

AGRICULTURAL CO-OPERATIVES: RESEARCHING MEMBERS' PERCEPTION OF IMPORTANT ISSUES OF CO-OPERATIVES ON THE EXAMPLE OF SERBIA

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ABSTRACT

This study is devoted to members' perception of several important issues of co-operatives: leadership, members' motivation, knowledge and skills and the role of the state. The research was conducted in Serbia and encompassed 228 members of 11 co-operatives. For the needs of the research a questionnaire with 1-5 response Likert-type scale was made. The hypotheses were proved by a chi-squared test and Pearson's coefficient of linear correlation was used for the analysis of the connectivity of variables. The research has shown that according to the perception of the members of co-operatives leadership is necessary for a successful running a co-operative and co-operative development. Co-operative members would like to work closely with the co-operative and realize their income under equal market conditions through their co-operative. Furthermore, it is shown that appropriate knowledge and skills are needed for administrative and professional activities. The last researched issue according to members' perception is that the co-operative system in Serbia is not adequate or sufficiently supported by the state.

Key words: Agricultural co-operatives, co-operative member, leadership, members' motivation, knowledge and skills, the role of state, Serbia.

INTRODUCTION

The basis for co-operative formation is a voluntary association and the practice of self-interest. Zeulli and Cropp (2004) emphasize that co-operative members are its most important asset. According to Panagiota and Nastis (2011) the primary goal of all co-operatives is the welfare of their members by improving their economic, social and cultural positions.

Many authors have researched the factors affecting success or failure of agricultural co-operatives. Hakelius (1996) highlights active members' participation and loyalty to the co-operative. According to Abdelrahman and Smith (1996) the cause of the researched co-operative failure was the lack of members' motivation in collective action. Adrian and Green (2001) note the knowledge of members on the principle of co-operatives and their commitment to these principles as the parameters of success. Ziegenhorn (1999) points out leadership, knowledge and selection of network participants.

According to Mashima, 2005 (in: Hekmat, 2011) the lack of professional possibilities for training and facilities necessary for the operation of co-operatives, the lack of committed leadership and expert employees, the lack of co-operational activities at the national level, the lack of specific policies and guidelines in the public and co-operative sectors for the co-operatives' development are some of the problems of co-operatives in Asia.

The study of Serbian Association of Agricultural Economists – SAAE (2011) outlines some of the negative factors of Serbia's agricultural co-operatives: inappropriate education of the members of co-operatives on contemporary agriculture and agricultural co-operatives; agricultural producers are not adequately motivated for joining co-operatives; co-operative managers work mostly for fixed salary; institutional neglect of co-operatives was observed at the national level. Garnevska *et al* (2011), researching farmer co-operatives in Northwest China, summarize the success factors: legal environment and government policy, co-operative initiator and leadership, co-operative members, co-operative governance, co-operative management and training and education.

Perceiving the problems of co-operatives and collective entrepreneurial efforts in literature, we concentrate on the following topics: leadership, members' motivation, knowledge and skills and the role of a state. Leadership in co-operatives includes the process of reaching consensus and then following through with the group's decisions. Leadership problems occur when a co-operative fails to select the leader that chooses the most efficient policy for the organization and where the efficiency is defined by what is best for the members (Fulton, 2001). Banaszak (2008) states that leadership contributes to saving on internal transaction costs, facilitates coordination, makes monitoring and punishing more feasible, and has a positive impact on forming successful farmer co-operatives. Forgacs (2008) emphasizes the confidence in the leader as one of the

main reasons why certain co-operatives were able to survive.

Co-operative members are the owners of organizations, but at the same time they are suppliers or buyers. According to Bijman and Verhees (2011) farmers have become more critical towards a co-operative and they have more alternatives for buying inputs and selling their outputs. Surely, co-operatives are necessary for their members for efficient operations, planning, capital contribution and participation in organization management (Österberg and Nilsson, 2009). Fulton and Giannakas (2001) propose that people are willing to show high commitment to a co-operative when the co-operative is perceived to act effectively as their agent.

The lack of knowledge and skills in co-operatives is perceived as one of the factors of (un)success (Keeling, 2004; Nyoro and Ngugi, 2007). Ortmann and King (2007) point out as crucial the basic business skills for all members, so that they can be informed participants in strategic decisions and management oversight. Also, co-operatives need competent managers. According to Amini and Ramezani (2007) managers' expertise and appropriate management training are essential for the success of co-operatives. Besides, co-operatives have employees that perform different professional tasks that also need training and skills improvement.

State relations to co-operatives are the subject of a long debate in co-operative theory and practice. According to Laidlaw (1980) state has to encourage, support and sometimes provide co-operatives with financial help, but never to dominate, direct and try to manage. State aid may often be needed when it comes to depressed areas (Zakić-Vujatović, 2000). Fairbairn (2000) considers the autonomy of co-operatives to be a matter that must be respected if they are to function effectively. In the developing countries co-operative sector has been associated with planned intervention of the state but with the liberalization of the economy, co-operatives were given more room, especially in Africa, to run their affairs (Shaw, 2006; Wanyama, 2008).

MATERIALS AND METHODS

In this study the following hypotheses are set: H1: Leadership is necessary for the success and development of a co-operative from the co-operative members' perception.

H2: Co-operative members, under the equal market conditions, prefer earning their income through their co-operatives and not independently (if there are no consequences regarding the membership in co-operatives).

H3: Co-operative members are aware that appropriate knowledge and skills are necessary for different administrative and professional activities.

H4: Co-operative system at the national level does not function the way co-operative members would like.

The first three hypotheses are proven by replying to one question. The fourth hypothesis is proven by replying to two questions. The research for this paper was carried out in the period between mid-October and the end of December, 2011 and it included 228 respondents – co-operative members from 11 co-operatives. The members were mostly male (190) high-school graduates (174). According to age structure, more than half respondents belonged to the group 30 to 50 (56%). 44% of them were evenly represented in the group up to 30 years of age and the group aged 50, (with the predominance of older respondents by 5%). Representation of the respondents in the governing bodies of co-operatives is relatively small (16 respondents). They worked as presidents of Boards of Directors and presidents of co-operative members' Assembly.

The data were collected through the questionnaires consisted of questions upon which we were testing the hypotheses. The questions in the questionnaire were in the form of statements that the respondents agreed, i.e. disagreed with, using 1-5 response Likert-type scale. The received data were treated in two ways – as discontinuous and continuous variables.

Firstly, the data were analysed by a chi-squared test (χ^2). The chi-squared test is a statistical method that is used when processing discontinuous variables for calculating statistical significance of differences in empirical frequency according to the variable in comparison to expected frequency (under the null hypothesis). For the analysis of connectivity of variables, Pearson's coefficient of linear correlation (r) was used.

RESULTS

This work has studied: the importance of a leader from co-operative perspective; the motivation of co-operative members through the possibility of making choice in generating revenue, both through a co-operative or individually (under equal market conditions); the perception of co-operative members of administrative and professional activities and the treatment of co-operatives on the national level, i.e. the state support from the members' point of view.

During the data processing, by using the chi-squared test, the data were processed in two phases. In the first phase, each degree of the scale was treated as one category. Under this, finer differentiation of responses, it turned out that the frequency differences within each of the questions were statistically significant. That is shown in Table 1.

Table 1. Chi-squared values (5 categories)

Chi-squared	Df	p	N
136.185	3	<=0.01	228
157.482	4	<=0.01	228
179.763	4	<=0.01	228
168.009	4	<=0.01	228
189.939	4	<=0.01	228

Since the respondents had the possibility to choose “undecided” when answering a question by choosing the middle (third) category, it was left out in the second phase of processing and choosing “agree” and “strongly agree” with the statement (the forth and fifth category), as well as “disagree” and “strongly disagree” (the first and the second category) were joined into one category of agreement and disagreement. The purpose of that is to get a more precise overview of the structure of respondents’ opinions and that is the origin of the variability in the sample size on which statistical analysis was done in the second phase. The following results were gathered in the second phase of processing.

The respondents confirmed that, in their opinion, a leader is needed for success of the co-operative, as well as to lead a co-operative development. Positive responses on the necessity of having a leader were given by as many as 96.1% of the respondents ($\chi^2 = 174.249\%$, $N=205$, $df=1$, $p<=0.01$). According to this, H1 is accepted.

Co-operative members (93.8%) prefer realising their annual income through co-operatives, of course under the same market conditions as if they did it

independently. Although they are aware of the fact that market conditions are of crucial importance and that there will be no consequences on the co-operative membership if they realise their income independently, they choose to join a co-operative ($\chi^2=147.000$, $N=192$, $df=1$, $p<=0.01$). Therefore H2 is accepted.

A large part of the sample, as many as 92.3% of co-operative members, would not be able to acquire different administrative and professional skills ($\chi^2=139.615$, $N=195$ $df=1$, $p<=0.01$). The third hypothesis is accepted.

The point of the fourth hypothesis is that, at the national level, the co-operative system does not function the way it would satisfy co-operative members’ needs. This hypothesis is confirmed from two aspects. As many as 95.8% of respondents replied that the co-operative system is not sufficiently valued and adequately represented ($\chi^2.=159.347$, $N=190$ $df=1$, $p<=0.01$).

Likewise, the co-operative members think that the state does not support co-operative development in 97.4% of cases ($\chi^2.=174.515$, $N=194$, $df=1$, $p<=0.01$). The high level of concordance of the two positions (and taking into account the five categories) is very noticeable. Thus, the fourth hypothesis is accepted. According to the respondents’ opinion, it can be concluded that Serbian co-operative system is not only insufficiently represented and valued nowadays, but that development perspectives are very small. Therefore, we can conclude that H4 is accepted.

Besides the stated, we have also examined correlations. All the correlations are given in Table 2.

Table 2. Correlations of responses that reflect the views of respondents

	The importance of a leader	Income through a co-operative	Administrative and professional tasks	Representation and valuation of co-operatives	State support to co-operative development
The importance of a leader	/				
Income through a co-operative	-0.381; $p<=0.01$	/			
Administrative and professional tasks	-0.232; $p<=0.01$	0.421; $p<=0.01$	/		
Representation and valuation of co-operatives	-0.321; $p<=0.01$	0.411; $p<=0.01$	0.438; $p<=0.01$	/	
State support to co-operative development	-0.370; $p<=0.01$	0.371; $p<=0.01$	0.479; $p<=0.01$	0.670; $p<=0.01$	/

It has been shown that the respondents who valued the importance of co-operative leaders less believe that the state should support the co-operative development more ($r=-0.370$, $p<=0.01$). These

respondents also think that the co-operative system is insufficiently represented and valued ($r=-0.321$; $p<=0.01$). Besides, the belief that there must be a leader in a co-operative turned out to be in negative correlation

with the belief about their own competence to perform various professional and administrative tasks ($r=-0.232$; $p<=0.01$). It has been shown that the respondents, who are aware of the importance of a leader, realize their income through co-operatives in a larger extent ($r=0.381$; $p<=0.01$).

The respondents who reported that they prefer realizing their income through co-operatives, also said that the state does not sufficiently support co-operative development ($r=0.371$; $p<=0.01$). Besides, these co-operative members consider this system not to be represented and valued enough in Serbia ($r=0.411$; $p<=0.01$). A positive correlation was obtained between the degree to which respondents prefer realizing their income independently and the assessments of their own competence to perform professional and administrative tasks ($r=0.421$; $p<=0.01$).

It has been shown that the respondents, who consider themselves to be able to perform the professional and administrative tasks, believe to a greater extent that the state supports the co-operative development than the respondents that are not hold competent for such work ($r=0.479$; $p<=0.01$). These respondents also think that the co-operative system is sufficiently represented and valued by the state ($r=0.438$; $p<=0.01$).

The most powerful, positive correlation, has been obtained between the respondents' opinion that the co-operative system is insufficiently represented and valued and the degree to which they believe that the state does not support it ($r=0.670$; $p<=0.01$). This result is expected, because both variables reflect the attitude of the state towards co-operations.

DISCUSSION

It is widely believed that leadership creates the vital link between organizational effectiveness and people's performance at an organizational level (Jing and Avery, 2008). In literature on co-operatives, leadership is emphasized as one of their factors of success. According to Allahdadi and Aref (2011) agricultural cooperatives demand effective, enlightened, and skilled leaders. Garnevska *et al.* (2011) state that the critical factor of co-operative success is dedicated initiator with vision, business and management capacity, well educated, with an enthusiasm for innovation and being open-minded.

Our study observes co-operative leadership from the perspective of the followers, i.e. co-operative members. If they think that leadership is necessary for realizing the aims and development of a co-operative, they will have great expectations from the leader. Otherwise, the expectations that co-operative members have from a leader will be minimal and they will rely mostly on themselves and the people they co-operate with. The findings of the study show a very high level of

agreement among members about the importance of leadership. The environment is constantly changing and press co-operatives hard to change themselves as well so that they will survive and become more efficient and effective. With the constant changes in the environment and the very co-operatives, co-operative leadership is likely to be even more important in future years.

According to Garnevska *et al.* (2011) in order to ensure ongoing successful development, co-operative leaders need to continually enhance the strength of leadership. Guay (2011) emphasizes that strong leaders are needed to push followers to perform beyond expectations and subsequently to achieve levels of excellence, sustain a positive culture, and motivate followers to become good leaders themselves. In accordance with our study, members of co-operatives highly emphasize the necessity of leaders which is consistent with the Guay's (2011) statement that followers need leaders (they can rely on).

Engaging members is a critical issue for the success of co-operatives as recognized by many researchers (Österberg and Nilsson, 2009; Bijman and Verhees, 2011; Jussila *et al.*; 2012). According to Birchall (2004), without strong membership organization which is supposed to meet their needs farmers rely on intermediaries, merchants who often find it easy to exploit them. Some researchers point out that there is a declining trend in engaging members in co-operatives (Lang and Fulton, 2004; Bhuyan, 2007). There are many factors that influence members' motivation to stay and accept engagement in a co-operative and certainly, economic benefits are among the most important ones. In many countries, ideology is no longer a good reason for farmers to join a co-operative and more competitive markets show that this decision must be based on economic terms (Karantininis and Zago, 2001). Österberg and Nilsson (2009) state that good financial results are expected to result in commitments to co-operatives.

In this work, we concentrated on the preference of earning revenue. If members preferred to realize the largest part of their income (under the equal market conditions) through a co-operative that would mean that their motivation for taking part and commitment in the co-operative is high. Otherwise, the participation and engagement in a co-operative would be peripheral or irrelevant activity. The results showed a very high level of response in favor of earning income through co-operatives.

One of the environmental factors that strongly influence today's organizations is surely the world economic crisis. Kumpikaite *et al.* (2011) state that company's turnover and its revenue may decline and also their stock value can decrease dramatically. The crisis influences the reduction of business operations, jobs and can even lead to bankruptcy. However, according to Birchall and Ketilson (2009) co-operatives have proven

more resilient to the market shocks than other organizational forms during the world economic crisis. According to (Chambo, 2009) agricultural co-operatives can provide social and economic protection for their farmer members to a certain extent and, therefore, reduce vulnerability in the current crisis. Our findings support the notion that co-operatives are important for their members, regardless the crisis, and that the members are aware of the benefits that they receive from them.

Economy of knowledge dominates the XXI century. Surely, the request for knowledge and skills in the age of economy of knowledge cannot bypass co-operatives. Administrative and professional knowledge and skills require engaging managers and other professionals. According to Ortmann and King (2007), it is often necessary for co-operatives to engage managers with experience and expertise which exceed those, provided by the co-operative members. Nyoro and Ngugi (2007) identify that successful co-operatives' staff and management have higher qualifications comparing to unsuccessful ones.

In this work, we concentrated on the perception of co-operative members in terms of the awareness about special knowledge and skills for administrative and professional work, required to work in co-operatives. If the members are aware that organization need appropriate knowledge and skills for different administrative and professional activities and that they cannot do them themselves, those activities require engaging necessary staff with appropriate qualifications (managers, professional staff) externally. Otherwise, the members would not find it necessary to engage additional staff. The results have shown a high level of response in favor of the awareness of co-operative members that administrative and technical activities of a co-operative require appropriate knowledge and skills and that they themselves cannot perform them.

Surely, in addition to engaging professional managers and other professional staff, co-operative members should continue to educate. According to Jaffar *et al* (2006), training and development and the latest knowledge and information are among of the issues that farmers in Pakistan have. Shrotriya and Prakash (2007) state that co-operatives do not have adequate business capabilities and in many instances agricultural producers become entrepreneurs suddenly without having been suitably trained to carry out this new role. According the SAAE study (2011) the members of co-operatives should have the knowledge in the field of farmers' co-operatives and collective entrepreneurship, and that they should be acquainted with good co-operative practices of other countries. Since their role and task is to protect the established co-operative values and principles in their co-operatives, it is especially important for co-operative leaders and members in the governing bodies to develop appropriate knowledge. In the context of the age of

economy of knowledge we should understand one of seven ICA principles that implies the need for appropriate education, training and informing all participants (members, elected representatives, managers and employees) so they can contribute effectively to the development of their co-operatives.

Co-operatives function within a larger system at the national level. Each country has its own specific characteristics taking into account different conditions and circumstances in developing and developed countries and that global factors influence all the countries and regions.

The experience of developing countries is not favorable when the role of the state is paternalistic and exaggerated. Hekmat (2011) points out that many co-operatives have been established by governments and, in fact, this kind of co-operatives should be called unrealistic or quasi- co-operatives because they do not have real co-operative characteristics. African experience during the period of liberalization show that negative consequences the retrenchment of the state seem to have occurred not primarily because liberalization is bad for co-operatives, but largely due to the poor or lack of adequate preparation of the sector for the challenging competition in the market economy (Wanyama, 2008). According to Ghiasy and Hosseini (2011), beside governments, NGOs and private sector should take an active role in the development of co-operatives.

Millns (2012) states that in Eastern Europe producers should not rely on governments to stimulate their own organizations, but they need time to mobilize their resources, build their strength and learn to cope with the pressures of competitive markets. According to this author, in developed part of Europe in recent years, the main changes have emerged out of the wish to give co-operatives enough flexibility to adapt to more and more competitive environment, but without leaving co-operative principles. In accordance with the study of COGECA – European Association of Agricultural Co-operatives (2010), the most competitive co-operates in Europe can be found in the most market oriented member countries and sectors and in those areas where co-operatives pursue more entrepreneurial business strategies.

If we observe the case of Serbia, due to unfavorable circumstances, the changes of socialistic system and building a market economy have been much slower comparing to other Eastern European countries, so it is still a transitional country. In relation to co-operatives, historically, the role of the state ranged from the failure to recognize the importance of co-operatives (Kingdom of Serbia), the controversial relationship in which there was some support, but also the violation of basic co-operative principles (the Kingdom of Yugoslavia), then the total etatization of co-operatives during socialism (the SFR Yugoslavia) to the ignorant

attitude towards co-operatives (Serbia in transition period).

If we observe different phases of co-operatives in Serbia, the most unacceptable attitude of the state towards them was before market economy. Then, co-operatives were treated as a special type of political structure, tightly integrated into the network of the party-state control. However, during the transition, there has been no commitment of the state to address the reform of the co-operative sector in a more serious and more adequate way. According to Pejčić (2003), the collapse of the socialist structures, despite these positive developments, left a vacuum in the organization of farmers in some areas, so that they were left on their own. The current situation certainly influenced the views of co-operative members. The paper has examined the perception of the respondents about the level of the state concern and adequate support that it gives to co-operatives. If co-operative members perceive that co-operatives at the national level are neglected and that the state does not support their development, it can be expected that they will think that the co-operatives are left on their own, participate less in co-operative associations as well as in solving problems that need a higher level. They will also contribute less towards the change of legislation and institutional improvement of co-operative activities. According to this research, the perception of the respondents is such, that in a high percent they think that the co-operations in Serbia are neglected and that the state does not support their development.

Conclusion: The study emphasized the importance of leadership from the members' perspective which implies the selection and development of leaders that are capable of leading co-operatives to succeed. The preference of members for generating revenue through the cooperative (under equal market conditions) shows how attractive co-operatives are for farmers, regardless unfavorable social and economic situation. It is surely important for co-operative bodies to engage themselves in promoting member's participation and commitment. The study pointed out the awareness of co-operative members of the fact that appropriate knowledge and skills are needed for different administrative and professional activities, what implies the need for engaging appropriate staff. Finally, it is the perception of co-operative members that the ignorant attitude of the state towards co-operatives is not appropriate. Leaving out a high level of co-operative control and ignorant attitude towards co-operatives as extreme policy that is not discussed, the implications are such that the state is expected to find its role and define the appropriate policy, legal and institutional framework to support the development of co-operatives.

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