

# Institutional logics and the decision-making process of adopting corporate governance at a cooperative organization

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**Abstract** We aim to investigate the decision process leading to the adoption of corporate governance practice at a cooperative. This paper expands current knowledge by presenting the institutional logics approach as a complement to decision-making process studies. Literature on the decision process grounds the investigation, supported by corporate governance and agency theory. We draw on oral history for collecting and analyzing data from documents, observation and interviews related to the decision process. A total of 19 interviews were conducted with members and employees of the cooperative. We used the Atlas TI software to organize the data and then subjected them to content analysis, based on the historical analytical method. By demonstrating how logics are a basis for the adoption decision, the paper provides evidence of how hybridization operates as a mechanism for balancing actors' demands in response to contrasting institutional pressures or expectations. In addition, we provide recommendations to management with respect to corporate governance decisions.

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## 1 Introduction

Simon (1947, 1955) introduced the concept of limited rationality, which represents an important advance in research about organizational decision-making. With the objective of bringing management activities closer to human realities, he raised the possibility of questioning the functionalist management model. However, despite the criticisms that resulted from his effort, many studies on the decision-making process have failed to decouple themselves from the underlying assumptions of economic rationality. Such studies adopt an a priori or taken-for-granted view of the rationality of decision-making (Chia 1994) and have raised concerns that they could be impeding the field's evolution into a more mature state.

This paper proposes an approach that can address these criticisms, by analyzing the decision-making process from an organizational institutionalist perspective, or more specifically the institutional logics approach. We claim that the decision-making process can be understood by analyzing the collection of logics that exist in the organization's institutional field. The institutional logics approach can advance understanding of decision-making processes because it emphasizes the fact that decisions leading to organizational change have a historical and procedural character and that they are socially immersed, integrating different institutional focuses and a variety of actors' interests. This approach assumes that multiple sets of rules and wide-ranging cultural beliefs mold cognition and decisions in a given field.

Our objective in this paper is to analyze the decision-making process related to the adoption of corporate governance practice by a cooperative, taking into account the influence of institutional logics. This analytical approach was primarily chosen because corporate governance is an important element in the restructuring through which many cooperatives are currently going. In the past, cooperatives tended to be more influenced by State, communitarian and collectivist logics, but over recent decades the sector has developed under a growing influence from corporation- and market-oriented institutional logics. As hybrid organizations (D'Aunno et al. 1991), cooperatives provide a thought-provoking context for analysis, bearing in mind the many different demands with which their decision-makers have to cope.

This paper also explores the meanings of corporate governance practices for those involved in the decision process and the role it plays for the organization. In the sense that this requires an in-depth investigation, it reveals a relevant contribution. Smallman et al. (2010) have highlighted the lack of in-depth studies of governance processes, which they define as a complex organizational issue. Therefore, our contribution is the identification and understanding of the situations and reactions involved in the decision-making process of adopting corporate governance practices, as well as its results.

In the first section, we outline the conceptual framework of our research. In the second part, we describe the methodology used. Then, in the final section, we move

on to the analysis of the results. The article closes with a number of final comments on the theoretical and empirical implications of the investigation.

## 2 Organizational decision-making processes and the institutional logics approach

The possibility of breaking with the functionalist model in organizational theory was revealed by Simon's (1947, 1955) work on the concept of bounded rationality. Hence, it became a landmark in the literature on decision-making processes. However, possibly because of the deep-rooted nature of rationalist theories and the wide dissemination they had achieved as explanatory models of behavior in organizations, Simon was unable to disengage completely from them. Indeed, Ramos (1983) goes so far as to describe Simon's theory as neo-rationalist. Therefore, the organizational knowledge that developed from the research that followed Simon's work is still to a great extent tied to rationalist assumptions.

As a result, the field of decision-making is criticized for being unable to renew itself and reach a more mature stage of knowledge. Langley et al. (1995) summarized the problems with the mainstream literature, identifying three important limitations to theory on organizational decision-making: reification, dehumanization and isolation. The authors state that these three assumptions are responsible for conceiving organizational decisions as identifiable results of impersonal and isolated processes and for causing lethargy in the literature.

The belief that a better understanding of decision-making processes can be achieved by analyzing the collection of logics that exist in the institutional field within which an organization is immersed was the motivation for this research. The institutional logics approach can advance knowledge of decision-making processes in organizations because it emphasizes the fact that decisions have a historical and procedural character and that they are socially immersed, integrating different institutional focuses into the dynamics that determine organizational restructuring.

Typically, the research on decision-making emphasizes instrumental rationality and the intentionality of decision-makers. At the sociological division of Institutional Theory, authors adopt alternative explanations for action and decision that are different from voluntarist models for explaining reality, which can explain its distance from decision-making studies. However, even with differences, considerations of the matter can be traced from the first contributions in the New Institutionalism literature.

Initially, the role of normative influences in the processes of organizational decision-making was highlighted in Institutional Theory (Tolbert and Zucker 1996). The refusal to view organizational behavior as the sum of individual actions has led to organizations being portrayed as tools that are difficult to handle, efforts in directing which would produce unpredictable consequences, beyond reasonable control (DiMaggio and Powell 1991). On the other hand, in New Institutionalism, typically associated with the knowledge produced by Meyer and Rowan (1977) and DiMaggio and Powell (1983), this refusal was based on a conception of human behavior as routine and taken-for-granted, considering that the actors' own personal interests would be constituted by institutions. Thus, in response to the risks and

uncertainties that stemmed from institutional complexity, mimicry was emphasized to explain the diffusion of structures and behaviors in organizations, which can be interpreted as an act of no decision. The adoption of standards in organizations was done in accordance with rituals and social rules in order to obtain legitimacy.

However, a common critique to this strand of New Institutionalism is that these assumptions of organizational behavior would allow organizations to be portrayed as overly passive (Oliver 1991: 146). Furthermore, there was no space for considerations of the influence that organizations may exert on institutionalization processes. In support of this critique, Kirschbaum (2010) argues that in contrast to the studies of Simon, March and Cyert from the Carnegie School, who sought to understand how the internal dynamics of the organization explained the decision-making process, New Institutionalism gave priority to the macro level of analysis. Thus, “the firm was eventually turned into a ‘black box’ and this created an establishment of the assumption (even though it may be tacit) that the governance structure of the firm could be thought of as a monolithic bloc” (Kirschbaum 2010: 8).

The institutional logics approach to organizational institutionalism is a possible answer to such criticism. Many studies are exploring its conceptual contribution to unveiling institutional plurality. Thus, it has become possible to highlight the cognitive and cultural influences in decision-making; that is, researchers recognize the different external cultural frameworks profiling interpretative processes.

The concept of institutional logics has its roots in the ideas of Friedland and Alford (1991), who were the first to outline its premises. They defined institutional logic as “a set of material practices and symbolic constructions which constitutes its organizing principles and which is available to organizations and individuals to elaborate” (1991: 248). According to Thornton (2004), Thornton et al. (2005) and Thornton and Ocasio (2008), the principal institutions or social orders of Western society are the market, corporations, the professions, the State, families and religions. Table 1 presents the key elements of ideal-type taxonomies for each of the social sectors. Each of the cells represents the characteristics that each element is assumed to possess if, hypothetically, a given sector’s logic were to be manifest in its pure form. According to Thornton et al. (2005), when individual actors and organizations are influenced by the logics of multiple sectors (columns), they have the opportunity to create hybrid institutions.

The increasing acknowledgment that institutional logics are incorporated into organizations’ practices and that they guide their day-to-day activities stresses that decision-making has acquired a new level of importance in organizational institutionalism. If one conceives, as proposed by Lounsbury (2008), that multiple logics can create a diverse range of practices by allowing variation in actors’ cognitive orientations and debate over which practices are most appropriate, then it is plausible to assume organizational restructuring as a result of the decision-making process.

A new perspective with which to approach institutional change emerges from the concept of institutional logics. Lounsbury (2008) proposes that the multiplicity of orientations presupposed in the logics approach generates ambiguity of interpretation and, consequently, negotiation processes are triggered. Conflict emerges among identity groups who attempt to ensure that the symbolic universe that provides the foundations for their actions will prevail. The struggles between the

**Table 1** Institutional logics of social sectors

Characteristics	Market	Corporations	Professions	State	Families	Religions
Economic system	Investor capitalism	Managerial capitalism	Personal capitalism	Welfare capitalism	Personal capitalism	Occidental capitalism
Effect of symbolic analogy	Market as transaction	Hierarchy as corporation	Profession as relational network	State as redistribution mechanism	Family as firm	Temple as bank
Sources of identity	Faceless	Bureaucratic roles/quantity of production	Personal reputation/quality of innovation	Social class political ideology	Family reputation/father-son relations	Occupational and vocational association with deities
Sources of legitimacy	Share price	Market position of firm	Personal expertise	Democratic participation	Unconditional loyalty	Importance of magic in economy
Sources of authority	Shareholder activism	Board of directors/management	Professional association	Bureaucratic domination/political parties	Patriarchal domination	Personal charisma of prophet/priesthood
Basis of strategy	Increase efficiency of transactions	Increase size and diversification of firm	Increase personal reputation and quality of craft	Increase community good	Increase family honor, security and solidarity	Increase magical symbolism of natural events
Informal control mechanisms	Industry analysts	Organization culture	Celebrity professional	Backroom politics	Family politics	Worship of calling
Formal control mechanisms	Enforcement of regulation	Board and management authority	Internal and external peer review	Enforcement of legislation	Rules of inheritance and succession	Rationalization of usury and norms of taboos
Organization form	Marketplace	M-Form organization	Network organization	Legal bureaucracy	Family partnership	Religious congregation
Logic of investment	Capital committed to capital markets	Capital committed to the corporation	Capital committed to nexus of relationships	Capital committed to public policy	Capital committed to household	Capital committed to enterprise of salvation

Source: Based on Thornton (2004: 44) and Thornton et al. (2005: 168)

different identities of groups of actors to make their interpretation of the world prevail provide the dynamic of continual change. Although conflict among actors can be explicit, some circumstances provide a context in which the disputes are veiled. Therefore, in one way or other, as has been proposed by Thornton et al. (2005: 162), organizations have to deal with disputes, and understanding how organizations manage conflict through hybridity becomes an important direction for research.

This is in conformity with the thinking of Meyer and Rowan (1977: 356), who realized that organizations take too many risks when they have to choose between different beliefs for which internally consistent practices should be adopted. Therefore, they incorporate various types of incompatible structural elements, aiming at stability and external media. Consequently, Lounsbury (2008) explains that a new configuration of logics may be created in the field, producing a type of fusion of logics (hybridization), and that new logics can be created as new practices are continually emerging.

The notions of “logic blending” processes (Glynn and Lounsbury 2005) and hybridization of logics (Boxenbaum 2004; Greenwood et al. 2011; Mars and Lounsbury 2009) have been proposed as highly plausible alternatives to the notion of a dominant logic (e.g., Thornton 2004; Reay and Hinings 2005, 2009). Rao et al. (2003) describe hybridization as institutional establishment by means of bottom-up processes in which the traditional identity is not completely substituted. Glynn and Lounsbury (2005) observe that, despite the fusion of institutional logics taking place in some dimensions of behavior, in other dimensions they remain unaltered. Rao et al. (2003) say that this has implications for organizations’ decision-making process, which must attempt to reconcile the new demands coming from the environment with the organization’s traditional identity.

### 3 Institutional logics, cooperatives and corporate governance

Non-profit organizations have been a prominent area for investigating institutional conflict. These organizations have an important role nowadays in compensating for the deficiencies of the State in addressing social issues. As a result, they act on the basis of state institutional logics. The basis of these strategies, according to the characteristics in Table 1, is to increase the collective good and provide well-being; democratic participation is the source of legitimacy and the economic system functions as welfare capitalism. However, Glynn and Lounsbury (2005) observed that these organizations are not as insulated from market forces as they once were, because of declines in government funding and pressures to increase revenue and fiscal responsibility. Therefore, they would be increasingly integrating into their structures concepts and practices related to market and corporate institutional logics. These authors state that these logics refer to broader notions of self-interest and profit motivation that inspire commercially driven action in the capitalist economies of the West and are committed to formal rationality. An assumption that arises from this perception is that there is a tendency for logics to be rearranged in the field of non-profit organizations.

Bialoskorski and Chaddad (2005: 13) state that “the law in Brazil classifies cooperatives as civil societies of economic purposes, but nonprofit; as such they are nonprofit mercantile societies.” Since there are no commercial objectives or profits, cooperatives are subject to a social logic that does not allow the organization access to financial market instruments such as the issuance of securities or an initial public offering (IPO) by issuing shares.

In order to be more competitive in the capitalist market, cooperatives have undergone adjustments. Confirming this, Saraiva (2010) research indicates that, from the end of the 1990s to 2009, a variety of changes occurred in the institutional rules governing Brazilian credit cooperatives. Such changes revealed the development of the institutional environment of these cooperatives under the growing influence of institutional logic, which is called capitalist corporate logic. In essence, this logic would trigger the adoption of the practices and values of capitalist banking organizations, such as a vertically integrated organizational structure, an emphasis on growth and profitability, efficiency measured by return on capital and by market share, cooperative member loyalty techniques and interest in the internationalization of business through partnerships (Saraiva 2010).

Although Saraiva’s study refers to credit cooperatives that have a clearly defined economic focus, in other cooperative segments it is no different. A new orientation based on institutional logics has strengthened its weight in the organizational field, as has been shown by Taylor (1994) and Jäger and Beyes (2010), among other authors. This has implied the increasing adoption of practices and structures consistent with market and corporate social sectors and the distancing from beliefs and organizational forms related to sectors such as the State, profession and family (see Table 1). The adoption of corporate governance practice in Brazilian cooperatives is representative of this process.

Governance practices that separate ownership from control and management decisions are recommended by economic theorists, who believe that this can attenuate agency conflicts in cooperative organizations due to their diffuse and complex characteristics (Fama and Jensen 1983). However, in cooperatives the implicit model of a separated governance structure, in principle, could threaten the fundamental cooperativist doctrine of democratic participation, which has historically been a defining element of these organizations’ identity. To the extent that decision-making is restricted to a limited number of specialists and assemblages take on a formal and merely ratifying character, cooperative members or partners will tend to distance themselves from the cooperative (Schneider 1999). It is therefore believed that the process of implementing new governance practices will trigger conflicts and processes of negotiation between the identity groups within the cooperative and that decisions will be taken based on considerations that go beyond the technical domain.

The adoption of corporate governance practices is part of the restructuring process that many cooperatives in many different parts of the world have undergone (Chaddad 2007). Bialoskorski Neto and Chaddad (2005) argue that the modifications that resulted from this process, if one considers the traditional cooperative model that is followed by most Brazilian cooperatives, apparently compete with the principle of democratic participation, which is in line with group and communitarian references. This statement takes into account the fact that, as Giroux (1992)

points out, member promotion in cooperatives relates to their participation in decisions. With this in mind, Schneider (1999) explains that it is particularly important to ensure that democracy is practiced effectively during processes of organizational growth, by means of seeking new forms of participation, precisely because power tends to concentrate in fewer hands.

Linked with the issue of weakened democracy, which represents a potential conflict, it must be borne in mind that the central idea of corporate governance is a series of efforts to minimize agency costs, which, according to Jensen and Meckling (1976), are the costs of structuring, monitoring and coordinating all contracts involving agents with conflicting interests. These costs also include the value of losses caused by costs of the execution of contracts that exceed their benefits. In other words, as Fronzaglia (2004) has put it, these are the costs incurred with the intention of balancing the objectives of the organization's members, in order to generate the maximum return. Seen from this perspective, another potential conflict emerges.

The possibility of separating ownership from control and management in cooperatives in Brazil has been allowed since 1971 (Cooperatives Act, Brazilian Statutes 1971). According to this law, administration boards could contract operational or financial managers, who are not cooperative members, and assign them responsibilities and salaries. According to Costa (2010), each cooperative has the right to use its statutes to define the desired allocation of rights of control and separation of the decision process. This author has proposed that two conditions must be simultaneously met for separation of ownership and management: (1) delegation by owners of the right to formal control to the board of directors (necessary); (2) allocation of control and management decisions to the board of directors and the agent responsible for operational management (sufficient).

In addition to these conditions, Costa (2010) claims that there are other factors involved in the adoption of this governance structure, such as the degree to which the chairman of the cooperative's board of directors is committed to the cooperative's business; whether there is "duality" in terms of the CEO and chairman's position (bearing in mind that the role of the board of directors is to control the CEO's decision-making powers); and, moreover, the specific process that a cooperative organization uses to allocate control and management decisions.

According to these elements, the governance structure of cooperatives can be located somewhere on the continuum between complete separation and complete concentration. Costa's (2010) study found that, on average, Brazilian cooperatives have partial separation, which confirmed the opinion of Chaddad (2007), who stated that the separated model of governance has been adopted by the largest cooperatives in developed countries such as the United States, New Zealand, Denmark, the Netherlands and Germany, but remains incipient in Brazil. Analysis of the decision process leading to governance adoption can provide a more comprehensive understanding of the circumstances involved, which may be related to cooperatives' characteristics or even to Brazilian culture.

The link of the decision process to corporate governance is peculiar, since corporate governance research has so far adopted a more limited frame of reference that overlooks the process of strategic decision-making and its political dynamics. It has mostly formulated hypotheses regarding the limits of shareholder control over



managerial agents that only have practical implications for the composition and structure of the board (Child et al. 2010: 124).

Without denying the importance of codes and regulations, and the sanctions attached to their breach, Child et al. (2010) note that the literature on corporate governance has failed to consider the informal processes by which organizations are really governed and strategic decisions are made. Studies on how the organizational members interact in the decision process for the establishment of their interests on the adoption of governance practices are essential for understanding how corporate governance does in fact work.

## 4 Methods

The objective of this study is to analyze the decision-making process leading to the adoption of corporate governance practice by a cooperative. To achieve this objective, we conducted a qualitative case study in order to identify the most important institutional logics in the organizational field and to understand their influence on the decision-making process and on organizational change.

The research took place in 2011 in the Cooperativa Veiling Holambra (CVH), which is located in São Paulo (Brazil). This organization presents characteristics that justify a single case study: (1) the purpose and the conditions of its foundation and its original characteristics—consistent with the cooperative doctrine—make the case particularly representative or “typical”; (2) CVH is the largest center for the sale of flowers and plants in South America, accounting for about 45 % of the domestic market in Brazil (Veiling 2011); (3) in recent years it has made many organizational changes in order to overcome the challenges of modernization. Considering these characteristics, the choice of one case based on its uniqueness can be considered appropriate (Creswell 2007).

The methods used in the fieldwork were based on oral history. In this research tradition, according to Joutard (1995), historical knowledge is an element without which the organizational reality could not be understood in its essence. Thus, a cross-sectional study with a longitudinal perspective is employed. The level and the unit of analysis are respectively the organization and the decision-makers.

In order to ensure research validity, the data were cross-referenced by document analysis, semi-structured interviews and non-participant observations. The document analysis comprised a range of historical reports about the cooperative, summaries of the board of directors’ and assembly meetings, notes from the cooperative chairman’s meetings, the cooperative’s statute, annual official statements and photographs provided by the organization. A total of 19 members of the organization (executive directors, managers, cooperative members elected to the board and cooperative members) were interviewed and coded, as shown in Table 2. Non-participant observations happened during informative and voting assemblies. In accordance with Angrosino and Pérez (2000), focused observation refers to this kind of observation technique that concentrates on specific groups of activities and recall in interviews.

Data from the interviews were transcribed literally and processed using the Atlas TI software. Data analysis was based on content analysis, supported by the historical

**Table 2** Coding of study participants

Interview code	Interviewee group	Time in organization
CEO	CEO	6 years
D2	Director	10 years
G1	Manager	7 years
G2	Manager	10 years
G3	Manager	16 years
MC1	Management counselor	2 years with management role
MC2	Management counselor	16 years with management role
MC3	Management counselor	9 years with management role
MC4	Management counselor	6 years with management role
MC5	Management counselor	21 years with management role
MC6	Management counselor	17 years with management role
MC7	Management counselor	16 years with management role
C1	Cooperative member	22 years as member
C2	Cooperative member	5 years as member
C3	Cooperative member	6 years as employee and 9 years as member
C4	Cooperative member	6 years as employee and 9 years as member
C5	Cooperative member	21 years as member.
C6	Cooperative member	2 years as member.
Ex-chairman of CAPH	Ex-chairman of CAPH	15 years with management role

Source: Fieldwork findings

method. According to Bardin (1977), three phases comprise the content analysis process: (1) pre-analysis; (2) analytical description; (3) inferential interpretation.

Pre-analysis aims to organize the material, with a general reading that allows the researcher to formulate or reformulate the overall objectives of the research. In the analytical description phase, data are studied in depth, encouraging the development of a system of coding and categorization. In the third step, Bardin (1977) refers to the need for the interaction of materials, emphasizing that reflection and intuition informed by empirical materials establish relationships that deepen the connections between ideas. Furthermore, during the analysis, the cross-checking of data files, reports depicting the history of the organization and interviews reduces the risks of bias in the responses.

Regarding the categories of analysis, we followed Langley's (1999) recommendation for trying to understand how things evolve over time and why they evolve that way. Therefore, we started with categories defined a priori—the institutional logics of social sectors that are based on ideal types, described in Table 1. The analysis of the actions and decisions related to the structural changes in the cooperative described by the interviewees showed associations with market, corporation and State institutional logics. However, historical analysis indicated the need to complement the categories defined a priori in order to better reveal the nuances of the organizational trajectory. Thus, community and collectivist logics were also considered as analytical categories.

The difference between collectivist and community logics is supported by the literature about cooperatives and the literature on institutional logics. In the former, the collectivist logic refers to general human values that reflect a tendency towards cooperation and fulfillment with others. Adopting this reference, Gouveia et al. (2003) explain that the group of which the person is part matters more than the person himself. In the latter, the community logic, as analyzed by Marquis and Lounsbury (2007), is based on the resistance of banking professionals to institutional change. The authors state that this logic involves protection of local autonomy, and implies a sense of serving the community and social interaction bounded by a network of actors that share the same physical space.

## 5 Results and discussion

In order to understand organizational decision-making processes, it is important to analyze decision events over a period of time, highlighting the actors involved and their influence, identifying motivations, beliefs, values and interests and important contextual and material elements that comprise the circumstances in which choices were made. The analysis of the decision-making process leading to the transition of the governance structure focused on the identification of signs of the influence of institutional logics. Therefore, this section of the paper offers some brief information about the history of the cooperative and elements attributed to institutional logics that were dominant in the early times when the cooperative was founded and started increasing the size of its operations. Subsequently, the issues pertaining more specifically to the main objective are presented and discussed.

## 6 History of Cooperativa Veiling Holambra

Before analyzing more specifically the decision process that led to the adoption of the corporate governance practice and furthermore, triggered change in the organization's governance structure, some facts are important to help understand the historical context of the cooperative.

Although CVH only recently started doing business as an independent organization, its history as part of the Cooperativa Agropecuária Holambra (CAPH) goes back to 1948. That was the year that the parent cooperative was established as part of an emigration project between the Netherlands and Brazil. The initial design was based on a structure similar to a *kibbutz*,<sup>1</sup> a system founded on communist principles that underlies the lifestyle of community farms in Israel, where it was created (Samenwerking 2008). During this initial period, the cooperative functioned as the local government in the community of Holambra, providing many services

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<sup>1</sup> According to the Brazilian Israeli embassy's document (Facts About Israel 2010), the Hebrew word *kibbutz* means an economic system based on the principles of community property, equality and cooperation in production, consumption and education.

during the first decades of immigration including education, water treatment, urban electrification and road building.

The cooperative was established on the basis of a collective farm whose guidelines were mutual aid, collective work and the distribution of its fruits. All the profit obtained by the work of the cooperative was reverted to the community and divided equitably, regardless of financial contribution. The community was very small and hardly accessible to other people from outside since it was located in an inhospitable region at the time, which is indicative of the influence of collectivist and community logics. The notion implied in collectivist logic, as proposed by Singelis et al. (1995), emphasizes the group as a survival unit, with individuals as an inseparable part thereof. The group's goals are prioritized above individual goals and, in addition, a tendency to cooperation and fulfillment with other group members is contemplated in this notion. In turn, the meaning expressed by community logic as defined in Gusfield (1975) refers to a feeling of belonging to a particular area or a social structure within that area.

Supplying deficiencies during the first decades of immigration, CAPH started coordinating the occupation of land and managing the location. As reported by Samenwerking (2008), the cooperative played the role of an informal town hall, organizing and structuring the basis for the infrastructure of what nowadays is a city. At this point, when the organization assumed the role of "supervising" the collective well-being, we note that a State logic orientation permeated the cooperative's operations. This observation takes into account the characteristics proposed in Table 1, according to which, in the case of this state logic, the basis of strategies is to increase the collective good.

This system of living and production did not last long. In 1952 the cooperative faced its first crisis and applied to the Dutch government for assistance. At this time, the country was restructuring itself after World War II relying on US contributions via the Marshall plan, and felt it had to adhere to a capitalist model; therefore investments were made on a new condition: that the cooperative be reoriented towards a corporative logic. The consequence of this was that the cooperative replaced its president and started pursuing goals of increasing size and diversification, coherent with corporate logic, as presented in Table 1. The following lines express the changes made at that time, taken from the writings of Corrêa (2011), a historian who extensively studied Dutch emigration to this Brazilian region.

The financial situation was chaotic. Mr. Heymeijer (the 1st president) was a good person, more philanthropic. He did not understand almost anything of economy, let alone in a country completely strange, right? And he went to Holland to see if... he could obtain a loan and the bank there granted it under certain conditions: To send someone as a tutor, like the IMF now [...]. Mr. Heymeijer thought in more social terms, but when you have no money, what do you do? (Corrêa 2011: 169)

Now, Mr. Heymeijer, with a collectivist ideal, to ask for assistance reported to a Holland that was directed to capitalist exploitation. It was not interesting to their government to invest in a colony whose foundation was communitarian work and the division of profits among all. Thus, to accomplish the Dutch

investment, one of the requirements would have been his departure from the presidency of the Cooperative, which is now occupied by someone more in line with Dutch capitalist intentions. (Corrêa 2011: 167)

With the new president, Samenwerking (2008) comments, significant internal changes in CAPH resulted in financial restructuring, diversification of products and changes in production structures, among others. The diversification of its activities became central to the development of the cooperative. These changes indicate an institutional logic orientation deviating from the State to the corporate logic, when the key feature of organizational strategies becomes increasing the size and diversification of the firm (see Table 1).

In the 1980s, CAPH became the most important Brazilian cooperative with over a thousand employees and a huge infrastructure to handle all the many activities it encompassed, including more than 13 departments that later became business units. Although its operations were based on corporate logic, CAPH could not release itself from social activities, since Holambra was not yet considered a city, and there was no entity that could look after the community's population.

It was only in 1991, when Holambra was finally granted the status of an independent town and gained municipal authority, that the cooperative transferred most of the communitarian services to it (The Time of Independence arrived 2008).

In 1991, with the introduction of a system of sales by daily auction, the flower-production business became the most visible part of the cooperative. Political and economic changes in the country forced major transformations and CAPH progressively withdrew from its communitarian activities and dissolved sectors that were considered unprofitable. In the mid-1990s the cooperative suffered a serious financial collapse. In 1999, market logic became prevalent and a new group took the lead as board members. As a result of the questioning of the previous administrative vision that arose from the crisis, this group won support from the society to make the transition to a new order, with organizational principles restored around market economy principles. The new board members that took care of the transition in this period decided to break up CAPH into three independent cooperatives: a supplies business cooperative, a livestock business cooperative and the flower business cooperative (Cooperativa Veiling Holambra—CVH).

In 2009, the new headquarters of CVH was founded in Santo Antonio de Posse-SP, a nearby town. Confirming its recovery along the lines of an independent cooperative, already in 2006 its revenues exceeded those of the ETSP (São Paulo's Warehouse Terminal), making it the largest wholesale flower market in Brazil.

Looking at the history of the organization and the events that followed the three moments taken as critical—the crises in 1952, 1989 and 1995—one can notice a pattern that emerges from them; this pattern reinforces the tendency for the organization increasingly to be guided by market principles. The transition of the institutional logic-based orientation is confirmed when, later, the group of administrative representatives of the cooperative decided to adopt the corporate governance practice, which indicates a focus on investors while beforehand it had been on managers. Therefore, there is a tendency to locate organizational actions more closely in the economic system with the characteristics of investor capitalism (see Table 1).

**Table 3** Stages of the decision process of adoption of corporate governance practice

	Stages of decision process	Activities
1st	Identification of the problem (between 2005 and 2008)	–
2nd	Search for solutions (2008 and 2009)	Visits to flower-growing cooperatives in Holland Meetings with a third-party consultant Dialogue with CEO
3rd	Development of project (end of 2009/start of 2010)	Fortnightly strategy meetings between board of directors and consultant (CEO present)
4th	Proposal of the ideas in the project to partners (October 2010)	Informative assembly to present the corporate governance practice. Working groups collect suggestions about the organization's mission and principles
5th	Proposal of the project to hired employees (December 2010)	Meeting with CEO, managers and workers
6th	Consolidation and approval of the governance structure (December 2010)	General (voting) assembly for presentation of the final version of the cooperative's governance structure, mission, values and principles. Partners voting section.
7th	Implementation (2011)	Adoption of the principles of corporate governance, causing problems with the older cooperative members and with doubts remaining.
8th	Maintenance (2011 onwards)	Meetings with the Young Cooperative Members' Group

*Source:* Documents and fieldwork findings

## 7 The decision to adopt the corporate governance practice

At the time the research was being undertaken, the members of the cooperative's board of directors explained that the process of adoption had not been completed. Table 3 illustrates a timeline covering the activities undertaken during the decision process for adopting the corporate governance practice. For clarification purposes, it is worth mentioning that this adoption represented a shift towards a governance structure more in line with the OECD principles of corporate governance. Therefore, it was an action taken in order to increase the separation between ownership and management and to correct the dysfunctions that were described as a result of problems with CVH's previous structure.

In this section of the analysis we identify each stage of the decision process for the adoption of corporate governance at the time when this investigation was conducted: (1) identification of the problem and search for solutions; (2) development of the project; (3) proposal of the project to hire employees and cooperative members; (4) consolidation and approval of the governance structure; (5) implementation and maintenance.

### 7.1 Identification of the problem and search for solutions

When the interviewees were asked about the motivation for adopting the corporate governance practice, they identified the same problems that needed to be addressed.

One of these was that, in the past, the executive directors had had too much decision-making power, leading the cooperative to adopt paths that were not always the best option for the group of investors as a whole. This type of behavior is an example of the agency theory conflict between owners and management, which is mentioned by the cooperative's chairman.

In practice, the directors ran the cooperative and they were more concerned with keeping all of the units together than with getting the best out of these units [...]. From my point of view, the parent cooperative was much more focused on keeping the central unit afloat and keeping all the other subunits on board, than with managing the entire business. [MC7, personal communication, 03 August 2011]

The next interviewee quoted blamed the management counselors at the time for failing to control the executive directors, providing even greater detail on the motivation for adopting a structure that would provide transparency and through which control could be vehemently exercised. According to C5:

The situation was already bad because of management issues, issues of mismanagement. Mismanagement of resources, money, mismanagement of business. The business wasn't making money, it wasn't making profit, but they insisted on keeping it like that. They insisted on not improving the way it was run or even just closing it down. They wouldn't just say: "there's no future, it's got no income, so shut it down" [...] The board didn't fulfill its responsibility to control management. The board had no idea of the course the ship was sailing on. Why? First, the board was too weak to impose its policies, its leadership. Second, one of the reasons it was weak was that two or three management counselors were financially dependent on the cooperative to be able to survive, in terms of credit. There was a conflict of interests. They weren't impartial so they couldn't stand up to the executive directors. They just weren't able to. [C5, personal communication, 26 October 2011]

In general, the adoption of the corporate governance practice by the cooperative was an attempt to overcome the deficiencies in the specification of roles and responsibilities. The need for greater control over the executive directors is an integral part of the tendency to formalize the organizational processes in the cooperative, which, according to Hall (2004), is an attempt to achieve order, consistency and predictability, and, as a result, efficiency. All of this represents aspects related to market institutional logic. Interviewees MC3, G3 and CEO expressed their motivations for adopting a structure that fits these aims and is coherent with that institutional orientation.

The cooperative grows and there are more and more customers and members. It gets to a point that you have to organize everything to make it clear for everyone, you know? There's a lot of confusion about when you should be a supplier and when you assume yourself as a partner, you know? They think that, because they're partners, they can give orders about everything. No! There are rules. [MC3, personal communication, 06 October 2011]

The problem is that some of them act like suppliers but others act like partners during the daily business and that doesn't work. It messes up everything, you know? For example, when a partner comes along, acting like a partner, and starts talking to my team, to the line manager for example, saying, "Look, don't you know I'm one of the owners of this place? Don't you know I pay your wages?" So, it's this type of interference, with positions reversed, that caused problems day after day. [G3, personal communication, 28 October 2011]

I wanted to make it very clear at the assembly, I said, "Hey everyone! Here you are the owners, and you elected a board. This board represents you and it has a chairman. He is my boss." I can't work for 280 owners, it is impossible! Because each owner has his own interests and I wanted to make it very clear that it was them who approved this diagram (of the structure). (...) [CEO, personal communication, 05 October 2011]

From the interviews, it is noticeable that there were repeated comments on attempts to obtain special treatment when selling products by cooperative members. The extent to which some members took advantage of the fact that they were owners to obtain privileges threatened the democratic dimension of the cooperative. This was one of the issues chosen by the board of directors as the focus for improvement: clarity in the differentiation between the roles of partner as owner and partner as supplier. The passage below provides an example of how the partners interfered in the cooperative's operational issues. It shows the extent to which management counselors felt able to interfere in the management of the organization in favor of private interests.

So in the past, up until 2005, partners used to have easy access to the board to complain about operational problems. They would meet us in the street or here at CVH, and would complain about something: "I've got a problem with the schedule—I can't deliver and there's a problem at quality control... Sales aren't doing their job properly." And we would get involved because we were co-managers. All of the roles were confused. (...) So, when decisions are taken that way, they're not impartial. They are decisions made because of affinities. [MC2, personal communication, 04 October 2011]

As can be seen, the previous model of governance used by CVH did not provide the transparency that was required. The reports show the management counselors exceeding their functions and workers finding it difficult to do their jobs. Next, still with relation to the reasons for adopting the new structure, the reports illustrate problems resulting from a lack of definition of roles in the cooperative.

Customers would go either directly to the board or directly to operations to try to sort things out. They would say: "So, who do I need to talk to? Nobody gives a solution!" [MC6, personal communication, 05 October 2011]

You see, we were suffering from lots of interference here. By interference I mean, right up from operations. You know the way it is in cooperatives, everyone gives orders?! They thought everyone could give orders, but no, they needed to understand the concept of a cooperative, which is: once they've elected their



board of directors and their audit committee, these are the people they need to complain to. Nevertheless, repeatedly they'd come and complain to us. Sometimes, you know, we would have loads of problems with lack of respect, real rudeness to employees. [G2, personal communication, 10 November 2011]

We lost good professionals because... because of the co-management. There was confusion on the establishment of roles. When we lost the second good CEO, we came to the conclusion that the way we were working was impossible. We couldn't hold on to any of the CEOs we hired. [MC2, personal communication, 04 October 2011]

These examples show that it was necessary to make the organizational structure more clear: to establish the roles of each member of the organization and to formalize their rights and responsibilities. One consequence of this situation, according to MC2, is that they had problems in retaining good professionals (CEOs, directors and managers) at the cooperative. All of these motives addressed by the study participants culminated in starting off the process of changing the organizational structure.

About the tipping point, when the new structure became seen as a solution for the organization's problems, the board member gave additional information about where the idea came from and who served as the model:

When we lost the second director it became clear that we needed to change the structure. This is to me the moment that struck me most... And then, the Netherlands greatly helped us to visualize that... how it is done. In the Netherlands that structure was way too clear. So, for us it was not so hard to say: "Well, we need to change!" The decision was not so hard, it was even easy. (...) We saw this structure in the Netherlands, we have clearly seen, where the *Veilings* (auctions for price setting in the commercialization of flowers and plants), flower cooperatives, work this way. Then, for us it was clear that we should change. Furthermore, we as counselors, we could not be here involved in day-to-day operations. (...) And the cooperative grows and: wait a minute there! I'll take care of the cooperative or I'll take care of my private business? Then all came to the conclusion that, no, we needed to change. How do we do this? So, we saw the model in the Netherlands because their cooperatives are much bigger than ours. [MC2, personal communication, 04 October 2011]

Early in the decision-making process of adopting the corporate governance practice, the relationship of the Brazilian cooperative with Dutch cooperatives was essential. The Brazilian cooperative had close ties with the Netherlands, being the reference country for the Dutch descendants in setting standards. During the research, it was revealed that the argument "There in the Netherlands they do this" anticipated many decisions to adopt practices and organizational forms.

It is a structure that is very common, normal, in the Netherlands cooperatives. So, we copy a little. We have a great deal of contact with the cooperatives there. And there we also saw the story of several cooperatives. What we see there is the clearer the functions, the less noise you have in decisions, etc. [MC7, personal communication, 03 August 2011]

This, combined with the employees' pressure for change and the recognition that more efficiency and better control would accrue from more formalization of the decision process, led to a consensus among the board that a new model of governance was necessary.

It is opportune at this point to reflect that while the decision to adopt the corporate governance practice was a single decision, it is a part of a larger process of changing the organization's orientation towards a market institutional logic. Considering the ideas presented by Chia (1994), from which a decision is an ontological act, the motivations provided by the actors are themselves a consequence of adoption: an effect of the new version of reality that was being gradually constructed through the course of the organization's history.

On the other hand, other spheres of action that are considered legitimate cannot be ignored. According to the underlying assumptions of the hybridization of logics, institutional logics that used to have relevance in the field continue to guide behavior in the form of remnants. Signs of this phenomenon are analyzed later in the article; for the present, the description of the decision-making process leading to the adoption of the corporate governance practice will be continued.

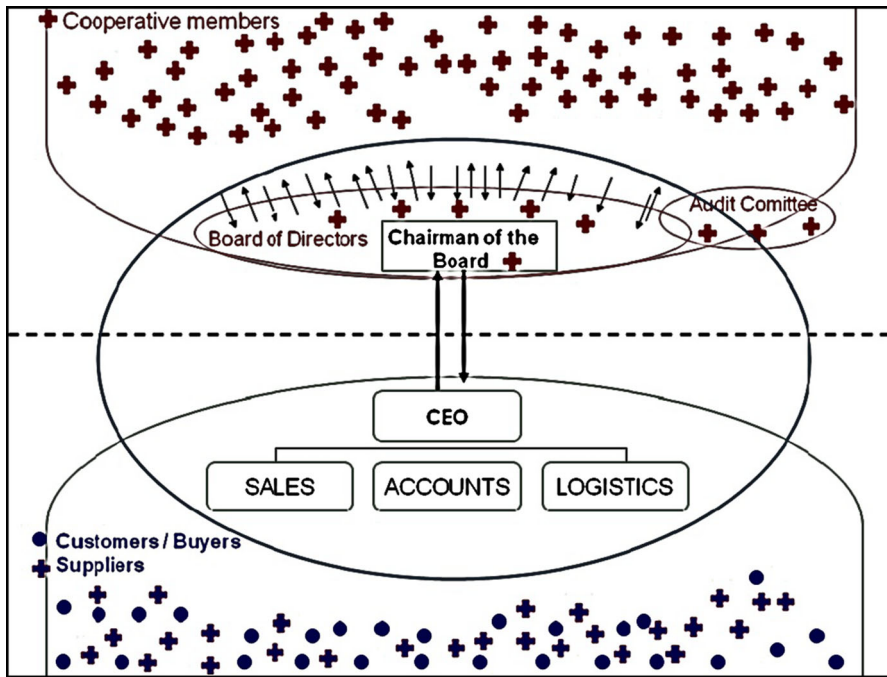
## 7.2 Development of the project

The year 2008 is identified as when discussions started about changing the traditional governance structure to incorporate the corporate governance practice. The CEO explained his reasons for implementing the practice at the cooperative:

Over the last three years we have developed the structure. I want to be transparent, a transparent cooperative, so we have to draw up our structure. [Raises his voice] It's necessary! Do you know why? I want to make it clear to the cooperative members in the assembly that here [points to the upper arc of the governance structure illustrated in Fig. 1] you are the owners, you choose the board. The board represents you and the board has a president, he's my boss. [CEO, personal communication, 05 October 2011]

The 2009 annual report contains the first mention of the board of directors' ideas about the need to change the governance structure. An external consultant was contracted to help with this, to make the ideas plausible for concrete actions and to advise on governance details well known in successful Dutch cooperatives. The notes from the first strategic meeting in December 2009 show that the intention was to make the organizational structure clearer and to give the executive team more autonomy. After several sessions, they outlined the new structure, shown in Fig. 1.

During the first months of 2010, a round of meetings was held between the consultant and the group of management counselors, culminating in the formal presentation of the organizational structure to the cooperative. The 2010 annual report lists 23 board meetings at which the new structural policy for the cooperative was defined and a plan was developed to implement it with the support of the cooperative members. In most of these meetings, the CEO was also present; therefore such meetings ended up helping in another important purpose: the formation of a cohesive vision in the cooperative's leadership. The formation of this



**Fig. 1** Governance structure of Cooperativa Veiling Holambra. *Source:* Files from the Cooperativa Veiling Holambra, 2010

cohesive vision had already been raised in the interviews as an important step in the cooperative's management. It can be seen as a way of increasing the strength of the board in relation to other actors and an attempt to influence the decision process in favor of their interests.

At this point, it is important to bring to mind what Lounsbury (2008) proposes as providing the dynamic of continual change. Negotiation processes are triggered as a result of the multiplicity of orientations presupposed in the logics approach. This generates ambiguity of interpretation and conflict emerges among identity groups, who attempt to ensure that the symbolic universe that provides the foundations for their actions will prevail.

One of the actions taken in order to implement the corporate governance practice was a project to change the board of directors' position with relation to the management of the cooperative. The board began holding fortnightly meetings to deal with strategy, changing its focus, which had previously been directed at operational matters.

So we had to adapt and had to fit in with the new approach. So we contracted and continued to contract good professional managers in the market and we started giving the CEO and the managers more space. Our objective was that we would no longer meddle in the company's day-to-day operations. Board members won't interfere with the executives. [MC2, personal communication, 04 October 2011]

### 7.3 Proposal of the project to hired employees and cooperative members

The fifth stage of the decision-making process, illustrated in Table 3, was the presentation of the new structure. The changes required for the board “to adopt a new posture in relation to partners and to allow executives greater autonomy” required a change in behavior to avoid decision-making being biased by personal considerations in order to obtain a more professional management.

In reference to steps 4 and 6 in Table 3, it is worth noticing that the board recognized the need to subject its decision to the democratic process, by ratifying it at the general assembly. This type of organizational format has historically represented the traditions and ideology of cooperativism and, consequently, the project to change the governance structure was presented to the cooperative partners in two stages: informative and voting assemblies.

These actions demonstrate what Rao et al. (2003) have suggested to be one of the implications of the hybridization of logics perspective; that is, that decisions be taken in an attempt to reconcile the new demands from the environment and the traditional identity of the organization. As Glynn and Lounsbury (2005) observe, the decision actors tend to accommodate some new elements among the existing ones, while they reject more disturbing elements.

In the meetings held in 2009, the members of the board recognized that, in order to have the support of cooperative members for a sustainable change to the governance structure, it was essential to involve them in the change project. The reports of the strategic meetings on the issue of the organizational structure held at the end of 2009 include this mention:

Create a long-term vision. The goal is that the organizational structure becomes clearer and that it creates more autonomy for the executives. For this, the role of the partner, the Council and the executive team must become clearer to the three parties involved. To achieve sustainability and support of this vision in the long term, you must obtain support from partners. (Report of the boards' strategic meeting, 03 December 2009).

The first session with the cooperative members was held on 07 October 2010, as an informative assembly, and was intended to create a forum to present the project and stimulate debate and suggestions. As the consultant put it: “To announce and explain the basis on which the board wants to run the Cooperative (Governance)” (Minutes from a meeting on 20 September 2010). By adopting this type of event, management counselors would have the opportunity not only to open a dialogue with the partners, but also to show arguments in favor of the need to change to the cooperative members. It is possible to discern the board's intention to give the full membership of the cooperative the chance to take part in the decision-making process. As a result, to the extent to which the cooperative members saw decision-making as democratic and did not feel it as an imposition, this reduced negative reactions and facilitated the decision-making process, with greater consensus around the proposal.

In the following lines a cooperative member who participated in the informative assembly explains how the event was conducted:

They [board members] presented (Fig. 1) as the structure of the cooperative and, on top of that, we made groups to start listing CVH's principles and values. We had an idea about that already. It was in our heads already but it wasn't formalized. At the time, it was created together with those "rights and duties" of the company. It was all done in groups of cooperative members to expose the ideas, to expose the principles and values and, in the middle, they presented this structure for us. [C6, personal communication, 27 November 2011]

After collecting the suggestions, the board of directors worked to include them in the final version of the Structure, Mission and Values and Principles. These would be subject to a vote along with the new governance structure, which was based on corporate governance principles.

Hybridity here is presented as a balancing tactic of the demands of organizational constituents in response to pressure from institutional expectations. Through this tactic, listed in the typology of strategic responses from Oliver (1991), the organization attempts to obtain parity between multiple internal interests.

#### **7.4 Consolidation and approval of the governance structure**

The second session to present the change project to cooperative members was the sixth stage in the decision-making process illustrated in Table 3. It took place on 2 December 2010, and was held as an extraordinary general assembly that 76 cooperative members attended (27 % of the total of 281 members). CVH adopted this format of decision-making (an informative assembly followed by a voting assembly) in 2001 and since then, when dealing with large-scale changes, a project is presented for consideration at an informative assembly and is then voted on at the next assembly. Additional informative assemblies are arranged if the subject is controversial and needs further debate.

During the fieldwork, the researcher had the opportunity to make observations on the decision-making process at CVH on two occasions: first at the informative and later at the voting assembly, held on 26 October and 10 November 2011, respectively. At the informative assembly, a controversial topic was presented, in addition to the usual information: a plan to change the system for the carts used to transport products (the rolling stock). The topic was presented as a reform project that would be voted on at the following voting assembly.

The information on this specific case contributes to illustrating the dynamics of the decision-making process and to emphasizing how important non-participatory observation was in aiding the analysis. Relying on the observation sessions held during the research, we were able to understand how the cooperative partners play their role in the decision-making process at CVH and this led to the interpretation that, in principle, the assemblies are not ceremonial, which contradicted the researcher's initial expectation.

The cooperative members' behavior at the assembly (both verbal and non-verbal), demonstrated the extent to which they believe that their participation is important and realize that their involvement has an influence on decisions. This probably explains the relatively high attendance at CVH assemblies (on average

80–90 cooperative members), in contrast with the average attendance for Brazilian cooperative assemblies in general, which is low.

This passage illustrates the assumption established by the hybrid logics perspective, which emphasizes that, even if an institutional logic stands out in the direction of a field, the structuring of attention does not occur in order to nullify the effect of subsidiary logics in directing decisions, as can be interpreted in Thornton (2004). From this, it can be argued that the assumption of dominance of an institutional logic needs to be contextualized over other elements that also have an impact on the attention of the actors, such as the organization's history, traditions and the ideology behind its operation.

Democracy is therefore of great importance in the cooperative decision-making process, consistent with characteristics of the State logic shown in Table 1, where democratic participation is a source of legitimacy. A comment made by the organization's chairman is instructive on this point: "We are a democracy and, as John Kennedy said: democracy is the least bad system. A cooperative is also the least bad system"<sup>2</sup> (Notes from non-participatory observations—comment about the issue of rolling stock that was criticized during assembly). What the chairman wished to express was that, with respect to the cooperative members' objections to the proposal of the new system of rolling stock, even though the decisions do not serve everybody's interests, the democratic and/or cooperative method is still the best option. This is a reflection of a belief that is deeply held by the chairman of the organization, which is echoed in the following comment by C4.

What you saw yesterday—a proposal being rejected—is not a conflict. You have a suggestion and you have the right to throw that suggestion on the table. You aren't going to oppose a decision on your own, that would be worthless. You need to get a group of producers who also want to oppose that proposal, like Altair and Lorena [fictitious names of cooperative members who represented a group of small producers] did yesterday, when they brought lots of producers who didn't agree. So you throw that on the table, in front of the board of directors, and by achieving consensus through a vote, what is best for everyone prevails. Nothing here is done without a vote. You don't do anything on the cooperativism level without voting. It couldn't be otherwise, because if it was, you'd look and see that's dictatorship—and that can't happen, you know? Democracy, despite everything, has to work like this. [C4, personal communication, 27 October 2011]

With relation to the main focus of this study, the preceding examples demonstrate the power of the assembly within CVH. This finding, together with the observation that the governance structure was approved by the cooperative members at the assembly (stage 6 in Table 3), is indicative of a hybridization of institutional logics in the decision-making process at issue. Furthermore, it adds weight to the hypothesis that hybridization has an impact in this case. The decision achieved a legitimate status at the assembly held in December 2010, when the structure was

<sup>2</sup> A similar quotation is attributed to Winston Churchill: "Democracy is the worst form of government, except all those other forms that have been tried from time to time."

presented to the partners together with the definitive versions of the cooperative's mission, principles and values, which included suggestions from the partners.

It is worth mentioning, however, that the governance structure was presented and voted on together with the other topics that were part of the assembly's agenda that day, as we see listed in the minutes: "(1) Budget 2011; (2) Mission, principles and values; (3) Other informative issues." This probably was a maneuver in order to push it along with the other already discussed items and get it approved. In the minutes of the assembly that day, the results of the voting section are presented in the following way:

After closing the count, the President presented the following results: Item 1 Budget 2011; 63 votes in favor and 11 votes against; 1 blank vote and 1 invalid vote. Item 2 Mission, Principles and Values; 69 votes in favor; 4 votes against; 2 abstentions and 1 invalid vote. The items 1 and 2 are proclaimed, therefore approved [Minutes from the assembly on 2 December 2010].

The hybridization emerges in the process of deciding, when the board used democratic participation, which is the state logic's source of legitimacy to obtain acceptance of the corporate governance structure, a practice that incorporates market logic. This is congruent with Mars and Lounsbury's (2009) study, which demonstrates that the apparent opposition between market and socially oriented logics does not constitute the rule. In this case, in the context of a public laboratory of eco-entrepreneurship research, market logics provide the foundation for action, supporting the arguments and interests of those who stand opposed to market creep.

This fusion of State logic with market logic, which provided the foundation for adoption of the corporate governance practice, resulted in a hybrid practice in which democracy and the membership's participation in the decision-making process are preserved. In other words, the cooperative form of the decision-making process and the control of results that comes from market rationality have been combined. As Rao et al. (2003) comment as an implication of the hybridization of institutional logics for the decision process, new demands coming from the environment are reconciled with the organization's traditional identity.

## 7.5 Implementation and maintenance

By restructuring governance as illustrated in Fig. 1, it was possible to address many of the problems mentioned by the cooperative members and cooperative employees who had originated the claim to adopt the corporate governance practice. These problems can be summed up as follows: taking decisions in favor of certain interests; customers and partners with incorrect ideas about flows in the hierarchy; workers finding it difficult to do their jobs; the need for greater control over the executive directors; a stronger participatory process in the cooperative; and the requirement for greater transparency in decisions taken.

The new governance structure represents both spheres of the cooperative's activities, which are interconnected: the business is in the lower part and the cooperative is in the upper part of Fig. 1. The lower arc delimits the organization's operational administration, which is under the direct responsibility of the CEO, the

directors of the sales, accounts and logistics departments, and the area managers and their employees working down the hierarchical chain. The upper arc delimits the domain of the partners, who are represented by the board of directors and the audit committee.

The new administrative structure based on the principles of corporate governance practice came into force in 2011 at Cooperativa Veiling. However, as the management counselors themselves acknowledge, adoption of this model is still ongoing. In confirmation of this, during this study it became clear that there are still many doubts and some criticisms, but, as the CEO pointed out, the major step was taken when the structure was formalized. Despite the difficulties inherent in the process of adopting the corporate governance practice, the benefits of implementing it are already perceived.

I think it has become more transparent for them [the cooperative members in general], you know how it is when nobody's in charge? There was a lot of that and, you know, we've got almost 300 producers who are all partners and it's a real problem if everyone gives orders, you know? [D2, personal communication, 04 October 2011].

Step 8 of the decision-making process is maintenance and this is achieved by introducing and explaining the diagram of the new structure to new cooperative members when they join the organization. Additionally, according to the comments of some management counselors, they return to the subject frequently in order to guarantee buy-in: "We are always coming back to these subjects afresh and making it clear to them. When new producers join the cooperative, one of the first things they are given nowadays is... this diagram" [MC6, personal communication, 05 October 2011].

The interviews also contain details about other activities undertaken by the organization with the intention of preserving the decision about the governance structure over the long term, such as meetings with a young cooperative members' group. As can be observed in the passage below, the objective of these meetings is primarily to prevent distancing of the cooperative's partners. Both as a result of the organization's growth, and also due to the passage of time and new generations, partners lose their connection to the original values and begin to relate to the cooperative in an immediatist and instrumental manner.

From what these data indicate, efforts are being made to preserve the cooperative as an institution. Therefore, elements of ideology and tradition are seen as institutional remnants that, according to Dacin and Dacin (2008: 329), have important normative implications, "as they provide not only continuity between the past and present but define what is deemed appropriate in the present." This process denotes a concern with self-preservation, since, by symbolizing the aspirations of the organizational community and its sense of identity, organizations acquire greater resistance to change. Therefore, in the same way that the hybridization of organizational forms is seen as a means of encouraging change, the organization's behavior could also be seen from a perspective that puts the emphasis on duality, rather than dualism (Farjoun 2010). In other words, the essential elements of resistance and change, stability and flexibility, and preservation and innovation are seen as interdependent and mutually conditioning and as components of each other,



rather than as opposites. Change takes place by means of elements of stability and not despite them.

## 8 Conclusion

This case study has shown that it is possible to bring together two important theoretical approaches, institutional logics and decision-making studies, and use them to explore hidden or little-investigated aspects of the governance processes in cooperatives. The research provided an opportunity to better elucidate the influence of institutional logics on a process in which actors interact to decide on which practices to adopt. The decision-making process leading to the adoption of the corporate governance practice at the cooperative organization demonstrates the roles that history and tradition play in organizational change.

Analysis of the decision-making process in a contextualized manner allowed the identification of different rationalities linked with institutional logics, which makes the decisions taken in a cooperative complex, since these are hybrid organizations. In the cooperative's day-to-day decision-making activities, the different groups of actors interact, defending practices that represent their worldview. This process resulted in the hybridization of organizational forms of cooperativism and corporate governance.

Cooperative members emphasize the democratic process of decision that represents cooperative traditions. Managers and directors convey their view of governance based on non-cooperative organizations and are pressing for it to be promoted in the cooperative. The board acts as an intermediary of the different versions of reality; it proposes changes without giving up the democratic process that represents the sovereignty of cooperative members. Thus, the cooperative members, on the basis of the decision-making hierarchy, act in the decision process in order to integrate traditional elements in the proposed innovations. This happens in the process of ratification of the project of changing the structure, which involved two steps: grassroots participation to emphasize adoption as not coercive and legitimation founded by vote in the assembly.

The cooperative method of decision-making and market rationality were combined. Therefore, hybridization appeared as a mechanism through which the organization attempts to achieve parity between multiple internal interests. The board members, supporting the interests of the executive team, managed to introduce the practice of corporate governance consistent with market logic. Hybridity is presented, moreover, as a balancing tactic of the demands of organizational constituents in response to institutional expectations or pressure. Through this tactic, listed in Oliver's typology of strategic responses (1991), the organization tries to obtain parity between multiple internal interests.

This case study also offers a chance to assess the role of corporate governance in the context of the organization investigated. Adoption of the corporate governance practice involved making a distinction within the organization between the domains of cooperative and business. This made it easier to understand the different roles played by the cooperative members in the organization, reducing ambiguity and

conflicts in the decision-making process. The members can only exercise the attributes of owners of the organization during events related to the cooperative dimension. In all other situations, the cooperative members must act like suppliers and consumers of the cooperative's services.

This study provides useful inputs for decisions on corporate governance practices, which to date have received little consideration from Brazilian cooperatives. These inputs could help other organizations to understand issues surrounding their adoption, such as the importance of a participatory process with negotiation between different parties. More specifically, they could help provide clues to dealing with problems such as biased decisions, misunderstanding of hierarchy flows, lack of employee autonomy, and control over the CEO and executive directors, among others.

In terms of theoretical implications, this study's contribution includes calling the attention of decision-making studies to the importance of taking into consideration the social and historical context, subjective aspects, interaction between hierarchical levels within the organization and different rationalities. The study is also a testament to the contribution that the logics approach can make to knowledge about decision-making processes, since it opens up the analysis to include both cognitive and cultural elements and economic rationality, together with other historically rooted orientations that can motivate action.

However, the results of our study are limited by the fact that it is a single case study. More wide-ranging research involving other cooperatives that are of relevance in this organizational field would be better placed to investigate the responses of decision-makers to changes on a macro level.

Another limitation refers to the fact that our investigation is restricted to the decision process of adopting the corporate governance practice, although we recognize that this decision has consequences for the cooperative that are much larger in scale. The change process involved in this case could be more deeply explored by other research work with wider scope. Other decision processes that are occurring in the organization could be investigated in order to evidence Reay et al. (2015) proposition of hybridization of logics as a means of actors manage the conflicts and contradictions that exist along a set of coexisting logics.

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