



Agents or stewards in community forestry enterprises? Lessons from the Mayan Biosphere Reserve, Guatemala



Dora Carias Vega*, Rodney J. Keenan

School of Ecosystem and Forest Sciences, The University of Melbourne, 221 Bouverie Street, Carlton, VIC 3053, Australia

ARTICLE INFO

Article history:

Received 15 May 2015

Received in revised form

10 December 2015

Accepted 15 December 2015

Keywords:

Community forestry enterprises

Mayan Biosphere Reserve

Principal–agent relationships

Stewardship

Agency

Embeddedness

ABSTRACT

Community forestry enterprises are increasing participation in forestry activity and have become a favoured approach for reaching goals of conservation, poverty reduction and community development. Much has been written about the importance of supportive policy frameworks, technical assistance, the broader market in which these enterprises operate and the need for more significant control by communities over forests and their benefits through secure resource rights as key points of action. However, there is still a considerable knowledge gap in terms of understanding their organizational behaviour and how it affects the accomplishment of their goals. This paper takes a first step in filling this gap and analyses managerial behaviour in CFEs through the use of theories on principal–agent relationships. Data collected from CFEs in the Mayan Biosphere Reserve in Petén, Guatemala reveal important insights about managerial behaviour in these firms and how embeddedness of the CFE within the wider community plays a major role in managerial decision-making. Several policy implications are derived from these findings.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

Community forestry enterprises (CFEs) are increasing in participation in the forestry sector of many developing countries (Molnar et al., 2011). CFEs are commercial, for-profit entities with additional objectives of conservation, poverty alleviation, development, cultural revitalisation and political empowerment (Berkes and Davidson-Hunt, 2007; Peredo and Chrisman, 2006). CFEs are often established under broader policies that allocate forest ownership or management rights to communities. The aim of these policies is to improve forest governance by devolving decision-making to the local level and to redistribute the wealth derived from timber to poor communities living in forested lands (Sunderlin et al., 2005). This can have significant poverty alleviation, development and conservation impacts (Wunder, 2001; Stoian et al., 2009; Welter, 2011; Taylor, 2010). Ownership, management, and governance of these enterprises are supposed to lie in the hands of community members (Peredo and Chrisman, 2006). The community that serves as the base for these enterprises is self-defined.

Unfortunately CFEs frequently experience organizational problems such as corruption, mismanagement and elite capture that

compromise their ability to achieve their goals. Bringing together groups of peasants or *campesinos* with little education to work collectively in a productive enterprise has posed considerable challenges (Nittler and Tschinkel, 2005). These groups have faced problems in designing and implementing mechanisms to marshal labour, make decisions collectively, administer transparently, distribute benefits and responsibilities equitably, define and enforce rules, and apply sanctions (Pacheco et al., 2008b). Mismanagement and corruption have deepened existing economic inequities and forest degradation (Antinori and Bray, 2005). Appropriation of forest benefits by local social elites is also commonplace and triggers conflicts over control (Ezzine de Blas et al., 2011; Nygren, 2005; Foresttrends, 2013).

In proposing solutions for CFEs, the literature on community forestry has highlighted the importance of a supportive policy framework, technical assistance, the broader market in which these enterprises operate and the need for more significant control by communities over forests and their benefits through secure resource rights as key points of action (Radachowsky et al., 2012; Pacheco et al., 2008a; Monterroso and Barry, 2012; Sunderlin et al., 2005; Taylor, 2010). Effective organization has also been cited as a crucial element in successful community natural resource management (Taylor, 2010) but there has not been as much focus on this topic for CFEs. While Carias Vega and Keenan (2014), Antinori (2005), Antinori and Rausser (2008), Antinori and Bray (2005) have

* Corresponding author. Fax: +61 3 9349 4218.

E-mail address: doracv@student.unimelb.edu.au (D. Carias Vega).

all used a new institutional economic theory to analyse various organizational aspects of CFEs mostly using data from Mexico, there is still a major gap in the application of current management and organisational theory to understand the internal behaviour of these firms. This body of theory has been widely used to understand behaviours in similar types of organizations such as non-profits and family firms (see for example (Breton-Miller and Miller, 2009; Van Puyvelde et al., 2012; Chrisman et al., 2007; Caers et al., 2006)). A key aspect of organization is principal-agent relationships within firms and how they affect the firm's behaviour and performance. The main questions often being asked from this perspective are: (i) what motivates decision-makers in firms and (ii) are opportunism and personal gain or altruism and generosity more dominant and (iii) what explains these differences in motivation?

This paper addresses these questions for community enterprises through the investigation of managerial motivations and practices in CFEs in the Mayan Biosphere Reserve (MBR) in Guatemala. This setting is considered a valuable case study for researching this topic because a community forest concession and enterprise model has been in place for part of the Reserve since the 1990s (Barsimantov et al., 2011; Monterroso and Barry, 2007).

The key questions addressed in this study were:

- a) What types of managerial behaviour are present in community forestry enterprises in Guatemala?
- b) Are these behaviours consistent with management theory? Why or why not?
- c) What are the implications of these results for policies to support the development of CFEs?

This paper is organised in as follows: the second section summarises theories on principal-agent relationships; the third section introduces the study site and provides background on Guatemalan CFEs; the fourth section describes the methods; the fifth section presents results and the sixth section discusses these results in light of theory and considers policy implications. The final section presents the main conclusions and an areas requiring further research.

2. Theories on principal-agent relationships

Most organizations, whether for profit or not-for-profit are characterised by principal-agent relationships. In principal-agent relationships, one or more persons known as principals, delegate decision-making authority to another, known as the agent. In the context of firms, the most studied principal-agent relationship is that between owners (principals) and the manager or managers (agent).

Competing theories make different predictions on how managers will behave when entrusted with decision-making responsibility by owners. Agency theory (Fama and Jensen (1983) and Jensen and Meckling (1976)) assumes that self-interest is the only motivator of individuals and they will attempt to increase wealth or avoid work given the opportunity. Stewardship theory, on the other hand, is derived from the work of psychologists who argue that humans are driven by higher level needs such as self-actualization, social contribution, loyalty and generosity (Breton-Miller and Miller, 2009).

2.1. Agency vs. Stewardship

Jensen and Meckling hypothesized that organizations are made up of wealth-maximising individuals who make decisions independently from others within the organization and ignore the impact of interpersonal dynamics (Kluvers and Tippett, 2011). Agency the-

ory predicts that when managers are not owners, when ownership is separated from control, they may not be as careful or diligent in managing the affairs of the firm as when owners also have control over management decisions (Chrisman et al., 2004). The theory assumes goal divergence on the part of the contracted agent (Van Slyke, 2007): individuals are opportunistic and they constantly aim to maximize their own interests even when these decisions may jeopardise the well-being of principals. Divergent goals and asymmetric information lead to conflicts of interest between the agent and principal. Information asymmetries make it possible for agents to engage in activities that threaten firm performance and damage welfare of all parties involved (Schulze et al., 2001). Bounded rationality limits the possibility of writing contracts that can foresee managers' behaviour in all future circumstances, even if their actions were easy to observe (Chrisman et al., 2007).

Agency theory has identified two main types of principal agent problems: adverse selection and moral hazard. Adverse selection is a result of asymmetric information prior to writing a contract, when there is uncertainty about an agent's preferences over outcomes (Rauchhaus, 2009). The principal inadvertently contracts with an agent who is less able, committed, industrious or ethical than expected or whose interests in general are less compatible with the principal (Chrisman et al., 2004). Moral hazard occurs when there is asymmetric information during the contracting period, and is due to 'hidden actions' or behaviour that is difficult for the principal to observe or monitor (Rauchhaus, 2009). Moral hazard involves commission or omission of actions that work in the interest of the agent but against the principal (Chrisman et al., 2004). Examples of moral hazard include shirking, consumption of perks and misallocation of resources. Agency costs represent the costs of all activities and operating systems designed to ensure alignment of interests and/or actions of managers with those of the owners (Chrisman et al., 2004). Costs incurred in addressing adverse selection include search and verification costs, while to control for moral hazard the use of incentives, punishments, bonding, and managerial processes is often necessary (Chrisman et al., 2004).

Jensen and Meckling (1976) predict that there are certain types of organizations that, at least theoretically, have a 'built in' advantage with respect to these costs. If there is close alignment or identity between the interests of owners and managerial agents, agency costs become advantageously low (Miller and Breton-Miller, 2006). Owner-management naturally aligns owner-managers' interests about the firm's growth opportunities and risk (Schulze et al., 2001). However, Chrisman et al. (2004) and Schulze et al. (2001) warn that certain types of owner-managed firms such as family businesses can face agency problems ignored by the Jensen-Meckling model. Schulze et al. (2001) point that owner-managed firms are exposed to agency threats when private ownership and management reduce the effectiveness of external control mechanisms. Private ownership increases the costs of monitoring firm performance because the market does not determine share price. Postcontractual agency threats associated with 'hidden actions', i.e. moral hazard emerges in this context. In the absence of market discipline, it is difficult for adjustment to take place until problems have become severe or unsolvable (Jensen, 1993). Self-control problems or 'agency problems with one's self' have been identified as a particular source of moral hazard in owner-managed firms that operate outside the discipline imposed by competitive markets, specifically privately-held family firms (Lubatkin et al., 2005). When firms are isolated from competitive capital markets, owner-managers enjoy unchallenged discretion to use the firm's resources as they see fit, giving them an incentive to advance personal well-being at the expense of other stakeholders (O'Donoghue and Rabin, 2000). Those in leadership positions might make decisions and engage in activities that compromise their own welfare and the welfare of those who depend on them to be reliable,

Download English Version:

<https://daneshyari.com/en/article/6547466>

Download Persian Version:

<https://daneshyari.com/article/6547466>

[Daneshyari.com](https://daneshyari.com)