

**EFFECTIVENESS OF CORPORATE GOVERNANCE  
SYSTEMS ON ZAMBIAN'S COOPERATIVES. A CASE OF  
AGRICULTURAL AND COMMERCIAL COOPERATIVE  
SOCIETY OF ZAMBIA LTD.**

**By**

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**GSB152059**

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## APPROVAL

This dissertation by Mukamba Mwiya has been approved as fulfilling the requirements for the award of Master of Business Administration in Management Strategy by the University of Zambia.

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## DECLARATION

I MUKAMBA MWIYA hereby declares that this dissertation titled, “The Effectiveness of Corporate Governance Systems on Zambia’s Cooperative Societies Performance: A Case of Agricultural and Commercial Cooperative Society of Zambia Ltd”, is my own work, and that all sources that I have used or quoted have been indicated and acknowledged by means of complete references. It also has not been submitted to this or any other University in part or full for the award of any degree or for any other purpose.

MUKAMBA MWIYA  
(Student)

Signed:.....

Date:.....

## **DEDICATION**

I dedicated this to God for the strength, he gave me to carry on, to Inutu S Mwiya (my wife), my children Michelle C Mwiya and Noel Mukamba Mwiya for the love, support and encouragement throughout the period of undertaking the research. Special thanks to my parents, brothers and sister for being there from my early child education and to my friend, relatives for having supported me to accomplish this work in the required time and for believing in me.

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## ABSTRACT

The main objective of this was to examine the importance of having effective corporate governance systems on the agricultural cooperatives in Zambia. The study used a descriptive design method where a survey was chosen. Primary data was obtained to bring out key findings that shed light on the subject. Research data was analysed using descriptive statistics and for ascertaining association between variables. The study used a respondent sample of 88 in Lusaka. Findings on the first objective, effect of corporate governance found that economic growth, public confidence and stakeholder inclusiveness as confirmed by the principle of the cooperative and Kings iv report for the Agricultural and Commercial Cooperative Society. Findings on the factor that contribute to lack of cooperative governance found that the regulations, rules, laws and acts accentuated less than degree of concern on accountability, transparency, fairness/equity and the independence in the operation of the Society's corporate governance framework. And findings on processes that can improve Corporate Governance systems at Agricultural and Commercial Cooperative Society found that co-operatives should develop structures and policies that permit and promote active member involvement at appropriate levels. The Cooperative need a framework of ethical and strategic leadership which promotes adoption of corporate governance as stated in fundamental principles of cooperative and Kings iv report, which stakeholders expected to significantly promote effective implementation of the corporate governance framework which was adopted by the Society in 2010, revise By-Laws and cascade revisions of the Cooperative Act number 20 of 1998. The research concluded that cooperatives should integrate the corporate governance framework which was adopted in 2010 to contemporary principles and prosper in promoting accountability, transparency, fairness/equity and appreciation of corporate governance in their operations. It was recommended that members should have a clearly defined rights and responsibilities, maintain separation of the Board and Management, should hold the board accountable for the performance of the Cooperative on behalf of general membership and foster the economic growth of the Cooperative. It was also recommended that members should ensure that corporate governance appreciation, policies and performance are in line with Corporate governance by refining the stated By-Laws of Cooperative. It was further recommended that cooperatives should provide statements on their annual reports disclosing the extent to which they have followed it during their operations and communicate with members in the course of developing strategies that respond to their needs.

**Keyword: Accountability, Corporate governance, Cooperatives, Performance, Transparency, Ethical Strategic Leadership.**

## ACRONYMS AND ABBREVIATIONS

ACCSZ	Agricultural and Commercial Cooperative Society of Zambia Limited
BoD	Board of Directors
CCSL	Care Cooperative Society Limited
CCS	Co-operative Credit Structure
CFI	Cooperative Financial institution
CRMP	Co-operative Reform and Modernisation Program
DFID	Department for International Development
EU	European Union
GSB	Graduate School of Business
GSDRC	Governance and Social Development Resource Centre
ICA	International Cooperative Alliance
ICT	Information, Communication and Technology
ICA	International Cooperative Alliance
ILO	International Labour Organisation
NGO	Non-Governmental Organisation
OCDC	Oversees Cooperative Development Council
OECD	Organization for Economic Cooperation and Development
IOD	Institute of Directors
LCSL	Livestock Cooperative Society Limited
PACS	Primary Credit Societies
RPO	Rural Primary Organizations
UK	United Kingdom
UN	United Nations
UNZA	University of Zambia
USA	United States of America
USDA	United States Department of Agriculture
ZCF	Zambia Cooperative Federation

## KEY DEFINITIONS

**Agricultural and Commercial Cooperative Society of Zambia** refers to the body cooperative registered as Agricultural and Commercial Cooperative Society of Zambia registered with the Registrar of Cooperative Societies of Zambia under Cap 20 of 1998 (NCDP, 2009).

**Board of directors** means the governing body of a society to whom the supervision and the direction of its affairs are entrusted by the members (NCDP, 2009).

**By-Laws** means these By-laws for the Agricultural and Commercial Co-Operative Society of Zambia Limited, hereinafter referred to as the “ACSZ” (NCDP, 2009).

**Corporate Governance** refers to the process by which organizations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organization (Bhagat and Jefferis, 2012).

**Co-operative principles** means the principles and methods used in the operation and administration of a Society (Bhasin, 2009).

**Governance** refers to governance model strengthens confidence in cooperatives relative to: traditional, corporate and democracy. (ILO, 2002b).

**Good Governance** refers to promotion of the values and ethics of the organization by ensuring that individuals in the organization behave in ways that exemplify values and ethics such as: accountability, transparency, integrity and Fairness (ILO, 2002b).

**Member**" means a person who, or other society which, in terms of the by-laws of a Society is entitled to vote at meetings of that society (CDP, 2009).

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

This Chapter comprises of background to the study, statement of the problem, research question, research objectives, research justification, significance and scope of the research, aim of the research and conclusion. Cooperatives play an important role in the development of any country as they contribute massively in alleviating poverty especially in rural areas. The afro centric system highlights communal work from one sweat of practice that was common in traditional Africa.

Cooperatives in Zambia hail back as early as 1914 when the European settler farmers got together to form them as means of marketing agricultural produce. During the colonial period, Lusaka whose main commercial activities were quarrying, and agriculture was a bastion of cooperatives. Farmers who owned farms such as Villa Elizabeth and Fox dale formed cooperatives and provided food for small settler and growing African community this according to International Labour Organization (2009).

The reasons for selecting this study is to understand the specific challenges that Zambia's cooperatives visa-a-vie agribusinesses in agricultural value chain are facing, hence choosing this topic is aimed to getting a better understanding of cooperate governance in cooperative society perform better governance. The outcome of the study would useful in designing alternative cooperative business model that takes into consideration the local conditions and current trends in cooperative governance.

The study wants to assess the effects of corporate governance to working with cooperatives as a starting point to strengthening the cooperative movement to effectively contribute to development in the agriculture sector. With this regard the purpose of the study is to establish the effects of corporate governance on the agricultural cooperatives in Zambia” And the study is focused at the Lusaka Agricultural and Commercial Cooperative Society of Zambia Limited.

## 1.2 Background to the Study

Over the years cooperatives have evolved from ill organised entities to better their impact and contribution to agro development this is according to the National Cooperative Development Policy – Final draft, Lusaka, Ministry of Agriculture and Cooperatives Republic of Zambia (2007).

There are about 20,379 registered cooperatives in Zambia from all provinces (Ministry of Agriculture and livestock statistics, 2016). ZCF records that cooperative movement in Zambia dates back from the time of independence up to 1965 when the first republican president made pronouncements under Chifubu declaration of 1969. It was a mass of empowerment economic organisation .This prompted an initiative of the ZCF meant to promote and coordinate the cooperative issues in Zambia (ZCF, 2005).

According to Moonga and Mgemzulu (2005), immense development that has come from cooperatives, there is need for proper coordination of business activities .Therefore, corporate governance becomes one of the most important practices in the management of the cooperatives especially that Zambia has a liberalised economy with emphasis on private sector development which means that cooperatives are not state sponsored or associated with government but stand-alone business entitles. Good governance is now accepted as vital to achieving the Millennium Development Goals and as a pre-condition for sustainable economic growth. Ensuring better governance of corporations, financial institutions and markets is increasingly recognised for developing countries despite the limited number of firms there with widely traded shares (Oman and Blume 2005). For developing countries, significant benefits can be linked to higher corporate governance standards in the private sector. These include better access to external finance, lower costs of capital and better firm performance (Claessens, 2003).

The importance of corporate governance in cooperative society performs better governance in today's progressive and aggressive business environment cannot be denied. It's "crucial to the achievement of a new frontier of competitive advantage and profitability (Financial Times, 2018).

Center for Board Matters examined corporate governance trends at Russell 2000 and S&P 500 companies. While it found that corporate governance is a "topic of increasing interest to policymakers, investors and other stakeholders," the way it's enacted by businesses isn't always consistent (Ernst & Young, 2017).

Some organizations concentrate on independent board leadership. Others have shifted from staggered to annual elections. Just as no two business strategies are alike, a corporate governance policy is likely to vary from one company to the next (Ernst & Young, 2017).

The inner workings of corporate governance strategies may differ, but the business practices they comprise are generally more uniform. The Governance Institute defines corporate governance as “the way in which companies are governed and to what purpose.” To elaborate, corporate governance impacts all aspects of an organization, from communication to leadership and strategic decision-making, but it primarily involves the board of directors, how the board conducts itself and how it governs the company (ICSA, 2018).

Business advisory firm PricewaterhouseCoopers (PwC) calls corporate governance “a performance issue,” because it provides a framework for how the company operates. According to PwC, corporate governance should encompass the following:

- i. The company’s performance and the performance of the board
- ii. The relationship between the board and executive management
- iii. The appointment and assessment of the board’s directors
- iv. Board membership and responsibilities
- v. The “ethical tone” of the company, and how the company conducts itself
- vi. Risk management, corporate compliance and internal controls
- vii. Communication between the board and the C-suite
- viii. Communication with the shareholders
- ix. Financial reporting

This list provides a bird’s-eye view of corporate governance in action, and conveys the extent to which it can influence business (PwC, 2011).

To help organizations navigate corporate governance, Deloitte offers a Governance Framework that outlines the board’s objectives and responsibilities, and how they relate to the corporate governance infrastructure (Deloitte, 2010).

But simply implementing a corporate governance strategy isn’t the same as achieving success. Most examples of good corporate governance have something in common, too: they’re built on a foundation of transparency, accountability and trust. Time and time again, these three terms enter into the corporate governance discourse. They have immense value, whether a business is family-run, a non-profit or a publicly traded company. That’s one of the

reasons why corporate governance is top of mind for so many business professionals. Above all, the role of corporate governance in modern organizations is to demonstrate these key principles to shareholders, stakeholders and the public (Nicholas J. Price, 2008).

During the last two decades, the concept of corporate governance has come to the fore internationally, with countries such as the United States of America, Germany, Brazil and China emphasizing it, while African countries such as Zambia have not been left behind. The Zambian Lusaka Stock Exchange Corporate Governance Code (LuSE Code) was launched in 2005 in conjunction with the Institute of Board Zambia (IoDZ), which was established in April 2000. These developments occurred after Zambia noticed the importance of the concerns that corporate governance principles aimed to tackle. The dynamic environment in which these companies and businesses operate consists of different stakeholders such as employees, consumers, the environment, the community at large as well as shareholders. Corporate governance has therefore had an effect on the world at large to the extent that the governance of companies is as important as the governance of a country. It is through this type of world crisis that one sees the importance of, and the need for, effective enforcement and regulation of corporate governance in Zambia (NCDP, 2009).

The President of the Republic of Zambia stated that it was indeed disheartening to see that the co-operative movement in Zambia, despite having been once upon a time so vibrant and an envy of countries within east and southern Africa and beyond, cooperatives societies were in a state of struggle to make any notable contribution to the country economy, (National Address, August 2015).

Furthermore, the present co-operative governance system has failed to transform cooperatives into competitive business enterprises. The co-operative legislation and policy are also inadequate. As a result, undesirable leaders continue to hold leadership positions almost indefinitely, perpetuating "bad leadership syndrome" in the co-operative system. The situation is worsened by the fact that co-operative system has never put in place a formal code of conduct for cooperative leadership behavior, (Zambia NCDP, 2012).

The United Nations sustainable development goals agreed by all government in 2015, the Africa 2063 Agenda are unanimous in setting out what needs to be done to achieve growth and sustainable development. Those charged with governance will be stretched beyond their comfort zone and will need to enrich a broader vision and thinking if they want to be part of

accomplishing this. Corporate governance is indispensable for growth and prosperity of organisations. Every organisation that adopt good corporate governance contributes to sustainable values, (Kings iv report, 2016).

Sustainable development, understood as “conducting operations I a manner that meets the existing needs without compromising the ability of future generations to meet their needs, “is a primary ethical economic imperative in response to challenges and opportunities posed by the organisation being an integral part of the Society and its status as a corporative. Organisations should expand their view of success and redefine it in terms of long-term, positive outcomes for business, Society and environment. The essence of sustainable development is an organisation enhancing its resources and the relationships that it relies on, (Kings iv report, 2016).

Good corporate governance has its foundation in effective and ethical leadership. Effective leadership is about directing performance of an entity and it is result driven. It is about achieving purpose and strategic goal. Ethical leadership is exemplified by transparency, accountability, fairness and independence. Ethical leadership and effective leadership should reinforce each other, (Kings iv report, 2016).

As member owned businesses they are generally not subject to stock market listing and consequently less reported on and analysed. Cooperatives have always faced complex governance challenges despite having a well-established institutional framework to deal with this. The main problems addressed in cooperative governance are similar to those faced by the majority of organizations because there is no one single owner who is also in charge of executive management.

The Agricultural and Commercial Society of Zambia is incorporated and registered under the Cooperative Societies Act No. 20 of 1998 of the Laws of Zambia and charged with the responsibility of holding an Annual Premiere Agricultural and Commercial Show, held in the capital city Lusaka, Zambia, for six days (NCDP, 2009).

Recognising the importance of Corporate governance, the Cooperative introduced a framework of governance in 2010. The Cooperative is also essentially inclined to the values of an Agricultural Cooperative where by farmers such as small scale, young generation farmers and large scale combine in the development and growth of the Society. Ministries of

Agriculture, Livestock, Commerce Trade and Industry, Foreign Affairs and Ministry of Tourism and Arts. Others are stakeholders in area of economic development (CDP, 2009).

Agricultural cooperatives exist in countries all around the world, and they often face similar challenges: ineffective management, lack of market access, inadequate member commitment, and insufficient financial and other relevant services, among others. The information on available opportunities for cooperative members and for those working closely with agricultural cooperatives might be dispersed or unclear (ILO12 2015).

The above-mentioned ministries provide a direct relationship with the government of the Republic of Zambia especially with the corporation from the Ministry of Agriculture, Ministry of Fisheries and Livestock and the Ministry of Commerce which have representation in all the 10 provinces of Zambia and all districts. In the recent past, the Society has embraced entrepreneurs by giving them a platform to display their merchandise and maximize their businesses (CDP, 2009).

The Society, whose patron is the seating Republican President, is formed by membership in different categories; to include: Corporate membership; Family membership; Individual membership and Corporate membership.

ACSZ is an affiliate of the Royal Agricultural Society of the Commonwealth (RASC) which is a confederation of over fifty leading national and regional Agricultural Show Societies, Agricultural Associations and Research Bodies working in twenty Commonwealth countries (CDP, 2009).

### 1.3 Statement of the Problem

The economic and social livelihood of the population in Zambia is supported by smallholder agriculture farming business and increasingly organized in co-operatives as a matter of policy in order to access government input supplies. Agricultural Cooperatives are anchor sources for poverty reduction through job creation, improved livelihood through food security. However, the performance of co-operatives has not been satisfactory. Despite the existence of considerable literature on cooperatives, they remain poorly understood institutions all over the world. As member owned businesses they are generally not subject to stock market listing and consequently less reported on and analysed. Cooperatives have always faced complex governance challenges despite having a well-established institutional framework to deal with this. The main problems addressed in cooperative governance are similar to those faced by

the majority of organizations because there is no one single owner who is also in charge of executive management. In trying to identify the principal source of failure for Cooperative as deriving from member or owner conflict with management brings about the issues of corporate governance. The reasons for the low performance of cooperatives in relations to corporate governance are not know. It is against this background that the study attempted to find out the effect of corporate governance systems in cooperatives.

#### 1.4 Main Research Objective

To examine the importance of having sound corporate governance. Below are the research objectives of the study.

##### 1.4.1 Research Objectives

- i. To determine the effects ineffective corporate governance on the agricultural cooperatives in Zambia
- ii. To examine the factors that contributes to lack of corporate governance at Agricultural and Commercial Cooperative Society of Zambia Limited.
- iii. To establish the processes that can improve Corporate Governance systems at Agricultural and Commercial Cooperative Society of Zambia Limited.

#### 1.5 Research Questions

This study provided answers that helped understand the prevailing situation in the cooperative in terms of corporate governance systems and identify needy areas that may require improvement. This study seeks to answer the following research questions:

##### 1.5.1 Overarching Question:

Why is it important to have sound corporate governance at Agricultural and Commercial Cooperatives of Zambia Limited?

##### 1.5.2 Research Questions:

- i. What are the effects of lack of corporate governance at Agriculture and Commercial Cooperative Society of Zambia Limited?
- ii. What are the contributing factors to ineffective of corporate governance at Agriculture and Commercial Cooperative Society of Zambia Limited?

- iii. What processes can ACCSZ improve on in establishing processes of corporate governance.

## 1.6 Aim of the Study

Despite the growth of the cooperative movement, the problems of African development have persisted. The question that arises is how can cooperatives improve their contribution to African development or Zambia in particular? The aim of this study is to establish the effect of corporate governance on agricultural cooperative societies as a starting point to strengthening the cooperative movement to effectively contribute to development in the agriculture sector, perform their governance obligations in a more transparent manner and fulfil the shared values. The study highlighted good practice and tools that can be used by members in their cooperative development work.

## 1.7 Scope of the Study

This study was confined in Lusaka at Agricultural and Commercial Cooperative Society of Zambia Limited. The choice of this study is because of the proximity of the researcher who may require constant interaction with the chosen cooperatives for thorough investigation on the issues of corporate governance in cooperatives.

This study brings together aspects of theory and practice. It expanded theories by focusing on examining the simultaneous effects of Corporate Governance on Agricultural Cooperatives. This utilised data from the case study conducted on Agricultural and Commercial Cooperative Society of Zambia Limited. Using data from ACCSZ to test theories of Concepts of Corporate governance, Cooperative principles, Cooperative Act number 20 of 1998 and By-Laws of ACCSZ helped to confirm and expand the scope of theoretical applications.

## 1.8 Justification or Significance

This is significant because it contributes to the existing theory and it will enable the researcher to achieve the Partial Fulfilment of the Requirements of the Master's Degree in Business Administration at the University of Zambia- Graduate School of Business. Until recently there was a general consensus that the co-operative sector has been in overall decline especially during the past two decades worldwide. Today, however, a new consensus is emerging within the co-operative sector and among some policy makers that co-operatives globally are entering a period of renewal and growth.

There is reappraisal of the role of co-operatives emerging at the global policy level albeit resting on a limited evidential base. To address this problem, several large scale comparative studies of the co-operative sector are now underway or have recently been completed. This paper draws on preliminary findings of these studies, where possible, together with existing literature to explore the changes in the co-operative sector with emphasis on agricultural cooperatives in Zambia. Additionally, due to the numerous challenges that the cooperatives faced in the early 1990 as a result of change of government majority of cooperatives collapsed leaving only 826 active out of 2, 080 registered. However, the active cooperatives were operating below capacity (Times of Zambia, 2015).

This further meant to help owners and managers to improve performance and surpluses in these types of economic businesses by managing cooperatives effectively.

Agriculture cooperatives would get an insight to the effect of Corporate Governance on performance of cooperatives. This may help the agriculture cooperatives when making policy decisions regarding cooperations and also assist in assessing whether this has positively impacted on the economy. The study would also be instrumental in providing information to the Agriculture cooperatives management on the effects of good corporate governance practices within their jurisdictions. The study findings would also add to the academic field by laying a foundation for further research and understanding of the relationship between corporate governance and performance of Agriculture cooperatives

## 1.9 Dissertation Structure

This dissertation is designed to establish the effectiveness of Corporate Governance system on Agricultural Cooperatives at Agricultural and Commercial Cooperative Society. This academic study developed six (6) chapters which have been clearly illustrated in the section below. The foundations of chapter provide a general picture of the study. This chapter is - structured into mainly the Introduction and Background of the study. This presented the Statement of the problem, research questions and research objectives. Chapter two (2) looked over various studies associated with this topic in the Literature review. Chapter three (3) presented the theoretic and conceptual framework that was applied used in the study. Chapter four (4) contains the methodology which was used in data collection and analysis of this study. Chapter 5 contains is the presentation of results while chapter six (6) is the conclusion and recommendation into the topic.

## 1.10 Agricultural and Commercial Cooperative Society of Zambia Limited (ACCSZ)

The Society is a voluntary organisation, open to all members able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. The Society, whose patron is the seating Republican President, is formed by membership in different categories; to include: Corporate membership; Family membership; Individual membership and Corporate membership.

ACSZ is an affiliate of the Royal Agricultural Society of the Commonwealth (RASC) which is a confederation of over fifty leading national and regional Agricultural Show Societies, Agricultural Associations and Research Bodies working in twenty Commonwealth countries (CDP, 2009).

Agriculture is viewed as a key growth sector in the national economy. The agricultural exports are expected to increase rapidly, eventually replacing copper as the dominant export sector. Copper exports still represent over 90 percent of total exports, but the mines are rapidly being depleted and production costs are escalating. The liberalization of the agricultural sector is conditioned on the removal of the exploitative price controls of the past, which have deprived the producers of sufficient incentives, hampered investments and resulted in an inefficient structure for agricultural marketing and input supply. Those controls are currently being gradually removed. The objectives of the government for the agricultural sector is to increase food and cash crop production through appropriate technology for self-sufficiency and exports, for provision of industry raw materials, and for the pursuit of integrated rural development. The overall objective is to improve the living standards of the rural majority of the population, (Charles Chabala, 2012).

## 1.11 Chapter Summary

This chapter showed the importance of agriculture cooperatives to the economic and social livelihood of the population Zambia supported by smallholder agriculture farming business and increasingly organized in co-operatives as a matter of policy in order to access government input supplies. This chapter also gave background to the main problems facing cooperative governance which are similar to those faced by the majority of organizations because there is no one single owner who is also in charge of executive management.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter places the study into the context of previous related studies. It consists of definitions of corporate governance and its principles. Additionally, cooperatives definitions are given and briefly deal with the principles and the effects of corporative governance on cooperative society performance. A look at the various writing on cooperative governance at global, continental, regional and this informed the developments that have occurred in the cooperative organizational form, the conversion of some traditional cooperatives into business oriented form and the rise of new generation cooperatives.

#### **2.2 Corporate Governance**

Corporate governance is a term often used to describe the way a company is managed, monitored, and held accountable. There is no universally accepted definition of corporate governance primarily because its concept is not well defined, it covers various distinct economic phenomena, and it is often described from shareholders' view of what a company should and should not do (Rezaee, 2009). Corporate governance is a term often used to describe the way a company is managed, monitored, and held accountable. There is no universally accepted definition of corporate governance primarily because its concept is not well defined, it covers various distinct economic phenomena, and it is often described from shareholders' view of what a company should and should not do (Rezaee, 2009).

While the concept of corporate governance has existed for centuries, the name didn't come into vogue until the 1970s. It was a term that was only used in the United States. The balance of power and decision-making between board directors, executives and shareholders has been evolving for centuries (Nicholas J. Price, 2018).

After World War II, the United States experienced strong economic growth, which had a strong impact on the history of corporate governance. Corporations were thriving and growing rapidly. Managers primarily called the shots and board directors and shareholders were expected to follow. In most cases, they did. This was an interesting dichotomy, since

managers highly influenced the selection of board directors. Unless it came to matters of dividends and stock prices, investors tended to steer clear from governance matters. In the 1970s, things began to change as the Securities and Exchange Commission (SEC) brought the issue of corporate governance to the forefront when they brought a stance on official corporate governance reforms. In 1976, the term “corporate governance” first appeared in the Federal Register, the official journal of the federal government (Nicholas J. Price, 2018).

The 1980s brought an end to the 1970s movement for corporate governance reform due to a political shift to the right and a more conservative Congress. This era brought much opposition to deregulation, which was another major change in the history of corporate governance. By 2007, banks had been taking excessive risks and there was growing concern about a possible collapse of the world financial system. Governments sought to prevent fallout by offering massive bailouts and other financial measures. The collapse of the Lehman Brothers bank developed into a major international banking crisis, which became the worst financial crisis since the Great Depression in the 1930s (Nicholas J. Price, 2018).

The fallout from the financial crisis has placed a heavier focus on best practices for corporate governance principles. Boards of directors feel more pressure than ever before to be transparent and accountable. Strong governance principles encourage corporations to have a majority of independent directors and to encourage well-composed, diverse boards. Today’s boards of corporations and organizations of all sizes are finding that the best way for them to protect themselves, their shareholders and stakeholders is to use technology to their advantage by taking a total enterprise governance management approach (Nicholas J. Price, 2018).

Corporate governance is a term often used to describe the way a company is managed, monitored, and held accountable. There is no universally accepted definition of corporate governance primarily because its concept is not well defined, it covers various distinct economic phenomena, and it is often described from shareholders’ view of what a company should and should not do (Rezaee, 2013). Good corporate governance shields a firm from vulnerability to future financial distress (Bhagat and Jefferis, 2012). The argument has been advanced repeatedly that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing on its financial performance.

Corporate governance on the other hand, had its origins in the 19<sup>th</sup> century arising in response to the separation of ownership and control following the formation of joint stock companies. The owners or shareholders of these companies, who were not involved in day-to-day operational issues, required assurances that those in control of the company, in particular the directors and managers, were safeguarding their investments and accurately reporting the financial outcome of their business activities. Thus, shareholders were the original focus of corporate governance. However, current thinking recognizes a company's or a bank's obligations to society, which includes all stakeholders (Nkote-Nabeta, 2014).

In order to understand corporate governance, it is important to highlight its definition. Even though, there is no single accepted definition of corporate governance but it can be defined as a set of processes and structures for controlling and directing an organization. It constitutes a set of rules, which governs the relationships between management, shareholders and stakeholders (Ching et al, 2006). It could also mean the process of decision-making and the process by which decisions may be implemented. Henceforth, corporate governance has much a different meaning to different organizations (Abu-Tapanjeh, 2008).

In recent years, with much corporate failures, the countenance of corporate governance has been widely used in different forms of organisations. Since the latter part of 2001, the already lively debate on corporate governance became a more focused topic due to big corporate scandals like Enron, WorldCom and new laws like the Sarbanes – Oxley Act in the US were introduced to deal with such scandals in future (Ruben & Heras, 2012).

Therefore, good governance is now accepted as vital to achieving the organisations intended goals and as a pre-condition for sustainable economic growth. Ensuring better governance of corporations, cooperatives and markets is increasingly recognised in developing countries despite the limited number of firms widely traded shares (Oman and Blume 2005). For developing countries for example, significant benefits can be linked to higher corporate governance standards in the private sector. These include better access to external finance, lower costs of capital and better firm performance (Claessens 2003).

### 2.3 Practices in Corporate governance

There are many different models of corporate governance around the world. These differ according to the variety of capitalism in which they are embedded. The Anglo-American model tends to emphasize the interests of shareholders. The coordinated or Multi-stakeholder

Model associated with Continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and the community. A related distinction is between market-orientated and network-orientated models of corporate governance (Douma and shreuda, 2013) Some continental European countries, including Germany and the Netherlands, require a two-tiered Board of Directors as a means of improving corporate governance (Bob, 2019). It has been suggested that the Indian approach is drawn from the Gandhian principle of trusteeship and the Directive Principles of the Indian Constitution, but this conceptualization of corporate objectives is also prevalent in Anglo-American and most other jurisdictions (SEBI committee, 2013). The Africa Capital Markets Forum is undertaking a study on the state of Corporate Governance in Africa. The King’s Committee Report and Code of Practice for Corporate Governance in South Africa published in 1994 continue to stimulate corporate governance in Africa.

### 2.3.1 Principles of Corporate Governance

There are many issues in corporate governance; however three main issues are illustrated by figure 1:

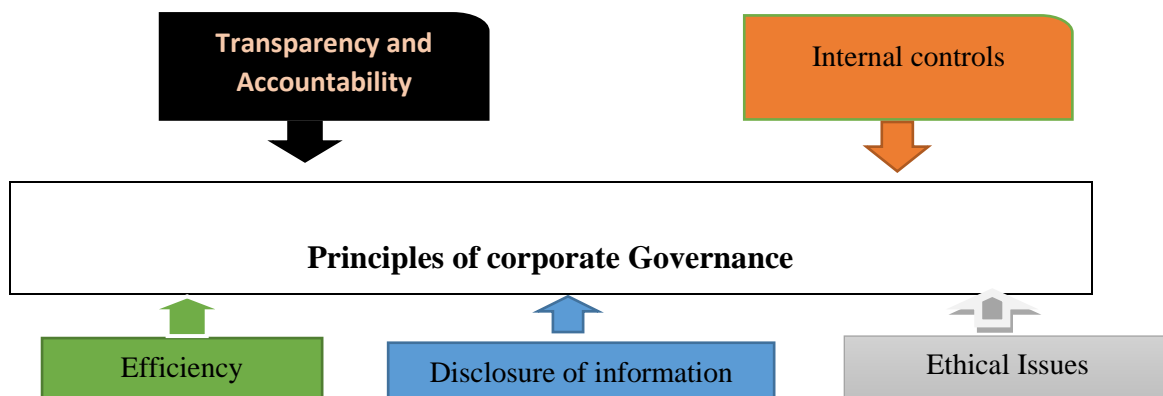


Figure1 Principles of Corporate governance

**Source: (ASX Corporate Governance Council, 2019)**

i. Transparency and Accountability

According to Bhasin (2009) one of the major pillar of good corporate governance is 'transparency' which incorporates a system of checks and balances between key players-board of directors, senior level of management, auditors and other stakeholders. Steger and Amman (2008) observe that every organization has a governance system which concerns the distribution of power and responsibilities and consequently, accountability for its performance. Alo (2008) observes that the rise in interest in the subject of corporate governance could be traced to the fact that there is now an increasingly clear separation of ownership from management. The disconnection between the ownership of a business and its management which shields the management from the day to day activities of the business has created the need for the installation of an appropriate and effective framework for insuring transparency and accountability in the management of businesses.

ii. Internal Controls

Sulaiman (2003) observes that the role of internal controls is to ensure that appropriate financial, operational and compliance controls are in place. It is the board's responsibility to report on the effectiveness of these controls. Lack of internal controls often causes fraudulent activities to go unchecked and inevitably result in the downfall of the organization. The internal control function, which is invariably linked to the risk management function, is associated with the internal audit division in most organizations.

iii. Efficiency issues

Efficiency issues are concerned with the efficient performance of the management to ensure fair returns to the shareholders. This means achievement of economic efficiency comprising of allocative and productive efficiencies (Conway and Shay, 2010).

iv. Disclosure of Information

According to Healy and Palepu (2001) disclosure comprises all forms of voluntary corporate communications, for example, management forecasts, analyst' presentations, the annual general meetings, press releases, information placed on corporate websites and other corporate reports, such as, standalone environmental or social reports. Appropriate corporate governance disclosure systems means that a good company is able to impress the markets with its integrity. Bhasin and Manama (2009) note that it is universally accepted that all material issues relating to corporate governance of the enterprise should be disclosed in a

timely fashion; the disclosure should be clear, concise and precise and governed by the substance over form principle.

#### v. Ethical issues

Corporate Governance encompasses commitment to values and ethical conduct of businesses to maximize shareholder's wealth, while ensuring fairness to all stakeholders and retain investors' trust. Ethical dilemmas arise from conflicting interests of the parties involved and managers should make decisions based on a set of principles influenced by the values, context and culture of the organization. What constitutes good Corporate Governance evolves with the changing circumstances of a company and must be tailored to meet these circumstances (Bonger and Chileshe, 2013).

## 2.4 Cooperatives

A cooperative is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity (UN, 2011). Although the reliability of figures is poor, cooperatives appear to operate on a significant scale in developing countries: studies have shown that over seven per cent of the African population are affiliated to primary cooperatives, and this number is increasing (Delvetere, 2008; Pollet, 2009). Cooperatives are said to have wide-reaching, direct and indirect impacts on socio-economic development (UN, 2009). Nevertheless, cooperatives face real challenges in the form of over-control and regulation by government, limited access to credit, inability to scale up their activities, and inability to penetrate markets. Moreover, there are enduring questions surrounding the feasibility of cooperatives pursuing socio-economic goals, and whether or not they are truly able to serve poor people. In many countries, cooperatives have struggled to gain independence from state control.

Cooperatives received significant attention in recent years as an alternative to investor owned corporations. For example, the UN announced 2012 as the year of cooperatives. Cooperative forms of organizing are also highlighted in several UN sustainable development goals, particularly as means of achieving sustainable and inclusive economic growth. The objective of a cooperative to advance the interests of its member owners is appealing from a societal perspective, particularly when comparing it with a profit-maximizing objective of an investor-owned firm (Roelants et al., 2014).

The most recent cooperative statistics indicate that there are over 2.6 million cooperatives in the world with about 1 billion members (International Cooperative Alliance, 2017). Cooperatives employ around 12% of the total employed population in the G20 countries (Roelants et al., 2014).

A cooperative is seen as an enterprise owned by a society of many independent farmers. The defining feature of a cooperative is the fact that farmers are not only the owners, but also the users of the downstream enterprise. The user role arises due to the presence of a transaction relationship between the upstream and downstream parties. This characteristic is crucial when comparing a cooperative to an investor-owned firm (IOF), because farmers, unlike the outside investors, deliver their farm outputs to the downstream firm (International Cooperative Alliance, 2017).

Cuevas and Fischer (2006) states that despite the existence of a considerable literature on co-operatives, all too frequently they remain poorly understood institutions. A cooperative is both a business entity and unifying factor for people with a common goal or business endeavour. Furthermore, a cooperative is defined by the International Labour Organisation as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ILO, 2b).

The cooperative movement has been fuelled globally by ideas of economic democracy which is a socioeconomic philosophy that suggests an expansion of decision-making power from a small minority of corporate shareholders to a larger majority of public stakeholders opines that as occurred elsewhere in the developing world, co-operatives across Africa were introduced by the colonial powers and typically, ignored existing social and economic structures, many of which were based on informal co-operative organizations, especially at the village level (Shaw, 2006).

Cooperatives have succeeded in being both familiar and yet little understood for the general public and the academic world alike. There are many reasons for this. All too frequently the co-operative sector has been viewed through the prism of a specific enterprise, institutional form or a single country. Many studies have failed to capture the heterogeneous and diverse nature of co-operatives and downplayed their position as part of a sector with global reach and frequently operating as part of a global movement (Shaw, 2006).

A cooperative is a business organization owned and operated by a group of individuals for their mutual benefit (O’Sullivan and Sheffrin, 2003). A cooperative is a business owned and controlled by the people who use its services. They finance and operate the business or service for their mutual benefit. By working together, they can reach an objective that would be unattainable if acting alone. The purpose of the cooperative is to provide greater benefits to the members such as increasing individual income or enhancing a member's way of living by providing important needed services. The cooperative, for instance, may be the vehicle to obtaining improved markets or providing sources of supplies or other services otherwise unavailable if members acted alone (Proceedings Report, 2007).

The unique characteristic that differentiates co-operatives from other enterprise structures is its dual nature: they are business enterprises based on a membership- owned model. The associate aspect of a co-operative takes place to pursue the social goals of its members. As such, co-operatives form an integral part of the private sector, pursuing successful commercial business practices based on the values of self-help, self-responsibility, solidarity, and democracy. In relation to other enterprise structures, co-operatives are an alternate way of doing business but at equally profitable levels (Proceedings Report, 2007).

Whereas cooperative governance refers to the organization and administration of cooperatives. Cooperatives being businesses must be organized and administered in a way that delivers benefits to members. Co-operatives, like other private sector enterprises, have not remained untouched by the recent corporate governance scandals nor by the development of codes of good practice. In the UK, the recent development of a corporate governance code linked to relevant performance indicators was prompted by external governance scandals and a recognition that the co-operative sector needed to adopt “cutting edge practice in corporate governance” (Co-operativesUK, 2005).

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## 2.5 Factors associated with the success of cooperatives

Maximising the potential of cooperatives to contribute to poverty reduction goals is an ongoing concern for academics and development agencies. Whilst there is limited ‘lessons learned’ type material available on the experience of development agencies in supporting cooperative development, there is a growing body of evidence regarding the internal factors and structural conditions that affect the relative success or failure of cooperatives (GSDRC, 2008). The most common factors cited in the literature are:

- i. An enabling legal environment that creates economic conditions favourable to profitability, and a regulatory system favourable to business success. Legal provisions must protect democratic member control, autonomy and independence, voluntary membership, and economic participation in cooperatives and provide a level playing field for cooperatives to compete with other enterprises (e.g. there should be no pricing limitations on cooperatives). It also needs to ensure simpler registration and reporting processes, and a transparent system for auditing cooperatives (DFID, 2010)
- ii. Access to credit is necessary for success. The amount of capital that can be accumulated by credit cooperatives operating at the local level is usually quite low.
- iii. Cooperatives need capable management and governance and the ability to adapt to prevailing business conditions. Cooperatives must develop professional management, be democratic, inclusive, fair, transparent and have strong leadership.
- iv. A main challenge facing many cooperatives is over-control and regulation by government (DFID, 2010). Autonomy and freedom from government control is positively associated with success. While government support can be helpful, governments should avoid

overregulation. In Ethiopia, US technical assistance has helped overcome this legacy (Assefa 2007).

- v. Cooperatives have failed without a market-driven approach that allows them to compete. They need a competitive advantage through professional management, operational and financial efficiency, high quality products, and competitive pricing (OCDC, 2007)
- vi. The Fair Trade Movement has assisted cooperatives to gain access to markets in some contexts. In Rwanda, US technical assistance helped two cooperatives qualify for fair trade status, which greatly increased their profits (OCDC, 2007).
- vii. Successful cooperatives have purposely increased collaboration with other cooperatives. Cooperative networks can help cooperatives to rapidly gain scale and can support better governance and training. A number of development agencies adopt a network and systems approach which aims to foster consensual networks among cooperatives.

To prosper to these levels, cooperative must be well organized, well financed, well managed, good corporate governance and committed membership. They must be progressive, adapting to changing business climates and responding to the members' changing needs. The directors, management staff and members have responsibilities within the cooperative. Strong and viable require all the three groups to do their share. In terms of territory, cooperatives are categorized according to areas of operations for operational and organisational efficiency figure 2 illustrates the organisation structure of a primary cooperative.

### Structure of a Primary Cooperative

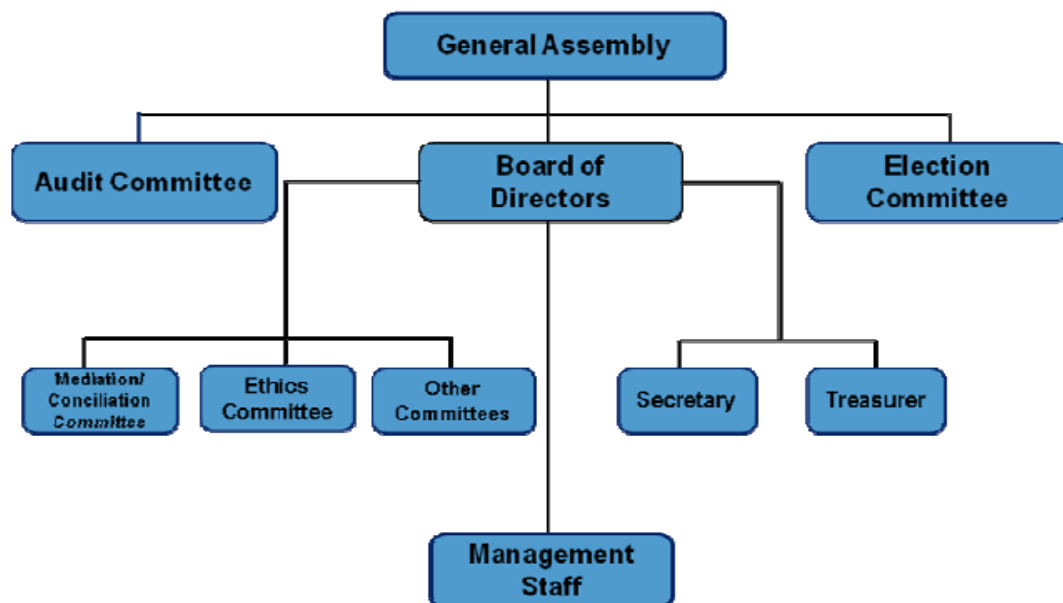


Figure 2 Structure of a Primary Cooperative, ILO, 2011

## 2.6 Importance of Agricultural Cooperatives

Cooperatives offer farmers advantages that are difficult to achieve working individually. According to the Dunsany Group, a “significant and compelling evidence exists demonstrating that cooperation leads to a more democratized economy and society at a local, national and transnational level alongside a wide range of other benefits” (Dunsany Group, 2012). Their benefits include:

- i. Better organization: (i) farmers retain the governance of the cooperative, (ii) cooperatives reach a large number of beneficiaries and create networks of mutual support and solidarity for their members
- ii. Farmers are able to collectively negotiate better contract terms and prices.
- iii. Better access to a wide range of resources and services.
- iv. Increased efficiency of smallholders and the efficient use of available resources by inspiring innovation, diversification and specialization in their members’ businesses (ILO, 2011).
- v. Better access to markets.
- vi. Better access to financing.
- vii. Creation of productive employment (ILO, 2011).
- viii. Social integration, particularly for women, youth, elderly and people with disabilities.
- ix. Cooperatives can also improve relations between farmers and government, as the government can better understand the particular needs of groups in certain geographical areas or businesses, and therefore channel their policies to address those needs.

However, there are challenges faced by cooperatives for example capital formation and business performance is key issues facing cooperatives. Cooperatives need to take on services and businesses that also make commercial sense and, to support these activities, depend on the capital of members or external financing coupled with good corporate governance structures (Stockbridge et al., 2003).

## 2.7 Effects of Corporate Governance on Cooperatives Performance

Despite the existence of a considerable literature on co-operatives, all too frequently they remain poorly understood institutions (Cuevas and Fischer, 2006). Co-operatives have succeeded in being both familiar and yet little understood for the general public and the academic world alike. There are many reasons for this. All too frequently the co-operative

sector has been viewed through the prism of a specific enterprise, institutional form or a single country. Many studies have failed to capture the heterogeneous and diverse nature of co-operatives and downplayed their position as part of a sector with global reach and frequently operating as part of a global movement (Shaw, 2006). The main problems addressed in corporative governance are similar to those faced by the majority of organizations - where there is no one single owner who is also in charge of executive management.

In large organizations, there are managers that are not owners, or there is a plurality of owners with ability to influence and different interests. Cooperatives also feature specific issues associated to their governance (Brasilia, 2008). However, it is therefore clear that good governance provides a working framework and doable strategies for implementing cooperative program as a strategy for economic development. Its desirable outcomes focus on the needs-based and equity-laden delivery of pertinent services to the socially targeted beneficiaries and the profit able cooperative operations of the civil society and business sectors.

## 2.8 Perspectives of Corporate Governance in Cooperatives

Every co-operative has to fulfil its promotional obligation towards its members. Promotional obligation or promotion principal in this context means: Who benefit in which way from the co-operative's activities. The right to use the resources has been awarded to the executive board, but the members are still required to designate the goals for which these resources should be used, writes (ICA, 2016). The Society is guided by the following principles:

### i. Ist Principle: Voluntary and Open Membership

The Society is a voluntary organisation, open to all members able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination. A cooperative serves their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures, (Adopted from 2016 ICA's Principles Committee).

Cuevas and Fischer (2006) identify the principal source of failure for Cooperative Financial Institutions (CFIs) as deriving from member/owner conflict with management. The growth of a cooperative inevitably expands (or dilutes) ownership and managers become subject to weaker controls or failure to follow the cooperative principles that may hold the cooperative together.

ii. 2nd Principle: Democratic Member Control

The Society is a democratic organisation controlled by its members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. Members have equal voting rights (one member, one vote) and shall be organised in a democratic manner (ICA, 2016).

iii. 3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control the capital of the Society. The capital is the common property of the Society. Members allocate surpluses for the purposes of developing the Society, setting up reserves and supporting other activities approved by the membership (Roelants et al., 2014).

iv. 4th Principle: Autonomy and Independence

The Society is an autonomous, self-help organisation controlled by its members. If it enters into agreements with other organisations, including government, or raise capital from external sources, it does so on terms that ensure democratic control by its members and maintains its autonomy (Roelants et al., 2014).

v. 5th Principle: Education, Training and Information

The Society provides education and training for its members, elected representatives, managers, and employees so that they can contribute effectively to the development of the Society. It informs the general public - particularly young people and opinion leaders about the nature and benefits of co-operation (ICA, 2016).

vi. 6th Principle: Co-operation among Co-operatives

The Society serves its members most effectively and strengthens the co-operative movement by working together through local, national, regional and international structures. Cooperative identity statement states that a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned democratically- controlled enterprise (ICA, 2016).

vii. 7th Principle: Concern for the Community

The Society works for the sustainable development of communities through policies approved by its members. Cooperatives contribute significantly to social integration, job

creation and the reduction of poverty. Cooperatives are thus stabilizing regional economic cycles and can generate regional employment. The United Nations general assembly declared 2012 as the international year of cooperatives and thus acknowledges their worldwide impact on economic and social development. The cooperative movement gradually spread around the world in the 19th century. Today, cooperative businesses are found nearly in all countries from the developing nations of Africa, Asia and South America to the industrial countries of Europe and America (ICA, 2016).

Today the sector is estimated to have around 1 billion members and account for more than 100 million jobs around the world (ICA). People who organize and belong to cooperatives do so for a variety of economic, social, and even political reasons. Cooperating with others has often proven to be a satisfactory way of achieving ones own objectives while assisting others in achieving theirs. The Rochdale pioneers and the early European cooperative thinkers and organizers who laid down the foundation for their success. They are responsible for codifying a guiding set of principles that provided the guide to help the development of cooperatives across the world (ICA, 2016).

## 2.9 Global Perspectives of Corporate Governance in Agricultural Cooperatives

According to (Oman and Blume, 2005), Good governance is now accepted as vital to achieving the Millennium Development Goals and as a pre-condition for sustainable economic growth. Ensuring better governance of corporations, financial institutions and markets is increasingly recognized by many countries especially big of firms with widely traded shares. For developing countries, significant benefits can be linked to higher corporate governance standards in the private sector. These include better access to external finance, lower costs of capital and better firm performance (Claessens, 2003). However until now little attention has been paid to the governance needs of other institutional forms of business such as co-operatives despite their considerable presence worldwide. The whole of co-operative sector remains poorly understood and its governance challenges remain unresolved.

The broader definition of corporate governance is one that is more relevant to the distinctive governance features of co-operatives. It is also important to note that many cooperatives face a set of challenges in improving corporate governance standards which are unknown to many countries especially the developing countries. With that to say, in many developing countries, systems of corporate governance are frequently 'relationship-based' which can foster insider

trading and corruption (Oman and Blume, 2005). Besides the huge membership estimates for co-operatives evidence as to their overall economic and social impact remains very thin. UN Report of 1994 suggested that co-operatives contribute directly to improving the living standards of half the world's population (ILO, 2000:31). Over the last decades agricultural cooperatives in developed countries have become larger, more international and more market oriented. As a result of these strategic and structural changes, there has been a shift in the corporate governance structure of the cooperatives.

A major element of this shift is the more strict division of tasks and responsibilities between the board of directors (consisting of members) and the professional management. Although they continue to be farmer-owned, these agricultural cooperatives are nowadays managed like their investor-owned competitors. The role of the board of directors seems to be shifting from being the main decision making body towards becoming mainly a supervisory body, or even towards becoming a body for explaining and defending management decisions among the membership. Shifts in corporate governance in agricultural cooperatives may have implications for member-control and member-benefit. For example (Bijman, 2017) cites that, significant changes have taken place in the corporate governance structure of agricultural cooperatives in the Netherlands. Most of these changes affect the relationship between the board of directors and the management, as well as the role of the supervisory committee.

Governance is now accepted as vital to achieving the Millennium Development Goals and as a pre-condition for sustainable economic growth. DFID Report (2012) states that the significant contribution that the co-operative movement represents for the world economy according to ICA estimates, 1.1 billion people are members of cooperatives, and their economic activity, according to the United Nations (UN) employs 100 million people which is 20% more jobs than all of the world's multinationals combined.

Ensuring better governance of cooperatives, financial institutions and markets is increasingly recognised for developing countries despite the limited number of firms there with widely traded shares (Oman and Blume 2005). For developing countries, significant benefits can be linked to higher corporate governance standards in the private sector. These include better access to external finance, lower costs of capital and better firm performance (Claessens 2003).

## 2.10 European Perspective

Several co-operative in Europe have links to political parties and social movements. The governance implications of these different layers of co-operatives remain complex and are currently the subject of internal debate and review. Suffice to say that where co-operative performance indicators have been developed they remain very much in their infancy and confined to the developed world (Lee and Park, 2010).

### 2.10.1 UK Perspective

UK recently adopted Co-operative Performance Code, for example, comprises ten indicators which include some on governance (member economic and democratic engagement) as well as those for commercial and environmental issues. However, current data on the co-operative sector in Europe reveals a total of 235,000 cooperative enterprises with 5.4 million employees and 140 million members in 33 countries ([www.coopseurope.coop](http://www.coopseurope.coop)). The sector is a very heterogeneous one with co-operatives varying hugely in terms of scale, history and lifecycle, economic sector, etc. They can range from the retail societies typical of the UK with membership running into millions, to small farmer co-operatives in Spain or Italy, large insurance providers and banks, small and large credit unions (Shaw, 2010). Several large European co-operatives have begun to change their business practices to reflect the interests of wider stakeholders in recent years.

The Co-operative Bank in the UK, for example, has become a recognised leader in developing ethical policies and practices after consultation with its wider stakeholders. European consumer co-operatives have strongly supported Fair Trade and been vital to the mainstreaming of Fair Trade products (Shaw, 2010). Co-operative corporate governance strategies need to strengthen the capacities and role of the board. There has also been growing emphasis on the need to develop higher levels of member participation in governance structures especially within the European context. This has also been accompanied by the recognition that co-operative values and principles are fundamental to effective governance within a co-operative. Corporate governance has to reflect the multiple bottom lines of a co-operative and not just their economic and commercial performance.

A recent review of the situation for co-operatives in the European Union identifies two major trends. To meet the challenge of operating successfully in increasingly competitive global markets many of the larger co-operatives have moved towards more capitalist forms either by

creating commercial corporations as flexible forms of growth or by merging with companies outside the social economy (Kievit, 2011).

Long established co-operatives in the UK and Belgium, for example, have been developing strategies to promote active membership engagement, implementing better standards of governance and developing ethical trading strategies (Develtere et al 2005, Croft 2006). In the UK, the increasing centrality of co-operative values has been linked to business success initially by the Co-operative Bank but also by other consumer co-operatives (Co-operative Commission 2011).

Moreover, in the UK, a focus on increasing member participation and voice in their co-operatives is occurring in the context of a growing emphasis on user participation and voice within public services (Johnson and Simmons 2004). This is in addition to achieving consensus on the essential cooperative values within a rich array of corporate governance systems being beneficial to their existence.

#### 2.10.2 German Perspective

The co-operative model developed by the British within India has received the most attention. This derives in part from the fact this co-operative model was then replicated in other British colonies and was based on unified system with strong central control. The latter feature was not modelled on the United Kingdom experience of an autonomous co-operative sector and indeed the Indian cooperative system was, in important respects, modelled on the German system. The studies also confirm that good corporate governance in agricultural cooperatives is central to the success and sustainability of co-operatives in the developing countries as much as the developed world. Improving board performance and accountability remains a central issue together with improving engagement from the wider membership. However there are some issues and challenges in terms of corporate governance that are specific to co-operatives in developing countries (Ranensburg Nicole Göler, 2011).

These include extremely low levels of participation by women as members and in the governance structures in their co-operative. Secondly, there is a need to develop appropriate training and support for directors in the context of relatively low levels of literacy and related skills. In addition, conflict between members and their boards also appear to be present. This has been fostered by long established practices of placing of government nominees on co-operative boards and related patterns of corruption (Ranensburg Nicole Göler, 2011).

Furthermore, it is contended that agricultural cooperatives are experiencing a great increase in competitiveness. For instance in Spain, as they have better bargaining power with both suppliers and clients. There has also been a great improvement in terms of quality and environmental certification, investment, and e-commerce (OSCAE, 2011). One of the most important features of effective corporate governance in agricultural cooperatives is the fact that members of the company are not only owners, but also users, handlers and beneficiaries. This situation means that there are specific relationships between managers and members, as each of them follow his or her own interests.

## 2.11 Asian Perspective

However the majority of cooperatives in Asia share a similar legacy of government intervention and colonialism. Poor corporate governance is widely viewed as one of the structural weaknesses that were responsible for the outbreak of the 1997 Asian crisis. In companies controlled by family owners, these owners could pursue their private interests relatively easily and often at the expense of minority shareholders and firms' profits (Zott et al., 2010).

Post crisis policy packages have given high priority to putting sound regulatory frameworks in place; however, some critics believe that the reform measures, which are based largely on the Anglo-American model, are likely to be cosmetic because of the concentrated ownership structure and the embedded institutional and sociocultural norms in local economies. In addition, little convincing evidence has been provided about the beneficial effect of good corporate governance on firms' values and performance in these economies. Many observers suggest that, in the Asian culture, stakeholders other than shareholders, especially employees and creditor banks, can also play a useful role in corporate governance (Zott et al., 2010).

### 2.11.1 Korea Perspective

To address these questions, we conducted a firm-level questionnaire survey in four countries particularly hard hit by the Asian crisis: Indonesia, Republic of Korea (henceforth referred to as Korea), Malaysia, and Thailand. The sample firms consist of 307 companies listed on their countries' stock exchanges, most of which are in seven selected industries. As in the case of Asia, studies relevant to corporate governance and co-operatives in the region remain limited and focus mainly on South Asia. However the majority of co-operatives in Asia share a similar legacy of government intervention and colonialism. The co-operative model developed by the British within India has received the most attention. This derives in part

from the fact this co-operative model was then replicated in other British colonies and was based on unified system with strong central control. The latter feature was not modeled on the UK experience of an autonomous co-operative sector and indeed the Indian co-operative system was, in important respects, modeled on the German system (Douma and shreuda, 2013).

This was because the British colonial authorities identified indebtedness as main problem holding back rural development in India. The 1904 Co-operative Credit Societies Act was passed to set up credit unions along Raiffeisen principles. This has been characterised as an “interpretation of a British Colonial Office of a German Institution that presented organizational characteristics that were strange even to British business” (Cuevas and Fischer 2006:27).

This tradition was later exported to other colonies and characterised as mentioned above by tight control from a central government department for co-operatives whose registrar had considerable powers of intervention. The co-operative tradition in South Asia was not fundamentally altered after independence with the state retaining a large degree of control over the co-operative sector. The law was meant to serve as an instrument for achieving economic and social development in rural areas, (Babalawo. A, 2014)

The co-operative sector in India is currently undergoing a reform process initiated by the government. In 2004 a Task Force was established to develop a reform strategy for the CCS which consists of over 100,000 PACS which also provide other services such as public food distribution and supply of agricultural inputs. These are linked to 361 District Co-operative Banks and 30 State Co-operative Banks. The proposed reforms impact considerably on governance structures and practices of the co-operative sector with a dedicated government department (the Department for Co-operative Revival and Reforms) to lead the process. The Task Force Report emphasises the need to address widespread governance failures including the “non-conduct of elections for a long time, frequent supersession of Boards, delay in audit, states, (Babalawo. A,2014).

Furthermore, in India, the co-operative regime in the majority of the states remains characterised by high levels of government control and intervention. Ramesha reports that “dormant membership, lack of active participation of members in management, lack of professionalism (and absence of corporate governance) undue political and bureaucratic intervention have made majority of the cooperatives at the primary level almost moribund”

(Ramesha, 2003:3). There has been much criticism of levels of state intervention at district and regional levels and there is an extensive literature discussing the negative economic and social impacts of the current regime. Additionally, Indian co-operatives also have remained male dominated with many women excluded from participation as membership is on a household basis, typically limited to the male head.

#### 2.11.2 China Perspective

Consequently, co-operatives in China also developed essentially as part of the state apparatus. A co-operative reform process in China is underway stemming from market liberalisation and the dismantling of the centralised purchase and supply system. A recent study explores the characteristics of the new forms of co-operatives emerging at the village level in Zhejiang province (Hu et al 2005).

The province was chosen as the first in China to enact a specific co-operative law in 2005. China still has no laws for co-operatives at the national level though this has not prevented the emergence of over 150,000 new co-operatives, and as a result of market liberalisation programmes, two basic types of farmer led organisation have emerged – specialized associations and specialized co-operatives. Typically the co-operatives have both a supervisory board and a board of directors though formal decision making powers rest with the General Assembly. Evidence as to whether this trend towards governance based on a hybrid form of cooperative is replicated elsewhere in China is not available. The governance structures of Chinese co-operatives vary substantially in terms of equity, membership structures and size (Hu et al 2005).

#### 2.12 South American Perspective

This could only be done through legal reforms that promoted the development of cooperatives in tandem with the ICA co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community. It was envisaged that this would make the management of cooperatives democratic and professional, and thereby transform them from dependent organizations to self-controlled and self-reliant business associations capable of competing with other private enterprises in the market (Birchall, 1997). This transformation left behind tenets of good Corporate Governance in the management of cooperatives.

### 2.12.1 Brazil Perspective

In many countries, Particularly Brazil in South America, the state restructured the legal framework of cooperatives to give the movement complete autonomy, in order to allow them to fit in with the emerging competitive market economy. The corporate governance agenda has also been broadened by the recognition of the reach of corporate models characterised by different forms and structures to the Anglo-American model of an investor owned firm (Douma and shreuda, 2013).

However until now little attention has been paid to the governance needs of other institutional forms of business such as co-operatives despite their considerable presence in many developing countries. The co-operative sector as a whole remains poorly understood and its specific governance challenges remain as yet largely unexplored. This aim of this paper is to begin to remedy this absence. Taking as a starting point the distinct nature of co-operatives, relevant trends and issues within corporate governance are explored within the framework of the co-operative sector (Douma and shreuda, 2013).

Julie (2006) did a study on the economic culture of U.S.A agricultural cooperatives. She found that industrialization provided an alternative set of norms offered the basis for cooperative identities encompassing more than a connection with producers. Therefore, the norm of cost minimization forced cooperatives to make a choice to enhance financial performance. Industrialization further brought greater prominence to the cooperative executives or managers who could look at commodity production and marketing from a broad systems perspective and advocated for managerial top- down culture within cooperatives which was deemed as an ingredient of effective financial performance.

### 2.13USA Perspective

In the USA, cooperatives are often viewed primarily as a form of private sector ownership compared to cooperatives in Europe which often keep their links to wider social movements for economic and social justice. In a recent study of Financial Cooperatives for the World Bank, deriving from the USA traditions, their key features are defined as their user ownership, benefits and control rather than their core principles or values or any wider agendas (Shaw, 2006).

In the USA, new agricultural co-operative models are emerging and have been the subject of much debate since several have adopted a form which allows for investor as well as member

ownership together with related voting rights. Some work is being done to chart the development of these non-traditional co-operative forms and to develop an appropriate typology (Chaddad and Cook, 2003).

In addition to that, the 2006 enactment of the European Co-operative Statute enables the development of cross border cooperatives with membership in two or more countries for the first time. A cross border co-operative can either be formed as a new entity or as a result of a merger between existing co-operatives. Up to 25% of shareholding is permitted for non-member investors, though without voting rights. The implications for corporate governance remain to be explored (Chaddad and Cook, 2003).

Latin American countries, co-operatives are subjected to strong government influence except for the countries of southern cone (Argentina, Chile, Brazil and Uruguay) where European immigrants established more autonomous forms of co-operatives (EU Report 2014). Findings from two detailed case studies of co-operatives in Bolivia and Mexico provide some useful insights. Both emphasise the centrality of good corporate governance practices to the commercial sustainability of the co-operative enterprises involved and can provide some valuable examples of good practice. Cooperatives in the USA have complex but effective democratic structures and strong accountability mechanisms. Successful co-operatives are normally those able to attract capable and committed board members, achieve a high degree of participation, isolate their decisions from political influence, and maintain an environment in which cooperative values thrive (Ruiz-Meyer and van Ginneken, 2006).

This presents cause for this research to establish the effects of corporate governance systems on agricultural societies. The integration of good governance in cooperative management intends to improve its service delivery methods. Good governance is therefore very important for the sustainability of cooperatives to prevent mismanagement, promote sound decision-making, internal control systems, create/maintain a positive corporate image, attract and retain financing and investment (Ruiz-Meyer and van Ginneken, 2006).

## 2.14 Africa's Perspective of Cooperatives

Africa stresses more importance on the concept of cooperatives the economic crisis in sub-Saharan Africa presents a major challenge to donors and to policy-makers. After an initial period of growth following independence, most African economies faltered, then failed.

Repressed producer prices, inefficient public marketing boards, and weak government commitment have often been blamed for the poor performance of agriculture, Africa's most important sector. Thus, since the mid-1980s, many structural adjustment programs have emphasized price and marketing reforms, and countries have liberalized the marketing and pricing of major food crops (ZCF, 2016).

However, one of these reforms that have improved the performance of the agricultural sector is the strengthening of cooperatives through implementation of corporate governance mechanisms. Nevertheless, the effects on growth and real income have not met expectations due to deficient infrastructure, inadequate access to inputs and credit, poor extension services, and inefficient marketing systems constrain the effective expansion of production. There must be reforms that specifically address these constraints (ZCF, 2016).

The recognition of cooperatives as crucial means for poverty alleviation and, therefore, African development has been widely acknowledged. It is for this reason that cooperatives have been promoted in virtually all African countries since the colonial period. This has witnessed a significant growth of the cooperative movement. Recent statistics show that out of 100 Africans, including children and the elderly, at least seven people are members of a cooperative and the total number of cooperatives in most countries has continued to grow (Develtere and et al, 2008). DFID Report (2012) contends that the overall theme of cooperative governance is a concept that advances equitable opportunities for economic growth with benefits incurred by every section of society and the transition to sustainable development. In this regard, the Strategy is designed to broaden the co-operative space in order to enable access to economic opportunities for more people in Africa, while also protecting the vulnerable. The focus has been therefore on supporting all types of co-operatives because of their great impact in uplifting the socio-economic status of the populous, however special attention is given to some co-operative sectors including agricultural, housing, banking and insurance, industrial, artisanal and worker based cooperatives as well as specialized sector co-operatives.

#### 2.14.1 East Africa

However, in Africa corporate governance in countries like Tanzania are currently engaged in the CRMP which is aimed at enabling co-operatives to become member owned and controlled as well as economically viable. A specific aim is to promote good governance in co-operatives. Among the key challenges identified are several related to governance

including inflexible legal environment, weak leadership and management together with lack of member engagement and participation. Lack of internal controls and checks have contributed towards high levels of dishonesty and corruption. A code of conduct for co-operative management has now been introduced and each SACCO have a supervisory board (Rezaee, 2009).

Education and training be restructured to meet the needs of members so as to encourage them to become more involved in the process of promoting good governance in their co-operative societies particularly in Agriculture. Active and empowered members participate in the running of their societies in terms of decision-making, planning and control (CRMP 2005). Nevertheless, the most radical transformation of the cooperative structure is exemplified by Uganda's agricultural marketing cooperatives. Following the adverse impact of liberalization on cooperative unions, grassroots community-based organizations, parish farmers associations and other smaller farmer groups regenerated their solidarity and organized themselves into cooperative societies at the village or parish level christened RPOs. RPOs collected produce from individual members and bulked it for collective marketing (Boekhold, 2005). Before the liberalization of the cooperative movement in the 1990s, agricultural cooperatives in Uganda were organized in a vertical and hierarchical structure, with farmers at the lowest level selling their produce to the primary societies and then the primary societies selling it to the unions. The unions sold the produce to the marketing boards, which had the responsibility to find export markets for it.

#### 2.14.2 North Africa

Therefore, according to Cornforth (2002) in his view indicated that North African countries like Tunisia, postulated that success of cooperatives requires support or partnership with donors, but such support should be channelled directly to the cooperatives and it should be based on the interests and needs of recipient cooperatives. This is because each cooperative operates in a specific environment and under peculiar circumstances, which necessitates equally unique support services that are in tandem with the business needs of the cooperative.

#### 2.14.3 Southern Africa

Conversely, good governance supports the board of the co-operative in its task of creating and maintaining a strong and sustainable business. The co-operative sector has therefore long recognised the value of good governance practice. Co-operatives in South Africa and Namibia have combined their extensive experience of governance across all sectors of the

Co-operative Movement to produce this first comprehensive code for agricultural co-operatives. As in the case of Africa, studies relevant to corporate governance and co-operatives in the region remain limited and focus mainly on South Asia (Dijk and Klep, 2005).

#### 2.14.4 SADC Countries

Consequently, in light with the corporate governance, it can be indicated that the success of cooperatives in Africa especially in countries like Botswana, South Africa , Ghana and Nigeria depend on whether they are founded on the people's interests and provide relevant services to the people's needs to attract active and effective membership participation. To ensure this, cooperative development should naturally evolve from the grassroots rather than directing it from above. In addition, most of the SADC countries like South Africa particularly be possible with the transformation of the political culture on the continent to embrace democratic politics. To this end, democratic reforms that are going on in many countries ought to be nurtured to facilitate a better political environment for cooperative development (Dow, 2003).

The experience of the majority of co-operatives in developing countries has been very different. A starting point for a discussion of corporate governance issues therefore has to begin with the legacy of government control and intervention into the co-operative sector. This legacy, of course, derives from the colonial origins of the co-operative sector which involved a regime of government control and influence with damaging results that are still evident today (Dow, 2003).

As occurred elsewhere in the developing world, co-operatives across Africa were introduced by the colonial powers and typically ignored existing social and economic structures, many of which were based on informal co-operative organisations especially at the village level. The last major study of the co-operative sector in Africa was published over ten years ago and emphasised that government intervention had tended to reduce member participation and had prevented rural co-operatives from becoming commercially viable. The report called for changes in the legal framework and for donor support for capacity-building measures such as member education, staff training and management systems (Hussi et al 1993).

A recent ILO report comments that: The developing world experienced several decades of working with state-sponsored and state controlled co-operatives which had been introduced

by the colonial powers as development tools and subsequently used by governments of the independent states for similar purposes. Unsuccessful and costly experiments were carried out on the basis of joint agricultural production, collectives and state farms as way of increasing peasant production and productivity (ILO, 2000). For many co-operatives in developing countries, there is a further major challenge to the implementation of the Principles - autonomy and independence has yet to become a reality. This has been aptly described as a system of co-operatives without co-operators. There is an extensive literature on the ways in which co-operatives were provided with special support and often afforded monopoly positions. They frequently became sole suppliers to State Marketing Boards for commodity crops and were subject to price controls.

In many cases co-operatives also became vehicles for political patronage and nepotism and were subject to capture by local elites. Co-operative ministries had the power to, and frequently did, intervene in board matters by appointing directors and managers, controlling all business operations and making membership of a co-operative compulsory (Jordan Blekking, 2017). The detrimental effects of these interventionist policies have been well documented. However, as a seminal World Bank study on co-operatives pointed out, these policies were in part the result of donor support (Hussi et al 1993).

Indeed even within the co-operative movement, there was support for a directive and even coercive role for governments vis-a-vis co-operatives in developing countries (ICA 1966). Democratic governance and accountability are key factors for success in the co-operatives studied. This has been aided by the emergence of a better educated membership which has resulted in the election of directors with higher levels of literacy and related skills. As a result, the overall quality of co-operative boards has improved. However many co-operatives still struggle with a unpredictable and changeable policy framework at both the local and national level.

Other governance related issues highlighted gender issues. In almost all countries, levels of participation by women remains extremely low and male dominated co-operatives are the norm. This is evident in membership at the primary society level and in leadership positions throughout the sector. Case studies on co-operatives from South Africa provide evidence of more women's engagement. The South African model is a particularly interesting one as higher participation of women has been achieved as the result of the promotion and implementation of gender equity policies. This is reinforced by support for gender equity

from external stakeholders in the co-operative notably the Fair Trade organisations who buy some of the products of the co-operative (ICA 2011).

In Tanzania for example, governance standards in many co-operatives have also found to be lacking. A recent survey of village-level coffee cooperatives also reported that low levels of education hindered the effective management of the co-operative and was linked to lack of democratic control. In many cases the secretary lacked sufficient education, while the ability to act independently and the lack of control by members meant high levels of fraud and theft committed by the secretary (Dow, 2003).

Financial controls and record keeping are often very weak. Members have been called for education and training not only on production but also in co-operative affairs. Committee members and secretaries also needed training in financial management (Boekhold 2005). The Tanzanian government is currently engaged in the Co-operative Reform and Modernisation Program (CRMP) which is aimed at enabling co-operatives to become member owned and controlled as well as economically viable. A specific aim is to promote good governance in cooperatives. Among the key challenges identified are several related to governance including inflexible legal environment, weak leadership and management together with lack of member engagement and participation. Lack of internal controls and checks have contributed towards high levels of dishonesty and corruption.

#### 2.14.5 Zambian Perspective

Cooperatives in Zambia has its primary focus on mapping the extent of the co-operative sector and its related impact on employment, poverty reduction, social protection and representation rather than matters of governance and specifically corporate governance (World Bank, 2010). This situation in Zambia's cooperations began to change with the advent of Structural Adjustment Programmes and related liberalisation programmes. Their impact has been considerable if uneven and in many countries like Zambia, liberalisation for the co-operative is still in its early stages.

In Zambia as the rest of Africa, single channel marketing systems and regional parastatals were dismantled, many co-operatives stopped receiving product or credit subsidies. Trade liberalisation policies has placed sudden and considerable burden on many co-operatives by exposing them suddenly to high levels of competition whilst at the same time they have lost market access. Co-operatives frequently have lost their pre-eminent position in the economy and face the problem of restructuring with fewer resources (ILO, 2000)

Agricultural cooperatives in Zambia benefit from a flexible cooperative law enshrined in the Cooperatives Societies Act number 20 of 1998. These regulations act as a guide to registration, management and as a legal framework for all cooperatives. Regulations consider international principles and could follow the International Labour Organisation (ILO) Guidelines for Cooperative Legislation, UN Guidelines aimed at creating a supportive environment for the development of cooperatives, 2001, and the principles of the ICA. The majority of Zambian population depend on small-scale farming which is predominantly organised into cooperatives, for their livelihood and have performed well in poverty alleviation and job creation in spite of interventions from the government and private institutions (Siame, 2016).

With the formation of the District Cooperative Unions (DCUs), the co-operative movement currently has a four tier structure, starting with primary cooperative societies (PCU) at local level. The primary cooperative societies (PCSs) are generally affiliated to either a DCU, or if none has been formed in a given district, to a PCU. The DCUs, in turn, are affiliated the PCU in each province. All nine primary cooperative societies units (PCUs), finally, are affiliates of ZCF, the apex organization for the entire cooperative movement. As a result, and in accordance with general cooperative practice, each lower level in the cooperative structure owns the next higher level through affiliation and shareholding (Siame, 2016).

The economic viability and sustainability of this four tier system is questionable and a process of review has been initiated. The structure is also unwieldy from the point of view of democratic control from the members (ILO Report, 2017). There has been significant changes have taking place in the corporate governance structure of agricultural cooperatives in the Zambia. Most of these changes affect the relationship between the board of directors and the management, as well as the role of the government in how the cooperatives are managed (Ndonyo, 2009). The Zambia Cooperative Society (2007) observed that the Cooperatives in Zambia are organized into service and producer cooperatives. The producer cooperatives' objectives are to promote the use of modern technology and contribute to national development through production. The service cooperatives are responsible for procurement, marketing and expansion services, loan disbursement, sale of consumer goods and member education.

The cooperatives have made remarkable progress in agriculture, dairy, credit, agro-processing, banking, marketing, fishing, storage, and housing. Service cooperatives are the

closest to communities and are organized on a shareholder basis formed by individual members of organizations voluntarily working in a specific geographic area (Ndonyo, 2009). According to the Ministry of Agriculture (2008), the cooperative movement in Zambia has become a success story mainly in the areas of disbursement of loans. However, it continues to miss opportunities in the use of modern ICT. There is a need for it to refocus and re-assess its capacity not just to mobilizing financial resources further, but also to manage them well for faster economic growth through systems of corporate governance.

## 2.15 Kings report on corporate governance

There is always a link between good governance and compliance with law. Good governance is not something that exists separately from the law and it is entirely inappropriate to unhinge governance from the law. The kings' report on corporate governance revolves around leadership, sustainability and corporate citizenship (Hamann, R. and O'Keefe, 2008). To facilitate an understanding of the thought process, debate and changes in the Report, the following key aspects are highlighted:

### 2.15.1 Ethical leadership and corporate citizenship

The board should provide effective leadership based on an ethical foundation

- i. Good corporate governance is essentially about effective, responsible leadership. Responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency (Kapelus, P., Hamann, R. and O'Keefe, 2008).
- ii. Responsible leaders build sustainable businesses by having regard to the company's economic, social and environmental impact on the community in which it operates. They do this through effective strategy and operations.
- iii. Corporate governance is, in essence, a company's practical expression of ethical standards. It follows that all the typical aspects of corporate governance (such as the role and responsibilities of the board and directors, internal audit, risk management, stakeholder relations, and so on) should rest on a foundation of ethical values (Kapelus, P., Hamann, R. and O'Keefe, 2008).
- iv. Good corporate governance requires that the board takes responsibility for building and sustaining an ethical corporate culture in the company. Such a culture consists of both formal and informal cultural systems. Selection and reward systems, for example, are elements of formal culture, whereas 'living' practices and language usage are elements

of informal culture. A cultural approach to governing and managing the company's ethics would ensure that ethical standards infuse and align both formal and informal cultural elements (Kapelus, P., Hamann, R. and O'Keefe, 2008).

v.

#### 2.15.2 Audit committees

The board should ensure that the company has an effective and independent audit committee. An independent audit committee fulfils a vital role in corporate governance. The audit committee is vital to, among other things, ensure the integrity of integrated reporting and internal financial controls and identify and manage financial risks (KPMG, 2006).

#### The governance of risk

The board should exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company's business. The board should be responsible for the governance of risk through formal processes, which include the total system and process of risk management. The board should show leadership in guiding the efforts aimed at meeting risk management expectations and requirements (Pickett, K.H. Spencer, 2005).

#### 2.15.3 The governance of information technology (IT)

The board should be responsible for information technology (IT) governance; IT is essential to manage the transactions, information and knowledge necessary to initiate and sustain a company. In most companies, IT has become pervasive because it is an integral part of the business and is fundamental to support, sustain and grow the business. Companies should understand and manage the risks, benefits and constraints of IT. As a consequence, the board should understand the strategic importance of IT, assume responsibility for the governance of IT and place IT governance on the board agenda ((Porter and M.R. Kramer, 2006).

#### 2.15.4 Compliance with laws, rules, codes and standards

The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. Compliance with applicable laws should be understood not only in terms of the obligations that they create, but also for the rights and protection that they afford. Companies should always aim to achieve a balanced approach in their outlook on compliance. Simply complying with laws, without consideration

of the rights available in the circumstances, cannot be deemed to be acting in the best interests of the company. The duty to act in the best interests of the company includes considering the rights of the company when dealing with compliance (Porter and M.R. Kramer, 2006).

#### 2.15.5 Governing stakeholder relationships

The board should appreciate that stakeholders' perceptions affect a company's reputation. Stakeholders' overall assessments (and therefore aggregate perceptions) of companies, result in the formation of corporate reputations. Reputation is based on how well a company performs compared with the legitimate interests and expectations of stakeholders. There is growing awareness of how important the contribution of reputation is to the economic value of the company (ISACA Paper, 2005).

The gap between stakeholder perceptions and the performance of the company should be managed and measured to enhance or protect corporate reputation and to avoid damage or destruction by company actions. What the company does, and not only what it communicates, ultimately shapes the perceptions of stakeholders. However, communication assists in bridging actual and perceived gaps that may occur and it facilitates a balanced assessment of the company (ISACA Paper, 2005).

#### 2.15.6 Transparency and accountability

Integrated reporting means a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability. This can take the form of a single report or dual reports. The emphasis is on substance over form and integration should not be reduced merely to the manifestation in physical terms of one or more documents. While a truly integrated report should be presented in one document, it can be presented in more than one document. If the integrated report encompasses more than one document, the documents should be made available at the same time and disclosed as an integrated report (ISACA Paper, 2005).

The key consideration is whether the information provided has allowed stakeholders to understand the key issues affecting the company as well as the effect the company's operation has had on the economic, social and environmental wellbeing of the community, both positive and negative (ISACA Paper, 2005).

## 2.16 The Combined Code

The Cadbury of Best Practice of 1992 was cited as having influenced the development of corporate governance codes in many countries. The Cadbury Code clearly emphasizes, inter alia, the central role of the board, the importance of a division of responsibilities at the head of an institution, and the role of non – executive directors. The combined code (2006) main principles in relation to ‘Section A: Director’s are shown below.

- i. The Board: Every institution should be headed by an effective board, which is collectively responsible for the success of the company.
- ii. Chairman and Chief executive: There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. No one individual should have unfettered powers of decision.
- iii. Board balance and independence: The board should include a balance of executive and non – executive directors (and in particular independence non – executive directors) such that no individual or small group individuals can dominate the board’s decision taking.
- iv. Appointments to the board : There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.
- v. Information and professional development : The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.
- vi. Performance evaluation: The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- vii. Re – election: All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board.

## 2.17 Empirical Review

Onugu, (2014) carried a study on the financial performance of cooperative societies in Enugu state, Nigeria. The study found that cost of financing is the main issue considered by organization when deciding of the type of capital. The value of the investments and projects undertaken by cooperative societies is highly linked to the costs of financing them thus have to be put into account for the managers to make informed decisions. Cooperative societies

find it difficult to measure the impact of financing costs on their capital structure decisions in regard to their investing activities. However, this study did not exhaust all aspects of cost of finance which contributes to the financial performance of cooperative societies at large.

Mutung, (2009) did a study on corporate governance practices and challenges by cooperative societies in Nairobi. The study indicated that the proportion of share capital and retained earnings in many of the cooperatives was low. It was therefore important to understand the difficulties involved in computing the cost of finance and establish appropriate procedures to aid calculation of the same in cooperative societies. For example, issues may arise when determining the actual rate of interest on loans acquired by members from financial institutions requiring instalments in different modes of payment.

The study to analyse the set-up and economic, social and employment benefits of entrepreneur co-operatives was undertaken by Von Ravensburg (2011). The objective for the study was to learn how the model could be rendered useful elsewhere. The study was under the auspices of COOPAFRICA, a program that promotes favourable policy and legal environments, strong vertical structures such as co-operative unions and federations, improved co-operative governance, efficiency and performance covering nine countries – Botswana, Ethiopia, Kenya, Lesotho, Rwanda, Swaziland, Tanzania mainland and Isles, Uganda and Zambia from ILO office in Tanzania with technical support from ILO COOP.

The researcher argues that there was a virtual void of descriptions of co-operatives in some parts of the world. This is true in Zambia's case where co-operative business model was confined to agricultural sector, especially smallholders co-operatives dealing in commodity production, processing, marketing, or input supply. Even though the MSMEs show distinctive co-operative features, there is no reference for them being entrepreneurial co-operatives. This is due to either limited scope for co-operative policy or lack of knowledge despite the fact that collective socio-economic undertakings play an important role in the economy (Von Ravensburg, 2011).

In 2016, there was an re-alignment of the Department of Co-operatives to the Ministry of Commerce Trade and Industry from the Ministry of Agriculture can now be seen as part of the wider renaissance of co-operative business models for the entire private sector as opposed to the past when they were restricted to agricultural co-operatives in the Ministry of

Agriculture in Zambia. This development has given rise to promotion of cooperatives amongst MSMEs as well as the informal sector businesses (National Assembly, 2016).

## 2.18 Critic of existing literature

The study to analyse the set-up and economic, social and employment benefits of entrepreneur co-operatives was undertaken by Von Ravensburg (2011). The objective for the study was to learn how the model could be rendered useful elsewhere. The study was under the auspices of COOPAFRICA, a program that promotes favourable policy and legal environments, strong vertical structures such as co-operative unions and federations, improved co-operative governance, efficiency and performance covering nine countries Botswana, Ethiopia, Kenya, Lesotho, Rwanda, Swaziland, Tanzania mainland and Isles, Uganda and Zambia from ILO office in Tanzania with technical support from ILO COOP.

Though the study didn't specifically deal with the actual business model configuration of entrepreneurs' co-operative, it provides relevant concepts that are important in its design worth the review for this study.

The author notes that there was a virtual void of descriptions of entrepreneurs' co-operatives in some parts of the world. This is true in Zambia's case where co-operative business model was confined to agricultural sector, especially smallholders co-operatives dealing in commodity production, processing, marketing, or input supply. Even though the MSMEs show distinctive co-operative features, there is no reference for them being entrepreneurial co-operatives. This is due to either limited scope for co-operative policy or lack of knowledge despite the fact that collective socio-economic undertakings play an important role in the economy, argues the author (Von Ravensburg, 2011).

The recent re-alignment of the Department of Co-operatives to the Ministry of Commerce Trade and Industry from the Ministry of Agriculture can now be seen as part of the wider renaissance of co-operative business models for the entire private sector as opposed to the past when they were restricted to agricultural co-operatives in the Ministry of Agriculture in Zambia. This development gave rise to promotion of entrepreneurs' cooperatives amongst MSMEs as well as the informal sector businesses (President's 1st inaugural speech to National Assembly, 2016). The issues in relation to effectiveness of corporate governance in agricultural cooperative was not identified.

## 2.19 Emerging issues

This study addressed the effects of corporate governance systems in cooperatives. A review of published literature shows that, to date, no similar studies have been conducted in relation to corporate governance systems in cooperative in Zambia. Kaonga A 1994; Mulenga E ,2008; Orjmark P and Chabala 1994, Yubai T 1994, Ndonyo E 2009, Cooperatives as producers, challenges, Cooperatives in rural development, role of members in cooperatives. Evolution of cooperatives from 1914-1947, 1965-1974, 1975-1992, 1993-1999. Ching et al, 2006, Abu-Tapanjeh, 2008, Bijiman 2017. A number of empirical studies examine the effect of subsidized agricultural inputs throughout Sub-Saharan Africa (Ricker-Gilbert and Jayne 2012; Jayne and Rashid 2013; Agricultural cooperatives as a means of addressing food security through collective action (Mansuri and Rao 2013), overcoming nation-wide food insecurity (Mason et al. 2013), classification of a cooperative, the end goal remains the same for all members: to bridge the gap between, what Bernstein (2010) calls the “upstream” and the “downstream.” Numerous studies identify cooperatives as being central to the strategy necessary to improve smallholder agricultural production and livelihoods, in light of the disproportionate challenges faced by these farmers (Abebaw and Haile 2013; Shiferaw et al. 2009; Markelova et al. 2009; Verhofstadt and Maertens 2014). While organizational structure and membership rules substantively affect a cooperative’s role and efficacy, the most compelling argument in favor of cooperatives in developing countries is the reduction of transaction costs and helping farmers to collectively achieve economies of scale (Akwabi-Ameyaw 1997; Fischer and Qaim 2011). High transaction costs constitute one of the greatest barriers to market entry for smallholder farmers (Holloway et al. 2000; Ortmann and King 2007) Cooperative Act 1998, By-Laws, Governance Models, Level of Practice in Governance and Services of the Cooperative.

The problem of agricultural development in general and particularly agri-business in Zambia as well as other African countries is well documented. The professionals in main stream economics and economics of agriculture have been paying attention to institutional issues of exchange, natural resource management and the state agricultural and agri-business policies (Kirsten e al., 2009). However, the focus for this study is on business models as an institution affecting the growth of not only smallholder farming but also co-operative business models that are commonly used in Zambia. Smallholder agricultural and co-operative business enterprise developments has long been regarded by the polity in Zambia, researchers, and professionals in international development institutions, as panacea for poverty reduction

through job creation, improved livelihood through food security and improve nutrition (Mtonga et al., 2013; Wanyama et al, 2009).

Zambia's poverty and inequality is still very pronounced and has remained at well over 60%, with rural areas being the most poor and urban better off. The pattern of income inequality favours the urban areas at the expense of rural areas. Subsistence agriculture is the single largest occupation, with about two million people working as subsistence farmers, Bertelsmann Stiftung, (BTI, 2012, p12).

Agriculture and agro-processing are considered to be among the top productive areas with greatest potential for growth in Zambia. This potential has very important livelihood implications as 68% of Zambia's economically active population engaged in smallholder agriculture. The government and other development agencies in Zambia acknowledge the importance of not only strengthen the capacity of small-scale farmers but also facilitate micro, small and medium enterprise, co-operatives included, engage in value addition in order to reduce poverty, create jobs and provide food security (USAID/Zambia, 2011-2015; UNDP, 2000; National Agricultural Policy (NAP), 2004, p.2).

## 2.20 Knowledge Gap

Considering governance choices in the inquiry, it was found that agricultural cooperatives adopt one of the four basic corporate governance models or any of the corresponding variation. But why do agricultural cooperatives choose to adoption ownership and governance features that distant them from the tradition cooperative model? This is because they need to provide complementary incentives to the cooperative's stakeholders in order to attract risk capital and optimize collective decision-making costs.

Hence, arises the need to implement an efficient and sustainable organisational architecture such as corporate governance. Yet, in making these crucial choices, agricultural cooperatives are faced with several important trade-off that have significant implications both for farmers and their cooperatives but also for the society as whole.

Concerns with the new definitions of co-operative have several bases (Baarda, 2016). Sharing co-operative control may sooner or later undermine the strengths of co-operatives as sole representatives of farmers' interests. Conflicts in motivations and objectives between those who wish to benefit from use and those who wish to benefit from returns on investment make good governance difficult if not impossible. Concerns also exist with the restrictions on true co-operative operations brought about by such major changes. Others believe that well-

designed and well-run co-operatives can achieve their goals by other means that do not require fundamental changes in the definitions of co-operatives. At present, information and analysis is inadequate to assess the implications fully. At the same time, expressions of objections are viewed as obstructionist and non-responsive to the dramatically changing environments in which farmers and their co-operatives exist.

## 2.21 Chapter Summary

Literature review has made up chapter two. It gave an overview of the corporation governance, Principles of Governance, Transparency and Accountability, important of agricultural cooperatives, Perspectives of corporatives governance, Africa's perspective of cooperative, global perspectives of corporate governance on agricultural cooperatives and finally Zambian perspective on agricultural cooperatives.

## **CHAPTER THREE**

### **THEORETICAL AND CONCEPTUAL FRAMEWORK**

#### **3.1 Introduction**

The aim of this chapter was to provide the models of the research on the effectiveness of Corporate Governance System on cooperatives. This chapter is structured into two sections. Section 3.2 is the Theoretical framework and 3.3 is the conceptual framework.

#### **3.2 Theoretical framework**

The theoretical framework of this study focus on the stakeholder's theory which is principally linked to corporate governance and therefore, they have been related to cooperative systems of business.

##### **3.2.1 Stakeholder Theory**

Stakeholder theory (Freeman, 2003) was derived from a combination of sociological and organisational discipline. The theory was first embedded in the management discipline in 1970 and with time developed by Freeman which incorporated accountability to a broader range of stake holders (Freeman, 1984). Indeed, stakeholder's theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organisational science.

##### **3.2.2 Agency Theory**

A significant body of work has built up in this area within the context of the principal – agent framework. Agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent (Albrecht and C. O. Albrecht, 2004). The agency relationship can have a number of disadvantages relating to the opportunism or self – interest of the agent: for example, the agent may not act in the best interests of the principal, or the agent may act only partially in the best interests of the principal (Allen, F. and D. Gale, 2000).

In the context of corporation and issues of corporate control, agency theory views corporate governance mechanisms, especially the board of directors, as being an essential monitoring device to try to ensure that any problems that may be brought about by the principal – agent relationship, are minimized. Blair (1996) states: Managers are supposed to be the 'agents' of

a corporation's 'owners,' but managers must be monitored and institutional arrangements must provide some checks and balances to make sure they do not abuse their power. The costs resulting from managers misusing their position, as well as the costs of monitoring and disciplining them to try to prevent abuse, have been called 'agency costs.' ( Shleifer & Vishny 1996).

### 3.2.3 Transaction Cost Economics

In economics and related disciplines, a transaction cost is a cost incurred in making an economic exchange. A number of different kinds of transaction costs exist. The main ones are coordination costs, transaction risk (opportunity costs), coordination costs, operational risk, opportunism risk, asset specificity, uncertainty, and trust (Patrick and Steven Tadelis,2001).

Transaction costs consist of costs incurred in searching for the best supplier/partner/customer, the cost of establishing a supposedly "tamper-proof" contract, and the costs of monitoring and enforcing the implementation of the contract (Groopman &Jerome, 2006).

### 3.2.4 Stewardship Theories

The theory of stewardship theory address the underlying assumption in the theory of agency, which is the existence of tension between the principal's risks propensity and their agents. In this theory, good stewards are the managers of an organisation and aim towards achieving greater level of profit for the corporation and shareholders returns. Stewardship theory dissimilar from theory of agency, assumes that managers, as stewards they behaviour in alignment with the goals of the principals. They are viewed to be loyal land to the organisation and willing to attain high performance, OECD, 2012.

The theory's relevance to this study is that corporative government is about safe guarding the stakeholders interest, whereas this theory believe that manager are willing to abandon their self interest in the aim of achieving the principals objective. According Van Slyke (2006), this theory locates appreciable to objective connection of the parties associated than on the managers self interest.

Wesley (2010) also stated that managers are not driven by personal or individuals goals but by their interest of the firm. This is brought by their believe of the steward or managers that there pursue to what is best for the company is better for their constitute and them too.

### 3.3 Conceptual Framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. It is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. Successful organisations strive constantly to improve all aspects of their performance. In the highly competitive business environment, only the efficient prevail.

The analysis of the dependent variable and its influence on the independent variables, makes it possible to find answers to the research problem represented in form of a model known as a conceptual framework (Sekaran, 2009).

In this study, the independent variables are: Transparency, Accountability, Independence and Fairness. While the dependent variable is effectiveness of the Cooperative. This has been illustrated by figure 2.

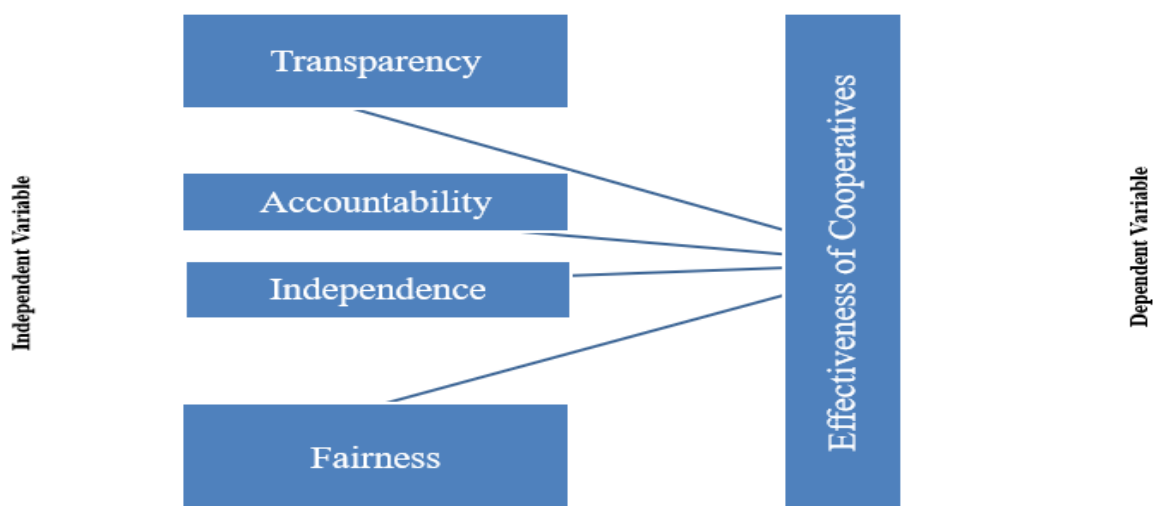


Figure 3 Conceptual Model, Source Researcher (2020)

#### 3.3.1 Operation of the conceptual framework

- i. Accountability: the governing body should be held responsible for its decisions and actions by stakeholders. Accountability follows from the assumption or designation of responsibility. Governance structures and arrangements should connect responsibility and accountability. Accountability cannot be delegated or abdicated and be communicated clearly, (Kings iv report, 2016).
- ii. Transparency members of the governing body should be transparent in which they exercise their governance roles and responsibilities, they should embody the ethical

characteristic in order to offer effective leadership that results in achieving strategic objectives and positive outcomes overtime. These arrangements must be disclosed and must not be limited to codes of conduct and performance evaluation, (Kings iv report, 2016).

- iii. Fairness, the governing body should ensure that it balances in its decisions the legitimate and reasonable needs, interest and expectations of material stakeholders of the organisation in the best interest of the organisation. Members of the governing body must adopt stakeholder inclusive approach in the execution of their governance roles and responsibilities, they should direct the organisation in such a way that it does not adversely affect the natural environment society and future generations, (Kings iv report,2016).
- iv. Independence generally mean the exercise of objective, unfettered judgement. When used as the measure by which to judge the appearance of independence, or to categories a non-executive member of the governing body or its committees as independent, it means the absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party is likely to influence unduly or cause bias in decision making, (Kings iv report, 2016).

### 3.4 Chapter Summary

Agricultural Cooperatives in Lusaka in Zambia have had opportunities to develop and create employment. This chapter has presented the conceptual and theoretical framework of the research by further introducing models which have been applied later in the next chapter. In the context of the previous studies valuable and detailed insight in Cooperatives practices and systems has been provided. However, it appears that no investigation has been undertaken of the effectiveness of Corporate Governance systems in Agricultural Cooperatives. Within this literature, a model of the effect of corporate governance was created/ this model indicates that the objectives of this study have been satisfied. Collecting data for testing the model has been examined in Chapter 4, which is designed to discuss aspects of research methodology.

# **CHAPTER FOUR**

## **RESEARCH METHODOLOGY**

### **4.1 Introduction**

This chapter outlines the research methodology used which include the research design, the target population, sampling, data collection methods, measurement of variables and data analysis techniques, reliability, validity and testing to support the model.

### **4.2 Methodology**

This chapter explains various methodologies that would be used in gathering data and analysis which are relevant to the research. The methodologies included areas such as the location of the study, research design, sampling and sample size, types of data, data collection method and its management, and the choice of methodology that was used in the research. It includes the research setting, design matrix and pragmatic, population and sampling, data collection methods, process of collecting data and finally data analysis. Babbie & Mouton, (2008:48–49), distinguished between three levels of the methodological dimension of research, namely: methodological paradigms, research methods and research techniques. Methodological paradigms which are the most abstract level include the distinction between qualitative and quantitative research whereas research methods are those used in certain stages of research process, for example sampling, data collection and data analysis.

This dimension between paradigms, methods and techniques is helpful in forming a better understanding of the concept “research methodology”.

### **4.3 Research Philosophy**

This section covers philosophical understanding of the research addressing the ontological and epistemological position of the research (Thomson Gale/Macmillan, 2006). Philosophy of Ontology helped to inform the research design as nature required qualitative indepth understanding interviews.

#### **4.3.1 Ontological Position**

The study adopted pragmatism. Pragmatism is usually the philosophical underpinning for mixed research strategies and methods. Therefore, this study adopted this method in this

qualitative research, (Morgan, 2007; Saunders et al., 2012; Tashakkori and Teddlie, 2010; Creswell, 2009; Creswell, 2014). The justifications unequivocal conclusion, avoiding generalization of findings. This study adopts the casual relationship between corporate governance and cooperatives that would give meaning through empirical evidence.

#### 4.3.2 Epistemological Position

In this study, the study adopted a positive approach to establishing the effectiveness of corporate governance at ACCSZ by examining the type of questions in the concepts of corporate governance, cooperative act and principles of cooperatives through the use of operational definitions, research objectives and the dependable valuables (Neta, 2008).

#### 4.3.3 Axiological Position

Axiology position addressed the how valid knowledge. Axiology is thus the study of methods (Stenbacka, 2001), and it analyses the different methods used in research. There are numerous attempts to collect and classify research methods. Babbie (1998), for example, identifies thirteen. The Axiological position has presented the research with a pragmatic position of deriving at the recommendations addressed the requirements for implementing effective corporate governance systems at ACCSZ.

### 4.4 Research Design

Research design refers to a blue print of a research study, which tries to provide answers to questions that have been asked and provides guidelines for the procedure of collection, analysis, and interpretation of observations Creswell (2018). The selection of a research design in this study was to establish the effects of corporate governance on the agricultural cooperatives in Zambia. , is dependent on the researcher's determination of the approach used which intended to answer research questions. This Research was based on Descriptive Research methods, which describe situations. There are three main types of descriptive methods: observational designs, case-study designs, and survey designs. Selectively, this research focused on case study design, this is because, case study research involves an in-depth study of an individual or group of individuals, in this case, the researcher was studying an organisation (ACCSZ) comprising of various employees or individuals.

Furthermore, to answer the above referred to research objectives and questions, the study was conducted through a case study design, because the research involved an in depth study of the organisation at (ACCSZ).

This case study design enabled the researcher to have a holistic review over the research and made the researcher capture a range of perspectives, as opposed to the single view of an individual one can get with a survey response or interview. This survey study design was predominantly qualitative and quantitative using questionnaires.

Progressively, the study investigated to establish the effects of corporate governance on the agricultural cooperatives in Zambia through an intensive examination of the ACCSZ. Data was drawn from the ministry to bring out key findings that shed light on the subject.

This study adopted a case study design to collect descriptive data at a time from a sample selected from the larger population. The data collected described things as they are at that time of the study. A cross sectional study investigated to establish the effects of corporate governance on the agricultural cooperatives in Zambia was to be carried out to establish the relationship between effects of corporate governance systems in cooperatives.

Neuman (2006) suggests the general principal of the smaller the population, the bigger the ratio of the sample size to population size; for example, a ratio of about 30:100 (50 percent) for smaller populations (under 1000). This study targeted over 80.43 percent of the total population. The study was facilitated by the use of primary data collected using questionnaires consisting of both structured and unstructured questions. Table 1 illustrates detailed research design which was used.

Table 1 Research Design Matrix

<b>Research Question</b>	<b>Research Objective</b>	<b>Sampling and Data Collection</b>	<b>Data Collection Methods</b>	<b>Data Analysis</b>
Research Question 1: why is it important to have sound corporate governance at ACCSZ?(Realist ontology	To examine the importance of having sound corporate governance at ACSZ.	All Employees, Society Members, and Board Members these were enlisted	Survey questionnaire	Univariate data analysis

and induction)	(Realist ontology)	by random sampling		
Research Question 2: What are the effects of lack of corporate governance at ACCSZ? (Realist ontology and induction)	To determine the effects of ineffective corporate governance at ACCSZ. (Realist ontology)	All Employees, Society Members, and Board Members these were enlisted by random sampling	Survey questionnaire	Univariate data analysis
Research Question 3: What are the contributing factors to lack of corporate governance at ACCSZ? (Realist ontology and induction)	To examine the factors that contributes to lack of corporate governance at ACCSZ. (Realist ontology)	All Employees, Society Members, and Board Members these were enlisted by random sampling	Survey questionnaire	Univariate data analysis
Research Question 4: What processes can ACCSZ improve on in establishing processes of corporate governance in their organisations. (Nominalist ontology and abduction).	To establish the processes that can improve Corporate Governance systems at Agricultural and Commercial Cooperative Society of Zambia Limited	All Employees, Society Members, and Board Members these were enlisted by random sampling	Document Review	Qualitative Content Analysis

#### 4.5 Data Collection Techniques

The researcher used questionnaires, interviews and post audit reports in this research. The choice of these instruments facilitated the collection of two types of data; namely primary and secondary data (Yin, 2014).

#### 4.6 Primary Data

According to Kothari (1985) primary data is defined as data collected specifically for the research at hand. The researcher used interviews and questionnaires as primary data collection instruments.

For the sake of consistence and completeness of data collection, the questionnaires were semi-structured which included both open ended and closed ended questions (Lancaster (2002). This was done in an effort target as much information as possible from the respondents. The questionnaires were however being administered in person, since such a method facilitates cooperation and flexibility in that the researcher was able to explain to the respondents what the question is really asking for situations where the respondents do not understand (Proctor, 2003).

#### 4.7 Secondary Data

Secondary data is that data that already exists and is of some particular relevance to the topic at hand. For the purpose of this research study, secondary data was used from extensive literature search such as Textbooks, past qualifying dissertations, Internet and Journals (Malhotra, 2004).

#### 4.8 Reliability of Data

It is concerned with consistency of responses with which repeated measures produce the same result across time and across observers (Saunders et al 2003) three criteria are used in measuring reliability test retest reliability, Alternative form reliability and internal consistency reliability. Reliability is the stability of a measure; the extent to which scores do not change over relatively short time.”To ensure that the concept of reliability is adhered to in this study, questionnaires were distributed to all the Society members, Board members and staff of ACSZ as targeted population. The entering of data on a computer was validated and all calculations were done on a spreadsheet. The data set was also checked in order to minimize mistakes. Methods used to ensure validity and reliability of data. The following measures were used to ensure the reliability and validity of the questionnaire:

- i. The researcher distributed the questionnaires to the selected population to ensure that the recipients understood the instructions, in order to avoid spoiled or incomplete questionnaires
- ii. Appropriate random sample selections were used to analyze the information collected.

## 4.9 Ethical Consideration

- i. Confidentiality: Information and data that was collected from the various participant and officers was used solely for the writing of the thesis.
- ii. Anonymity: The identity of the participants and shall not be disclosed in any manner
- iii. Informed consent: Before the interview was carried out, the participants were contacted to seek their consent with regard to participating in the survey.

## 4.10 Validity of Data

Validity concerned with whether the findings are really about what they appear to be about. (Sounder, 2003) During the planning stage an expert were consulted to check the schedule before actual data collection. All questions were pre-tested in the relevant study areas. Modifications were made before actual data collection for the purpose measuring theoretical meaning and concepts and consistency of language to be used to represent concepts thus validity test pre-test of questionnaire also assisted in detecting irrelevant ambiguous and redundant questions. It's important that the measuring instruments used ensure some measures of reliability and validity. According to Welman and Kruger (2001:38), "the validity of a measuring instrument is reflected in the extent to which it measures what it is intended to measure". Sapsford and Jupp (2006:23; 121) pointed out that "Validity is the extent to which the research conclusions can plausibly be taken to represent a state of affairs in the wider world". Population validity: the extent to which a sample may be taken as representing or typical of the population from which it is drawn. Validity of measurement: the extent to which we are assured that the measurements in the research do indeed represent what the researcher says they represent and are not produced by the research process itself.

## 4.11 Pilot Study

For validity and reliability. The pilot study of the current research was the first step of the practical study to establish the effects of corporate governance on the agricultural cooperatives in Zambia (ACCSZ) Stewart (2007).

## 4.12 Data Analysis and Interpretation

In this study, statistical method was used. This was due to the fact that the data collected was in quantitative nature. As soon as such, data analysis and interpretation was done manually, using simple tabulations in and percentages mainly represented in tables in excel.

#### 4.13 Research Approach

The study adopted deductive approach. Deductive approach is a top-down process working from the general (theory) to the specific (observation) (Bryman and Bell, 2011; Popper, 1959). Justifications to choosing deductive approach, Topical issue is under research in the Zambian context hence the need to have an in-depth understanding of the research issues, focus on the needs, interest, preferences.

#### 4.14 Research Setting

The study was conducted in Lusaka province at the Agricultural and Commercial Cooperative Society of Zambia limited (ACCSZ).The institution was picked due to the location as it is convenient to the researcher for easy interaction with the respondents.

#### 4.15 Research Design Matrix and Research Design Pragmatics

Since this research study was aimed at describing the effectiveness of corporate governance systems on agricultural cooperatives societies, a descriptive design is chosen for the analysis of the study. The design is suitable because some information about the topic is already known and available in form of literature.

#### 4.16 Target Population

The target population was 80 respondents, comprising Board Members, Senior Management, Members of the Society, Ministry of Agriculture, Ministry of Commerce, Registrar of Cooperative, Director of Cooperatives.

#### 4.17 Population and Sampling

The population of the study was a total of eighty (80) respondents of which ten (10) came from each represented cooperative society in the study. Probability sampling was used to allow potential respondents equal and non-zero chance of inclusion in the working sample. The simple random sampling was the basic probability design for selection respondents while purposive sampling was used when determining the sample population. The sampling frame comprised of an updated list of members of the Agricultural and Commercial Cooperative Society of Zambia limited (ACCSZ).

The sample size has been statistically determined (Saunders, *et. al.*, 2012, Creswell, 2007). The formula takes into consideration the margin of error, the confidence level, the population

and the response distribution (Precision). Determining sample size Tare Yamane formula (2004).

$$n = \frac{N}{1 + N(e)^2}$$

Where: n-required sample size; N-the total population and e-margin of error required

$$n = \frac{100}{1 + 100(0.05)^2} = 80 \text{ respondents}$$

#### 4.18 Sample Selection

Purposive was used to select sample population while random sampling was used to select respondents. This is because the nature of the information collected was better understood by the use of both methodologies.

#### 4.19 Data Analysis

Data analysis was organised, edited and analysed for descriptive statistics in excel through descriptive statistics and bivariate. Mainly Pie charts, plots graphs and tables were generated for analysis soft copy where descriptive statistics was generated to make explanations and relations to actual results obtained. This was done through analysis of frequency and cross tabulation tables as well as charts.

#### 4.20 Chapter Summary

This chapter examined aspects of research methodology for this study, including research designs, variable definitions and measurements, model development, data collection methods, and data analysis. As respectively indicated by sections, this study was a combination of descriptive and explanatory research in which the random sampling technique was used to draw a sample of 88 respondents located in Lusaka City for data collection via questionnaire and personal interview. Personal interview provided information on the subject matter of study. In addition, secondary data was used to derive comparable sources. Data collected was transformed into more suitable format for analysis by utilizing Excel software. After data processing, the Statistic Package for Social Science (SPSS) was utilized for data analysis. Statistical techniques used in this study included descriptive. Descriptive statistics such as means, frequency, tabulation, and cross-tabulation were used to summarize and describe effective of corporate governance in cooperatives.

## CHAPTER FIVE

### DATA PRESENTATION AND ANALYSIS

#### 5.1 Introduction

This chapter presents the data collected. The data was collected through the use of questionnaires which the researcher distributed through the selected respondents from Agricultural and Commercial Cooperative Societies of Zambia limited (ACCSZ), Members of the Society. The data has been triangulated in such a way that the responses from the respondents were married together through the use of tables, charts and descriptive analysis.

#### 5.2 Questionnaire Response

There was one general questionnaire which targeted the identified respondents who are from ACCSZ and also the Ministry of Commerce Trade and Industry, Ministry of Agriculture.

The statistical table 2 below shows the range of respondents in the study;

Table 2 Questionnaire Response Rate

Position	Frequency	Percentage
Board Member Auditing Committee	9	10%
Board Member Human Resource Committee	7	8%
Board Member Members' Liaison Committee	7	8%
Board Member Development Committee	7	8%
Board Member Finance Committee	8	9%
Ministry of Agriculture	1	1%
General Ordinary Member	45	51%
Ministry of Commerce Trade and Industry	1	1%
Senior Management	3	3%
Total	88	100%

This above table shows that 88% was the response rate. From the researcher's point of view, the response was overwhelming as a good number did attend to the questionnaires. The

research study therefore is rated as valid and gives a good representation on the study. Three categories were equally represented with 8% namely; Board Member Human Resource Committee, Board Member Members' Liaison Committee, and Board Member Development

### 5.3 Gender Distribution

The table 3 above shows how the gender distributions in terms of frequency and percentage, Females were represented at 55% while the male were at 45%. Gender representation in this study was quiet fair as there was a balance between both sexes.

Table 3 Gender Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	48	55	55	55
	Male	40	45	45	100.0
	Total	88	100.0	100.0	

### 5.4 Corporate Governance Practices at Cooperatives

There are a number of corporate governance practices that have been adopted worldwide as corporate governance principles which promotes equitable treatment of shareholders, interest of other stakeholders, role and responsibilities of the board, integrity and ethical behavior. Among these are the identified dependable variables of the study. The researcher used the same principles in the questionnaire to find out the level of agreement to the application of the corporate governance principles at the four cooperative societies namely; Transparency, accountability, equitable/fairness of member participation in democratic process, independence by internal members, corporate governance appreciation. The scale was strongly Agree (SA), Agree (A), Uncertain (U), Disagree (D) and Strongly Disagree (SD).

### 5.5 Valuing of Transparency

Transparency is one of the basic principles of good corporate governance. Implies that the public and employees insight in the work of public administration of the company. Employees should be enabled to inspect the work of administrators as well as the availability of instruments for monitoring the decision making process. Also the employees should be familiar with the regulations applied in the procedure of exercising their rights, in a clear and

understandable way. (GRZ Gazette, 2011). The table below is how the respondents rated to the statement “Do you think there is transparency in the Cooperative?”

Table 4 Transparency in Cooperative

	Transparency	
Response	Frequency	Percentage
Agree	26	29.5%
Strongly Agree	29	32%
Strongly Disagree	7	9%
Uncertain	26	29.5%
Total	88	100%

According to the findings out of a total number of 88 participants 26 which make 30% of the study agreed that there is transparency at the cooperatives moreover, this was consistent with 32% who indicated that they strongly agreed with the question statement. However, 9% of the study strongly disagreed and those who were uncertain recorded a 30% also. The data presented shows that there were significant elements of transparency with more respondents not agreeing.

For easy illustration the same information has been shown in the figure 4 below as a representation of Agree, Strongly Agree, Strongly Disagree and Uncertain.

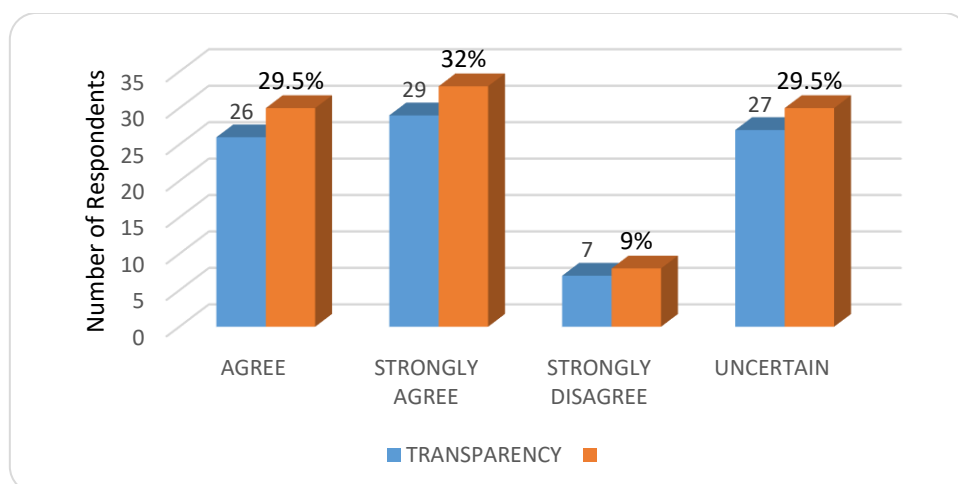


Figure 4 Transparency in Cooperative.

## 5.6 Accountability

The table 5 represents the results of the study according to respondents' responses.

Table 5          Accountability

Accountability	Frequency	Percentage
Agree	33	38%
Strongly Agree	20	23%
Disagree	16	18%
Strongly Disagree	12	14%
Uncertain	7	8%
Total	88	100%

The results shows that management and members were relatively accountable to the agricultural cooperatives as agreed by indicating strongly agree and Agree to the stated statement in the questionnaire that is 38% and 23% respectively. On the other hand, 18% disagreed while 14% strongly disagreed and 8% were uncertain this can be confirmed from the response given by one of the participate at a focused group meeting; managers decided above the board since they own financial control. Members have nothing to do with holding manger accountable since they don't know the powers and responsibilities of the managers and of the board.

This clearly shows that members attempted provide oversight functions to foster the growth of the Society's financial and non-financial responsibilities entrusted in the hands of the managers and the board. The chart below displays how the responses were done in terms of percentages.

The paper assessed the main concepts of cooperate governance as a virtue and accountability as a set of standards for the evaluation of the behaviour of cooperative members. Accountability or, more precisely, being accountable, is seen as a positive quality of organisations or primary Agricultural cooperative officials. According to Bovens (2007) and Jos and Tompkins (2004), accountability is a virtue because it provides legitimacy to public officials and public organizations when managing organisations. Romzek (2000) argued that public trust in governing institutions is fragile and accountability in the sense of transparency, responsiveness, and answerability is meant to assure public confidence and bridge the gap between citizens.

According to the Global Accountability Framework (Jos and Tompkins, 2004; Bovens, 2007; World Economic and Social Survey (2013), accountability has been operationalised in four major catchy dimensions that make an organisation more accountable to its stakeholders: transparency, participation, evaluation, complaint and response mechanisms. Each of these four dimensions is formulated as a standard for accountable behaviour (Lloyd *et al.*, 2007). According to Bovens (2007), accountability is about engaging with, and being responsive to, stakeholders; taking into consideration their needs and views in decision making and providing an explanation as to why they were or were not taken on board. Basing on that, accountability is a mechanism of control and more a process for engaging stakeholders, creating a dialogue for interaction and generates ownership of decisions to enhance sustainability of activities (Blagescu *et al.*, 2005). Figure 5 illustrates the presentation of respondents' response to Accountability

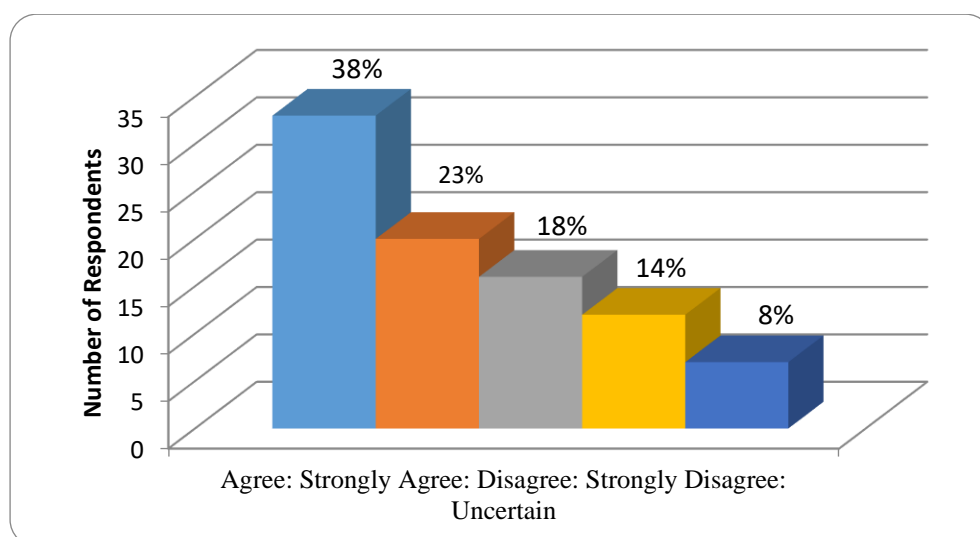


Figure 5      Accountability

### 5.7 Equitable/Fair participation in the Cooperative

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

Globally, the importance of a co-operative enterprise as a member owned and controlled social economic institution is becoming more visible under the current economic situation

(Maghimbi, 2006; Ravensburg, 2009). Co-operative democracy plays a key social function in the organization of economic relations that govern member owned firms. Originally, cooperatives ensured balanced development of the financial economics and social needs of members in the new globalizing world organised democratically to ensure that the economy continues to serve the daily needs of the ordinary people (Schoolnik, 2006). Accordingly, Ravensburg (2009) noted that co-operatives as member owned and democratically controlled institutions play major roles in stabilizing and enhancing member financial growth. He noted that co-operative member ownership and democracy have proven to be highly effective as a mechanism to empower citizens in several Western European countries, North America, Asian tigers, India and in some African countries.

In most co-operatives in the third world countries; despite the fact that there are co-operative principles, values and ethics provided by ICA (1995); co-operative ownership is still in the hands of free riders (Sizya, 2001). These are members who are not interested in co-operative members' objectives; they rather use co-operatives as stepping stones to achieve their personal missions. In examining the ownership in third world agricultural marketing cooperatives, the position of ownership is based on historical imprints (Develtere *et al.*, 2008). It is based on the question of imposed nature of co-operatives that was adopted from the colonialists. The colonial co-operatives were established not for members, but to save the interests of the colonialists (Wanyama, 2009).

In Africa, co-operatives, especially primary Agricultural cooperatives, have not fully developed strategies to tap ownership and democracy to their members (Birchall, 2011). What the countries have are haphazard policies, which do not really reflect the importance of member ownership and cooperative institutional democracy to enhance co-operative sustainability growth of African Agriculture cooperatives. National programmes have been developed with the aim of increasing member driven strategies and participative activities by means of reforms, but these have proven to be not feasible or are disappointing (NCDP, 2012). There are numerous management long term training programmes that have been developed to strengthen marketing, and managerial skills, but these do not constitute member ownership capacity and democratic practices on decision power required from members to enhance member capacity in holding Board and managers' accountable.

Therefore, co-operatives and ownership of primary agricultural marketing co-operatives are reflected in the formation of co-operative societies, during the annual general meeting and

during selling of agricultural produce. In such conditions it will be difficult for primary cooperatives to attain democratic sustainability according to (Wanyama, 2009). Figure 6 illustrates the response obtained on Fairness.

Table 6 Fairness/Equity

Response	Frequency	Percentage
Agree	22	25%
Disagree	16	18%
Strongly Agree	22	25%
Strongly Disagree	14	16%
Uncertain	14	16%
Total	88	100%

The table above shows that those that agreed which includes two categories of Agree and Strongly Agree showed 25% in both responses a total which is likely equal. This is an indication that only 50% of the participants to the study accept that there is fairness or equity in the way they choose their leaders. On the other hand the rest which include 18% Disagree, 16% strongly disagree and 16% as uncertain all did not support the notion of fairness or equitable participation in the member participation in the democratic process that take place in the agricultural cooperatives. These have been illustrated in figure 6.

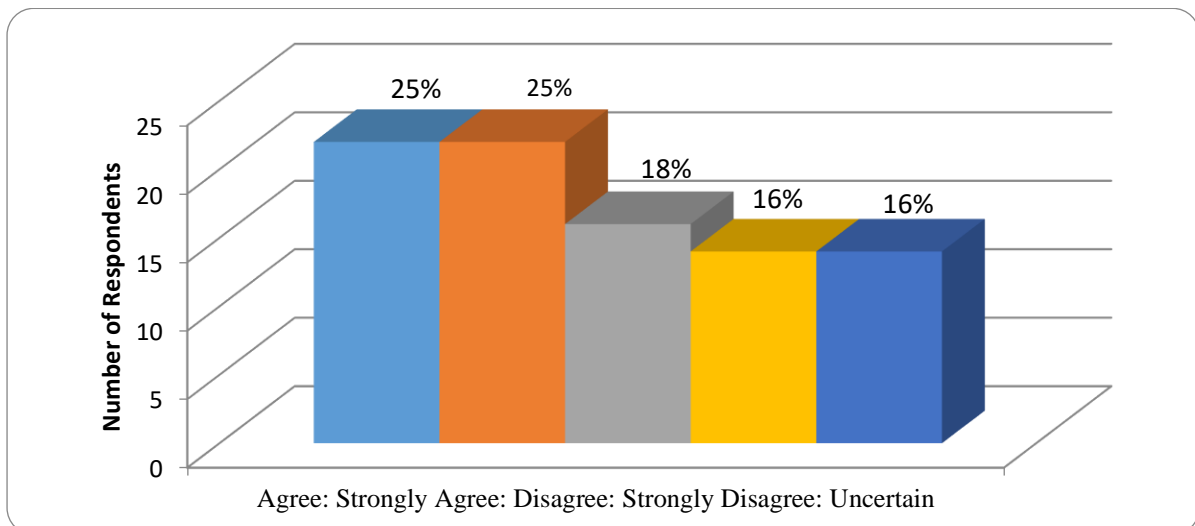


Figure 6 Fairness Percentage

## 5.8 Independence

The leadership responsibility to members on effort to enhance ownership in primary Agricultural Co-operative Societies has played major role to ensure sustainability and corporate governance. Members are the principal owners, where ownership is governed by a democratic process of managing their co-operative. ICA (1995). Provides co-operative principles, and among those principles the second one perpetuates cooperative democratic member control that entails responsibility of members in exercising their ownership and management of co-operative is vested to members who are the owners; however the question of delegating co-operative management to the Board and managers was tested to assess whether there was a distinction in roles between member ownership and control on the other hand and impinge sustainability of the rights of members in holding the management accountable to members. Below is figure 7 showing how respondents reacted to the statement asking whether internal parties or staff act in the best interest of the Cooperative and society.

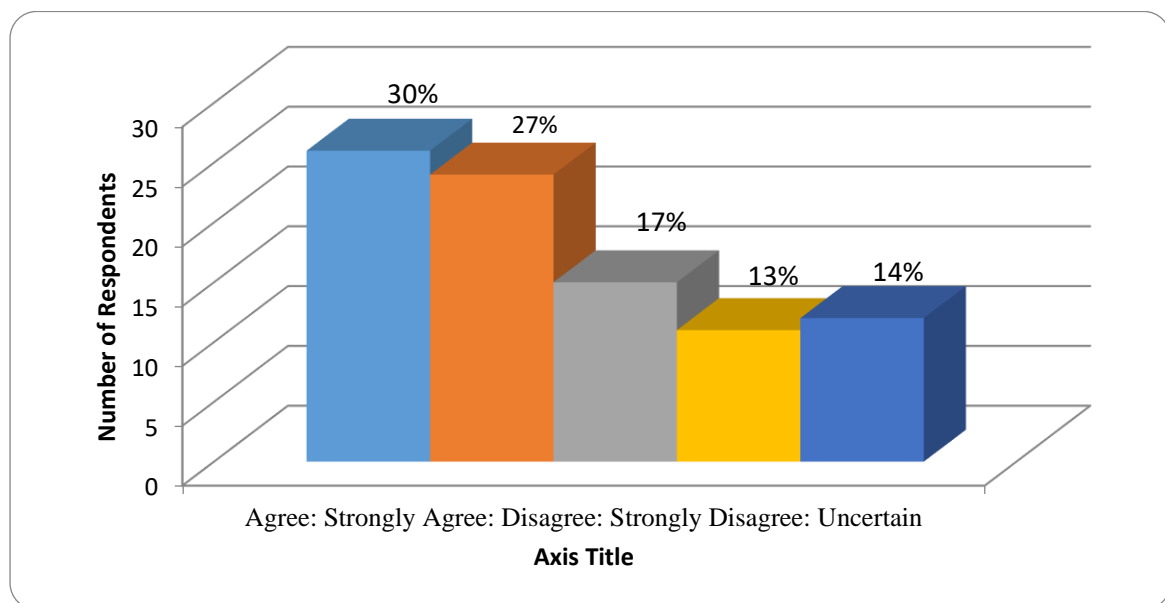


Figure 7 Independence

The highest percentage is for those that agreed with 30% followed by those that strongly agreed with 27%. While 17% disagreed, 13% strongly disagreed and 14% were uncertain about the matter independence.

## 5.9 Corporate Governance Appreciation

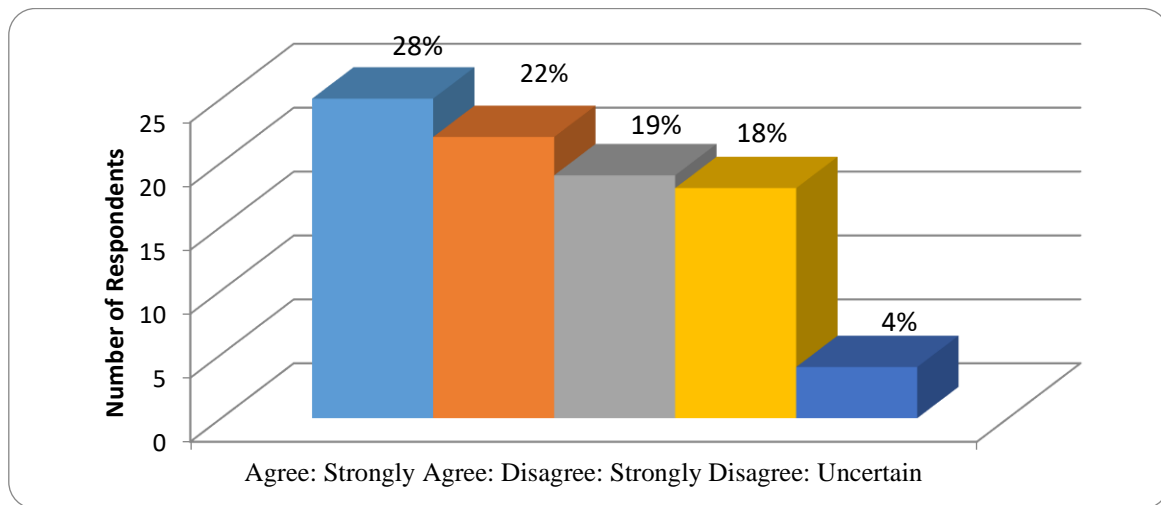


Figure 8 Corporate Governance Appreciation

Above is the way the respondents reacted as to whether there is appreciation of corporate governance among the agriculture cooperatives. Figure 9 above presents the results of the study 28% agreed that corporate governance is appreciated among the stakeholders and this was consolidated by 27% who strongly agreed. However, 17% disagreed while 13% strongly disagreed. As for those that were uncertain were represented by 4%. In conclusion a bigger share were in the category did support corporate governance appreciation among the stakeholders.

While cooperatives are also corporate bodies, they exhibit a number of structural characteristics that make their governance more challenging than the governance of non-cooperative enterprises. First, cooperatives apply democratic decision-making, while most enterprises apply autocratic decision-making. In other words, in a non-cooperative enterprise the top manager really is the boss: he/she has the right to make decisions, while in the cooperative the members are the “boss” writes ( Coleman, 2008): they ultimately possess the rights to decide what the cooperative should do, through the BoD that they themselves elect. Second, cooperatives apply delegation in their decision-making structure.

While the members may possess the final decision rights, in practice they have delegated the rights to a board of directors who in turn may have delegated the decision making powers to managers. The key questions of cooperative governance relate to the allocation of decision-making rights among members, BoD and professional management. Tightly connected to the

distribution of decision-rights are the issues of control, reporting and accountability. In a cooperative, members need to control the BoD and indirectly the professional management.

### 5.10 Testing existence of Corporate Governance at the Cooperatives

Section B of the questionnaire sought to a test for existence of corporate Governance at the cooperative societies through asking questions that pertain to corporate governance practice. Therefore, this study concentrated on the aforementioned practices to find out whether corporate governance does existed. Corporate governance plays an important role in any organisation.

Many cooperatives are multipurpose cooperatives; that is, they provide many different products or services to their members. Owing to the many different interests that the groups of farmers have in the activities of the multipurpose cooperative, the governance of such cooperatives is more challenging (IMF, 2008).The table 9 below gives a summary of how the respondents reacted to the question on section C of the questionnaire.

### 5.11 Elections

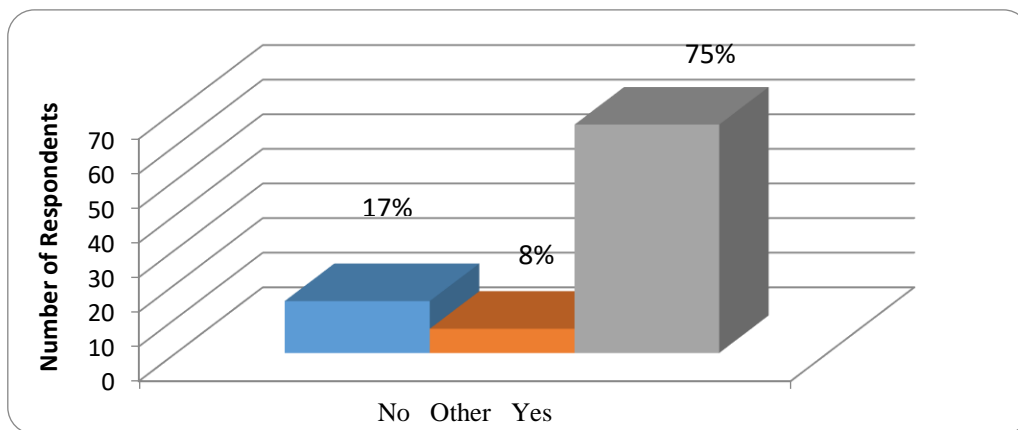


Figure 9 Elections

Elections play a vital role in agricultural cooperatives, they are considered as one of the corporate governance practices. The classical model of cooperative governance implies that all members together, as constituting the General Assembly, usually convened in the annual meeting, elect the BoD. These directors appoint the executive managers or they take up the management tasks themselves.

Most cooperatives also have a supervisory committee chosen from among the members, which performs the task on behalf of the General Assembly of controlling the BoD. In this study, 75% indicated that there elections which are held in their cooperative, while 17 % did not agree that that the elections are held furthermore 8% showed ignorance about the elections. This is a strong indication that elections have been taking among the cooperative member as there seem to be only a few who have little knowledge about the elections that are held.

### 5.12 Information Dissemination

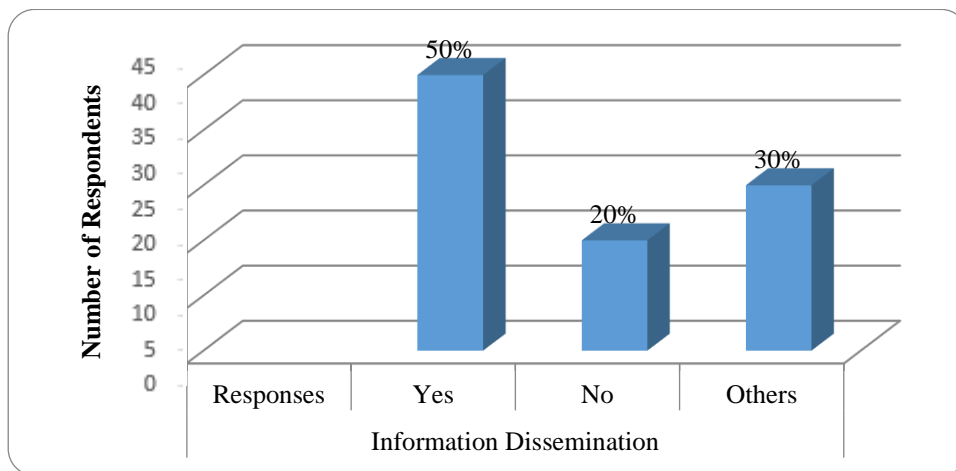


Figure 10 Information Dissemination

Information dissemination was assessed as it brings awareness to members on what transpires in their primary agricultural cooperatives. Information is power as it creates member awareness in understanding their institutions. Managers and the Board are provided with the responsibility to make information available to members so that the members could understand the governance of their cooperatives.

An assessment was done on Information dissemination which could be through meetings, notice Boards, and any other meetings. The findings indicated that 50% were able to access the information, where 20% had no access of information from the management of the cooperative. The remaining 30% indicated either way. This study shows that there is need for the managers and the board to broaden modes of communicating with the cooperative members as it is one of the most important practice in corporate governance of the cooperative.

The information dissemination in co-operatives in third world countries is affected by low members' capacity to hold the Board and managers accountable (Gertler, 2001). The absence of managerial accountability to members creates a system whereby potential documents and information remain hidden and become a secret of the Board and managers (Wanyama *et al.*, 2009). Co-operatives are members owned institutions, and they are governed democratically. With that, it was expected that information would be at members' disposal for perusal so as to create owners' understanding on their co-operatives.

### 5.13 Remuneration-Competitiveness of Emoluments

benefits that an executive receives during his or her tenure. Generally boards of directors' are categorized into two different categories, that is, executive and non-executive directors. Executive directors are regarded as non-independent directors since they are assigned specific operating roles within the entities such as finance, administration and operation. The way in which it is handled can have a damaging impact on a company's reputation, and on the overall morale of the company employees. The level and make-up of remuneration should be sufficient to attract and retain the directors needed to run the company successfully.

Directors' remuneration is the payment made for services or employment of directors on the board the institution. This includes the basic salary and other monetary or non-monetary.

The link between corporate governance and directors' remuneration can first be explained by the agency theory. Agency theory refers to the relationship between management and shareholders, in which management acts as agent for shareholders' best interest. The management (agent) is required to operate the business mainly for the best interest of shareholders (principal).

According to Fama and Jensen (1983) agency theory, although individual members of the business team act in their own self-interest, the wellbeing of each individual depends on the wellbeing of the other team members and on the performance of the team in competing with other teams. Figure 11 illustrates the response on remuneration.

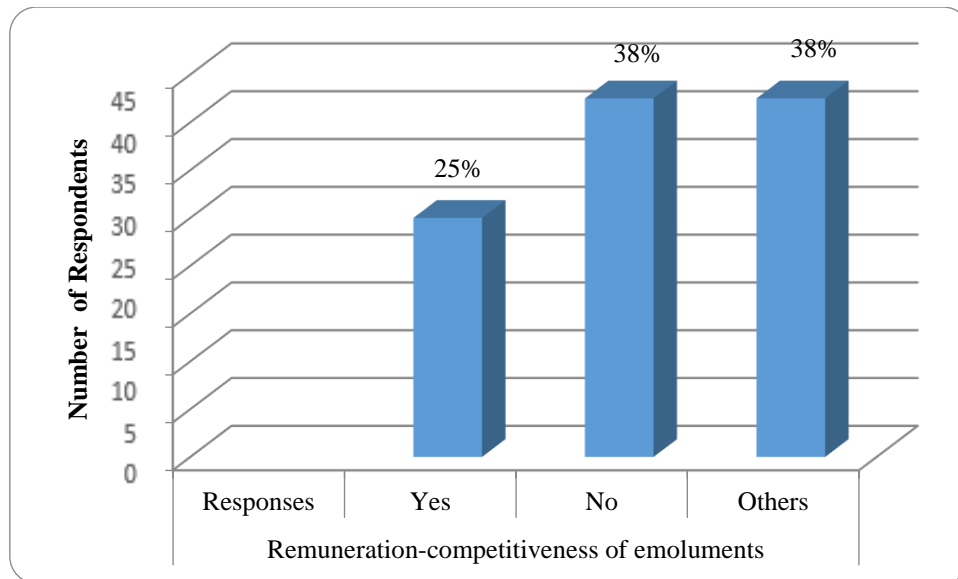


Figure 11 Remuneration – Competitiveness of Emoluments

Therefore, disclosure becomes an important practice that can foster corporate governance in a cooperative. Disclosure should include, but not be limited to material information on:

- i. The financial and operating results of the cooperative,
- ii. Cooperative objectives,
- iii. Major share ownership and voting rights,
- iv. Members of the board and key executive management and their remuneration,
- v. Material foreseeable risk factors,
- vi. Material issues regarding employees and other stakeholders and governance structure and policies.
- vii.

The disclosure of directors' remuneration is one of the disclosures of material information in the corporate governance framework in a cooperative.

The involvement of Non-Executive Directors in the Society is on voluntary basis according to the principles of the Cooperative, this has a bearing on the quality of output applied as expertise is compromised by lack of remuneration and economic benefit. The general membership's interest in a cooperative is a proportion of the declared surpluses to be distributed in form of dividends according to the proportion of shares in the cooperative, however lack of this incentive deprives membership of the economic benefit and compromises the economic development of the Cooperative.

According to the assessed data collected, it was observed that 25% indicated that there was competitiveness in terms of remuneration at the cooperatives, 37.5% though did not agree

and the other 37.5 also were not certain about it. This study shows that there is more to be done in terms corporate governance awareness in the cooperatives.

### 5.14 Staff Promotions- Appraisal System

A performance appraisal is a systematic and periodic process that assesses an individual employee’s job performance and productivity in relation to certain pre-established criteria and organizational objectives. It is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contribution and performance against organizational goals and to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or serves as basis for the cooperative future planning and development. This study examined whether appraisal system is implemented at the agricultural cooperative and its implication to corporate governance and figure 12 illustrates the results.

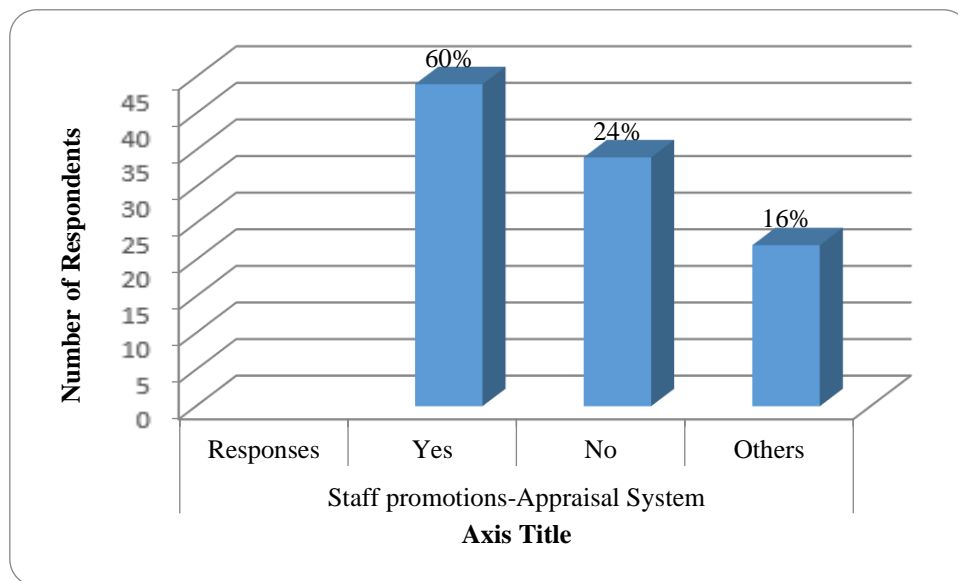


Figure 12 Staff Promotions – Appraisal System

It is observed that performance appraisal system should bring a positive experience and contribute to the overall development of the cooperative. If done properly, it is a very effective tool to improving the performance and productivity and for developing employees of the cooperative society as gathered from the table, 60% the respondents affirmed that the performance appraisal system is used as a way of staff promotion at the agricultural cooperative, and the appraisal system is accurate in terms of content and purpose. However, 24% of the respondents did not agree that the performance appraisal system is effected hence

rendering it irrelevant and unreliable. This was consolidated by 16% who never agreed or disagreed because the results of the evaluation are not openly explained and discussed to the employees concerned and conducts of evaluation are not honestly and fairly done.

### 5.15 Financial Reporting

The primary focus of financial reporting by cooperatives relates to the uniqueness of financial statement disclosures of cooperatives, an area that is well addressed by the body of accounting pronouncements. The agricultural cooperative societies are no doubt autonomous and self-reliant endeavours. However, once every year, it's subjected to scrutiny of an outside agency to have its financial statements audited. For this purpose, it hires the services of certified public accounting firms in accordance with the Cooperative Act number 20 of 1998, Accountants' Act of 2008 and any other applicable guidelines. Figure 13 illustrates the response from respondents.

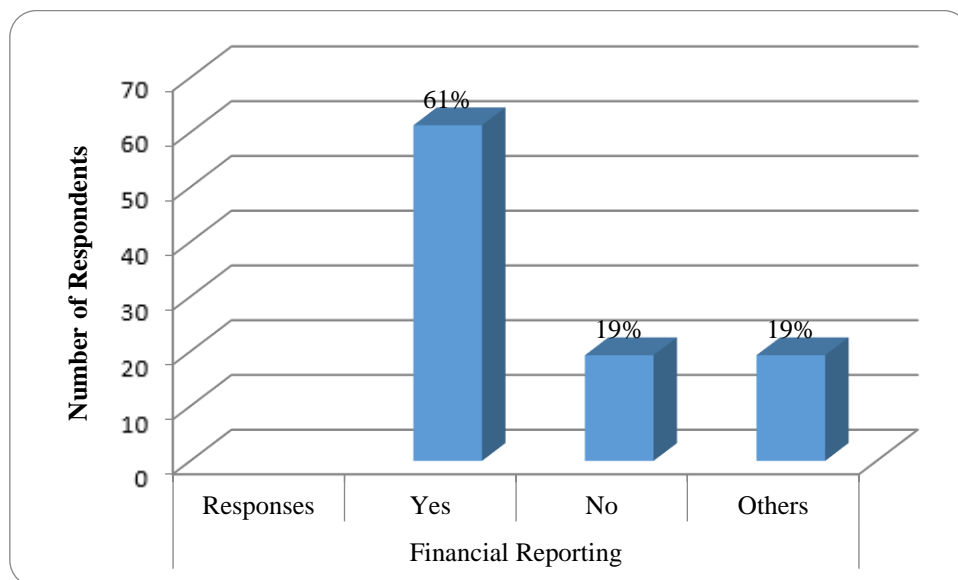


Figure 13 Financial reporting

Annual Financial reporting of every agriculture cooperative is mandated by the constitution. This is the responsibility of the managing committee to prepare the accounts reports from closure of the financial year and before the Notice of Annual General Board Meeting. The board the presents its reports and audited financial statement of the cooperative to its members. Failure for the board to give financial reports is a clear indication of lack of corporate governance in that society and a sign of poor management by the managers and board of directors.

According to the study conducted, it was found that 61.4% confirmed receiving of financial reports and 19.3% did not agree to receive the report and another 19.3% showed ignorance about them. Therefore, with this study one is able to state that there is a degree of financial disclosure in the cooperative though needs a lot of education on the importance of having financial reports among the members so as to promote governance.

### 5.16 Cooperative Board Committees and Society meetings

Agriculture is the main stay in many African countries and the majority is subsistence farmers with low income. Similarly, the poor in Zambia are mostly found in rural areas and agriculture forms the mainstay of these economic agents. Zambia has a population of about 16 million and like most developing countries in Africa, agriculture is the mainstay of the economy and about 70% of the population is dependent on agriculture (ILO Report, 2014). In this study, figure 14 illustrates the response on the Cooperative's Sub-committees of the Board.

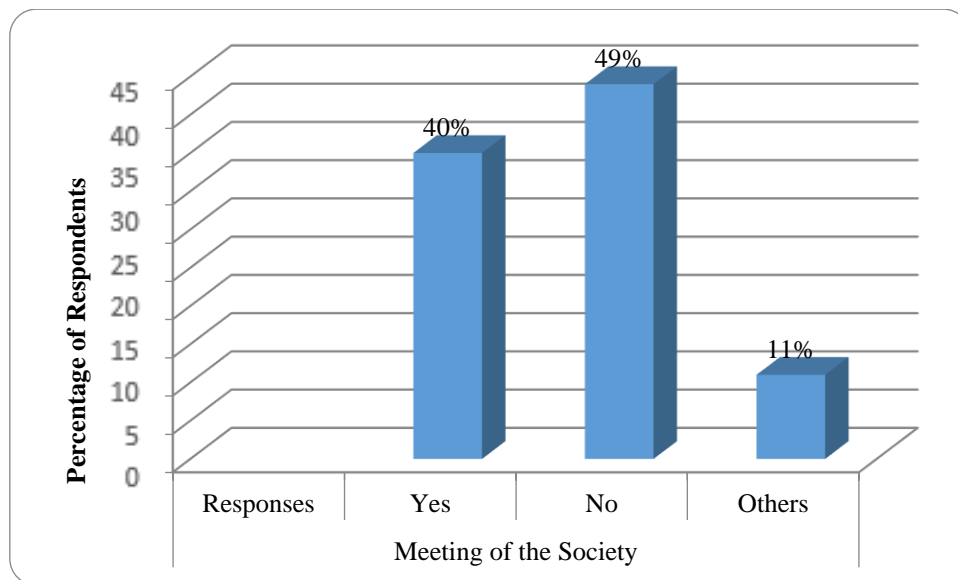


Figure 14 Society Board Committee and Society meetings

In this study, it was important to find out the conduct of the board in prevailing into the affairs of the Society by established standing committees and frequency of meetings to decide over various activities of the Cooperative Society. The findings indicated that 40% agreed that such meeting were important 49% indicated they were not very important and 11% were not sure of the system or had other views on the accessibility of loans. The study therefore shows that there are a lot of disparities in members.

Hindrance to appreciate the meeting was based on the number of sub-committees of the cooperative which were excessive. Board meetings were held monthly with inclusion of seating for over 18 sub-committee of the Board. This was potential indicator that responsibilities of the board were not streamlined to contemporary corporate governance such as King iv report.

### 5.17 Access and Knowledge of ACCSZ By-Laws

Cooperative business may retain the exercise of their mandate as provided in the By-Laws this is the requirement for the Cooperative Act number 20 of 1998. Among the provisions for a template obtained from the Registrar of Cooperative is the distribution of dividends to their members. They distribute the dividends in proportion to members' savings/deposits, instead of the value of members' share capital. Therefore, co-operative dividends are often treated as pre-tax expenses. It has also been observed that, even though cooperative societies in Zambia pay dividend, there is no consistency and most of them pay less than the expectation of the members. The response on access to knowledge of ACCSZ By-Laws is illustrated in figure 15.

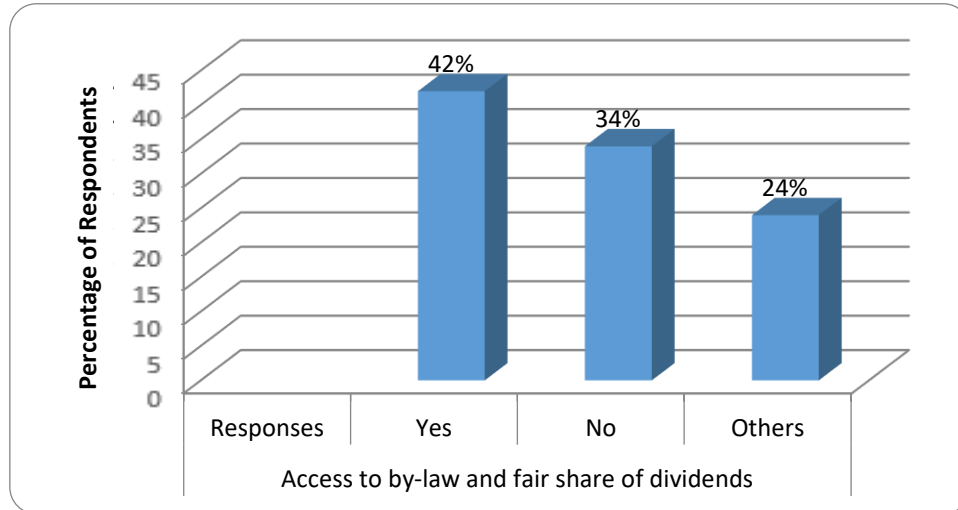


Figure 15 Access and knowledge of ACCSZ By-Law

The findings shows that 42% of the study indicated that there no need to pay dividend shares in their cooperatives while 34 % disagreed having dividend shares. The rest which is 24% had no idea about the sharing of dividends. The determinants of dividend payment were profitability, growth opportunities, cash flow as advised by the auditors read part of the clause I the By-Law and dividend policy of the Agriculture cooperative. Cooperative

businesses may retain their earnings or distribute part or all of them as dividends to their members.

They distribute their dividends in proportion to the members' savings/contribution, instead of the value of members' share capital. Many agricultural cooperatives, however, don't pay any dividends on capital. Others pay a modest return, in line with state statutes that bar substantial payments. The timing and amount of such dividend distributions are decided by the board of directors (Gorton and Schmid, 1999).

### 5.18 Cooperative Act and Corporate Governance Practices

The governments and policy makers have to put in place the right policies, transparent legislation, incentives and opportunities for agriculture cooperatives, because all of these are necessary conditions for cooperatives and producer organizations to develop and grow which equates to corporate governance. Figure 16 indicates that the Cooperative Act has high degree of non-conformance with corporate governance.

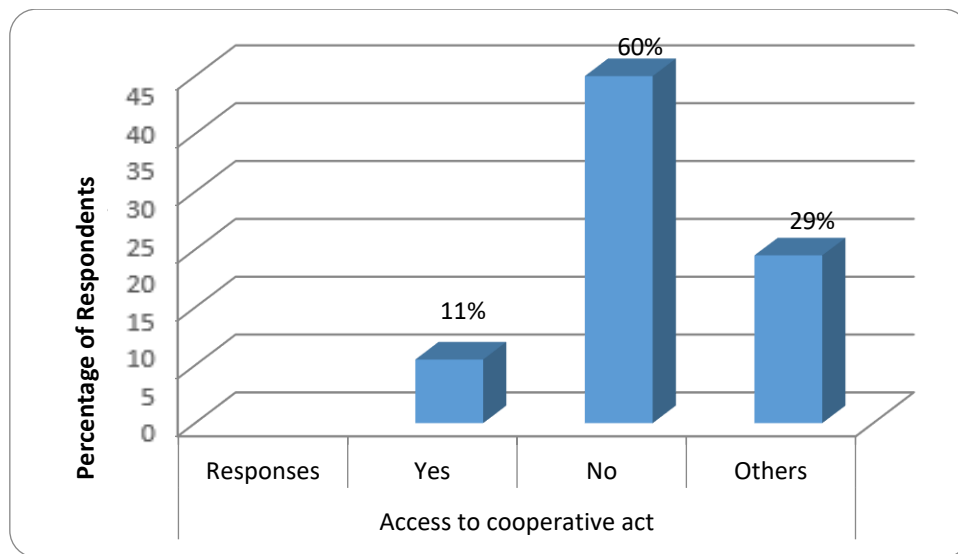


Figure 16 Cooperative Act and Corporate Governance Practice

According to this study, it was recorded that only 11% indicate that there was equal need to retain the act in its state while 60% disagreed. The remaining 19% had other views.

### 5.19 Written code of ethics

Corporate governance practices can also be seen in the way a cooperative conducts itself with the help of a written code of ethics. The purpose of code of ethics is to establish guidelines

for assessing all board or committee members of the cooperative societies and standards by which to judge a cooperative board / members whose conduct is questionable.

Over 90% of those interviewed in Focused Group Meeting (FGM) claimed they understood the beliefs and philosophy of the co-operative movement; however a similar percentage appeared not to understand the governance role of the board. Co-operatives, like other private sector enterprises, have not remained untouched by the recent corporate governance scandals nor by the development of codes of good practice.

In this study only 17% have had access to the code of ethics of their cooperative while 32% have not had an opportunity to see the code of ethics for their cooperative. Majority of the cooperatives surveyed simply utilised the basic constitutional frameworks and by-laws provided by the government without following the code of ethics set for the cooperative. Results have been illustrated in figure 17.

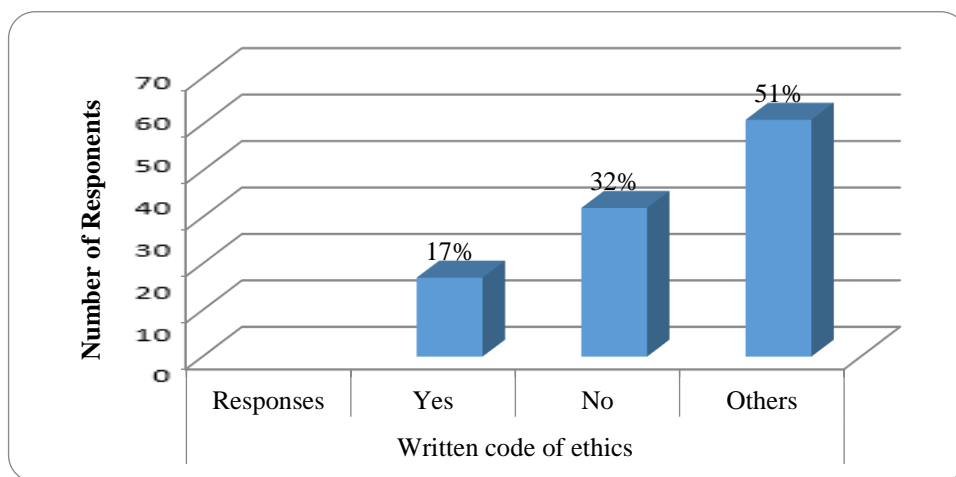


Figure 17 Written code of ethics

The recent development of a corporate governance code linked to relevant performance indicators was prompted by external governance scandals and a recognition that the cooperative sector needed to adopt “cutting edge practice in corporate governance” (Co-operativesUK2005). As in other business sectors, improving governance standards for co-operatives is now becoming a priority and is increasingly debated within the movement.

## 5.20 Discussion of Results

The results were analysed based on the fundamental concepts of corporate governance premised on the following:

- i. Promoting good corporate governance as integral to effective performance of an entity and delivering benefits such as ethical culture, enhancing performance and value creation by the organisation, enabling the governing body to exercise adequate and effective controls and building and protecting trust in the organisation and its reputation and legitimacy, (Kings iv report, 2016).
- ii. Reinforce good corporate governance practices as a holistic and inter-related set of arrangements based on understood and implemented in an integral manner
- iii. Present good corporate governance as concerned with effective performance of the cooperative in providing strategic direction approving policies to put into strategy effect, providing informed oversight of implementation, performance and disclosure.

Gender representation in this study was quite fair as there was a balance between both sexes with females representing a high percentage of 55% while males were at 45%. According to the findings out of a total number of 88 participants 26 which make 30% of the study agreed that there is transparency at the cooperatives moreover, this was consistent with 8% who indicated that they strongly agreed with the question statement. However, 33% of the study strongly disagreed and those who were uncertain recorded a 30% also. The data presented shows that there were significant elements of transparency with more respondents not agreeing.

The results show that the cooperative which adopted a corporate governance framework in 2010 was fairly Accountable as agreed by indicating strongly agree and Agree to the stated statement in the questionnaire that is 38% and 23% respectively. On the other hand, 18% disagreed while 14% strongly disagreed and 8% were uncertain this can be confirmed from the response given by one of the participants, they were not fully monitoring the events of the cooperative. Members need to exercise their rights in the cooperative as stated in the principle of democratic participation in the cooperative, Cooperatives need capable management and governance and the ability to adapt to prevailing business conditions. Cooperatives must develop professional management, be democratic, inclusive, fair, transparent and have strong leadership. A main challenge facing many cooperatives is over-control (DFID, 2010).

The results shows that those that agreed which includes two categories of Agree and Strongly Agree showed 25% for both a total which is equally likely. This is an indication that only 50% of the participants to the study accept that there is fairness or equity in the way they choose their leaders. On the other hand the rest which include 15% Disagree, 16% strongly disagree and 16% as uncertain all did not support the notion of fairness or equitable participation in the member participation in the democratic process that take place in the agricultural cooperatives. In terms of Independence the highest percentage is for those that agreed that independence was there with 30% followed by those that strongly agreed with 27%. While 17% disagreed, 13% strongly disagreed and 14% were uncertain about the matter.

The result shows that respondents reacted as to whether there is appreciation of corporate governance among the agriculture cooperatives. The results of the study show that 28% agreed that corporate governance is appreciated among the stakeholders and this was consolidated by 22% who strongly agreed. However, 19% disagreed while 18% strongly disagreed. As for those that were uncertain were represented by 4%. In conclusion a bigger share were in the category supporting corporate governance appreciation among the stakeholders.

Elections play a vital role in agricultural cooperatives, they are considered as one of the corporate governance practices. The classical model of cooperative governance implies that all members together, as constituting the General Assembly, usually convened in the annual meeting, elect the BoD. These directors appoint the executive managers or they take up the management tasks themselves. Most cooperatives also have a supervisory committee chosen from among the members, which performs the task on behalf of the General Assembly of controlling the BoD. In this study, 75% indicated that there were elections which in their cooperative, while 17 % did not agree that that the elections are held furthermore 8% showed ignorance about the elections. This is an indication that elections have been taken seriously among the cooperative member as there seem to be only a few who do not have knowledge about the elections that are held.

Information dissemination was assessed as it brings awareness to members on what transpires in their primary agricultural cooperatives. Information is power as it creates member awareness in understanding their institutions. Managers and the Board are provided with the responsibility to make information available to members so that the members could understand the governance of their cooperatives. An assessment was done on Information

dissemination which could be through meetings, notice Boards, and any other meetings. The findings indicated that 50% were able to access the information, where 20% had no access of information from the management of the cooperative. The remaining 30% indicated either way. This study shows that there is need for the managers and the board to broaden modes of communicating with the cooperative members as it is one of the most important practice in corporate governance of the cooperative.

Economic benefit for Directors and general membership needs to be revised as the current state does not represent the cooperative as a commercial entity.' For management this represents remuneration payment made for services or employment of directors on the board the institution. This includes the basic salary and other monetary or non-monetary benefits that an executive receives during his or her tenure. Generally, boards of directors' are categorized into two different categories, that is, executive and non-executive directors. Executive directors are regarded as non-independent directors since they are assigned specific operating roles within the entities such as finance, administration and operation. According to the assessed data collected, it was observed that 25% indicated that there was competitiveness in terms of remuneration at the cooperatives, 37.5% though did not agree and the other 37.5 also were not certain about it. This study shows that there is more to be done in terms corporate governance awareness in the cooperatives.

The involvement of Non-Executive Directors in the Society is on voluntary basis according to the principles of the Cooperative, this has a bearing on the quality of output applied as expertise is compromised by lack of remuneration and economic benefit. The general membership's interest in a cooperative is a proportion of the declared surpluses to be distributed in form of dividends according to the proportion of shares in the cooperative, however lack of this incentive deprives membership of the economic benefit and compromises the economic development of the Cooperative.

It is observed that performance appraisal system should bring a positive experience and contribute to the overall development of the cooperative. If done properly, it is a very effective tool to improving the performance and productivity and for developing employees of the cooperative society as gathered from the table, 60% the respondents affirmed that the performance appraisal system is used as a way of staff promotion at the agricultural cooperative, and the appraisal system is accurate in terms of content and purpose. However, 24% of the respondents did not agree that the performance appraisal system is effected hence

rendering it irrelevant and unreliable. This was consolidated by 16% who never agreed or disagreed because the results of the evaluation are not openly explained and discussed to the employees concerned and conducts of evaluation are not honestly and fairly done.

Annual Financial reporting of every agriculture cooperative is mandated by the By-Laws and the Cooperative Act. This is the responsibility of the Board to prepare the accounts reports from closure of the financial year and before the Notice of Annual General Board Meeting. The board is by obligation required to presents the reports and audited financial statement of the cooperative to its members. Failure for the board to give financial reports is a clear indication of lack of corporate governance in that society and a sign of poor management by the managers and board of directors.

According the study conducted, it was found that 61.4% confirmed receiving of financial reports and 19.3% did not agree to receive the report and another 19.3% showed ignorance about them. Therefore, with this study one is able to state that there is a degree of financial disclosure in the cooperative though needs a lot of education on the importance of having financial reports among the members so as to promote governance.

While cooperatives are also corporate bodies, they exhibit a number of structural characteristics that make their governance more challenging than the governance of non-cooperative enterprises. First, cooperatives apply democratic decision-making, while most enterprises apply autocratic decision-making. Adopting and integrated annual report is underpinned. Integrated reporting defines a holistic and integrated representation of the organisation's performance in terms of both financial and its sustainability. This places a triple bottom line (and its depiction of the three separate bottom line consisting of the economy, society and environment) with the intertwined economic, social and environmental triple context, where the governing body should lead the value creation process by appreciating that strategy, risk and opportunity, performance and sustainability development are inseparable elements to effectiveness of corporate governance in an entity, (Kings iv report, 2016).

It was important to find out the conduct of the board in prevailing into the affairs of the Society by established standing committees and frequency of meetings to decide over various activities of the Cooperative Society. The findings indicated that 40% agreed that such meeting were important 49% indicated they were not very important and 11% were not sure of the system or had other views on the accessibility of loans. The study therefore shows that

there are a lot of disparities in members. Hindrance to appreciate the meeting was based on the number of sub-committees of the Society which excessive. Board meetings were held monthly with inclusion of seating for over 18 sub-committee of the Board

The findings shows that 42% of the study indicated that there no need to pay dividend shares in their cooperatives while 34 % disagreed having dividend shares. The rest which is 24% had no idea about the sharing of dividends. The determinants of dividend payment were profitability, growth opportunities, cash flow as advised by the auditors read part of the By-Law clause the By-Law and dividend policy of the Agriculture cooperative. Cooperative businesses may retain their earnings or distribute part or all of them as dividends to their members. They distribute their dividends in proportion to the members' savings/contribution, instead of the value of members' share capital. Many agricultural cooperatives, however, don't pay any dividends on capital. Others pay a modest return, in line with state statutes that bar substantial payments. The timing and amount of such dividend distributions are decided by the board of directors (Gorton and Schmid, 1999).

The results shows that 17% have had access to the code of ethics of their cooperative while 32% have not had an opportunity to see the code of ethics for their cooperative. Majority of the cooperatives surveyed simply utilised the basic constitutional frameworks and by-laws provided by the government without following the code of ethics set for the cooperative.

Over 90% of those interviewed claimed they understood the beliefs and philosophy of the cooperative movement; however a similar percentage appeared not to understand the governance role of the board. Co-operatives, like other private sector enterprises, have not remained untouched by the recent corporate governance scandals nor by the development of codes of good practice.

## 5.21 Chapter Summary

In relation to research objectives and questions, the result of data analysis as presented in chapter 5 provides descriptive findings of effectiveness of the corporate governance in Agricultural cooperative on a case study conducted at ACCSZ. The results indicate several gaps where concern of corporate governance was not effective. Whilst corporate governance was found to be positively related to successes of an institution, the finding in the discussion justify the result of negating tenants of corporate governance in cooperatives. To emphasize the importance and effectiveness of corporate governance cooperatives the next chapter indicate the recommendations and findings.

## **CHAPTER SIX**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 Introduction**

This chapter present information on effectiveness of corporate governance in cooperatives, to indicate how the research study can be implemented by relevant officials to improve effects of corporate governance in cooperatives and suggest further research in the future. Section 6.2 summarizes conclusions related to the research questions and testing the model analyzed and presented in chapter 5. Conclusions of effectiveness of corporate governance systems in a corporative are respectively presented in subsections 6.2.

The objectives of the study were to identify the factors that contribute to lack of corporate governance at Agricultural and Commercial Cooperative Society of Zambia Limited, to describe the importance to having a sound corporate governance system at Agriculture and Commercial Cooperative Society of Zambia Limited and to establish the processes that can improve Corporate Governance systems at Agricultural and Commercial Cooperative Society of Zambia Limited.

#### **6.2 Summary of Findings**

Based on the research objectives which were established in chapter one (1), section 1.4.1 above and results of the research in chapter five (5), findings have been condensed into the following:-

##### **6.2.1 Effect of ineffective corporate governance system at ACCSZ**

Corporate governance is vital and a pre-condition for organisation effectiveness and sustainable economic growth. From the 88 respondent some are official who are knowledgeable of the topic. This gave the researcher confidence that they are knowledgeable or understand the topic being researched. As stated by estella (2012), educated individuals usually gives the best responses regarding a topic because of their broader understanding issues). The effect of Corporate governance in and Agricultural cooperative enhances membership democratic right, expertise on the Board, access to capital and promotes

economic development. The effects promotes ethical strategic leadership, sustainable and economic development, effective control, enhanced reputation, legitimacy, value creation and effective corporate governance performance.

Co-operatives fall into the category of organizations broadly referred to as "self-help organizations." The general understanding of the term "self-help organizations" is that it covers all organizations that are formed by persons wishing to improve their economic and social conditions by means of organized group action; this includes Co-operatives, pre Co-operatives, traditional self-help groups and any other form of organization irrespective of their legal status. Respondents agreed that ineffective corporate governance hinders this progress creating a weak cooperative with several challenges in memberships, capital and ultimately a fragile cooperative, under capitalization, mismanagement and financial indiscipline, poor governance, inadequate entrepreneurship and management skills, failure to respond and adapt to the changing macro-economic environment; and low literacy and numeracy levels. (Zambia NCDP, 2012)

#### 6.2.2 Factors that contribute to lack of corporate governance at ACCSZ

The Society's practices and principles require alignment configured the Cooperative movement of integrating Corporate governance framework which was adopted in 2010. The Society's practices such as number of board meetings, composition of the Board, holding of elections among others require contemporary refinement.

Whiles values remain to be the cornerstone of cooperative and without these the Cooperative Movement would simply not exist. The possession of ethical and strategic leadership of good corporate governance in modern business forms is what make committed institutions different from their counterparts in all other types of business enterprises, Kings iv report, (2016).

#### 6.2.3 Processes that can improve Corporate Governance systems at ACCSZ.

The study established that main streamlining the set-up of operations of board to Kings report framework would cascade effective corporate governance performance of the cooperative. The cooperative has increased interest from members which is key in promoting corporate governance in areas such as diversity. Integrating environmental, societal and governance

consideration in the entity is clearly permissible in order to address the responsibilities of membership, (UNEP FI, 2005).

The Society need to build on the framework which was developed in 2010 to provide sufficient oversight of Sub-committees and board meetings. Traditionally, the Cooperative Movement has had deep ties to the wide array of the ideologies. It has consciously and continuously explored its own belief system and attempted to identify those personal ideas shared by co-operators which motivate actions. This also means that cooperatives must stand together and inspire to the creation of a cooperative which upholds good practices and systems and operate like normal businesses.

The By-Laws of the Cooperative required provisions which underpin corporate governance inclusions of benefits to satisfy members. The study reviewed that the Cooperative Act and the Regulation require change to include recent trends of good governance. The integration of corporate emphasizes the significant role of cooperatives as public service delivery system in economic development, enhanced Public confidence and stakeholder support. They require a framework of rules of behaviour ethical and strategic leadership. Continue support towards internal control arrangement in the Cooperative.

### 6.3 Conclusions on the effectiveness of Corporate governance systems

Based on the research objectives which were established in chapter one above and results of the research in chapter five, it was concluded that;

i. The effect of having corporate governance system at the Cooperative

The classical model of cooperative governance implies that all members together, as constituting the General Assembly, usually convened in the annual meeting, elect the BoD. Most cooperatives also have a supervisory committee chosen from among the members, which performs the task on behalf of the General Assembly of controlling the BoD. In this study. It was established that these practices were embodied in the Cooperative Act, By-Laws and Regulation of the Cooperative.

These practices are covered under the ILO principles of cooperatives. Leaders who are fully accountable to their members while ensuring that there is total transparency in all co-operative transactions promote good corporate governance. Good governance

principles require that all members be allowed to fully participate in activities of the co-operative. At an operational level, good governance implies that co-operative transactions must be undertaken in a transparent manner and that all books of accounts are kept up to date and regularly audited according to the co-operative's by-laws, (NCDP, 2012).

The effect creates a framework for reforming and re-orienting the co-operative movement in the context of national development. Facilitate the promotion and formation of genuine, effective, autonomous, viable and sustainable co-operatives. Create a conducive environment for creation of an efficient co-operative structure. This provides stability, economic growths and ethical strategic leadership. Conversely, good governance supports the board of the cooperative in its task of creating and maintaining a strong and sustainable business. The cooperative sector has therefore long recognised the value of good governance practice, which protects:

- a. Respect voluntary membership
- b. Require member economic participation
- c. Promote equitable treatment.
- d. Promote access to markets
- e. Provide coherent and efficient framework
- f. Protect due process
- g. Avoid conflicts of interest

ii. Factors that contribute to lack of corporate governance at the Cooperative

Results shows that the cooperative need to operate on the basis of sound commercial principles and prosperity on ethical and strategic leadership, sustainable development and economic growth while promoting accountability, transparency, fairness and independence. The legal environment must protect democratic member control; autonomy and independence; voluntary membership; and economic participation in cooperatives. It should promote equitable treatment of cooperatives as other businesses in the same sector, (Assefa, T., 2007). These should expend to amendment of By-Laws, policies, regulations rules and 1998 Act number 20.

Several interventions are critical: (1) organizational changes has been salient; training board members, employees and general membership and to conduct regular control; (2) cooperatives learned to operate as businesses in which membership is voluntary and based on profits and incentives such as patronage dividends; (3) cooperatives needed to

become creditworthy; and provide working capital for market for seller and buyers - a major breakthrough in rural finance.

Zambia has a huge agricultural potential, which is still largely untapped and is the key priority in the government growth and poverty reduction programme. The country has one of the best land and water endowments in Africa, but only 15 per cent of total arable land is cultivated and a similar share of irrigable land is actually irrigated (Mooney, 2002). However, the business part of the agriculture sector suffers a great deal because of poor management of both cooperatives and supporting agencies.

Only here, instead of the corporate governance code, cooperative values are applied and principles established by law, and corporate governance modify and adapt with their specific objectives. For agricultural cooperatives, it is even necessary to apply proper management for the survival of cooperatives, increasing their competitiveness on the market. A neglect of governance weakens the framework of accountability and carries multiple risks to the business and its strategy over time.

### iii. Processes that can improve Corporate Governance at the Cooperative

Majority of the cooperatives surveyed simply utilised the basic constitutional frameworks and By-laws provided by the government without following the code of ethics set for the cooperative.

Over 90% of those interviewed claimed they understood the beliefs and philosophy of the co-operative movement; however a similar percentage appeared not to understand the governance role of the board. Co-operatives, like other private sector enterprises, have not remained untouched by the recent corporate governance scandals nor by the development of codes of good practice. In addition, Co-operatives should develop structures and policies that permit and promote active member involvement at a level below the board. Members have clearly defined rights and responsibilities and should hold the board to account, based on a mutual understanding of objectives, for the policies and performance of their co-operative. Members should ensure that policies and performance are in line with the stated laws of Cooperative Identity, which is the basis of all co-operative enterprises. And lastly, Co-operatives should be clear on the value that they will generate for their members, and should communicate with members in the course of developing strategies that respond to their needs.

## 6.4 Recommendations

The recovery and sustainable development of the Zambian agriculture sector depends on the development of farmers, through the stimulation of agricultural cooperatives, or the association of small agricultural holdings. With reference to the findings of the study, the following are the recommendations to both stakeholders in agricultural the cooperatives and the government of the republic of Zambia.

The study revealed that, Agriculture Co-operatives should develop structures and policies that permit and promote active member involvement at a level below the board.

Integrate the corporate governance framework which was adopted in 2010 to contemporary principles and prosper in promoting accountability, transparency, fairness/equity and appreciation of corporate governance in their operations. Members should have clear defined rights and responsibilities and should hold the board to account, based on a mutual understanding of objectives, for the policies and performance, ethical and strategic leadership of their co-operative.

Members should ensure that policies and performance are in line with the stated laws of Cooperative Identity, which is the basis of all co-operative enterprises. Cooperative should also develop governance principles or codes for the agriculture cooperatives.

In line with the Kings 'report the recommended that;

- i. Cooperatives to modernise their laws and policies, update and synchronise the Board Charter to the Corporate Governance frameworks which can be reviewed annually.
- ii. The study revealed and highlighted that dissemination of information to the members is critical towards equity or fairness. The cooperatives should provide statements in their annual reports disclosing by adopting an integrated reporting system
- iii. Improve on communication strategies in their operations. Agricultural co-operatives should use the AGM, interim meetings, and other opportunities and methods to communicate with members and encourage them to exercise their democratic rights and their active participation.
- iv. Agricultural co-operative should maintain principles of separation between the Board and Management for the benefit of the Society membership. Based on a mutual

understanding of its objectives, to its membership and is collectively responsible for the long-term success of the business.

- v. Sound business practices: Cooperatives are grounded by sound business practices they establish and follow to efficiently provide services to their members.
- vi. Strong membership participation: The cooperative is concerned with increasing, holding and benefiting from membership and responding to the needs of its members. This fills both an important business purpose — tapping the local knowledge and commitment of its members — and the social purposes of providing members with a sense of inclusion, participation and community, and the ability to decide what services are offered.
- vii. Support of an efficient apex organization(s) that provide oversight and services: To achieve national importance, cooperatives not only need to multiply but also receive services that take advantage of economies of scale. It is critical that apex institutions arise to render these services.
- viii. The Board should ensure that the annual report presents a fair, balanced and understandable assessment of the co-operative's business model, strategy and performance.
- ix. Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives.
- x. Create value, economic growth through performance, sustainable development, strategy of short and long range.

## 6.5 Areas of Further Studies

The findings of this study imply that good governance principles are critical indicators of social and economic performance in cooperatives. The cooperators are therefore cautioned not to under- estimate the significance of corporate governance in the agriculture cooperatives.

Remarkably, a policy implication of strengthening cooperative systems should be emphasized since these are catalysts through which cooperative societies can achieve better performance. Like any other study, there are a number of limitations including: first, the study is cross-sectional which implies that the views held by individuals may vary over the years; second, the non-inclusion of government officials as policy-makers, past members, and non-members

could have limited our understanding of governance in the agricultural cooperative societies from multiple stakeholders prospective. Future research may be needed in other sectors of the economy.

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## **APPENDIX: QUESTIONNAIRE**

Appendix 1                      Survey Questionnaire



### **THE UNIVERSITY OF ZAMBIA**

I am a student at Graduate School of Business UNZA (University of Zambia) pursuing Master of Business Administration in Management Strategy. As a requirement of my study, I am carrying out a survey on “The Effect of Corporate Governance Systems on Cooperative Societies: A Case of Agriculture and Commercial Cooperative Society”. The success of this study depends on the willingness and cooperation to provide the information required.

I kindly request you to allow me to gather the information through this questionnaire which is specifically designed for the purpose of this study. All responses will be treated in absolute confidence and anonymity.

Thank you in anticipation.

**Mwiya Mukamba**

Date.....

Gender:

Position

Held.....

## SECTION A: CORPORATE GOVERNANCE PRACTICES

Indicate your level of agreement with the following statements/questions by ticking at the appropriate box.

Use the rating criteria below.

Strongly Agree (SA), Agree (A), Uncertain (U), Disagree (D), Strongly Disagree (SD)

The following practices are done at this Cooperative

SN	QUESTIONS	SA	A	U	D	SD
a	Do you think there is <i>transparency</i> in the Cooperative?					
b	Are the Cooperative Executives committed to <i>accountability</i> ?					
c	There is <i>equitable</i> member participation in democratic process of choosing executives and board members					
d	Internal parties or staff act in the best interest of the Cooperative and society(Independence)					
e	Importance of corporate governance is understood by the Cooperative					
f	Have you had any training in cooperative governance <sup>1</sup>	Y/N/ O	Y/N/ O	Y/N/ O	Y/N/ O	Y/N/O

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<sup>1</sup> Select one Y,For yes, N for No or O for other

## SECTION B

### Test for Corporate Governance

The table below is a test for existence of corporate Governance at the cooperative societies

Indicate one **Y**, For yes, **N** for No or **O** for other

SN	Category	Questions	Response
A	<b>Elections--</b>	-Are elections held according to the constitution?	
		-Do the Committee sanction note taking at AGM?	
		-Do the AGM Committee distribute memos and reports to Members	
B	<b>Remuneration</b>	-Are emoluments competitive at your cooperative?	
		-Does Compensation Committee consider performance to output ratio for Management and Board remuneration?	
C	<b>Staff Promotions</b>	-Do you have an appraisal systems that evaluate or weigh staff performance?	
		-Are promotions made by management?-	
D	<b>Financial Reports</b>	-Are members availed with timely strategic and actionable information?	
		-Is there fair access to loan facilities by members?	
		-Has the Market Share for cooperative members been leveled?	
E	<b>Composition of Committees</b>	-Are Committees appropriately forms	
F	<b>By-Laws</b>	-Are the By-Laws understood by members	
G	<b>Cooperative Act</b>	-Is the Cooperative Act addressing aspects of Corporate Governance	

2 Indicate For yes, N for No or O for other

SECTION C EFFECT OF CORPORATE GOVERNANCE

Answer the questions in your own opinion about the subject matter.

- a. Why is it important to have sound corporate governance at ACCSZ ?

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.....  
.....

- b. What are the effects of ineffective corporate governance?

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.....

What are the contributing factors to ineffective of corporate governance at Agriculture and Commercial Cooperative Society of Zambia Limited?

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.....

What processes can ACCSZ improve on in establishing processes of corporate governance?

.....  
.....  
.....

- c. In your words, what is cooperate governance?

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.....  
.....

*End of the questionnaire*



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5<sup>th</sup> March, 2020

Graduate School of Business

P. O. Box

32379

Lusaka,

Zambia

TO WHOM IT MAY CONCERN

**RE: INTRODUCTORY LETTER FOR MUKAMBA MWIYA**

This letter serves to introduce Mukamba Mwiya GSB152059 a bonafide student in our Master of Business Administration (MBA) Management Strategy programme at the University of Zambia — Graduate School of Business (UNZA—GSB). In partial fulfilment of their Postgraduate studies, each student is required to undertake a research in the final year of study.

May you kindly assist the student in granting permission for him to collect data from your Institution. The research is purely for academic purposes and the student is ethically bound to treat the provided information with strict confidentiality.

Should you have any queries or would like further information about the student, please contact the UNZA-GSB on the above e-mail address or telephone numbers.

Yours Faithfully,



Dr Lubinda Haabazoka

DIRECTOR - GRADUATE SCHOOL BUSINESS

cc Acting Assistant Registrar — Graduate School of Business



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TO WHOM IT MAY CONCERN

### **RE: LETTER OF INTRODUCTION**

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My name is Mukamba Mwiya GSBI 52059 a postgraduate student at the University of Zambia — Graduate School of Business (UNZA—GSB). I am in the final stage (dissertation) of the Master of Business Administration (MBA) Management Strategy.

I am undertaking a research "The effectiveness of Corporate Governance Systems on Zambia's

Co-operative Societies performance: A Case of Agricultural and Commercial Co-operative Society of Zambia Limited". I am therefore requesting your indulgence to complete the questionnaire below, which I am using to collect primary data.

Your responses would be used solely for the purpose of the research.

I thank you for your much needed cooperation.

Yours faithfully,

MUKAMBA MWIYA