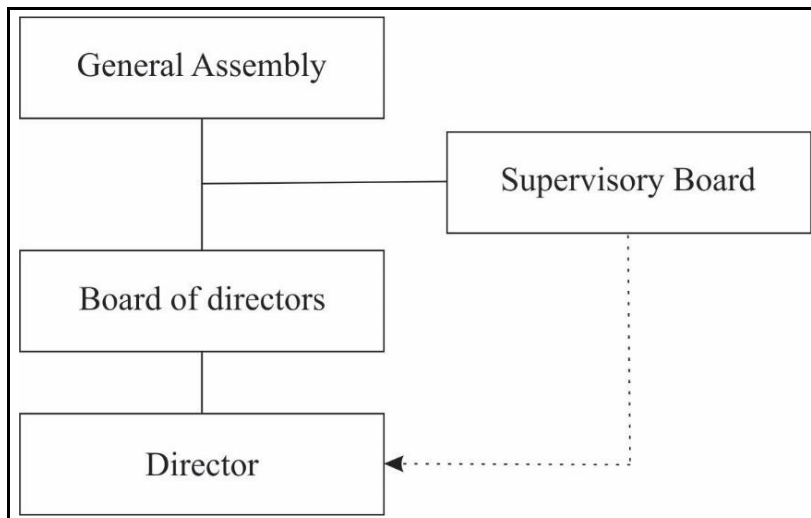
members generating 239,628 jobs, which may result in the supply of inputs, technical staff, and rural extension, as well as industrialization and commercialization of agricultural products (OCB, 2022). Demographic and socioeconomic markers such as age, farmer's education, and farm size are major factors affecting the establishment of agricultural cooperatives (MOJO; FISCHER; DEGEFA, 2017).

It is also useful to describe that the Brazilian law no. 5764 of December 16, 1971, established that the director of a cooperative must necessarily be a member (BRASIL, 1971). In other words, in an agricultural cooperative, the director must be a farmer member. On the other hand, in some cooperatives in the United States and European countries the director is an outsource manager or CEO. According to the United States Department of Agriculture - Rural Development (USDA, 2001), members must be active in cooperative management by participating in decision-making and choosing their leaders.

Cooperatives are organizational structures that fight for a democratic society and aim at specific purposes (SCOPINHO, 2007), following principles such as voluntary adhesion, stimulating education, training, and information. These organizations promote the inter-cooperation among their members, seek to serve the interests of the community, and respect a democratic management, where there is autonomy and economic participation of members (OCB, 2020).

Liang e Hendrikse (2013. p.35) indicated that: "external CEOs tend to be more professional in management and marketing, whereas internal CEOs are likely to be more production-oriented". However, Brazilian agricultural cooperatives must be managed by a board of directors, composed exclusively of members elected by the general assembly and with a term of office no longer than four years. Periodic renewal of at least one third of the board of directors is mandatory (BRASIL, 1971). The leading position in Brazilian cooperatives is that of the director, a farmer member who can better understand the needs of members (BIALOSKORSKI NETO, 2012). Figure 1 shows the executive management of a cooperative with significant influence over it.

Figure 1 – Basic organization chart of a cooperative company



Source: BIALOSKORSKI NETO, 2001, p.644

The General Assembly (Figure 1) is the highest body in the cooperative. It is composed of all cooperative members with decision-making power. Each member is entitled to one vote, regardless to one's activities or contribution. Deliberations are taken by majority vote and can direct and interfere with other decisions (BRASIL, 1971). The supervisory board and the board of directors composed by members and, together with the General Assembly, they oversee the cooperative operations.

Although term director elections are required, a director can remain in office for a long period and, in general, do not prepare for successors. As a result, finding a leader with appropriate profile seems to be challenging. This may be due to inefficiency in the process of training or developing leaders within these organizations (FROELICH; MCKEE; RATHGE, 2011).

In a practical context, these organizations have some characteristics, such as the imposition of deliberative and executive powers over the decisions of the General Assembly, creating unilateral power and making it difficult for members to participate in decision-making. These actions trigger processes that are harmful to a good performance and survival of cooperatives, which may lead to bankruptcy (CRÚZIO, 1999). For example, when the director and executive group do not offer enough information and conditions for members participating in decisions.

To sum up, supervision, motivation, training, communication, participatory administration, commitment (OLIVEIRA, 2015), qualification of board members, investment in training, and development of technical staff (Neves, 2005) are important elements as guidelines for cooperative leaders. Therefore, a new manager profile must be defined for greater responsibilities and deep involvement with the cooperatives business to meet the collective goals and expectations of members. Support from key managers is critical to commanding, training and empowering members (OLIVEIRA, 2015), developing skills to take over. Finally, the decision of farmers whether or not to join a cooperative is based on individual (MA; ABDULAI; GOETZ, 2018; MOJO; FISCHER; DEGEFA, 2017).

4 METHODOLOGY

This study began with a survey of literature regarding succession planning to construct the questionnaire and interview. This is a mixed method because the purpose and premise were the use of quantitative and qualitative approaches in combination. This decision provides a better understanding of research problems and complex phenomena than either as single approach (CRESWEL; CLARK, 2013).

In the first phase of this research, we contacted all the 36 agricultural cooperatives in Mato Grosso do Sul state, Midwest region of Brazil, in 2016, to apply the questionnaire. Eight of them declined, seven did not answered (phone and email), two were out of operation and one answered just part of the questions. The questionnaire was responded by 19 cooperatives (53% of the total) with information as: year of foundation, revenue, economic activity, number of directors who have held office in the cooperative, time (years) that the current director is in office and the discussions on director succession. We classified these cooperatives by the business size according to the National Bank for Economic and Social Development (BNDES, 2015) in million reals: micro (revenues of up to 2.4); small (over 2.4 to 16); medium (over 16 to 90); medium to large (over 90 to 300), and large (over 300 million reals).

There were 19 agricultural cooperatives participating in the first phase and for the second we contacted them for an on-site interview of directors. We visited seven cooperatives for interviews: two large-sized, three medium-sized, one small-sized and one micro-sized cooperatives, depends on directors' availability. The directors signed the consent form and were pleased to answer some open questions about management and director succession process in cooperatives. We only described the management profiles without cooperatives comparisons. The data collection terminated when the information started to repeat and achieving a theoretical saturation (MACK *et al.*, 2005). The data from interviews used content analysis (BARDIN, 2011) in three steps:

First, we made a pre-analysis with selection of documents and assumption formulation with data collected. Second, we explored the material from the interviews and transcribed. The data was analyzed using software Nvivo to create nodes from the following cross-examined categories: board of directors; cooperative evaluation (goals and objectives), successor profile; identification of possible successors based on experience and performance; alignment of the person to the function, successor needs, competence development program, early involvement of members and knowledge sharing. Finally, we analyzed the interviews and the points corresponding to each category were separated. After going through the data again, sub-nodes created and fragments were relocated. Afterwards, all the results were reread and gathered, with all interviews contents. We summarized the director succession planning for agricultural cooperatives using data from questionnaires, interviews, and the previous literature. The qualitative results were triangulated with quantitative analysis using multiple regression model to strengthen the result how important of succession discussion on revenue and sustainability of cooperatives.

5 RESULTS AND DISCUSSION

5.1 Profile of cooperatives

Here a brief description of the cooperatives analyzed is introduced. Table 1 shows profiles of nineteen cooperatives in Mato Grosso do Sul (MS) with their agricultural products including grains (seven), dairy (five), horticulture (three), apiculture (two), poultry (one), and swine (one).

Table 1 – Profile of cooperatives

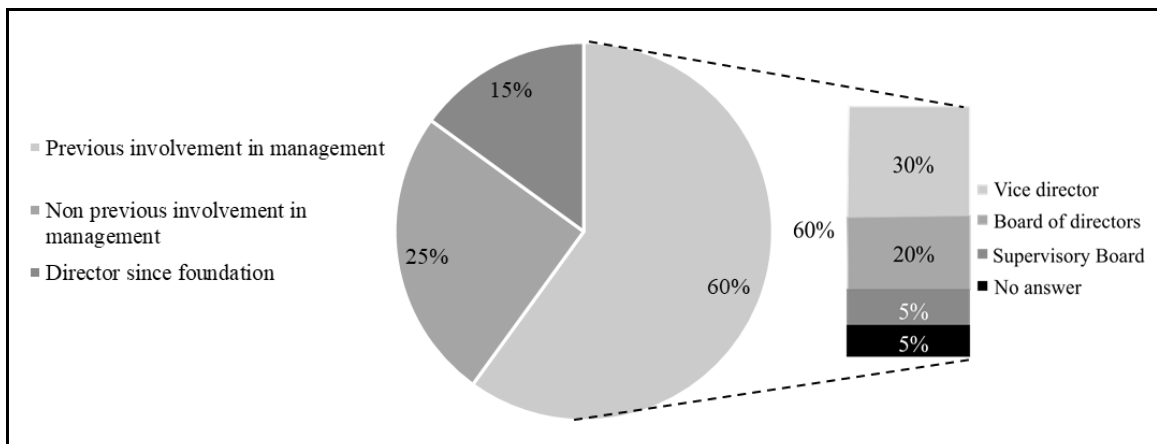
Coop	Size	Revenue (million)	Age (years)	No. of directors	Time of being director	Discussion on succession	Type of product
1	Large	836.48	38	1	38 years	Yes	grains
2		468.0	23	6	8 months	Yes	swine
3		98.0	11	4	1 year	Yes	grains
4	Medium	89.7	11	2	6 years	No	grains
5		80.0	54	-	7 months	Yes	poultry
6		36.0	35	8	8 years	Yes	dairy
7	Small	34.0	21	2	2 years	Yes	grains
8		14.0	18	4	7 years	Yes	grains
9		12.0	81	4	>20 years	NA	horticulture
10	Medium	4.8	2	2	2 years	Yes	dairy
11		4.6	22	2	16 years	No	grains
12		4.0	19	4	3 years	No	grains
13	Medium	2.0	26	5	11 years	No	dairy
14		1.5	20	3	9 months	Yes	dairy
15		1.15	4	2	1 year	No	dairy
16	Medium	0.53	5	1	5 years	No	horticulture
17		0.30	11	2	4 years	No	horticulture
18		0.14	9	3	1.5 years	Yes	apiculture
19	Small	NA*	4	1	4 years	Yes	apiculture

Source: Organized by the authors

Agricultural cooperatives in MS have significant variations in their revenue. Twelve cooperatives have discussed on the succession informally, although none of them had a formal succession plan. The members were concerned according

statements about the continuity of the vice-director and potential successors who have been already involved in cooperative management, and training of new leaders to assume the director position (Figure 2).

Figure 2 – Early involvement of the director

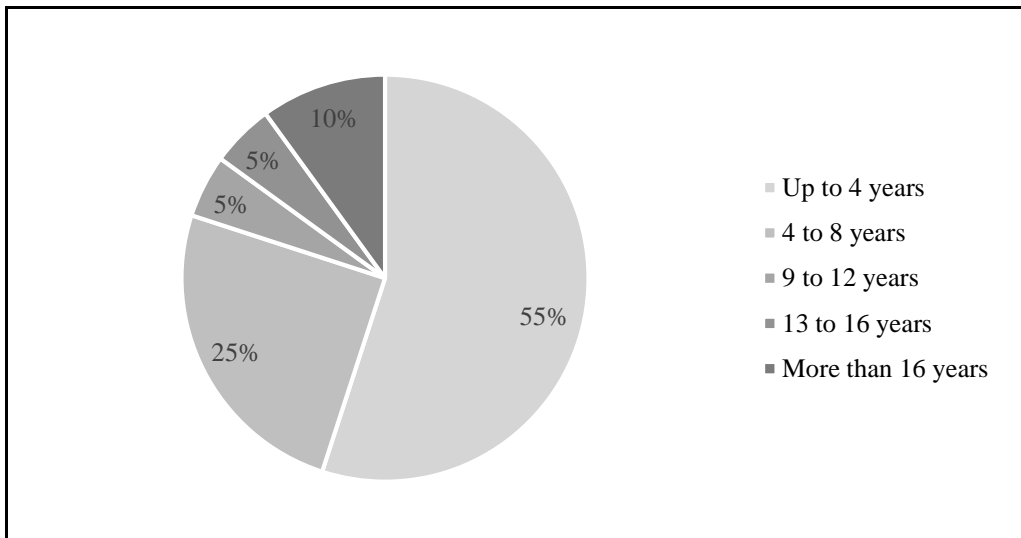


Source: Organized by the authors

The number of directors who previously involved in cooperatives management as vice-directors or the board of directors or the supervisory board before assigning to be a director was significant in the 19 cooperatives. As shown in Figure 2, the time a leader occupies a leadership position and his performance may prove his management capacity (HOR *et al.*, 2010), a point commonly identified in the cooperatives surveyed.

The Brazilian law did not allowed relatives up to the second degree to be in the same boards (BRASIL, 1971). The results of this study revealed that there were many people with kinship representing restriction for people in both director and supervisory boards. Therefore, they were concerned about the continuity of the cooperatives and suggested to create program to attract children to be part of the organization. Another aspect concerns the need for remuneration paid as an incentive for members to take positions of responsibility (STAHL *et al.*, 2007) such as the director.

Figure 3 – Directors' term in office



Source: Organized by the authors

The office term of the director in most agricultural cooperatives ranged from two to four years, which was in accordance with Brazilian legislation (BRASIL, 1971). This study considered a long-term management, which were over eight years. The management time from two to seven years were considered as an adequate term as it was enough to deal with demands and to leave a legacy (SHERLOCK; NATHAN, 2007). Considering a four-year term in Figure 3, the majority of cooperatives directors have not yet completed their first term (10), which did not recognize to be a long-term management, except for cases with 38, 20, and 16 years in office (3).

5.2 Profile of the directors

The interviews were conducted in seven cooperatives: the 1st, 2nd, 3rd, 6th, 7th, 8th, and 14th (Table 2). The directors of cooperatives of all sizes have been involved with management time ranging from six months to 38 years, and their age from 34 to 86 years old. Table 3 shows the directors' profiles named from DIR1 to DIR7.

Table 2 – Directors' profiles

Profiles	DIR1	DIR2	DIR3	DIR4	DIR5	DIR6	DIR7
Higher education		X	X	X	X		X
First term		X	X		X		X
Farm activity and cooperative product are the same	X	X	X	X	X		X
Having manager on the farm	X	X	X	X			
Meeting schedules			X	X			
Receive remuneration or compensation paid	X	X	X	X	X	X	
Founding member	X					X	
Agree to have a cyclical director		X		X	X		X
Having experience at cooperative	X	X	X	X	X	X	X

Source: Organized by the authors

According to the interviews, five directors had higher education (four administrators and one agronomist). All had experience in managing cooperatives, holding positions of director, vice-director, members of the board of directors or supervisory board. The results suggested that specialized knowledge acquired through cooperative experience is fundamental for organizational continuity according to Rothwell and Poduch (2004).

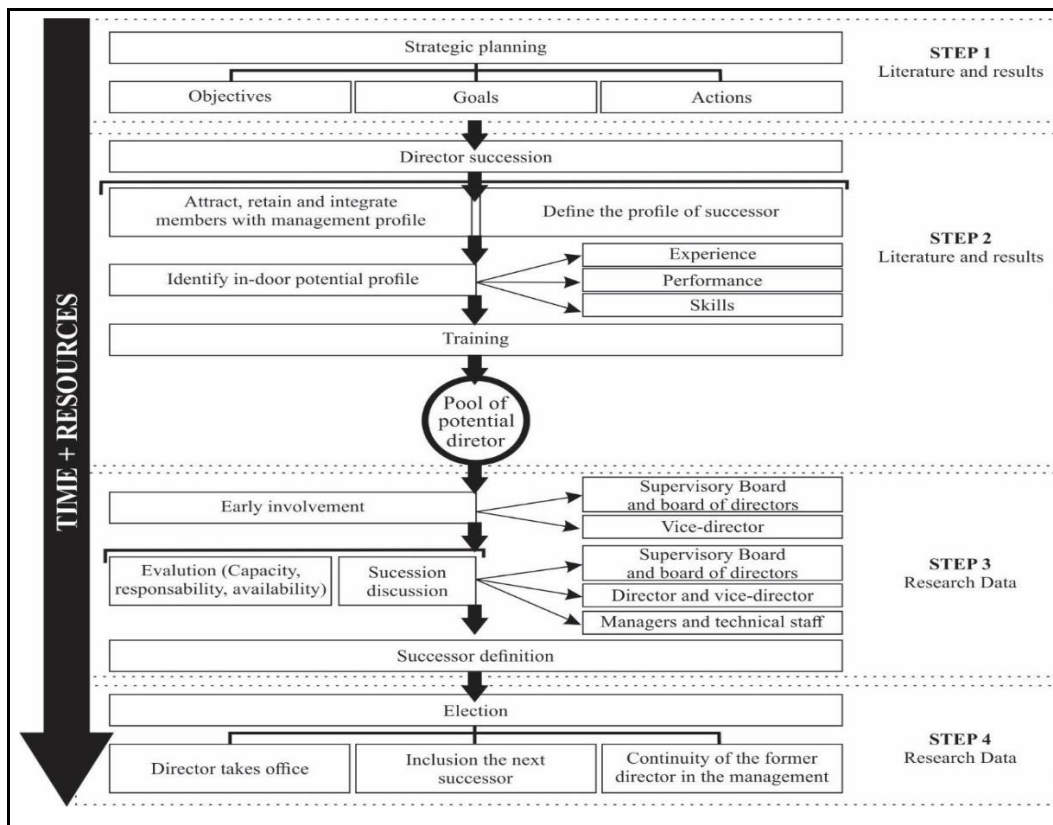
Only one director does not receive remuneration or compensation paid for position (DIR7) and one does not work in the same activity as the cooperative (DIR6), which can be a disincentive for their continuity in office. Four directors were in their first term and three of them agreed to the frequent renewal of the cooperative director.

In these cooperatives, there was no prior concern with the succession of the director, as previously discussed by Froelich, Mckee and Rathge (2011). Some directors argued that succession must be a natural process that should occur with the emergence of someone qualified and willing to take office. They believe this is the only way to make space to pass the baton to another.

5.3 'Four Steps for a director succession planning' proposed

Figure 4 shows the plan for director succession based on the literature and results. This plan included the main aspects when carrying out a strategic planning to pass the baton (DIR1 and DIR6).

Figure 4 – Representation of four steps for director succession planning in agricultural cooperatives



Source:

Research data and Literature review

Step 1: The process begins with setting strategic planning, defining objectives, goals and actions for a succession plan (ANTONIALLI, 2000; BARNETT; DAVIS, 2008). The election of the board of directors must be planned well in advance (BIALOSKORSKI NETO, 2012), so that there is sufficient time and resources to do so (PANDEY; SHARMA, 2014). Well-structured strategic planning is important, which integrates formal discussions and processes for director succession. For the DIR7, “[...]the goal is to "get all my ducks in a row" and from there draw up a strategic plan [...]”. Similarly, DIR4

stated "[...] I think ten years is too little for 30 years of poor management our children will feel the effect of this. [...]".

Step 2: Actions for the director succession process involve reinventing structures aim at attracting, retaining, and integrating members with appropriate profile for management (BEECHLER; WOODWARD, 2009). In addition to defining the ideal profile of successors, it is necessary to assess the potential of each member and identify the right people to assume positions of great responsibility (GRAMIGNA, 2007). The successor's profile should be updated whenever necessary considering that internal or external changes may influence and transform organizational demands.

Outlining guidelines and actions on how to attract, develop, and manage potential candidates (BEECHLER; WOODWARD, 2009; BIALOSKORSKI NETO, 2012) is essential. For DIR4, "[...] we need to think about the future [...] bring more seniors to members? No, just member the young boys who are coming."

The identification of potential successors must take into account profile, experiences, performance (ROTHWELL; PODUCH, 2004), and capacity (HOR *et al.*, 2010), aiming at the development of in-house potential manager (BOLAND; HOGELAND; MCKEE, 2011) through programs that qualify members based on the specified profile.

Working with in-house actions is important, but also to show that members must shoulder their responsibilities. DIR3 claimed that "[...] the parents are wrong [...]they say: 'study my son, study my son;' the son studies, becomes a dentist, a doctor, gets a good public job [...] of course, he won't come back;" for DIR3 'you need to start early, stimulating and developing the business'.

In addition, the cooperative may also promote training courses for new members (DIR2), form partnerships with schools and universities (DIR4), develop cooperative activities, and talk about cooperatives mechanisms, organize sports competitions and agricultural and technical events opportunities to integrate young members (DIR1) and attract them to the board (DIR1; DIR7).

Qualification is another important issue (BUSH, 2011; MARTIN, 2015) and programs to improve the technical efficiency of farm or performance of cooperatives

must include education, training, and extension programs for managers and the board directors of cooperatives (MUGERA; LANGEMEIER, 2011). Such activities for enhancing qualification must be continuous and involve all members of the cooperative (NEVES, 2005; SANTORA *et al.*, 2015). Cooperatives need to have staff willing to learn, to learn and make learning available to others who are part of the organization (ESTIVALETE; LÖBLER; PEDROZO, 2006).

For DIR3, members should to “[...] know well the principles of cooperativism because they will make decisions in the assembly [...] they will be the opinion makers [...]”. This reinforces that members should be involved in formal decisions and the choice of their leaders (USDA, 2001). However, we found a low participation of members in seven cooperatives. The leader should be open for new ideas to increase the participation of members (DIR7). There was little attendance at the assemblies and most of those present were uncomfortable to give their opinion (CRÚZIO, 1999).

Employees and board members should be prepared for work with abilities and competencies (DIR1, DIR2, DIR3, DIR4, DIR5, DIR6, DIR7). Cooperatives should provide resources for employees and board members in order to fulfil their qualification in undergraduate or postgraduate level (DIR2). According to DIR1, the cooperative could be seen as a place to learn about different perspectives. The DIR5 stated that a member of the board of directors “[...] should attend at least a course when starting in the board [...] ideally [...] he had already taken a course [...] before applying for board member[...]”.

Thus, in-house potential directors should be identified and prepared for the succession process (DIR4; PANDEY; SHARMA, 2014; ROTHWELL; PODUCH, 2004) and those with a profile to assume positions of responsibility must be placed in a potential pool (GRAMIGNA, 2007).

Step 3: The early involvement of possible successors will occur through their insertion on the boards and as vice-director, with periodic evaluations of capacity, availability, and responsibility based on pre-established criteria (BARNETT; DAVIS, 2008). It is in line as a study of Ishak *et al.* (2020) that the background of cooperative members influences its performance.

Despite the consensus on the part of the directors interviewed about the importance of preparing potential successors, little effort was made in this regard. Early involvement is a timely mechanism to prepare these members for succession. The renewal of management is essential, given that the law of cooperatives requires two thirds of the supervisory board can be changed annually and one third of the board of directors has to be changed at each election (BRASIL, 1971).

Director, vice-director, board of directors and the supervisory board should be together at the forefront of the succession discussions. Therefore, the good relationship between these groups is essential for a good definition of possible successors and preparation of the candidates in a timely manner (BIALOSKORSKI NETO, 2012; DIR2; DIR4). Ideally, the vice-director would be the best candidate (DIR2) or someone on the board of directors, could become the successor within a short period of preparation time and more efficient compared to ones without administrative experience (DIR7).

Cooperatives are governed by legislation stating that each member have one vote (BRASIL, 1971). However, our results supported by the theoretical review pointed to the importance of managers and technical staff in recruiting and developing potentials for director succession (STAHL *et al.*, 2007). From this evidence, a question arises about the impacts of the lack of involvement of these groups in the process. Thus, one way to integrate these professionals into the process will be enable them to participate in the definition of successor, also involving the directors, boards, and the vice-director.

The involvement of managers and technical staff who advise members is essential as they know them, have direct contact with the director and are affected by this transition. Interpersonal connectivity between members and board of directors, the agricultural managers and technical staff (all employees hired) in contact day-to-day activities of the cooperative can identify difficulties and demands, and understand the current work of the board and its processes (DIR4).

For DIR2 “[...] the goal is going through more evolved succession processes with increasingly committed people [...] strike a balance between renewing and maintaining, favoring the participation of other members [...]”; according to DIR7, “[...] change is necessary to avoid too much centralization [...] otherwise you impose your own practices within the cooperative”.

Step 4: Passing the baton begins with selecting the board composition - director and vice-director. The current successor is chosen and the vice-director is prepared for being a prospective director. Discussions should include assessments made of the vice-director: his performance, skills, involvement, and the desire to be a leader. If the vice-director is not suitable, board members should go through a selection of director and vice-director by considering other potential candidates.

A smooth succession can occur by keeping former management members on the candidate list showing prospective successors (DIR2, DIR3, and DIR4), as stated by the DIR2: “[...] we are looking for only one member from the supervisory board, [...] one from the previous board of directors and five new members to form the new management team [...]. For DIR4, “[...]it has to go on, but [...] we need someone to say 'look we were doing it that way' [...] so it's important to keep someone from the previous board”.

Experience and skills of members are valuable. They should be part of the management team to share their expertise so that the former director is eligible to continue as a member of the board. According to Rothwell and Poduch (2004), preserving veterans' experience prevents the knowledge already acquired from being lost.

Therefore, the insertion of new members must be in a gradual process. For DIR4, the evaluation begins from the bottom: “[...] we have neighborhood leaders so they are also evaluated to take a position in the cooperative [...] if he is already a partner, so this guy can come here. Then, when replacing the board, he becomes a potential candidate [...]”.

Members with leadership profile should be included in cooperative management as members of the supervisory board. They must be professionally trained and evaluated on capacity, availability and accountability issues (DIR2).

Successful members of the supervisory board might be appointed to the board of directors in the upcoming elections. Subsequently, they could participate more actively in management and could be positively evaluated according to their excellent performance to occupy positions of greater responsibility in the future. This is important because director selection and board roles are related (EES; POSTMA, 2004). A similar process should occur for the selection of the director and vice-director, considering that the latter should be able to preside if the director leaves office, as reported by DIR6 “[...] I was vice-director and the director had to leave office for personal reasons, and then I was forced to take over, but I had no such desire [...].”

Thus, selecting the vice-director with a director profile is important not only to facilitate the succession process, but also to ensure continuity of management in the event of the resignation of a director. Early involvement with cooperative management, the availability of a reliable manager on farm, and the alignment of agricultural production with cooperative activities are key factors for the future director and vice-director (BIALOSKORSKI NETO, 2012). In addition, potential successors should be interested and willing to participate in the preparation process (BARNETT; DAVIS, 2008).

The succession process must be initiated in advance (HOR *et al.*, 2010) and follow the steps and the selection criteria for vice-director in order to pass the baton with a smooth transition, ensuring continuity in the work that has been developed. Therefore, the early involvement of the qualified and well-evaluated successors with the support of the former director in the board of directors, managers and technical staff can ensure that ongoing activities are continued. These plan involves members can contribute to the cooperative in order to achieve the values as “self-help, self-responsibility, democracy, equality, equity, and solidarity”, as well as practice ethical values of honesty, openness, social responsibility and caring for others (ICA, 2021).

As can be seen from the four steps succession planning, the succession discussion is part of each step and it is an important element for cooperative growth and sustainability. Now, to prove this, we present a quantitative analysis using multiple regression model of how time of being a director and discussion on successors affect the cooperatives' revenue.

Table 3 – Factors affecting revenue of cooperatives

Independent variable	β	t	p
Constant	40.678	0.82	0.427
Time of being a director	17.183	4.35	0.001
No succession discussion*	-138.981	-1.97	0.067
Have no idea about succession	-372.330	-2.30	0.036
F(3, 15) = 7.50		R-squared = 0.6000	
Prob > F = 0.0027		Adjusted R-squared = 0.5200	
Dependent variable: Revenue			
*Based group is cooperative with succession discussion			

Source: Organized by the authors

Table 3 shows the results of multiple regression analysis from 19 cooperative proving that time of being a director and succession discussion could have an influence on revenue. It was found that both time of being a director and succession discussion had positive effect on cooperatives' revenue. If the time of being a director increases 1 percent, its revenue will increase for 17.183 percent. However, if the cooperative had no succession discussion, its revenue tended to decrease by 138.981 percent. Thus, we can conclude that succession discussion is an important process for cooperative growth and development in the long run.

6 CONCLUSION AND REMARKS

When the replacement of the director occurs suddenly, the lack of planning triggers conflicts in the choices of the successors, because in addition to having the high competency and skills to take over as a director, the candidate must have the approval of members. As such, the process becomes difficult and often thorny.

Cooperatives that constantly change their directors showed discontinuity in management and encounter difficulties to recruit a suitable director for the position. On the other hand, these cooperatives were more receptive and encouraged the adoption of new ideas and the participation of more members in the management process. This certainly increased members' interest in the cooperative's business. Therefore, it was important to establish an optimum limit for the director term.

Therefore, proposing important steps for successor preparation should be an ongoing work. The process requires clarity regarding future needs to develop potential candidates that will ensure continuity and long-term organizational success. Cooperatives need strategic planning with well-defined objectives (what to achieve), goals (in which period) and actions (how) to “pass the baton” in a smooth transition process that ensures the continuity of ongoing projects.

The participation of managers and technical staff of the cooperative in the succession discussion is important as they have knowledge and interface with various cooperative links, often in partnership with members and directors on a daily basis. This aspect retains the strategic procedure of the successor nomination and minimizes bias and conflict.

Therefore, this study contributes to a smooth succession process with a planning that considers the timely preparation of personnel and resources. Given this perspective, attracting, retaining, and identifying members with a managerial profile, building and developing programs for future successors are ideal for the succession process.

The successor must be involved with the management of the cooperative's business. It is essential to organize the farm activities while balancing cooperative's managerial function, as both works require time and dedication. The vice-director should be prepared, motivated to become a successor as well as its responsibilities. In addition, the strategic perspective of succession includes education and skills training programs relate to the cooperatives specifically.

This study also proposes preservation of former directors in senior management positions and utilizing their expertise and accumulated experiences. This is also beneficial in the case of maintaining another member who has a strong involvement with the management.

The business environment and strong competition are challenging to unprepared and inefficient organizations. Brazilian cooperatives fit into this context, as their performances established by legislation that imposes structural aspects leading to difficulties in management in a highly competitive environment. These organizations need to achieve high economic performance with differentiating strategies and competent business management. Members manage these organizations, who are also farmers and have to reconcile their farm activities with cooperative management, their continuous professionalization for management positions is essential.

The innovation related to this study is the issue about succession in cooperatives as a continuously plan and process and the mixed method used, which combines qualitative and quantitative approaches that offers a better understanding of research problems.

The findings highlight important practical implications in this context showed that there was no formal discussion about "passing the baton". Despite of consider important, this topic is perceived by many as a taboo in the organizational environment. This discussion becomes even more sensitive when the management team are in charge for a long period. This situation creates difficulties for members in collaboration because the cooperatives "require a willingness to cooperate, have a common sense of purpose, and be member-driven" (GHAURI; MAZZAROL; SOUTAR, 2021. p. 12). Our

analyses contributed to recognize the importance of discussion and the impact on cooperative growth and sustainability in long run.

One of limitations of this study is the scope since the interviews had the participation of cooperatives from only one Brazilian state and we did not have participation of members. Further investigation can apply this research in other activities branch or sectors and different places in Brazil and around the world aiming to understand more about practices or pathways adopted in cooperatives regarding to succession. Besides, the management perspective adopted by some largest Brazilian cooperatives, which incorporate professional CEOs, in the organizational structure, also it could be examined in the succession perspective.

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How to quote this article

RECH, L. R.; BINOTTO, E.; BUNSIT, T.; GIMENES, R. M. T.; MARTINS, L. C. Passing the Baton: Is Succession Discussion Important for agricultural cooperatives?. **Revista de Gestão e Organizações Cooperativas**, Santa Maria, v.9, e12, 2022. Available in: <https://doi.org/10.5902/2359043273339>.