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Does members' participation moderate the relationship between corporate governance and organizational performance? A study of cooperative unions in Ethiopian agricultural cooperatives

(¿Modera la participación de los socios la relación entre la gobernanza corporativa y el rendimiento organizacional? Un estudio de las uniones cooperativas en cooperativas agrícolas etíopes)

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Abstract: Governances of cooperative organizations are primarily acknowledged as very critical determinant factors of organizational successes in various literatures. However, moderating effect of members' participation on the relationship between corporate governances and organizational performances of cooperatives has received less attention from the researchers. Therefore, in this study, we studied the effects of corporate governance and members' participation on organizational performances and their interactions in Ethiopian agricultural cooperative unions. Using resources dependence theory (RDT), the study hypothesizes that the members' participation moderates the impact of corporate governance on organizational performance. A quantitative approach was employed to examine the relationship. For this end, quantitative data were collected from 377 members of the unions using structured questionnaire. Structural equation modeling with AMOS 23 was used to examine the moderating effect of members' participation on the relationship between dimensions of corporate governances and organizational performances in agricultural cooperative unions in Ethiopia. The study indicated that there is strong and positive relationship between the corporate governances and organizational performances in terms of social, operations, and financial performances. Similarly, the relationship between members' participation and the indicators of organizational performances are positive and significant. However, the moderating effect of members' participation is not significant at p. value of 0.05, but at 0.01, in this study.

Keywords: agricultural cooperatives; Organizational performance; corporate governance dimensions; Members' participation; Cooperative unions.

Resumen: En diversas publicaciones se reconoce que la gobernanza de las organizaciones cooperativas es un factor determinante fundamental para el éxito de las organizaciones. Sin embargo, el efecto moderador de la participación de los miembros en la relación entre la gobernanza corporativa y el rendimiento organizativo de las cooperativas ha recibido menos atención por parte de los investigadores. Por lo tanto, en este estudio se analizan los efectos de la gobernanza corporativa y la participación de los miembros en el rendimiento organizativo y sus interacciones en las uniones cooperativas agrícolas de Etiopía. Utilizando la teoría de la dependencia de los recursos (RDT), el estudio plantea la hipótesis de que la participación de los miembros modera el impacto de la gobernanza corporativa en el rendimiento organizativo. Se em-

pleó un enfoque cuantitativo para examinar la relación. Para ello, se recopilaban datos cuantitativos de 377 miembros de las uniones mediante un cuestionario estructurado. Se utilizó el modelo de ecuaciones estructurales con AMOS 23 para examinar el efecto moderador de la participación de los miembros en la relación entre las dimensiones del gobierno corporativo y el rendimiento organizativo en las cooperativas agrícolas de Etiopía. El estudio indicó que existe una relación fuerte y positiva entre el gobierno corporativo y el rendimiento organizativo en términos de rendimiento social, operativo y financiero. Del mismo modo, la relación entre la participación de los miembros y los indicadores de rendimiento organizativo es positiva y significativa. Sin embargo, la relación entre la participación de los miembros y los indicadores de rendimiento organizativo es positiva y significativa. Sin embargo, el efecto moderador de la participación de los miembros no es significativo con un valor p. de 0,05, sino con un valor p. de 0,01, en este estudio.

Palabras clave: Cooperativas agrícolas; desempeño organizacional; dimensiones de gobierno corporativo; participación de los socios; uniones cooperativas.

1. Introduction

Cooperatives are defined as members-owned, members-controlled, and members-benefiting governance structures from which benefits are derived, used and distributed based on use (Dunn 1988, p. 85). Agricultural cooperatives have been emerged to address market failures caused by shortage of agricultural inputs, market failures to collect produce on time, shortage of farm financing and related business services (LeVay 1983, p. 35-37; Valentinov 2007, p. 56-60). They are pivotal in improving the living standards of smallholder farmers in rural areas. In developing and agrarian countries like Ethiopia, the agricultural cooperatives provide access to markets, loans, supplies and related business services (Tefera *et al.* 2017, p. 47; Getnet & Anullo 2012, p. 52-57). In Ethiopian context, the primary cooperatives were established and are playing the roles of supplying agricultural inputs, selling produce of their members, providing credits for members, and other advisory services at district level of the country (Mohammed & Lee *et al.* 2022, p. 13-21). Studies show that the performance of agricultural cooperatives in Ethiopia is influenced by various internal and external factors (Etefa, 2022, p. 59-63; Royer *et al.* 2017, p. 45; Tesfamariam 2015, p. 78-82; Meniga 2015, p. 33). The internal challenges like low participation and lack of awareness of cooperative members, low involvement of the stakeholders, lack of good governance practices, lack of professionalism, and weak linkages very common in Ethiopian cooperatives (Etefa 2022, p. 55). Similarly, external challenges like excessive political interventions, inadequate supports, lack of adequate infrastructures, and globalization are hindering cooperatives from achieving their objectives (Tesfamariam 2015, p. 87; Meniga 2015, p. 35-37). Participation of cooperative members can be more or less involved in the governance of cooperatives. Some cooperative members are less interested, whereas others keep themselves informed about the day-to-day operations, although to varying extents (Nilsson 2011, p. 329). The interplay between corporate governances and members participation is critical in checking and balancing governances of the management and organizational performances. Even though members participation in cooperatives is extensively studied, its moderating role between the relationship corporate governances of the management and organizational performances in terms of social, operations, and financial is limited in Ethiopian Agricultural cooperative unions (AGUs). The aim of this study is to examine the moderating role of members participation on the relationship between corporate governance and organizational performances of Ethiopian ACUs using selected unions in the study area.

2. Literature review

2.1. Theoretical literature review

2.1.1. MEMBERS' PARTICIPATION IN COOPERATIVES

Members' participation refers to the active involvement of cooperative members in the strategic decision making and operational activities of the cooperatives. In cooperative businesses, members need to participate through attending regular and irregular general assemblies, voting the committees, using services of the cooperatives, hiring new members, and contributing to policy formations. The common profound theory of members participation in cooperative organizations is social capital theory.

The concept of social capital has been adopted to organizations, where it can contribute to organizational achievements. Adler and Kwon (2002, p. 19-23) developed a conceptual framework of social capital for the organizational context. The framework defines three sources of social capital: 1) opportunity (the actor's network of social ties), 2) motivation (the willingness of the social ties to help the actor), and 3) ability (whether the social ties are able to help the actor).

Social capital can have both positive and negative outcomes. The positive outcomes like information, influence, control and power, and solidarity; while the dark sides are the social capital (e.g., extreme claims on members of the group, segregation of others, limits on individual freedoms, and group closure) because actors can be highly discriminatory and calculating when using the resource which can lead to significant disparities (Ayios *et al.* 2014, p. 54-63). Cooperative businesses are a distinct economic organization that relies on trust and reciprocity. In various ways, these characteristics of cooperatives reappearance to Meniga (2015, p. 37) classic thought that cooperative organizations have a «double nature» combining economic and social dimensions. This double nature of cooperatives is inculcated in cooperative routines and governance rules, enabling democratic participation of its members (Adler and Kwon 2002, p. 65). Studies show that active participation of members nurtures strong relationships and trust among themselves, enhancing the cooperative's capability to mobilize resources successfully and improve its performance. According to social capital theory, member participation is a key element in building the cooperative internal unity and enhancing collective action.

2.1.2. CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE IN AGRICULTURAL COOPERATIVES

Royer *et al.* (2017, p. 45-50) asserted that corporate governance of agricultural businesses are different from other classical forms of businesses. Cooperatives are owned and controlled by their members; while, their governance entails managing the interests of these individuals by ensuring the cooperatives' social, operational and financial performances (Esim 2014, p. 29; Royer *et al.* 2017, p. 45-50; ICA 2024, p. 16).

Corporate governance in agricultural cooperatives is a system of structures, rules, and processes through which decisions are made (Esim 2014, p. 18-22). It defines the roles of management committee, supervisory committee, hired managers, and other stakeholders to ensure transparency, accountability, fairness, legality, and responsiveness. The key goal of governance is to bring into line the interests of the members with the social, operational and financial objectives of the cooperative.

Organizational performance in the context of agricultural cooperatives refers to how effectively these cooperatives are achieving their goals. Performance can be evaluated from various perspectives, including **financial** (profitability, revenue growth), **operational** (efficiency in delivering services), and **social** (impact on member welfare and community development). The definition of performance often depends on the specific objectives of the cooperative, which might vary from enhancing members' income to achieving sustainable agricultural practices.

One essential element of the governance of agricultural cooperatives is the meetings of managing committees (ICA 2024, p. 16; Franken & Cook 2019, p. 32-43). These formal assemblies of the cooperative's managing committee members provide a forum for discussing and deciding upon the cooperative's day to operations. These assemblies are usually scheduled with pre-panned issues to discuss about. The frequency and quality of such meetings are critical (1) for developing and executing strategic plans, (2) for promoting transparencies, and (3) for reviewing and monitoring performances.

The attentiveness of members during these gatherings, along with accurate recording of minutes, is vital to ensuring that decisions are well-documented and truly reflect the interests of the members (Kyazze *et al.* 2017, p. 19). Regular and fruitful meetings of the managing committee help maintain alignment between management and members; thus, ensuring that the cooperative's objectives are achieved in a transparent and accountable manner (Albrow 2001, p. 158-162; Bainbridge 2002, p. 79-84; Schneider 1999, p. 44).

The second dimension of corporate governance that the researcher wants to focus pertains to literacy of managing committees. Different literatures agree that the literacy of managing committee plays a crucial role in the governance of business organizations (Hill *et al.* 1998, p. 116-118). Traditionally, literacy was understood as the capacity to read, write, speak, and listen effectively (Ahmed 2011, p. 179-195; Wagner 2014, p. 161-173); this enables individuals to communicate and comprehend their surroundings. However, many educational organizations including UNESCO have broadened this definition to include a wider array of skills, such as critical thinking, interpretation and analysis of both written and visual texts (Bernier 2004, p. 65-76).

In the dominion of managing committees within agricultural cooperatives, literacy surpasses mere communication skills to incorporate the ability to understand financial reports, regulatory frameworks, financial and marketing projections and other operational documents essential for sound decision-making (Wagner 2014, p. 161-173, Momaya *et al.* 2017, p. 111-122). Literacy, in this expansive sense, ensures that committee members can actively participate in strategic dialogues, evaluate complex matters, and make informed decisions that benefit both the cooperative and its members (Ruben & Heras 2012, p. 463-484; Gertler 2004, p. 32-46).

The core root of cooperative governance, democratic control, member engagement, and independence from outside influences, are the foundation for managing committees' independence cooperatives (Momaya *et al.* 2017, p. 111-122; Puri & Sujarittanonta 2016, p. 19-26). Cooperatives are 'autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically run business, according to the International Cooperative Alliance (ICA). Theoretically, maintaining this autonomy requires that the government refrain from interfering with management of managing committees in calling general assemblies, planning and executing activities, hire and firing human resources for the cooperatives, and monitoring operational activities (Dalton *et al.* 1998, p. 269-290; Vafeas 1999, p. 115). This allows cooperative members to decide on matters based on their shared interests rather than outside political influences.

Diversity of the managing committee members makes another explaining dimension of cooperative governances in agricultural cooperatives. Literatures witnesses that diversity within managing committees is another crucial element influencing the effectiveness of governances in agricultural businesses (Zachow & Bertolini 2019, p. 160-166; Ruben & Heras 2012, p. 468). The diversities of managing committee are re-

flected in terms of indicators like composition of gender, educational levels, age category, and political orientations (Van der Vegt *et al.* 2005, p. 1171-1182; Lee *et al.* 2022, p. 55-81). Diverse committees are believed to contribute to a range of perspectives, which can lead to more innovative and balanced decision-making (Jehn *et al.* 1999, p. 741-763). Diversity in managing committees can improve the corporate governances of by cultivating inclusive discussions that represent the committee spectrum of members' interests (Puri & Sujarittanonta 2016, p. 19-26). More recently, research has emphasized that diversity, particularly gender diversity, plays a significant role in enhancing the cooperative's decision-making capacity and overall performances (Klapper & Love 2002, p. 262). The study of Klapper & Love (2002, p. 262), for example, has been linked to better social and financial outcomes and improved organizational performances in agricultural cooperative businesses.

Agency theory in cooperative businesses

According to Ortmann & King (2007, p. 40-68), the relationship between the members (the numerous cooperative members) and their cooperative (the agent) is unquestionably discussed in greater detail thanks to agency theory. Generally speaking, it makes more sense for each member to get involved with issues and organizations that they can more readily affect. It should come as no surprise that cooperative members will grow apathetic (Nilsson 2001, p. 330). The horizon problem arises in cooperative groups for two reasons, according to the agency perspective: First, it is anticipated that members will mostly be preoccupied with short-sighted views of their membership in the cooperative. Since cooperative organizations cannot achieve such efficient allocations, agency theory is essential to the cooperative form. When the members' interests are deviating from the cooperative (the management of the cooperative) dilemma may occur in the cooperative business (Jensen & Meckling 2019, p. 77-132). The study of Nilsson (2001, p. 340) designated that the challenges of agency dilemma carried as a principal-agent problem. Principal-agent problem is a condition when cooperative members choose or hire managers to govern the cooperative's day to day operations; yet, the hired managers may have interests that are at odds with those of the members, specifically in situations where information is asymmetrical (Ortmann & King 2007, p. 40-68). From these perspectives, the main function of the managing committees is to control the hired managers and other workers of the cooperatives. This suggests that a majority of managing committee members of

the cooperatives should be independent of management, and that their primary role is one of ensuring managerial compliance – i.e. to monitor and if necessary, control the behavior of management to ensure it acts in the shareholders best interests (Keasey *et al.* 1997, p. 352).

The implication of agency theory for agricultural cooperatives is that effective governance mechanisms that align with the interests of managing committee with those of the members can lead to better organizational performance. Conclusively, the monitoring and control mechanisms established by governance structures (such as member participation in decision-making) are essential for reducing agency costs, ensuring that resources are used efficiently, and enhancing performance.

Stakeholder theory in cooperative businesses

Stakeholder theory as applied to governing bodies is based on the premise that organizations should be responsible to a range of stakeholders in society other than just an organization's owners (Hung 1998, p. 101-111). By incorporating different stakeholders on managing committee, it is expected that organizations will be more likely to reply to broader social interests than the narrow interests of one group. This leads to a political role for managing committees negotiating and resolving the potentially conflicting interests of different stakeholder groups in order to determine the objectives of the organization and set policy (Freeman & Phillips 2002, p. 331-349; Jensen 2001, p. 297-317). There are constraints in cooperatives on the involvement of different stakeholders on managing committees, as committee members are elected from the membership. However, within these constraints there has been concern about low member participation and the lack of involvement of certain groups of members, such, as women and young people on boards (Cornforth 2004, p. 11-32).

For agricultural cooperatives, the key to achieving good performance lies in balancing the interests of different stakeholders. Effective engagement with members and other external stakeholders can enhance trust, improve decision-making, and increase the overall success of the cooperative in achieving its social, financial, and operational goals.

Resource dependence theory (RDT) in agricultural cooperative businesses

Resource dependency theory of Pfeffer (1978, p. 53) views organizations as interdependent with their environment. All organizations depend crucially for their survival on other organizations and actors for

resources. As a result, they need to find ways of managing this dependence and ensuring they get the resources and information they need.

According to Pfeffer's (1978, p. 55) RDT, organizations and their surroundings are interconnected. All organizations rely heavily on other organizations and people for resources in order to survive. They must therefore figure out how to control this reliance and make sure they obtain the tools and data they require. According to this viewpoint, the managing committee can help reduce uncertainty by establishing powerful connections with other organizations and individuals, such as with the workers and hired managers of the cooperative unions. The managing committee's primary responsibilities include assisting the cooperatives in adapting to external change and preserving positive relationships with important external stakeholders to guarantee the flow of resources into and out of the cooperatives' unions.

According to this viewpoint, the managing committee is a component of the cooperative union and its surroundings. The managing committee's job is to cross boundaries. Members of the managing committee are chosen for their ability to try to co-opt outside influences and for the valuable external connections and expertise they can offer for the cooperatives' unions (Hillman *et al.* 2009, p. 1404-1427). Since managing committee members must be chosen from among the cooperatives' members, cooperatives' ability to use their committees to «manage» external dependents is far more limited than that of private businesses in which number of managers are limited. Though it is unclear how frequently this tactic is employed, cooperatives can typically co-opt managing committee members to bring in individuals with more contacts, experience, or abilities.

RDT suggests that organizational performance is driven by the strategic management of valuable, rare, inimitable, and non-substitutable resources. For agricultural cooperatives, these resources may include **human capital** (skilled members and staff), **social capital** (trust and relationships among members), and **physical resources** (land, equipment, infrastructure). The RDT highlights that the effective use of both tangible and intangible resources can lead to improved cooperative performance. A cooperative that successfully mobilizes its internal resources, such as member expertise or collective action, is more likely to achieve sustainability and growth.

Stewardship theory in cooperative businesses

Hassan & Marimuthu's (2018, p. 457-478) stewardship theory is based on a human relations viewpoint and begins with a different set

of presumptions than agency theory. It makes the assumption that managers would serve as excellent stewards of their organization's resources and wish to perform a good job (Hung 1998, p. 109). In the case of cooperatives, members and the managing committee are therefore more effectively viewed as partners. Therefore, the management committee's primary goal is to enhance the cooperatives' organizational performance rather than guarantee that managers are acting in the best interests of their members (Basterretxea *et al.* 2022, p. 362-387). The managing committee's primary responsibility is strategic; it collaborates with management to enhance strategy and provide insight into important choices. It should come as no surprise that management concepts and procedures should be used to governance in this situation. From this perspective managing committee members should be selected on the basis of their expertise and contacts so that they are in a position to add value to the cooperative's decisions; managing committees and managers should receive proper induction and training; they should know how to operate effectively as a team etc. (Cornforth 2004, p. 11-32).

The stewardship theory viewpoint presents a possible problem for cooperative governance. The problem is that there is no assurance that the people chosen to serve on the managing committee will possess the abilities required for their jobs. Sivertsen (2018, p. 3-19), a senior manager in a Norwegian consumer cooperative, emphasizes this: Cooperatives are often run by management. While managing committee members in cooperatives are chosen from among what we would consider common people, board members in large private enterprises are chosen from inside the business community. Solid, serious individuals with sound judgment are frequently found lacking the background needed to make effective business judgments (Hung 1998, p. 101-111).

Social capital theory in cooperative businesses

Social capital theory was originally defined by Bourdieu (1985, p. 1980) as «The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual associate or recognition». Its fundamental idea is that a network gives its members value by giving them access to the social resources that are embedded inside the network (Bourdieu 1985, p. 195-220; Florin *et al.* 2003, p. 374-384). Investment techniques aimed at institutionalizing group relations, which are dependable sources of benefits, are necessary to build these social net-

works (Portes 1998, p. 15). In general, this social capital can be broken down into two elements: (a) the social relationship itself, which allows individuals to claim access to resources possessed by their associates, and (b) the amount and quality of those resources (Bourdieu 1985, p. 198-210; Portes 1998, p. 18).

In cooperative businesses, the social capital theory has been increasingly used to study these social logic components of cooperatives in different industries (Bianchi & Vieta 2020, p. 1599-1617; Lang & Roessl 2011, p. 353-370; Saz-Gil *et al.* 2021, p. 534; Valentinov 2007, p. 55-69; Wulandhari *et al.* 2022, p. 375-380). Applying social capital to cooperatives, arguably a «special, social capital-based, type of organization» (Valentinov 2007, p. 55-69) with its democratic governance structures, networks, and shared norms, reveals close interrelatedness with cooperatives' values and principles (ICA 2024, p. 16). In our understanding, this adds up to the pragmatic use of the concept of social capital for cooperatives, which are navigating today's complex world in search of practical solutions to enhance the cooperative identity and engagement of their members.

Transaction Cost Economics (TCE) in cooperative businesses

Transaction cost economics (TCE) is one of the most commonly referenced organizations' theories in operations of agricultural cooperatives (Grashuis and Hakelius 2023, p. 39; Trejo-Pech *et al.* 2023, p. 11-29; Sánchez-Navarro *et al.* 2024, p. 40). Coase (1937, p. 27-89) was the first to bring the concept of transaction costs to bear on the study of business organizations and markets. Transaction cost theory is defined as an alternative variant of the agency understanding of governance assumptions (Ketokivi & Mahoney 2020, p. 1015). It describes governance frameworks as being based on the net effects of internal and external transactions, rather than as contractual relationships outside the organization with members in case of cooperatives and their unions.

The theory is often explained in terms of minimizing transactional costs associated with exchange between members, managing committees, and all external parties. The transaction cost theory in cooperatives describes transactional cost of marketing costs like purchasing inputs, selling produce, and other operations costs (Williamson 1979, p. 238-260). Different literatures witness that transaction costs occur when dealing with another external party like search and information costs (i.e., to find the input supplier), bargaining and decision costs (i.e. to purchase the inputs), and policing and enforcement costs (i.e., to monitor quality).

2.2. *Empirical literature review*

2.2.1. CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE

Researches on corporate governance and organizational performance of agricultural cooperatives and their corresponding unions have been given much attention. The empirical studies in different countries have increasingly demonstrated that there is positive relationship between effective corporate governance and organizational performance in cooperative businesses (Ramos & Olalla 2011, p. 226-230; Ntim and Oseit 2011, p. 85; Mehdi 2007, p. 1429-1444; Dunphy *et al.* 1997, p. 232-244; Hunt 2000, p. 549-572; Oguda 2015, p. 437). These literatures further show that cooperatives and cooperative unions with effective governances tend to perform better in terms of financial performances, operational efficiencies, social engagements, and members satisfaction.

Specifically, frequencies of the meetings, attentiveness of the meetings, effectiveness of meetings, focus and minuting of the meetings of the managing committee influence organizational performances of the cooperative businesses. A study conducted in European countries found a strong and convincing link between corporate governance and organizational performance (Ramos & Olalla 2011, p. 220-231). The financial performance is also improved by boards that meet more frequently, according to Ntim and Oseit (2011, p. 83-103). Mehdi (2007, p. 1429-1444), on the other hand, discovered that board meetings do not affect performance by using a smaller sample of 24 firms from the years 2000 to 2005. The study also claims that success is linked to the organizational performance, which is less likely to be impacted by management committee meetings. A similar inverse association between the number of management committee meetings and organizational success is shown by Vafeas (1999, p. 116-123). Like frequency of the managing committees of the cooperatives, their attentiveness and quality are also equally important for shaping organizational directions and performances.

Literacy of the managing committees' members in cooperatives, which may include educational level, professional and general knowledge, and general literacy, has been area of research for scholars in cooperative governances and cooperative management areas. In cooperatives where members of the managing committee are playing a role of strategic planning, it is very helpful that the committee members have better literacy in the strategic areas so that their organizational performances shaped positively. According to a study of

Germann (2023, p. 89), a managing committee brings value to the committee's governing function by combining a variety of skills and abilities that together create a pool of social capital. The qualifications of each managing committee member are crucial in the decision-making process. For instance, if the committee members have the necessary training and expertise, the monitoring job can be carried out successfully. According to Ingley and van der Walt (2002, p. 167), competent and skilled board committee members can be viewed as a strategic resource that can establish a strategic connection to various external resources. An effective committee needs «high levels of intellectual ability, experience, soundness of judgment, and integrity,» and having more qualified members would ensure this (Dunphy *et al.* 1997, p. 232-240).

Managing committee members' competencies and firm performances have been found to positively correlate in a number of researches (Dunphy *et al.* 1997, p. 236-242; Hunt 2000, p. 549-575; Oguda 2015, p. 437). Higher qualified committee members are advantageous to the businesses because they bring a variety of skills and abilities to the table (Johl & Salami 2014, p. 97; Carver & Carver 2006, p. 39-53), which fosters varied viewpoints when making decisions (Milliken & Martins, 1996; Biggins, 1999). More qualified members would broaden the committee's knowledge base, encourage members to go beyond their current options, and improve the committee's ability to process challenges more carefully (Ben-Shahar *et al.* 2024).

Members with advanced degrees generally, and degrees requiring a great deal of research and analysis, in particular, will be a rich source of creative ideas for developing policy initiatives with rigor and depth of analysis that will offer distinctive viewpoints on strategic issues (Westphal and Milton 2000, p. 367-369). There is little empirical study relating committee members' educational backgrounds to the performance of the company (Carver & Carver 2006, p. 39-53).

Independence of managing committee is the ability of the members to make decisions independently, free from intervention or influence from outside forces such as politics, duress, personal gain, or conflicts of interest (Ayodeji & Okunad 2019, p. 2-8). According to a meta-analysis by Dalton *et al.* (1998, p. 269-290), there are discrepancies in the findings of the studies considered in the review concerning the association between the independence of the management committee and organizational performances. Some studies (Daily and Dalton 1993, p. 57-68; Baysinger and Butler 1985, p. 191) support an idea that independence of management committee in-

creases organizational performances; while, other studies (Klein *et al.* 2005, p. 769-784; Bhagat and Bolton 2008, p. 257-261) propagates an idea that independence of management committee does not affect organizational performances. Johnson *et al.* (1996, p. 409-438) points out that the managing committee's composition and independence from other influences affects the organization's output by exercising the function of supervision, allocation of resources and strategic roles. Brick and Chidambaran (2007, p. 95) also find that committee's independence oversight activities can increase the firm's value. And this is because committee members can effectively identify managers' opportunistic behavior by monitoring to ensure that organizational behaviors comply with the interests of members across the organization.

A study of Kalyanaraman and Altuwaijri (2016, p. 129-145) expressed that the independence managing committee has a positive link with organizational performance while excess independence is not statistically significant relationship with organizational performance. However, some researchers discovered a negative relationship between independence and performance of banks (Sharifah *et al.* 2018). According to study of Ponnu and Karthigeyan (2010), there is no positive relationship between the independence and corporate performance and the responsibility now is solely on the shoulders of the government to ensure effective corporate governance is maintained throughout the nation. On the other hand, independence of managing committee in running cooperatives adds value to a cooperative by increasing responsibility, offering self-governance judgment, expanding the management's and executive's business network connections, and moderating the hired managers' power and the chairman, which in many organizations is a sufficiently powerful position (Datta 2018, p. 32-39). Based on these empirical reviews, the researcher decided to develop a hypothesis regarding managing committee's independence and organizational performances of cooperative businesses.

In today's business organizations, employees and top management teams become increasingly diverse in terms of age, ethnicity, political orientations, human interactions, and gender, in addition to their diversity in terms of tenure, experience, and educational background (Zubeltzu Jaka *et al.* 2020, p. 1361-1374). Diversity of management committee was described by Hawkins (2022, p. 77-93) as an inherent variability in its composition. Indicators of this diversity include, among others, gender, age, ethnicity, work experience, and organizational participation. Diversity of managing committee members in corporate

governances have been getting significant attentions from researchers. These scholars have made attempts to link the diversity with different aspects within the business organizations, such as organizational innovation (Zhang 2012, p. 686-700), corporate governance (Adams and Ferreira 2012, p. 227-248), and corporate social responsibility. Many literatures in corporate governances have examined the relationship between composition of managing committee and organizational performance (Eisenberg 2017, p. 103-167; Zhang 2012, p. 686-700; Hawkins 2022, p. 77-93). Similarly, there are limited studies conducted in developed countries on relationship between diversity of managing committee of cooperatives and organizational performances (Carter *et al.*, 2007; Kalyanaraman and Altuwaijri 2016, p. 129-145; Hassan & Marimuthu 2018, p. 457-478; Francoeur *et al.* 2008, p. 83-97). Specifically, in spite of the fact that their functional background diversity may be favorable, the empirical study of a sample of 423 female board members from 66 local consumer cooperatives in South Korea indicates that board value diversity can have a detrimental impact on organizational performances (Lee *et al.* 2022, p. 55-81). According to the findings, cooperatives' performance can be enhanced by adding more functionally diverse board members.

2.2.2. MEMBERS' PARTICIPATION AND ORGANIZATIONAL PERFORMANCE

Members' participation in the governance of their respective cooperative may be exhibited in numerous ways. A member may become an elected management or supervisory committee of the cooperative (Act, 2016). The elected member will thus participate directly in the cooperative's governance because the managing committee is responsible to run the cooperatives for which they are elected. The committee is the guarantor of its purpose and its long-term survival (Siebert and Park 2010). A member may also participate more indirectly in this governance during General Assembly (GA). The GA is one of the members' means of expression, ensuring that the cooperative is run democratically according to the principal of «one man one vote» (ICA, 2024). Democracy within the cooperative takes the form of delegated democracy and is based on the results of this election. Nevertheless, cooperative democracy may also be participative. Members can increase their role in decision-making and in the cooperative's political life by taking part in non-statutory instances (section meetings, diverse commissions, etc.). The above types of participation are left to the discretion of each individual. There is no control, no sanction, and no reward or prize linked to farmers' participation to the governance of their cooperative.

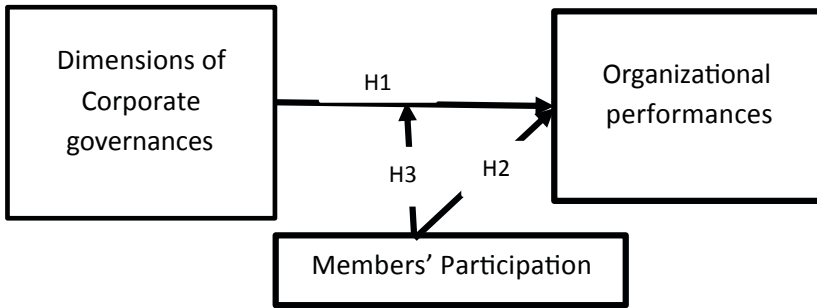
Consequently, a member's participation in the governance of the co-operative is conceptually similar to an organizational citizenship behavior of civic virtue. It is defined as an individual's mobilization and active participation in the life of his/her organization, and the fact of feeling concerned by what goes on within that organization (Organ 1988; Organ, Podsakoff, and Mackenzie 2006).

2.2.3. MODERATING ROLE OF MEMBERS' PARTICIPATION

According to some authors (Osterberg and Nilsson, 2009; Chaddad and Iliopoulos, 2013; Fulton and Giannakas, 2001), members' participation in the governance of cooperatives is often weak, which in turn leads low social engagements, operations efficiency, and financial performances as the result of agency dilemma. The cooperatives' values, offerings, sense of belongingness, and culture are motivating some members to actively participate, but certainly not all of them. Some of the reasons are the large size of cooperatives and the complexity of business activities as apparent by members. Business expansions horizontally and vertically may create a gap between the members and their cooperatives (Iliopoulos, 2005). Often, interests of some members are not reflected sufficiently. Moreover, there is increasing heterogeneity among members and a wide geographical dispersion (Osterberg and Nilsson, 2009). Consequently members at large either do not understand their cooperatives or have little information about them. This weakens the cooperatives' corporate governance (Bhuyan 2007, p. 275-298; Nilsson 2001, p. 329-345), by which it multiplies effect on the social, operations and financial performances of the cooperatives (Albrow 2001, p. 158-162; Bainbridge 2002, p. 79-84; Schneider 1999, p. 44).

2.3. *Conceptual framework*

Based on literatures reviewed in the preceding section, the researchers are trying to propose a conceptual framework for the research project. The framework identifies predictors to be dimensions of corporate governance (i.e., meetings of management committee (MMC), literacy of management committee (LMC), independence of management committee (IMC), and diversity of management committee (DMC), the dependent variables are social, operations, and financial performance of cooperatives (OrP), and the moderating variable of members' participation.



3. Hypotheses

Based on the literatures reviewed and conceptual framework presented above, the authors developed the following three hypotheses.

Hypothesis 1 (H1): There is strong positive relationship between corporate governance and organizational performances of cooperative unions in Ethiopia. Strong corporate governance lead to better social, financial and operations performances of the cooperative unions.

Hypothesis 2 (H2): There is strong positive relationship between members' participation and organizational performances of cooperative unions in Ethiopia. High level of members' participation improves organizational performances by bring into line the cooperative's goals with members' interests.

Hypothesis 3 (H3): Members' participation moderates the relationship between dimension corporate governance and organizational performance of cooperative unions in Ethiopia. Active participation of members strengthens the positive effect of corporate governance on organizational performance of cooperative unions in Ethiopia.

4. Methodology

4.1. Research design and study sample

Research design can be defined as a framework for conducting research project in an efficient and effective manner. It details the procedures necessary for collection, measurement and analysis of information which helps the researcher to structure or solve re-

search problems (Sreejesh *et al.* 2014, p. 93). To examine the moderating role of the members' participation on the relationship between corporate governance and organizational performance of Ethiopian agricultural cooperative unions, explanatory research design was adopted. Explanatory research is carried out to make problem suited to frame a working hypothesis from a operational perspective.

The study used responses of 377 individuals from a sample of 403³ questionnaires distributed to managing committee and members selected using a multistage nonprobability sampling technique. The sample size was computed, approximated and proportionally allocated to each union using Yamane's (1973) sample selection approach. 172 (45.6%) and 205 (54.4%) of the respondents were managing committee and members of the selected unions respectively. This makes the response rate of 95.6% for managing committee and 91.9% for members of the cooperative unions in the study area.

Multistage non-probability and probability sampling techniques were employed to access sample respondents in the study area. The first stage of the sampling mechanism was to select zones from the study area. Here, purposive sampling method was employed to agricultural cooperative unions producing malt barely in the form of contract farming in Oromia regional state. By the virtue that the researcher was working with value chain of malt barely, he had been conducting preliminary studies area. Most of the successful malt barely producer cooperatives are found with the administration boundary of these zones. The zones are also known with agricultural production in the country. For the reason that these zones are top producers of malt barely in the country; the cooperative unions working with malt barely are becoming successful in their relationship with buyers of agricultural products; the farming techniques in these zones are transforming from traditional plough farming to mechanized ones; and the zones are found in different parts of the country to represent. These zones are East Arsi, Bale, South West Showa, West Showa, East Bale, North Showa and West Arsi Zones.

Once the zones are identified, the second stage was to decide on the specific unions from the zones to be selected. The researcher selected agricultural cooperative unions with experiences of working on

³ The sample size was determined by Yemane (1973) and approximated to the next larger whole number for each union

contract farming of malt barely, which is popularly produced among Ethiopian highland farmers. Since in each zone, there are limited number of agricultural cooperative unions are found, it is manageable to collect data from managing committees and members of these unions on corporate governance dimensions and organizational performances.

The third stage is to select target respondents of managing committee and members of the unions. Each cooperative union has primary cooperatives located in different districts and kebeles of the zones. The members of the primary cooperatives are also members of the corresponding cooperative union by default. Hence the target sampling frame was members of cooperative unions selected proportionally from different districts of each of unions. Table 1 below presents zones from which samples were drawn, number of agricultural unions from each zone, number of member and managing committees sampled, and number of questionnaires actually collected back.

Table 1
Unions selected for the study

Administrative zones selected	Agricultural cooperative unions selected	Samples distributed			Samples collected		
		Members	Managing Committee	Total	Members	Managing Committee	Total
West Arsi	4	49	40	92	46	40	86
East Arsi	4	49	40	92	47	38	85
South West Showa	3	37	30	69	36	29	65
Bale	3	37	30	69	39	30	69
North Showa	2	25	20	46	21	17	38
East Bale	1	13	10	23	7	8	15
West Showa	1	13	10	23	9	10	19
Total	18	223*	180	403	205	172	377

* Sampled respondents are approximated to the next larger whole. numbers

Table 2
Variables of the Study

Variables		Nature of Variable	Items	Adopted from
Diversity	DMC	Independent	Age, gender, educational background, experiences (administration, finance or business experience), ethnicity, and religion.	Van der Vegt and Vliert (2005, p. 1171-1182); Jehn, Northcroft & Neale (1999, p. 741-763); Lee, Kang & Lee (2022, p. 55-81)
Literacy	LMC	Independent	The proportion of committee members who are literate	Wagner (2014, p. 161-173)
Independence	IMC	Independent	Independence of managing committees in calling GA, making decision, preparing strategic plan, hiring and monitoring professional managers	Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998, p. 269-290)
Meetings	MMC	Independent	Frequency meetings, attentiveness, participation and minuting	Ramos & Olalla 2011, p. 220-231
Members’ participation	MP	Moderator	Participation in GA, willingness to serve in managing and other committees, hiring other members, prioritizing services of the cooperative to others,	Mahazril’Aini, Y., Hafizah, H. A. K., & Zuraini, Y. (2012)
Organizational Performances	OrP	Dependent	Overall Profitability, Return on asset, members satisfaction with patronage payments, social contributions, meeting objectives	Lee, Kang & Lee (2022, p. 55-81) Franken & Cook (2015)

4.2. Questionnaire and Variables' Measurement

In this study, data were gathered through a questionnaire, a method that is frequently used for extensive studies (Kothari 2003, p. 921-932). The development of the questionnaire adhered to recognized procedures typically employed in questionnaire development, as described by Bougie & Sekaran (2019, p. 312-435) and Sarantakos (1998). In order to build the data collection tool, a reflective measuring scale was employed, where the latent constructs are absolute and unaffected by the measures. According to Coltman *et al.* (2008, p. 1250-1260), the foundation of a reflective measurement theory is the view that the explicit variables are caused by latent variables, and that the mistake makes it impossible to fully explain these measures. To ensure consistency and reliability, the questionnaire was designed with a five-point Likert scale, ranging from 5 (Strongly Agree) to 1 (Strongly Disagree).

This scale was specifically chosen to capture respondents' opinions accurately (Bougie & Sekaran 2019, p. 312-435). The questionnaire aimed to gather self-reported information using enumerators on various dimensions of cooperative governance, members' participation and organizational performances. The dimensions of cooperative governance include meetings of the managing committee, literacy of the managing committee, the independence of the managing committee, and diversity of the managing committee (Van der Vegt and Vliet 2005, p. 1171-1182; Jehn *et al.* 1999, p. 741-763; Lee *et al.* 2022, p. 55-81; Le and Sundaramurthy 2009; Dalton *et al.* 1998, p. 269-290; Ramos & Olalla 2011, p. 220-231). On the other hand, members' participation is reflected in terms of participation in GA, willingness to serve in managing and other committees, hiring others for membership, prioritizing services of the cooperative to others (Mahazril'Aini *et al.* 2012); while, organizational performance was reflected in terms of social, operations, and financial performances (Lee *et al.* 2022, p. 55-81; Franken & Cook 2015). The variables, their nature, and measurements are shown table 2 above.

Before the pilot study, to assess face and content validity of the data collection instrument, a person who is fluent in both English and Afan Oromo answered the questionnaire to verify that it was accurately translated into the local language. After the pilot study, the reliability of the questionnaires was assessed using Cronbach's α coefficient, as suggested by Nunnally (1978, p. 97-146). The results for Cronbach's α coefficient should be $\geq .7$. All items exhibited a Cronbach's α coefficient exceeding .7, indicating that each item showed internal consistency.

4.3. Data Analysis

Data analysis methods comprised of preparing data, after which descriptive and inferential statistics were conducted. Inconsistencies, incompleteness, and gaps in the information gathered from the respondents were eliminated, along with other mistakes in the data. The frequency distribution, mean, and standard deviation were the descriptive statistics employed in this research. All gathered data were entered in to IBM SPSS version 23.0 to facilitate the application of Structural Equation Model (SEM) using AMOS (Analysis of Moment Structures) (Arbuckle and Wothke, 1999). The test involved in SEM are chi-square (χ^2), Normed chi square (CMIN/DF), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA) (Byrne 2001, p. 327-334; and Hair *et al.* 2010, p. 273). In addition to these tests, general statistical tests like composite reliability, construct and discriminant validity, univariate and multivariate normality, and multicollinearity tests were conducted and the results are presented in the study.

5. Findings and Discussion

This section of the research work presents the activities exploratory factor analysis, measurement, and structural model of SEM procedures carried out to in order to test the hypotheses of the study.

5.1. Exploratory Factor Analysis (EFA)

Before testing the structural associations among the variables in the SEM model, **Exploratory Factor Analysis (EFA)** was executed to identify the latent constructs underlying the observed variables. This initial step of the data analysis guaranteed that the variables could be grouped into expressive factors for additional analysis. The EFA was carried out for 377 respondents, which is sufficient size for SEM with four indicators of the independent variable, seven indicators of moderating variables and three indicators of dependent variable (Kline 1998, p. 117). The collected dataset was checked for missing and incomplete values and outliers. No significant issues were found, and the data was deemed to be appropriate for EFA. A Principal Components Analysis (PCA) was employed as the extraction method in the study (Gefen & Straub 2005, p. 73-79); while, Varimax rotation was applied as a rota-

tion method to simplify the factor structure and enhance interpretability (Costello and Osborne 2005, p. 8).

The eigenvalues and scree plot of the EFA indicated that the three factors should be preserved for which they correspond to the independent, moderating and dependent variables of the study. Table 3 below shows the factor loadings of each item under each of the three factors using PCA as an extraction method, Varimax with Kaiser Normalization as a rotation method, and the Rotation converged in 6 iterations (Gefen & Straub 2005, p. 73-79).

Table 3 presents the rotated component matrix from a Principal Component Analysis (PCA) using Varimax rotation, showing the loadings of various items. As discussed in the conceptual framework above, the items are three for organizational performances, seven for the moderating variable and four for the independent variable. The items with their corresponding component are:

1. **Dimensions of Corporate Governance (IV):** Indicators related to dimensions corporate governance are MMC, LMC, IMC and DMC. They have strong loadings on the component of dimension of corporate governance, with values as high as 0.862 for MMC, 0.769 for LMC, 0.739 for IMC, and 0.833 for DMC.
2. **Members' Participation (Moderator):** Indicators related to members' participation are MP1 to MP7. They show strong loadings here, mainly MP7 (0.850) and MP6 (0.791), suggesting this component reflects member contribution the affairs of the cooperative unions.
3. **Organizational Performance (DV):** Indicators related to organizational performance are SP, OP, and FP. They have the highest loadings on this component, especially FP (0.871), stressing its role in evaluating organizational performance of the unions.

Conclusively, this analysis shows the clear difference between the three factors, with strong correlations within each, indicating a well-defined structure in the dataset.

At the end of the EFA, each factor was assessed for internal consistency, construct and discriminant validity by using, respectively, **composite reliability (CR), average variance extracted (AVE) and maximum shared variance (MSV)** (Hair *et al.* 2010, p. 277). **The values indicated that reliability and validities are not a major concern for all the constructs in the study.**

Table 3
Rotated Component Matrix^a

Items	Component		
	Dimensions of Corporate Governance (IV)	Members' Participation (Moderator)	Organizational Performance (DV)
SP	.076	.184	.781
OP	.132	-.218	.815
FP	-.078	.335	.871
MMC	.862	-.108	.188
LMC	.769	.342	.321
IMC	.739	.268	.136
DMC	.833	-.132	-.086
MP1	.061	.660	.233
MP2	-.162	.778	.128
MP3	.288	.659	.311
MP4	.093	.753	-.182
MP5	.054	.656	-.104
MP6	-.109	.791	-.095
MP7	.083	.850	.154

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

5.2. Measurement Model

A confirmatory factor analysis (CFA) using partial least squares is used to analyze a measurement model of the variables in this study. CFA seeks to statistically test the significance of a hypothesized factor model developed by the researcher in the study. It was performed to validate the factor structure identified in the EFA above in subsection 4.1. As seen from table 4 below, the results of CFA indicates that the measurement model of SEM has acceptable model fit indices in terms of χ^2 , CMIN/DF, IFI, TLI, CFI, and RMSEA (Byrne 2001, p. 327-334; and Hair *et al.* 2010, 273).

Table 4 presents the goodness-of-fit statistics for the model, showing both initial and final values after iterative model modifications, and compares the results to the recommended values for a good fit. Accordingly, a final χ^2 value of 166.256 with 97 degrees of freedom and a p-value of 0.000 is acceptable; while, a final CMIN/DF

value of 1.714 is within the recommended range of $1.0 < \chi^2/df < 3.0$, which suggest a good fit (Hair *et al.* 2010, p. 273). Similarly, final values of IFI, TLI, and CFI are respectively 0.922, 0.889, and 0.919. They are close to or more than the recommended threshold of 0.90, which suggest a good fit, though TLI is just slightly below the ideal value. Finally, the final value of RMSEA is 0.044, which is below the recommended threshold of 0.08, suggesting an excellent fit of the model (Byrne 2001, p. 327-334).

Conclusively, the model exhibits an overall good fit, since most indices meet or closely meet the recommended values. The minor deviations from the threshold for TLI can be considered tolerable, which indicate that the model is adequate for the dataset (Morgan *et al.* 2019, p. 329-356). For the same reason, since the CFA results indicated an adequate fit, the measurement model was considered suitable for testing the structural association among the variables.

Table 4
Goodness-of-fit statistics for the constructs

Indices	Initial values	Final values (after model modifications)	Recommended value of good-fit of the model	Decision
χ^2	264.373, 129, .000	166.256, 97, .000	χ^2 , df, p. <0.05	Acceptable
CMIN/DF	2.049	1.714	$1.0 < \chi^2 /df < 3.0$	Acceptable
IFI	.873	.922	>0.90	Acceptable
TLI	.846	.889	>0.90	Closely Acceptable
CFI	.871	.919	>0.90	Acceptable
RMSEA	.053	.044	< 0.08 good fit	Acceptable

5.3. Structural Model

Following the EFA and CFA validation conducted in the preceding subsections, Structural Equation Modeling (SEM) was carried out to test the hypothesized associations among the independent, moderating and dependent variables in the study. The SEM model applied the maximum likelihood estimation approach for its testing.

Aggregating the individual items of dimension of corporate governance was made using SPSS by computing a mean score of DimCG.

These individual items are meetings of managing committee, literacy of managing committee, independence of managing committee, and diversity of managing committee. The mean for DimCG was calculated as the average of the scores for these four items, which simplifies the analysis by reducing multiple indicators into a single, comprehensive measure of dimension of corporate governance (Morgan *et al.* 2019, p. 329-356; Abu-Bader 2021, 478). The composite score of MimCG represents the overall dimensions corporate governance as measured by these specific indicators. Similarly, for the moderating variable of members' participation, which was denoted by MPart, the mean score was computed from the individual indicators MP1-MP7 (Abu-Bader 2021, 456). The consolidated score of MPart serves to capture the general level of participation across its different indicators. By using composite scores, the analysis becomes more manageable and interpretable in statistical modeling for the fact that the composite scores for DimCG and MPart provide clearer intuitions into the relationships between these constructs and dependent variable (organizational performance), and can be easily included in structural equation modeling (SEM).

In SEM, a crucial step is mean centering especially when a moderator is part of the model. Mean centering helps to reduce potential issues with multicollinearity and it improves the interpretation of the moderating effect in the model (Iacobucci *et al.* 2017, p. 403-404). It also reduces the scale of the variables, which supports improve the numerical stability of the SEM model estimation process (Kline 1998, p. 117). Mean centering is the process of deducting the mean of a variable from each individual data point of that variable. In the study, mean center for dimension of corporate governance and members' participation were computed and respectively, denoted by DimCC (Center mean of dimension of corporate governance) and MPCC (centered mean of members' participation).

Once mean centers for independent and moderating variables are computed, the next step is to determine an interaction between an independent variable and a moderator to create an interaction term (Iacobucci *et al.* 2017, p. 403-404). The interaction term is the product of centered mean of IV and centered mean of the moderator. It represents the moderating effect, which shows how the relationship between the IV and the DV changes at different levels of the moderating variable (Iacobucci *et al.* 2017, p. 403-404). In the study, the interaction term was computed by multiplying DimCC and MPCC corresponding to each of the data point. The product was denoted by InterDimCC_MPCC as shown in the following tables and figure. In ad-

dition to model fit indices, the CFA resulted in correlations and covariances, regression coefficients, reliability and validity results, normality and multicollinearity results, and structural paths to be used for testing hypotheses of this research.

5.4. *Correlation and covariances*

Table 5 and table 6 show the covariances and correlations among the explanatory variables. The tables show that that the relationship between the dimension of corporate governance and members' participation is significant and positive with a correlation coefficient of 0.459. In other words, there is a significant positive covariance between MPCC and DimCC, indicating a meaningful relationship with covariance estimate of 0.193, standard error of 0.024, and critical ratio of 8.095. Similarly, the relationship between the dimension of corporate governance and the interaction term weak and positive with correlation coefficient of 0.098; while, the relationship between the members' participation and the interaction term is weak and negative (−0.078).

Table 5
Covariances

			Estimate	S.E.	C.R.	P	Label
MPCC	<-->	InterDimCC_ MPCC	−.024	.016	−1.507	.132	
MPCC	<-->	DimCC	.193	.024	8.095	***	
InterDimCC_ MPCC	<-->	DimCC	.032	.017	1.898	.058	

5.5. *Path diagram and regression coefficients*

Figure 1 shows path diagram of DimCC, MPCC, and InterDimCC_ MPCC on the OrPer (Organizational performance) which is being reflected in terms of FP (financial performance), OP (operations performance), and SP (social performance). Results of standardized regression weights from the SEM, with their corresponding S.E. (standard error), C.R. (critical ratio), and p-value are presented in table 5 below.

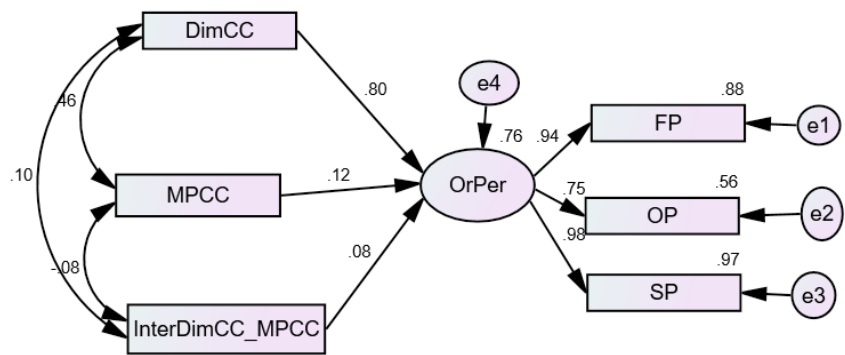


Figure 1
Path diagram of the variables

As shown in both Figure 1 and Table 6, the relationship between dimension of corporate governance (denoted by DimCC) and organizational performance (denoted by OrPer) is positive and highly significant, which indicate that for every one-unit increase in DimCC, OrPer increases by 0.802 units. The high C.R. value of 23.710 also indicates a very strong and statistically significant effect at $p < 0.001$.

Figure 1 and Table 6 also show that Members' Participation (MPCC) has a positive relationship with organizational performance (OrPer), though the effect is smaller than the former. For every one-unit change in MPCC, OrPer increases by 0.118 units. The relationship is also statistically significant at $P < 0.001$ and a high C.R. value of 3.895.

Finally, the interaction term (denoted by InterDimCC_MPCC) between DimCC and MPCC has a significant positive effect on OrPer. This means that the combined effect of dimension of corporate governance and members' participation on organizational performance is significant, which means for each one-unit increase in this interaction, OrPer increases by 0.078 units. The effect is also statistically significant at $p = 0.004$.

Table 6

Standardized regression weights

			Estimate	S.E.	C.R.	P	Label
OrPer	<---	DimCC	.802	.036	23.710	***	
OrPer	<---	MPCC	.118	.034	3.895	***	
OrPer	<---	InterDimCC_MPCC	.078	.038	2.909	.004	

5.6. Moderating effect

The moderating effect in the model was tested based on Baron and Kenny’s (1986, p. 1173) procedure (see Figure 1 and Table 6). In order to test the moderating effect, interaction term is created by multiplying the independent variable (dimension of corporate governance denoted by DimCC) with the moderating variable (members’ participation denoted by OrPer). The interaction term was entered after controlling all the main effects of the independent variable and the moderator. If the interaction term significantly contributes to the variance of the dependent variable after controlling the main effects, it signals the existence of moderating effects. To avoid the multicollinearity associated with the use of interaction term, the interaction term between the moderator and the independent variable was created after standardizing both the independent and moderator variables (Aiken and West 1991, p. 29). As shown in both Figure 1 and Table 6, the interaction term’s impact on the organizational performance was not significant at p. value of .005. However, it is significant at p. value of .001.

6. Testing the hypotheses

H1: «There is strong positive relationship between corporate governance and organizational performances of cooperative unions in Ethiopia» is acceptable. The beta value ($\beta=0.802$), standard error (S.E.=0.036), and critical ratio (C.R.= 23.710) confirm the relationship between the dimensions of corporate governance and organizational performance. This is in line with previous studies (i.e., Ramos & Olla 2011, p. 220-231; Ntim and Oseit 2011, p. 83-103; Mehdi 2007, p. 1429-1444; Dunphy *et al.* 1997, p. 232-244; Hunt 2000, p. 549-575; Oguda 2015, p. 438-452).

H2: «There is strong positive relationship between members' participation and organizational performances of cooperative unions in Ethiopia» is also acceptable. Similarly, the beta value (0.118), the standard error (0.034), and the critical ratio (3.895) validate the hypothesis. This finding is aligned with some previous research findings (i.e., Arayesh 2011, p. 560-566; Morfi *et al.* 2021, p. 264-285).

H3: «Members' participation moderates the relationship between dimension corporate governance and organizational performance of cooperative unions in Ethiopia» is not acceptable at 0.05, but acceptable at a 0.01 level of significance. Though, the moderating effect is weak, this finding supports previous studies of Bhuyan (2007, p. 275-298) and Nilsson (2011, p. 329-345).

7. Summary

The research tried to examine the moderating role of member participation on the relationship between dimensions of corporate governance and organizational performances using a case study of selected Ethiopian Agricultural cooperative unions. An explanatory research design was used to collect data from 377 respondents across 18 agricultural multipurpose cooperative unions mainly found in malt barely producing zones of Oromia state, Ethiopia. A multistage sampling technique supported by non-probability purposive sampling approach to selected the sampled unions and target respondents.

Data were collected using a structured questionnaire designed through psychometric procedures, which were validated using face, content, and reliability tests at Cronbach's $\alpha > 0.7$.

The variables measured in the study include managing committee diversity, independence, literacy, meetings, members' participation, and performances of the cooperative unions (socially, operationally, and financially).

The data analysis combined the Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM) using software of SPSS and AMOS version 23.0.

The findings confirmed that there are three distinct latent constructs: corporate governance, organizational performance, and members' participation. The EFA and CFA indicated that these three constructs are reliable.

The SEM results showed:

- There is strong positive relationship between corporate governance and organizational performances of cooperative unions in Ethiopia.

- The beta value ($\beta=0.802$), standard error (S.E.=0.036), and critical ratio (C.R.= 23.710) confirm the relationship between the dimensions of corporate governance and organizational performance.
- There is strong positive relationship between members' participation and organizational performances of cooperative unions in Ethiopia. The beta value (0.118), the standard error (0.034), and the critical ratio (3.895) validate the hypothesis.
 - Members' participation moderates the relationship between dimension corporate governance and organizational performance of cooperative unions in Ethiopia 0.01 level of significance, but not at 0.05.

8. Conclusion and future research directions

The primary objective of this research was to examine the mediating role of members' participation on the relationship between dimensions of corporate governance and organizational performances in terms of social, operations, and financial performances of Ethiopian Agricultural cooperative unions.

The research highlighted the critical role of corporate governance dimensions in improving organizational performance of agricultural cooperative unions in Ethiopia. Based on corporate governance theories such as stakeholder, agency, stewardship, and social capital theories, the study reveals that there are multidimensional relationships among corporate governance dimensions, members' participation and organizational performance in Ethiopian agricultural multipurpose cooperative unions. The agency theory proposition that effective corporate governance brings into line the interests of members (the principals) and managing committees (the agents) is being supported by the strong positive relationship between corporate governance dimensions (i.e. managing committee independence, diversity, literacy, and meeting) and cooperative performance. In line with the stakeholder theory which emphasizes the benefits of inclusive corporate governance practices, the study found that there is a moderate positive association between members' participation and organizational performances. This is because, cooperative unions' members and other stakeholders' meaningful participation enhances good corporate governance practices, which in turn improves cooperative performances. On the other hand, the moderating role of members' participation on the governance and performance relationship was relatively weak, though it is still statistically significant, which indicates that members' participation alone

does not guarantee improved organizational performances. This complication resonates with a theory of stewardship, which suggests that members' participation in organizational governance day to day practices may foster trust and shared commitments, but its fruitfulness depends on different contexts. Sound corporate governance practices, supported by empowered members' engagement, can generate synergistic effects which force cooperative unions' successes. However, in order to move beyond the symbolic engagements, cooperative unions must work on institutionalizing participatory mechanisms so that members would actively participate in strategic decisions of the organization. Such institutional works include inclusive policies, capacity building practices, responsive and prompt feedback systems that would trigger active participation from members.

This research, as is the case with all other researches, has some limitations. One of the limitations could be its generalizability. Since this research was conducted in the context of selected unions in Ethiopia, generalizing to others is not suggested, rather retesting in additional contexts is recommended.

The study highlights several key areas for future research. One critical research area involves broadening conceptualization of corporate governance beyond the internal managing committee dimensions to include factors such as accountability, transparency, and leadership practices. Similarly, the finding that members' participation has a relatively weak moderating role indicates a need for deeper investigation of obstacles such as cultural norms, power imbalances, and organizational limitations. Qualitative approaches such as in-depth interview, focused group discussion, and ethnographic studies could bring rich insights into such inconsistent effect of members' participation.

Furthermore, the cross sectional design of the study could limit possible causal inferences, emphasizing the relevance of longitudinal design that tracks corporate governance, organizational performance and members' participation over time. Further study is also required to assess the role of external forces such as government policies, market pressures, and cultural norms in influencing the internal corporate governance practices, by using the framework of governance theory of resource dependency. Taking into account the study's research areas and crop type, comparative studies across different regions and sectors is important to assess the generalizability of the research finding.

Finally, exploring how gender and age affects corporate governance and members' participation in traditional and aging cooperative unions' context is very important to promote inclusiveness and sustainability in corporate governance models in cooperative unions.

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