

Corporate governance: the case of the major agricultural cooperatives in Spain

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Abstract: *Internal governance changes have been introduced by cooperatives recently as a response to enhance their competitiveness. In a recent paper about changes of internal governance in agricultural cooperatives in the European Union, Bijman et al., (2014) recognised seven innovations or deviations from the traditional internal governance model in European agricultural cooperatives: appointment of one or more professional managers who take(s) over the executive task of the Board of Directors, introduction of proportional voting, inclusion of non-members in the Board of Directors, presence of outside experts in the Supervisory Board, introduction of a legal separation between the cooperative ‘association’ and the cooperative ‘firm’, introduction of a Member Council; and finally, introduction of hybrid ownership structures, with different functional types of owners.*

The objective of this paper is to analyse and contrast the real options that Spanish agricultural cooperatives have to introduce eight innovations into their internal governance (the preceding ones and one additional which tests the inclusion of women in the governing bodies of cooperatives), by analysing national and regional laws on this issue. Secondly, internal governance of major agricultural cooperatives of Spain is studied by a questionnaire to corroborate if they have introduced some of those innovations.

Keywords: *Agricultural, cooperative, governance, innovation.*

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1. Introduction and objectives

The degree of development achieved by many large European agri-food cooperative groups is also well-known. In the top 100 world cooperatives, 62 are from the Europe, with an operating revenue of 192,700 million euros (Bekkum, 2013). However, globalization and constant competition in the areas where they operate can cause several internal changes that affect, among others, their corporate governance. In many cases, this results in moving away from their traditional form of governance to the constitution of new structures that allow them to meet their current needs.

Along these lines, some recent studies in the European Union (EU) have confirmed that many agricultural cooperatives are considering introducing innovations into their internal governance structure to be more flexible, especially when their size considerably increases (Arcas, 2011; Chaddad and Iliopoulos, 2013).

This paper aims first to analyse the real options that Spanish agricultural cooperatives have of introducing such innovations into their internal government, compared to those that are being introduced by the largest agricultural cooperatives in the EU. To do this, an analysis of state and regional cooperative laws is made to observe what is included in reference to internal government, specifically in relation to eight innovations in governance; seven of which were identified by Bijman et al., (2014): appointment of one or more professional managers who take(s) over the executive task of the Board of Directors (BoD), introduction of proportional voting, inclusion of non-members in the Board of Directors, presence of outside experts in the Supervisory Board (SB), legal separation between the cooperative 'association' and the cooperative 'firm', introduction of a Member Council; and finally, inclusion of hybrid ownership structures, particularly those with different functional types of owners, including capitalist members or investors.

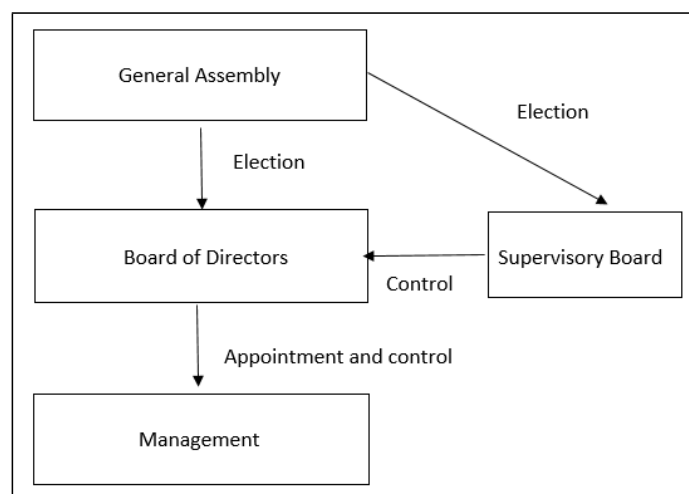
To the innovations identified by Bijman et al., (2014), we added an eighth one about the role of women in managerial positions of agricultural cooperatives and their current performance.

Secondly, the level of these innovations being implemented in the largest Spanish agricultural cooperatives is discussed by a questionnaire to finally present the discussion of the results and conclusions.

2. Innovations in the internal governance of EU agricultural cooperatives

Internal governance is presented as one of three crucial pillars for the success of cooperatives in the agri-food chains, along with the institutional environment, policy measures and their position in the food chain, which have been studied recently in various reports prepared in the EU (Bijman et al., 2012a, Hanisch and Rommel, 2012; Nilsson and Ollila, 2013; Gijssels and Bussels, 2014). Nevertheless as noted in the last report published by COGECA (2014), in most EU Member States there is no prescribed standard principle for cooperative governance, and there are usually two decision-making bodies: the BoD, and the General Assembly (GA), as well as supervisors, auditors or independent inspectors in some cases.

Chaddad and Iliopoulos (2013) distinguished among different cooperative governance structures. In Europe, they differentiated between the models implemented by agricultural cooperatives in northern and southern Europe. In southern Europe the traditional or traditional extended model dominates (see Figure 1), while transitions from the traditional model to the 'management' and 'corporation' model are observed in northern Europe.

Figure 1. Extended traditional model of cooperatives' internal governance

Source: Bijman et al. (2014).

As shown in Figure 1, the extended traditional model has the usual internal government bodies (the GA, the BoD and the SB), where it is incorporated the management, that carries out the executive duties of the BoD. In recent times, the BoD or management has increasingly been enriched with non-member experts. Yet in the 'management' model, management (formed by professional managers) is addressed by the BoD itself, so there is no distinction between decision and execution tasks; the BoD has been professionalised and is composed of cooperative members, trained and qualified to carry out management work. However, this model is not widespread and is found in countries like the Netherlands and Estonia.

On the other hand, the 'corporation model' is identified in the cooperatives that have legally separated the cooperative 'association' and the cooperative 'firm', which involves creating a corporation, where assets and most the cooperative's activities move to the cooperative 'firm'; the cooperative becomes a holding company that owns 100% of the shares of the subsidiary, although this percentage may lower later. Besides, the legal separation has the advantage of reducing liability, and leaves more margin to professional managers and more scope for entrepreneurship (Bijman et al., 2013 and 2014).

As one of the distinguishing features of cooperatives that lack 'external control' by capital markets, internal governance models toward European agricultural cooperatives are evolving (especially in northern Europe), seem to make internal mechanisms of authority and control increasingly necessary. Authors like Van der Sangen and Bijman (2012) emphasise that the performance of cooperatives and the control of management could increase with professional managers on the one hand, and with the introduction of a Supervisory Body on the other (which traditionally consists of cooperative members who have been elected by and from the GA).

Apart from legislative order aspects, there are many factors that determine a cooperative's internal governance model, such as its turnover, the diversity of its business activities, the degree of its internationalisation, changes in its ownership structure to attract foreign investors, etc. Notwithstanding, it is interesting to note that, as reflected in the final "Support for Farmers' Cooperatives" report by Bijman et al., (2012b), legal frameworks for internal governance in EU member states are not generally an obstacle or limitation to cooperatives, although the increasing complexity of internal governance models is not reflected in practice by law. Not surprisingly, there are normally no major legal impediments that prevent agricultural

cooperatives from make their governance structures more flexible and restructured. However, it would be desirable to confer them greater freedom so they can include some innovations in their bylaws - as in the Netherlands or Denmark, countries with a very flexible legal framework- so that cooperatives have much more freedom to adapt their statutes. So there is no demand or need for further legislation in the government field, but better legislation; as well as provide cooperatives with greater freedom in drafting of their internal bylaws.

The Table below provides some interesting data on the internal governance of agricultural cooperatives in the EU-27, and in relation to the seven innovations indicated by Bijman et al., (2014). These data were obtained from the studies by Hanisch and Rommel (2012), Bijman et al. (2012a) and Bijman et al., (2014), from a sample of 500 EU agricultural cooperatives, which are the largest cooperatives in terms of turnover and members in the most important sectors (dairy, fruit and vegetables, pig meat, sheep meat, cereals, sugar, olives-olive oil and wine).

It is important to remark that the cooperatives of the previous sample that had attributes of 'professionalising' cooperatives, that is, proportional voting rights, professional management, external SB members and selected directors based on expertise or product representation, obtained better performance.

Table 1. Relevant data about internal governance in EU-27 agricultural cooperatives

Professional managers	60% of the sample delegate to a professional manager (the larger the cooperative, the more likelihood to have a professional manager)
Proportional voting	80% of the sample apply the one member-one vote principle, and only 20% use the proportional voting (and in the latter, half apply a limit to the number of votes that may
Non-members in the BoD	19 EU Member States allow it in their legislation. About 14% have experts non-members in their BoDs.
Outside experts in the SB	In about 27% of cooperatives, SBs have outsiders (non-members).
Legal separation between cooperative 'association' and cooperative 'firm'	It was found only in 20% of the EU-27 sample, and it is common in countries like the Netherlands or Germany.
Member Council	It is still not that common (only 15% of the sample have one), despite being allowed in 15 EU-27 countries. This council consists of representatives of different member groups (e.g.: representing different geographical areas) that have obtained the rights and obligations that are normally
Hybrid ownership structures	Hybrid formulas (inclusion of non-member investors in the cooperative ownership) are found in very few EU countries, such as Germany and Denmark; interestingly only 7 Member States have explicitly prohibited it in their law.

Source: Hanisch and Rommel (2012), Bijman et al., (2012a) and Bijman et al., (2014).

Some of the innovations reflected in the above Table are found in a few European countries, such as the legal separation between the cooperative 'association' and the cooperative 'firm' or hybrid formulas. The reality is that cooperatives usually need additional capital to grow (Fulton and Hueth, 2009), so hybrid ownership formulas can arise during this process. These have been defined as structures that have allowed cooperatives to incorporate capital for their growth - both partners and new investors-, but control is still in members' hands (Chaddad and Cook, 2004). Nevertheless, it is questionable if the cooperatives that attract extra members' investments and/or external equity perform better than the traditional ownership models of cooperatives. This, in the opinion of Kalogeras et al., (2013), does not come over clearly in their study about Dutch agribusiness cooperatives over the 1999-2010 period.

In the case of Europe, there are different models of hybrid ownership structures (Bijman, 2013): a) cooperatives that allow outside owners (non-members) in the cooperative itself or in one or more of its subsidiaries. Thus outside individuals and organisations become co-owners of (a part of) the cooperative's assets, and these outside owners can also be farmer organisations (or farmer unions), which represent a larger group of farmers than just users of the cooperative; b) hybrid ownership structures where a firm is owned by farmers or by one farmer organisations or more, but takes no legal cooperative form.

As reflected in Table 1, only seven EU-27 Member States explicitly prohibit hybrid formulas in their legislation. It follows that cooperatives' reduced ability to raise capital from outside non-members investors, which would create a hybrid structure, is not apparently due to legislative obstacles. Nevertheless in many countries with no restrictions in this respect, since no hybrid formulas have been banned, this facility is not in line with the voting rights provided to these external investors, which makes the cooperative's ability to attract investors most difficult. Yet even in countries with both facilities, the question of raising capital from outside investors is still in an embryonic stage. In contrast, the legal separation between cooperative 'association' and cooperative 'firm' is commoner than hybrid formulas, and allows foreign investors with a minority of shares in the cooperative 'business', while the cooperative 'association' maintains the majority of ownership (Bijman and Iliopoulos, 2014).

Some innovations, such as professional managers or external investors entering cooperatives, can mean that cooperative members may lose control. For this reason the importance of designing good internal cooperative governments is further highlighted (Juliá and Meliá, 2015) to avoid ending up in full demutualisation processes, with the cooperative society's total loss of status. Formulas can be found that allow them to be flexible and to adapt the structures that they currently possess.

We now go on to study the real possibilities that Spanish agricultural cooperatives have as their disposal to innovate in this area through available legislation, as well as practices that largest agricultural cooperatives of our country are conducting today.

3. Innovations in the internal governance of Spanish agricultural cooperatives

Internal governance is especially important in these times of crisis, which many Spanish agricultural cooperatives are experiencing, where the key is to strike a fair balance between prices paid to members (settlement) and corporate vision that depends on results (Baamonde, 2013).

Not surprisingly, and as indicated by Bijman et al., (2012b), in some southern European countries like Portugal, Spain and Greece, specific internal governance problems can

negatively influence the performance of cooperatives, particularly since control and internal supervision are underdeveloped as clear legal mandates of SBs are lacking. According to the previous authors, cultural, social and historical factors also play a role in changing the patterns of internal governance. In fact cooperatives do not easily change their internal governance structure because it entails uncertainty for cooperative members and leaders. In addition, the influence of legal and tax advisors usually leads to more conservative options.

Poor training and preparation of members in the major part of BoDs, specifically in the field of business management, is another element that can be added to the previous and lead to conservative positions and decisions in the exercise of cooperatives' government. Thus, lack of knowledge and insecurity by governing councils avoid on many occasions to take decisions that could improve the performance of cooperatives.

Specifically, Spanish agricultural cooperatives, apart from being many and small-sized, they tend to be too 'presidentialist'; that is to say, usually the same person is the president, and a member of the BoD and the GA; so he/she performs many representative tasks and is at risk of too much power (Giagnocavo and Vargas - Vasserot, 2012).

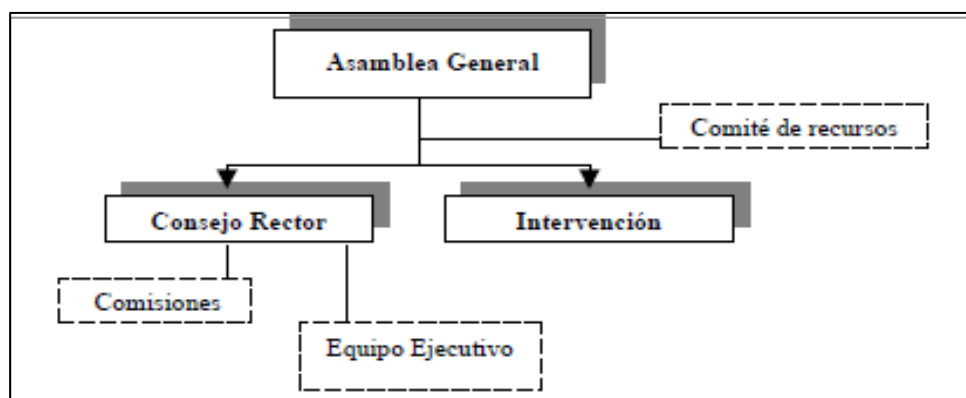
3.1. National and regional cooperative legislation in Spain

The cooperative government has been strongly influenced by capitalist models. However, many of the internal governance measures being implemented into business corporations have not yet been adopted by cooperatives, such as presence of external and independent advisors, since cooperatives in this aspect lag behind their counterparts in business corporations (Giagnocavo and Vargas - Vasserot, 2012).

Spain is characterised by low unit regarding cooperative legislation, with differences between regions, which makes interregional cooperation more complicated, and prevents growth strategies and internationalisation. Currently, 16 regional cooperative laws applicable exclusively to their territory co-exist, plus state law on cooperative societies -Law 27/1999 of Cooperative Societies (SCL)-, and some sectorial laws. Such legislative diversity implies that the legal regime of cooperatives' corporate bodies and, consequently, their corporate governance, is conditioned by the applicable, which spells differences among them (Puentes et al., 2009).

Thus the scheme of corporate bodies (both legal and statutory) of Spanish cooperatives, according to the above authors, can be observed in the following figure, of which some will be defined later from SCL:

Figure 2. Corporate bodies of Spanish cooperatives



Source: Puentes et al., (2009)

- The ‘Consejo Rector’ or BoD is responsible for top management, supervision of managers (executive team), and representation of the cooperative.
- The ‘Asamblea General’, or GA, is the body through which members democratically manage and decide. All members have the right to attend the GA according to the principle ‘one member, one vote’. There is also the possibility of proportional voting if bylaws acknowledge it.
- The ‘Intervención’ or ‘Accountability Intervention Committee’ is a Supervisory Body that resembles the Audit Committee of corporations, and is mandatory in the SCL and in most regional laws. Puentes et al., (2009) noted that one of the recommendations of the Unified Code of Corporate Governance of Spain, specifically in the Audit Committee, was that it should be composed exclusively of external experts to achieve the necessary independence.

After analysing state and regional cooperative law in Spain, the key elements identified and related to the eight innovations analysed in internal government matters are presented below in Table 2.

Table 2. Innovations in internal governance in state and regional cooperative legislation

Professional managers	Both state (SCL) and all regional legislation reflect the possibility of delegating power to professional managers.
Proportional voting	It is contemplated in the SCL (depending on the member's activity or number of members, if the cooperative is second-tier), and in all regional laws. As reflected in the SCL, it may not exceed in any case of 5 social votes, and cannot be attributed to a single member more than a third of total votes of the cooperative.
Non-members in the BoD	It is included in the SCL, with a maximum of 1/3 of the BoD and 5 social votes, and in some regional laws. Some regional laws allow reducing the limit applied nationally, such as Aragon and Castilla La Mancha. In addition, these people cannot be the President or Vice President of the BoD.
Outside experts in the SB	In the Spanish context, the SB is commonly associated with the figure of the ‘Accountability Intervention Committee’. It is set out in the SCL (maximum 1/3) and in some regional laws.
Legal separation between cooperative ‘association’ and cooperative ‘firm’	Our legislation contains no specific reference, but that does not prevent it from being carried out legally.
Member Council	This concept can be assimilated to the ‘Asamblea General de Delegados’. SCL and almost all regional laws, contemplate it.
Hybrid ownership structures (inclusion of external members in the ownership)	SCL and some regional laws allow foreign investors to participate in the cooperative’s capital through figures such as: <ul style="list-style-type: none"> • ‘cooperativas mixtas¹ (mixed cooperatives), reflected in the SCL, and some regional laws as the Basque Country, Castilla La Mancha, Murcia, Asturias or Navarra • ‘persona inversora’ (investing person), reflected in regional Andalusian legislation) • or the ‘asociados o colaboradores’ (partners or collaborators) included in all laws.

1. Not to be confused with ‘cooperativas mixtas’ which combine different types of cooperatives.

Source: The Authors based on the SCL and regional legislations found on the website of the Spanish Ministry of Agriculture, Food and the Natural Environment. (Ministerio de Agricultura, Alimentación y Medio Ambiente, España).

As shown in the table above, Spanish legislation on cooperative matters (both state and regional) allows the BoD to delegate powers to professional managers, and to apply proportional voting in the GA. However, the presence of external persons in the BoD or SB, or having Member Councils can be found in state law, but not in all regional laws.

With regard to SB, the major part of cooperatives' laws include the obligation of having an 'Accountability Intervention Committee'. As reflected in Table 2, the SCL allows the presence of outsiders in this body, which is not permitted in all regional laws. Yet on many occasions this body has no real control and supervision, as it tends to exercise a limited role by monitoring and accounting (Giagnocavo and Vargas - Vasserot, 2012). Moreover, another regional laws contemplate Supervision Committees, beyond the accountably area, such as the Management's Control Committee (of Valencian Community,) or the Vigilance Committee (of the Basque Country). In both cases, if bylaws foresee it, there can be designated third parties (outsiders) as members of those committees. Yet, and as mentioned before, the accountability of management towards members is a problem in some countries like Greece, Portugal, Spain and the UK as legal mandates are lacking to form an SB or similar institution (Van der Sangen and Bijman, 2012). Nonetheless, cooperatives can use their bylaws to set up this Council.

Authors like Gadea (2015) emphasised that a progressive approximation to the law on general corporations, especially the assumption of external audits, often make this body (the Accountability Intervention Committee) superfluous, and even extravagant. Usually the persons elected to this body do not have the training required to undertake such specialised tasks in economic and accounting controls.

As for the legal separation between the cooperative 'association' and a the cooperative 'firm', our legislation contains no specific reference, but that does not prevent it from being carried out legally and being feasible, but with fiscal constraints because cooperatives lose tax advantages enjoyed by them. In fact, some major agricultural cooperatives in the Spanish sector have business corporations to operate more agilely.

Regarding the formation of hybrid structures of ownership (note they incorporate external investors into property), they can be possible through mechanisms such as the figure of the 'persona inversora' (investing person), as set out in the Andalusian cooperative law (having voting rights in the GA with an 25% upper limit), or the 'cooperativas mixtas' (mixed cooperatives), as reflected in SCL and some regional laws, such as the Basque Country, Castilla La Mancha, Murcia, Asturias and Navarra, which support 'capitalists' partners. Thus in mixed cooperatives two partner kinds can appear: cooperation partners and partner holders of company shares with voting rights (Alzola, 2009). The latter are paid for contributed capital and have the possibility to vote in the GA. However, as highlighted by Vázquez (2013), the mixed cooperative has not been significantly and practically applied in Spain, mainly because national legislation lacks the extensive and precise regulation of this figure; there is also the insecurity that the sector shows about incorporating capitalist partners into cooperatives as it is an exception to basic cooperative principles, such as mutuality and equal voting in the GA.

It should also be noted that there exist other mechanisms by which outsiders of cooperatives could participate in their capital, and consequently lead to hybrid ownership structures. This is the case of the 'asociados' (partners), 'colaboradores' (collaborators), or even the 'participaciones especiales' (special shares), which make less sense even in this concept mainly for their subordinated nature:

- 'partners or collaborators': non-members who, without undertaking or participating in the core cooperative business activity, can participate in the cooperative's capital

and be paid for this contribution. Their number of votes is limited and can be arranged in the GA, and they can even form part of the cooperative's governing bodies.

- 'special shares': are external financing sources that cooperatives can count on (Bel and Fernández, 2002), but are considered only capital when these investments do not expire until the cooperative's settlement has been approved (Art. 53.1. SCL).

Although these formulas could be used by cooperatives as a way to incorporate social capital from investors, this is not the case, and they are commonly used by members who cease their cooperative business, and do not want to lose their connection with the cooperative. Hence they become partners or collaborators and maintain their capital in the cooperative.

Finally regarding the role of women in governing bodies of Spanish agricultural cooperatives, specifically in the executive team or in the BoD, some recent regional laws have incorporated references to this issue; such as Andalusia, Castilla La Mancha or Valencian Community, which states (art. 42.6, Law 8/2003): cooperatives seek to include in their Governing Councils a number of women that allows a balanced representation of women and men that is consistent with the composition of its social mass. Nevertheless, as recently acknowledged by the President of the Women's Association of 'Agri-food Cooperatives of Spain', AMCAE (Bonafé, 2015), the process of incorporating women into cooperatives is recent - like any other Spanish companies - and the participation of women in Boards does not reach 5%.

3.2. Innovations introduced by the largest agricultural cooperatives in Spain

3.2.1. Data and methodology

After analysing the options from the legal standpoint that cooperatives have to incorporate innovations into their governance systems, we checked their actual implementation which, in some respects, is presumably limited in scope (Arcas and Hernández, 2013). To this end, based on a survey conducted with a cooperatives sample, we analysed in this section if Spanish agricultural cooperatives are actually incorporating these innovations and to what extent they are deviating from the traditional internal governance model.

We started with a database that comprised the Spanish agricultural cooperatives associated with 'Agri-food Cooperatives of Spain', which is the organization which represents and defends the economic and social interests of the Spanish agricultural cooperatives; that is to say, 2,718 cooperatives that belong to the following sectors: olive oil, table olives, animal feed, rice, poultry meat, laying poultry, arable crops, fruit and vegetables, nuts, milk, grape juice and wine, sheep and goats, white pigs, supplies and beef (CCAIE, 2013).

These cooperatives were segmented according to their turnover in 2013, by selecting those with a higher turnover in their sector. As verified in other studies (Bijman, et al., 2014), size is an element that positively affects the incorporation of many of governance innovations. The analysed subgroups comprise a population of 232 cooperatives as follows:

- Large-sized cooperatives: cooperatives with an annual turnover over 50 million euros.
- Medium-sized (1) cooperatives (Med1): cooperatives with an annual turnover between 25 and 50 million euros.
- Medium-sized (2) cooperatives (Med2): cooperatives with an annual turnover between 10 and 25 million euros.

Table 3. Technical file of the survey

Universe	2,718 cooperatives. Members of 'Agri-food Cooperatives of Spain' (CCAIE, 2013)
Target population	232 cooperatives: Large-sized (> 50 million €): 30 Medium-sized (1) (25-50 million €): 45 Medium-sized (2) (10-25 million €): 157
Sample	105 cooperatives: Large-sized (> 50 million €): 15 Medium-sized (1) (25-50 million €): 23 Medium-sized (2) (10-25 million €): 67
Confidence interval	95%
Sampling error	+/-0.05
Variance	Maximum indeterminacy (p=q=50%)
Survey period	October 2015 - February 2016
Methodology	Internet survey (and subsequent telephone follow-up)
Field work	Cajamar Chair-UPV of Social Economy (CEGEA)
Recording and creating databases	Cajamar Chair-UPV of Social Economy (CEGEA)

Source: The Authors

(Note: finite population correction was applied - Malhotra, 2004)

To this population, an ad hoc devised questionnaire was sent, which had 38 questions divided according to the innovations analysed. Finally, 105 cooperatives answered the questionnaire and made up the analysed sample. To carry out the survey, reference manuals on surveys were taken into account (Malhotra, 2014). The questionnaire was firstly sent online to the President or Manager of each cooperative, and a telephone follow-up was then conducted.

3.2.2. Results and discussion

After analysing the results obtained with the questionnaire, the following features that corresponded to the internal governance of the Spanish agricultural cooperatives were observed, which are presented in the tables below, along with those obtained for EU-27 (previously reflected in Section 2 of this paper) to make comparisons easier.

Table 4. General data and professional management

Spain	General data	Total	Large	Med1	Med2
	Number of answers	105	15	23	67
	Classification				
	First-tier	83	7	15	61
	Second-tier	22	8	8	6
	Average number of BoD members	10.6	12.9	10.7	10

EU-27	General data	Total
	Answers	500
	Average number of BoD members	8.8

Spain	The manager forms part of the BoD	Total	Large	Med1	Med2
	Yes	18%	7%	26%	34%
	No	82%	93%	74%	66%
	<i>In the affirmative case, it is usually as President</i>				

EU-27	The manager forms part of the BoD	Total
	Yes	14%
	No	86%
	60% of cooperatives delegated to a professional manager.	
	This took place more often in large-sized cooperatives.	

Source: The Authors

As shown in Table 4, many more first-tier cooperatives than second-tier ones appeared in the surveyed sample. This difference was most marked in smaller cooperatives (Med2). Despite not being the object of this work, we highlight this fact because, as reflected by Meliá (2003), federated or second-tier cooperatives have been questioned in professional and academic fields for several reasons. Among them, it is also worth noting the organisational and internal governance problems that sometimes arise and lead to paradoxes; e.g., second-tier cooperatives that compete in markets with their own base cooperatives.

Management professionalization or the introduction of proportional voting, are observed in most of the surveyed Spanish agricultural cooperatives (see Tables 4 and 5). In fact in 18% of the surveyed Spanish agricultural cooperatives, the manager is a member of the BoD; so in 82%

of the cases, an external professional manager is hired (compared to the 60% found in the European sample).

In this sense, there are two key issues about the managers of cooperatives, such as training and paying these managers. Firstly, training is a fundamental element for cooperative development, as are technical advisory services and adequate financial support. Moreover, it is very important that managers are elected and monitored suitably (Chaves, 2004). And all this without forgetting to offer manager proper payment, a still problematic aspect in Spain as they are not usually well paid, which does not help when attracting professionals to these positions (Giagnocavo and Vargas-Vasserot, 2012). In fact, small-sized cooperatives appear to have difficulties in attracting professional managers, although there exists high demand for professional management and competent members to develop positions in supervising organs (Bijman et al., 2012b). It would also be fair to emphasise that the task of these members and professional managers (the core of cooperatives' leadership) is not easy as they must reconcile the interests of different internal and external actors (Coque, 2008). In this sense, external managers are often seen by members as a threat since their objectives do not match those of members. So having been hired, they are often not allowed to carry out their duties with any level of desirable independence (García, 2001).

Another fact that emerges from the questions on the BoD is that its average size in the surveyed Spanish agricultural cooperatives is somewhat higher (10.6) than the European average (8.8). Note that the European sample of the above-mentioned report reflected that, unlike what happens in business corporations, a larger BoD improves the cooperative's performance, despite the theoretically higher costs of coordination and decision-making. In any case, as regulated in the SCL, bylaws establish the composition of BoD and, as a general rule, there cannot be fewer than three board members.

Proportional voting appeared in 49% of total analysed Spanish cases (41% in first-tier cooperatives and 82% in second-tier ones). As seen in Table 5, in the Spanish agricultural cooperatives that applied proportional voting, 37% of cases was carried out based on the volume of activity with the cooperative.

Table 5. Proportional voting

	Does proportional voting exist?	Total	First-tier	Second-tier
Spain	Yes, depending on the number of members	12%	13%	9%
	Yes, depending on the volume of activity with the cooperative	37%	28%	73%
	Yes	49%	41%	82%
	No	51%	59%	18%
		Total	First-tier	Second-tier
EU - 27	Yes	20%	13%	42%
	No	80%	87%	58%

Source: The Authors

On the contrary, as shown in the following Tables, the remaining innovations reported by Bijman et al., (2014) are not usually introduced, or are used by Spanish agricultural cooperatives, as so:

Inclusion of non-members in the composition of the BoD. Similar data to those analysed in the European sample were obtained (only in 17% of cooperatives, compared with 14% of EU-27 agricultural cooperatives). As mentioned above, this figure is interesting because many laws allow this fact in the Spanish case, while 19 EU-27 countries also contemplated it. Finally, the cases with external persons in the BoD usually corresponded to professional lawyers, engineers or economists, being 1.8 the average number of external experts that are included in the Spanish BoDs (see Table 6). As Giagnocavo and Vargas-Vasserot (2012) pointed out, the fact that an amendment appeared in the SCL that allowed the presence of non-member professionals in the BoD was a major advance towards a management and strategy cooperative in Spain.

Table 6. Outside experts in the BoD

		Total	Large-sized	Med1	Med2
Spain	Yes	17%	14%	26%	15%
	No	83%	86%	74%	85%
	Average number: 1.8 . Normally lawyers, economists or engineers				
Outside experts in the BoD					
EU -27	Yes	14%			
	No	86%			
	In 19 countries the law allows it.				
	In Spain, the majority of laws allow it.				

Source: The Authors

Presence of external experts (outsiders) in the SB. In this case, only 8% of the sample permitted it, which is nowhere near the 27% reflected by EU-27 agricultural cooperatives. The surveyed cooperatives were also asked about SB composition; it was found that most of these councils are formed for supervising accounting matters, as seen in Table 7. It seemed somewhat shocking that most cooperatives in the sample have not considered it necessary to create an SB.

The existence of non-member professional advisors is one of the key facts of good corporate governance. Reports about improving corporate governance highlights the forecasting of different classes of advisors, such as executive advisors, those who undertake management and leadership roles; proprietary advisors, representatives to significant shareholders; and independent advisors, appointed by their personal and professional conditions, and lack of ties with the company, its partners and managers (Gadea, 2015). As discussed in previous sections, presence of external experts in the SB, among others, had a positive impact on the cooperatives in the European sample (Bijman et al., (2012b).

Table 7. Supervisory Board and outsiders in it

Supervisory Board exists	
Fiscal matters	
Yes	19%
No	81%
Accounting matters	
Yes	48%
No	52%
Business strategy	
Yes	15%
No	85%
Policy of settlement price paid to members	
Yes	14%
No	86%

Are non-members allowed to enter the Supervisory Board?		
Spain	Yes	8%
	No	92%

Non-members in the Supervisory Board		
EU-27	Yes	27%
	No	73%
16 Member States allow outside experts in SB.		

Source: The Authors

The legal separation between the cooperative ‘association’ and the cooperative ‘firm’ is somewhat unusual, and is contrary to what happens in countries like the Netherlands or Germany (this legal separation is presented in 20% of the European sample). As shown in Table 8, large-sized cooperatives are most susceptible to creating a business corporation controlled by them. The fundamental reasons are the possibility of increasing operations with third parties and to be more agile in decision-making.

Regardless of their size, none of them is very interested in creating a company to increase capital or to establish subsidiaries in other countries (both items obtained an average of 3, being the scale of 1 to 7).

This is understandable to the extent that the reduction of members of the many cooperatives and the need for making viable many of their installations, make them to increase operation with third parties; being a limitation for them that for maintaining tax advantages (fiscal protection), they can not perform volume of operations with third parties higher than 50% of total cooperative's operations. It should be noted that there is also a limitation on the participation of cooperatives in the capital of non-cooperative entities (not exceeding the 40% if they want to conserve their fiscal protection, and for entities performing preparatory, subordinated o complementary activities to the own cooperative). However, the Ministry of Economy and Public Finance may authorize higher shares, without the loss of 'fiscally protected cooperative' status, in those cases where it is justified that such participation contributes to better compliance of the cooperative social fines and does not constitutes an infringement to the fundamental principles of these entities.

Table 8. Legal separation between cooperative 'association' and 'firm'

	Would you create a corporation, participated by your cooperative?	Total	Large	Med1	Med2
Spain	Yes, to increase social capital	3	4	2.6	2.8
	Yes, to increase operations with third parties	5	5.3	4.8	5
	Yes, for more flexible decision making	4	5.4	4.1	3.6
	Yes, to establish subsidiaries in other countries	3	3.9	3.4	2.5
	Observations: Scale from 1 (quite unlikely) to 7 (very likely). The means equal or higher than 4 are marked.				
EU-27	It is common and can be found in 20% of the sample; it is common in countries like the Netherlands or Germany				

Source: The Authors

The creation of Members' Councils. Similar data were obtained to those discussed in the European sample (aprox. 15% of the sample). They are the large-sized cooperatives the ones with higher percentages for the creation of Members' Councils; (see Table 9).

As to the reasons why cooperatives chose to create these Members' Councils, can be found increasingly less operational of the GA because of the lack of attendance or the difficulty of combining the interests of the increasingly more heterogeneous members, Chaves (2004).

Table 9. Member Council

	Yes	No
Spain	14%	86%
EU-27	15%	85%
It is still not very common in the EU-27, despite being allowed in 15 Member States		

Source: The Authors

The formation of **hybrid ownership structures** to allow different functional types of owners, with the consequent introduction of external investors into capital. In this case, 15% of surveyed cooperatives claimed having equity from non-members, but most of them were from partners or collaborators, figure which is introduced by cooperatives mainly to allow members who cease their activity to remain in the cooperative, maintaining their capital in it, and in 40% of the cases they have no voting rights.

Regarding the percentage of capital that comes from non-members, in 53% of the cooperatives it represents less than 5% of the capital, between 5 and 30% of the capital in 21% of the cooperatives, and more than 30% in 26% of the cooperatives.

It must be noted that most of the surveyed Spanish agricultural cooperatives (75%) do not perceive obtaining own funding beyond members a current necessity (see Table 10). These data confirm what authors like Vázquez (2013) have already anticipated, stating that 'mixed cooperatives' (one of the practices that currently allows the incorporation of external investors into the cooperatives' capital) have not been significantly and practically applied in Spain, due especially to the lack of an extensive precise regulation of this figure in national legislation, and also to the insecurity shown by the sector about capitalist partners being incorporated into cooperatives. As a result of this study, a third reason that could be added to them, is because obtaining extra equity is not a need, at least for medium and big cooperatives, which are analysed in this work.

Therefore, even though the Spanish agricultural cooperatives of our sample reflected participation of external capital, we understand that this does not correspond to the hybrid ownership structure defined by other authors.

Table 10. Hybrid ownership structures

	The cooperative has capital from non-members	Total	Large	Med1	Med2
Spain	Yes, from 'partners/collaborators'	14%	7%	21%	12%
	Yes, from emitting 'special shares'	1%	7%	4%	0%
	No	85%	86%	75%	88%
	If affirmative it is usually to ensure that members remain when they cease their activity, rather than attracting capital.				
	Without voting rights in 40% of cases.				

EU-27	In very few countries
	Example: Germany or Denmark
	Only seven EU-27 countries explicitly prohibit it in their legislation

		Yes	No
Spain	It is a current need for your cooperative achieving greater self-financing, beyond members?	25%	75%

	From the total share capital, what % comes from these sources (capital from non-members)?	Total	Large	Med1	Med2
Spain	< of 5%	53%	33%	80%	46%
	Between 5 and 30%	21%	67%	0%	18%
	More than 30%	26%	0%	20%	36%

Source: The Authors

Finally, regarding the role of women in Governing Councils or management teams of Spanish agricultural cooperatives, poor presence of women in the BoD (26%) was detected, being similar the percentage obtained in large and medium cooperatives. The percentage of women in the management teams of the surveyed cooperatives is higher (59%), being in this case bigger in large cooperatives (85%), than in medium-sized1 (70%), coming in third place the smaller cooperatives (medium-sized2), with 50%. In addition, and as reflected in Table 11, the women involved in the management teams of these cooperatives act as Head of Administration, or are involved in Financial Management or Human Resources.

In this case, it was not possible to compare Spanish data with the European sample, but this average is presumably low, taking into account the information available from some northern countries such as Norway, in whose cooperatives governing councils an average of 40% of members must be women (Agri-food Cooperatives of Spain, 2015). Our results confirm the ones obtained by other studies, such as Martínez et al., (2011) that have reflected that women's participation in decision-making was quite low in Spanish social economy enterprises. In their study, in the surveyed social economy companies, women members represented 29.5%, while only 23% had access to management.

Langreo and Benito (2006) made progress in their study about "women in agriculture in the Spanish Valencian region", and showed that women's participation in the management of cooperatives was quite scarce. In fact, in the 1999 Agricultural Census conducted in the Valencian area, only one woman President appeared, and there were 37 in the BoD, although many women worked in cooperatives. Giagnocavo and Vargas-Vasserot (2012) reflected, in their report of Spain belonging to the "Support for Farmers' Cooperatives" inform, that our cooperative legislation has made no progress in the gender parity issue in the governing teams and managers of cooperatives. However, after the additions on this matter made in recent Spanish cooperative legislation, we hope that these data will also increase in Spain in forthcoming years.

Table 11. Women's Role

Spain	Is there any woman on the Board of Directors?	Total	Large	Med.1	Med.2
	Yes	26%	27%	30%	24%
	No	74%	73%	70%	76%
	<i>Mean: 1,6</i>				
	And in the management team?	Total	Large	Med.1	Med.2
	Yes	59%	85%	70%	50%
	No	41%	15%	30%	50%
	<i>Mean: 1,9</i>				
	<i>Usually in positions such as Head of Administration, and in Financial Management or Human Resources.</i>				

Source: The Authors

4. Conclusions

In terms of internal governance, many agricultural cooperatives in Europe are including major innovations to achieve greater flexibility and adaptability to changing environments, especially when they increase in size. During this process, some cooperatives have deviated from the traditional internal governance model.

In this work, we firstly examined, by an analysis of the Spanish cooperative legislation, the actual options that Spanish agricultural cooperatives have of introducing eight innovations in their internal governance, being the results compared to the ones obtained by a broader study developed by Bijman et al., (2014) in the European Union. Secondly, we studied the degree of implementation of these innovations into the largest Spanish agricultural cooperatives through a questionnaire about their internal government.

In Spain, the Law 27/1999 of Cooperative Societies (SCL) and many regional laws do not 'legally' prevent the implementation of the innovations discussed above. In fact, they all allow the Boards of Directors to delegate the management to professional managers, and the application of proportional voting. With regard to the possible inclusion of non-members in the BoD and in the Supervisory Board, it is contemplated in SCL and in most Spanish regional laws. The same applies to the possibility of having Member Councils. As for the legal separation between cooperative 'association' and cooperative 'firm', Spanish legislation has no specific references. However, to participate in the capital of a company in a percentage higher than 40% has fiscal consequences for cooperatives, although the increase of this percentage can be authorised by the Spanish Ministry of Economy and Public Finance. With regard to hybrid ownership structures, they can be developed through mechanisms such as 'mixed cooperatives' (reflected in SCL and by some regional laws), in which 'capitalists' partners are incorporated, who are paid for the capital provided to the cooperative and have the right to vote in the GA, or through the 'investing person' figure set out in Cooperative Andalusian law.

As for the *ad hoc* survey conducted among the major Spanish agricultural cooperatives, the results showed that, despite the 'freedom' that Spanish legislation on cooperative confers to implementing the innovations discussed above, not all of them are usually introduced or used. The results obtained with respect to the eight innovations analysed are:

- Including non-members in the Board of Directors composition: only present in 17% of the surveyed Spanish agricultural cooperatives, which is a somewhat higher percentage than EU- 27 agricultural cooperatives with 14%.
- Presence of outside experts in the Supervisory Board: present in 8% of Spanish agricultural cooperatives. The European average is 27%.
- Creating Member Councils: present in approximately 15% of the sample, similarly to average European data.
- The legal separation between association and firm: it is unusual for Spanish agri-food cooperatives, in contrast to cooperatives of countries like the Netherlands or Germany. Surveyed Spanish agricultural cooperatives stated that the fundamental reasons for doing this separation would be to be able to increase operations with third parties and to obtain a greater agility in decision-making.
- Forming hybrid ownership structures: present in a few EU-27 countries, such as Germany or Denmark. In this case, most of the surveyed Spanish agricultural cooperatives did not perceive obtaining more financing beyond members as a current necessity.

On the contrary, aspects such as professional management or introducing proportional voting were observed in most of the surveyed Spanish agricultural cooperatives. Specifically, there is a professional non-member manager on the Board of Directors in 82% of our sample (compared to the European average of 60%). As for proportional voting in the General Assembly, this applies to 49% of Spanish cases (a higher percentage than the 20% reflected in EU-27 agricultural cooperatives). Lastly, regarding women's role in the Governing bodies of Spanish agricultural cooperatives, our results show that they are poorly present on Boards of Directors (26% of Spanish cases). This contrasts with a higher presence of women in governing councils of cooperatives of some northern European countries, such as Norway, where an average of 40% of members of their governing councils must be women. However, the presence of women in the management teams of the surveyed cooperatives amounts 59%.

Finally, we conclude that in Spain, and in line with agricultural cooperatives in the rest of Europe, legislation does not prevent implementing innovations into the internal government of cooperatives. Nevertheless, the cooperatives themselves are the ones who must make these changes and adapt their bylaws to allow more flexible and modern structures, and to thus compete in the growing global markets they face.

For future studies, it would be very interesting to analyse the relationship between the internal government structures of Spanish agricultural cooperatives and their economic results because, as shown in studies conducted elsewhere in Europe, many internal governance innovations imply improved cooperative results. It would also be interesting to shed some more light on women's role in the managerial positions and governing councils of these entities with a larger sample of cooperatives to be surveyed in order to analyse the results.

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