

PROJECT PRESENTATION

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AXIS 1 : Governance of Financial Cooperatives



PROJECT 1

THE DIVERSITY OF COOPERATIVE MODELS AND OF GOVERNANCE MODELS IN THE BANKING SECTOR

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For the academic world, the media and the general public, there is a difference between cooperative banks and the others. Cooperative banks share a certain number of qualities, notably an organisational anchorage around the definition of the cooperative member. However, is it possible to affirm the perfect equality between cooperative banks? What happens when the focus is put on their organisational models and governance?

This is a three-fold research axis. The first-fold objective aims to bring evidence about the diversity of the cooperative banking organisation and governance models. Attention is focused on the banks' decision-making structure by distinguishing three decisional levels: local, regional and national. As such our tenet implies studying cooperative banks governance strictly through the management decision-making process. The decision –making process involving the elected members in the assemblies is not put aside or ignored but as a first step it is considered more as a back up to the management decisions. The first results force us to reconsider this basic premise.

A few elements showed in the research have already been part of a dissemination step through the writing of an expert report, a working paper and the participation at a congress:

- We have studied the particular organisation context of cooperative banks bringing new elements to the classical literature on finance and banking activity, which often considers the financial cooperative world as a homogenous one. More pragmatically the research enabled the building of a cooperative bank's typology based on different hierarchical levels with when necessary the integration of comments concerning the control and owner structure.
- We have proposed a group of various criteria for the performance evaluation: financial, client, HR, cooperative performances. Then we associated them with different organisational and governance models.

Two additional folds complete the first research.

The second-fold objective is to assess and discuss the decisional influence of the political structures (the elected member assemblies) on the management strategic decisions. The point is to test the possibility for a professionalization of these assemblies. Expert members, capable to challenge the bank management, would manage the assemblies in order to improve the general practices and to set up the organisational training both for the elected members and for the managers.

The third-fold objective is to analyse the consequences of the new regulation since, through the new evaluation measures, it tends to reduce the banking model diversity and could make the cooperative model disappear. This last part questions the meaning of evaluation and of the criteria choice. In fact performance

indicators should be easy to assess, interpret and be fairly applied. However, the evaluation systems should not be limited to the assessors' use but also to the targeted entities, in this case the financial institutions. Surely a certain degree of governance models homogeneity may be desirable, helping for a better understanding and a less risky evaluation. However, could this be a sufficient argument to diminish the diversity of models?