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Members' Perception of their Participation in the Governance of Cooperatives: The Key to Trust and Commitment in Agricultural Cooperatives

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Abstract

This study explores to which extent the members' assessment of their cooperatives' degree of success are related to various member attributes, with special reference to the members' perception of their participation in the governance of the cooperatives. Three categories of member attributes are identified: Satisfaction with the profitability of farm operations, Age, and Experience from board work. The cooperatives' degree of success is measured as members' commitment towards cooperatives, and members' trust in the board of directors.

The data originates from a mail survey among Swedish farmers. A total of 2,250 farmers received a questionnaire. The response rate was 52%.

The results indicate differences in members' cooperative commitment and their trust towards directors to be due to farm operations profitability, age and experience as directors. After adding members' perception of their participation in the governance as a covariate, most of the other differences are explained by this variable. Age is still to some extent associated with trust towards directors, as older farmers have less trust in directors.

Key words: Agriculture, cooperative, trust, business success, governance, participation.

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1. Introduction

1.1 Members' participation in the governance of cooperatives

A cooperative firm is by definition controlled by the members of the cooperative (Dunn, 1988). This is necessary for the cooperative to be able to serve the interests of the members. The principle of democracy has been a core element of cooperative business ever since the inception of the cooperative business form.

Today, however, member democracy is often problematic, especially in large cooperatives with diversified business activities and with large and heterogeneous memberships (Fulton & Giannakas, 2001). The business activities are so complex that the members at large may not understand them, have little knowledge of them, and are alienated towards them. Far-reaching vertical integration as well as international activities are increasingly common, whereby members become less able to grasp what is happening in the cooperatives. Large cooperatives have often multi-purpose activities, whereby many members are interested in only a specific branch of business.

The large size of the memberships – most often thousands of members – implies that the voice of an individual member drowns in the multitude of voices. Also, the anonymity within large memberships may create ignorance. The heterogeneity of large memberships may generate passivity as some member categories do not get their interests well attended to. The wide geographical operating areas mean that members work under quite diverse conditions, and so the conflicting interests may foster indifference. As the management thus gets few, unclear and conflicting signals from the membership there is a risk that neither the board of directors nor the CEO (Chief Executive Officer) can interpret what the members want them to do (Cook & Iliopoulos, 2000; Hendrikse, 2007).

Quite often, the cooperatives are financed by a sizeable amount of unallocated equity capital, and hence, the members have weaker incentives to involve themselves in the governance of the cooperatives. On the contrary, they are inclined to seek free-riding behavior, as well as to avoid investing in the cooperative. Such member behavior may be disastrous for the cooperative, which means that the management in such cases tends not to listen to the members (Gray & Duffey, 1996).

Based on this account, one may expect member control to be weak in many cooperatives (Hogeland, 2006). Rather, the management will take control. Nevertheless, it is not unlikely that many members have a desire to control the cooperative. They may consider the cooperative important to them as their farming operations are often dependent on the cooperatives, and they have invested some money in it. Hence, it is but natural that members have a wish that the cooperatives are successful businesses, and that they are run in the interests of the members.

This study is devoted to an analysis of the importance of the members' perception of their participation in the control of their cooperatives. Do the members have such a perception? Which implications does it have for the members' assessment of cooperatives? *The aim of the study is to explore to which extent the members' assessment of their cooperatives' degree of success is related to various member attributes, with special reference to the members' perception of their participation in the governance of the cooperatives.*

1.2 Members' assessment of their cooperatives' degree of success

When focusing on the members' assessment of their cooperatives one prerequisite for successful cooperatives is that the farmer-members are willing to supply the cooperatives with raw products, with capital, and with managerial inputs (Fulton, 1999; Zeuli & Betancor, 2005). For this to take place member commitment is likely to be significant (Staatz, 1989; Anderson & Henehan, 2005). Another condition is good performance from the management, not the least the board of directors.

This study focuses on the two factors, member commitment, and members' trust in the board. Board performance is hard to assess objectively so members' trust in the board is used as a proxy. Hence the study is set to identify member attributes that may explain members' cooperative commitment and members' trust of the board of directors, all with the intention of exploring the importance of the members' desire to control the cooperatives.

1.3 Member attributes

Several studies have investigated the importance that various socioeconomic and psychological member attributes have on how members assess their agricultural cooperatives. During the last two decades, studies contain empirical investigations about member opinions, satisfaction, loyalty, participation, choices, and other behavioral aspects. Most studies are limited to specific industries, the most common one being dairy cooperatives but also grain, pork, wine, and fruit and vegetable cooperatives are represented as well as supply cooperatives. A few studies include, like the present one, members of cooperatives in various industries. The geographical distribution of the studies is quite skew. Studies have been found in only three countries, namely USA, Canada, and Sweden.

A number of the prior studies focus on member behavior in specific decision situations, such as the farmers' choice between cooperative and investor-owned partner firms (Bravo-Ureta & Lee, 1988; Cain, Toensmeyer & Ramsey, 1989; Jensen, 1990; Wadsworth, 1991; Lind & Åkesson, 2005; Zeuli & Betancor, 2005). Others concern how various practices, conducted by the cooperatives, affect the members' opinions (Misra, Carley & Fletcher, 1994; Bhuyan, forthcoming).

A variety of explanatory variables occur in the studies, such as size of farm operations, dividend policies, raw product price level, and specialization in farming. Some studies say that the various economic factors, which affect the profitability of the farm enterprises, are important for member commitment, loyalty, and other expressions of satisfaction (Fulton & Adamowicz, 1993; Gray and Kraenzle, 1998); others state that the fact that cooperatives constitute an assured marketing channel and that they provide services to the members and the community are more important than the price levels (Bravo-Ureta & Lee, 1988; Cain, Toensmeyer & Ramsey, 1989; Jensen, 1990). Medium-sized farmers are the most positive ones, according to Klein, Richards & Walburger (1997), and Zeuli and Betancor (2005) find that large farmers are more critical, while Burt & Wirth (1990) conclude that firm size does not explain the attitudes and behavior towards cooperatives.

A recurrent theme in the prior studies is the farmer's age as a determinant, though several researchers treat this variable as a proxy – it may stand for remaining membership period, for example. Some studies indicate that older farmers tend to be less positive to the cooperatives, while others maintain that old farmers more often embrace a cooperative ideology, or they are

more conservative (Hakelius, 1996 and 1999; Lind & Åkesson, 2005; Fahlbeck, 2007). Still other studies find that the farmer's age has no importance for their relation to cooperatives (Burt & Wirth, 1990; Wadsworth 1991).

Also socio-psychological variables are found in the prior studies. Robinson and Lifton (1993) mention lack of social cohesion and commitment. Siebert (1994) identifies conservatism and individualism as inhibiting factors to cooperative development. Another study reports that the members' ideological and traditional view of cooperatives explains their preference for unallocated equity capital (Fahlbeck, 2007). Bhuyan (forthcoming) focuses on members' view of their influence in the cooperative. He states that "the likelihood of cooperative abandonment was higher if members perceived that their input was not valued by the management in making decisions", and "Regarding member dissatisfaction with their ability to have a voice in their cooperative's decision making process, older members are more likely to be dissatisfied".

As can be seen from the account above, socioeconomic factors (with some exceptions – Wadsworth, 1991; Richards, Klein & Walburger, 1998) seem to give unclear conclusions about what decides members' attitudes and behavior towards the cooperatives (Bravo-Ureta & Lee, 1988). Are economic factors more important than social ones? Are the services that the cooperatives provide weighted higher than the product prices? What importance has the members' age, or the farm size? Which role is played by "soft" variables such as the farmers' values in terms of traditionalism, ethics, and ideology (Lasley & Baumel, 1996)? Sociological and psychological constructs may provide somewhat better explanations than economic ones (Jensen, 1990). This study has a focus on social psychological factors, notably the members' perception of their influence in the governance of the cooperatives.

The remainder of the article is organized as follows. The next section explains the choice of and the interpretation of the variables, which are used in an empirical investigation. Section 3 presents the design of the empirical study, while Section 4 comprises the results from the statistical calculations. Discussions of the findings as well as conclusions follow in Section 5, while Section 6 presents some implications.

2. Variables

2.1 Independent variables

The task is to investigate which factors may influence the two dependent variables – members' commitment to cooperatives, and members' trust in the board of directors. The potential list of influencing factors can be made extremely long. It could comprise (a) individual variables (referring to the members or other parties such as the directors), (b) organizational variables, such as the size of the cooperatives, their market positions, or their degree of vertical integration, (c) industry variables, such as competitiveness and technological advancements, and (d) macro variables, such as economic development stage and conditions for agricultural production.

This study is focused on category (a), i.e. individual member characteristics. Examples of such variables are size of farm enterprise, age, gender, degree of specialization in the farm operations, profitability of the farm enterprise, and localization. Among these variables a number is chosen. The ambition is to have few but powerful variables, which may influence

members' commitment to cooperatives, and members' trust in the board. Characteristics of cooperative firms and of industries are not considered, only that the empirical data originates from Swedish farmers, members of marketing cooperatives in a variety of industries, mainly meat, dairy, grain, and forestry, as well as supply cooperatives.

Members' satisfaction with the profitability of their farm operations. Member satisfaction with the cooperative is due to be related to the profitability that the members experience at their farm enterprises (Fulton & Giannakas, 2001). This statement is in accordance with prior research, even though several studies claim that the cooperatives' service level as well as the cooperatives' ability to offer an assured market may be just as important as the price levels (Burt & Wirth, 1991; Fulton & Adamowicz, 1993; Misra, Carley & Fletcher, 1993), or sometimes even more important (Bravo-Ureta & Lee, 1988; Cain, Toensmeyer & Ramsey, 1989; Jensen, 1990; Klein, Richards & Walburger, 1997). The latter factors can, however, be said to support the farm enterprise profitability in an indirect way. Good financial results in the farm enterprises are expected to result in both commitment to the cooperatives and satisfaction with the boards. "In many countries, ideology is no longer a strong enough reason for farmers to join cooperatives, and more competitive markets imply that this decision must be based on economic terms" (Karantininis & Zago, 2001, 1266).

In principle, it would be possible to assess the cooperatives' performance as well as the farm enterprises' performance objectively, based on accountancy data, but what decides the farmers' behavior is their subjective assessment of the results, where they makes comparisons to other trading partners, over time and to other farmers. So, this variable concerns members' satisfaction with the profitability of their farms' economic results.

Age of the members. The fact that cooperatives are collective organizations may have some influence on the members' views. The collectivistic traits imply vaguely defined property rights (VDPR), which give rise to a number of problems (Cook & Iliopoulos, 2000). For example, the so-called horizon problem may cause dissatisfaction especially among the older members. They may feel that they during many years have contributed to the cooperative firms becoming richer, but when they retire their only redemption is the nominal value of their shares. The majority of the members will have an interest in preventing the exiting (old) members from getting capital paid out upon their exit (Olesen, 2007). Likewise, the older members have generally invested larger amounts in the cooperative than the younger members have, and so the old ones may feel more uneasy with the so-called portfolio problem than the younger members do. The portfolio problem appears as all decisions concerning investments in the cooperative firm are decided collectively – by the board or by the CEO– irrespective of the members' risk preferences. Hence, according to these theoretical arguments, older farmers could be expected to be less positive to the cooperatives as well as to the boards.

According to Klein, Richards & Walburger (1997, 108) "older farmers tend to patronize all types of co-operative more often than younger farmers". Fulton and Adamowicz (1993, 47) say that "older farmers ... are neither more nor less likely to patronize the cooperative than younger members." On the one hand, due to less debt, older farmers are claimed to have lower discount rates, and so they place a greater value on the future than do younger farmers. This means that they tend to accept short-term deficiencies of the cooperatives, provided that they can expect long-term benefits. On the other hand, due to a short remaining investment horizon, older farmers are more likely to leave the cooperative or to free-ride. Hence, the issue is inconclusive.

The age of the member may be a proxy variable for how the problems of vaguely defined property rights are experienced by the member (Staatz, 1999, p. 21). Another factor, indicating poorer attitudes among older farmers, is that older Swedish farmers have more often personal experience from the years of a highly protective national agricultural policy, and so they might have a propensity to blame the cooperatives for the lower product prices, the intensified competition, the many closures of production plants, and all other changes that followed after Sweden in 1995 became a member of the European Community.

Members' experience from board work. The members' commitment to the cooperative as well their trust in the board is reasonably related to other personal experiences, except satisfaction with farm enterprise profitability and the view of VDPR problems. Especially, much experience is gathered when the members serve as directors or in other positions as elected representative. There is reason to believe that members who are or have been elected representatives have a different degree of commitment as well as a different degree of trust in the board.

Two opposite consequences may be imagined. On the one hand, the more years that the members have served as elected representatives the more positive they might be. The fact that they have involved themselves in the governance systems may be an effect of a positive attitude, and they have become more committed during their years in the boards. On the other hand, it is possible that the elected representatives have become disillusioned, experiencing that they have little power so the achievements become bleak.

Members' perception of their participation in the governance of cooperatives. This variable is included as it serves as a covariate in the analyses. For a cooperative to supply the members with the package of services that they demand, a well-functioning member democratic governance system is important (Gray & Kraenzle, 1998; Bhuyan, forthcoming). The members should take part in the control of the firm, mainly via their elected representatives. The main component is the election of directors, including the members' willingness to work as directors, but there are also other ways whereby the members can influence the cooperative such as meetings (Gray & Duffey, 1996). In this study, this concept is interpreted as the members' subjective assessment of their participation in the member control system.

The classical literature on organizational psychology reports that people have a propensity to accept changes that affect them profoundly, provided that they have had the chance to influence the decision (McGregor, 1960; Blake & Mouton, 1964; Likert, 1967). This reasoning can be expected to have a parallel in a cooperative context – if members are permitted to participate in the cooperatives' governance system, they may be more committed to the cooperatives and have more trust in the board of directors. This relationship can even be expected to be quite strong.

2.2 Dependent variables

Members' commitment towards cooperatives. As members have different roles in relation to the cooperatives, the concept of member commitment becomes multifaceted. The members are first of all patrons, i.e., suppliers (or buyers, in case of supply cooperatives). As such they may deliver larger or smaller volumes, and even quit the cooperatives altogether. Such decisions have implications for the cooperatives, i.e., for the memberships at large, as the utilization of the production capacity is affected. Member commitment in the financier role affects the cooperatives' possibilities to finance their investments. Finally, in the governance

role, the members may be more or less committed to voting for directors, transferring signals to the management, controlling the work of the board, etc. (Bhuyan, forthcoming).

Member commitment is not identical with loyalty, neither is it necessarily correlated to the members' eventual ideological conviction. Cooperative ideology may have some positive effects to the extent that it may generate trust (Shaffer, 1987) and reduce conflict levels (Staatz, 1987). The commitment towards cooperatives may, however, also be based on the members' experiences in terms of good prices, good services and other factual considerations.

Members' trust in the board of directors. For cooperatives to work efficiently, top quality governance of the firm is essential, as in all other firms. The governance is shared between the CEO and the board, though the latter may be considered to be the more important, to the extent that the board appoints the CEO (Fulton & Giannakas, 2007). So, the focus in this study is on the board, no matter if the CEOs in real life often have a strong influence on the boards (Hendrikse, 2007).

On the presumption of the members being rational decision-makers, they will appreciate a strong board, as this one is responsible for providing good profitability at the members' farms as well as good services. If so, the members will have trust in the board. It is, however, impossible to make an objective assessment of the quality of the board decision, not only for the members themselves but also for outside observers such as researchers. Therefore, the variable is defined as members' perception of the board performance, not the board performance as such. What decides how the members behave in relation to the cooperative is how they perceive the cooperative and the board, not the performance in any objective sense.

2.3 Summary

Based on the conceptual deliberations in the preceding sections, the aim of the study can now be restated in a more precise wording. It is to explore to which extent the members' commitment towards cooperatives and their trust in the board of directors is related to the members' satisfaction with the profitability of their farm operations, the age of the members, and the members' experience from board work, as well as to the members' perception of their participation in the governance of cooperatives.

Combined with the discussions in the sections above, this statement lends itself to a set of hypotheses:

- (1) The more satisfied the members are with the profitability of their farm operations the more committed to cooperatives they are, and the more trust do they have in the cooperatives' board of directors.
- (2) Older members tend to be less committed to cooperatives, and have less trust in the cooperatives' board of directors
- (3) The longer experience members have of board work the less committed are they to cooperatives, and the less trust do they have in the cooperatives' board of directors.
- (4) The more the members perceive that they participate in the governance of the cooperatives, the more committed to cooperatives they are, and the more trust do they have in the cooperatives' board of directors.

3. Method

3.1 Procedure

The data originates from a mail survey among Swedish farmers, spread all over the country and doing business with a variety of cooperatives in many agricultural industries. Many Swedish agricultural cooperatives operate almost nationwide and so they are large. Further, they are characterized by far-reaching vertical integration and a sizeable share of the equity capital being unallocated. These factors indicate a high degree of heterogeneity in terms of both business operations and membership compositions.

Of all the 66,780 farmers in Sweden owning more than 2 hectares of land in 2003, 2,250 farmers (3.4 %) received a questionnaire. A total of 1,170 usable questionnaires were returned, which corresponds to a response rate of 52% . The first mailing took place on March 14, 2003, followed by two reminders (April 9, and May 7). No reward, except an offer to order the articles to be written about the study, was offered. The respondents were guaranteed that their answers were to be treated confidentially.

3.2 Independent variables

Members' satisfaction with the profitability of their farm operations. The variable was indicated by the farmer on a seven-digit Likert scale ranging from "satisfied" to "dissatisfied". In this study, the values were merged into three groups: (1) very satisfied/satisfied; (2) weakly satisfied/weakly dissatisfied; and (3) dissatisfied/very dissatisfied, leaving the neutral group outside.

Age of the members. Nine categories were specified in the questionnaire (9-19 yrs., 20-29 yrs., 30-39 yrs., 40-49 yrs., 50-59 yrs., and 60-69 yrs.). A one way ANOVA was used to test for differences between the categories. However, it was not possible to discern any significant differences between any other groups than those older than 60 years of age and those younger than 60, leading to the reorganization into only two groups: (1) less than 60 years of age; (2) 60 or older.

Members' experience from board work: The respondents were asked to indicate whether they have been a director, and if so specify the number of years as elected director.

Members' perception of their participation in the governance of cooperatives is used as a covariate. A six-digit Likert scale was used by the respondents to answer to what degree they agree to five statements. The scale consists of strongly agree (= 1), agree (= 2), weakly agree (= 3), weakly disagree (= 4), disagree (= 5), and strongly disagree (= 6). The statements are: (1) If members take part in their cooperatives' member democracy, they can influence the management of the enterprise. (2) If I take part in the member democracy of my cooperative, I can influence it in such a way that my own private economic situation improves. (3) If I take part in the cooperatives' democratic process, I will strengthen the sense of belonging together within the cooperatives. (4) If I participate in the cooperatives' democratic processes, I may be a part of influencing the cooperatives. (5) It is important to me that as many as possible participate in the democratic process in my cooperative. The Alpha reliability for "participation" is 0.77.

3.3 Dependent variables

Members' trust in the board of directors: A six-digit Likert scale was used, equal to the one used for *Members' perception of their participation*. This construct is based on eight statements: (1) Today, the board and CEO usually govern the cooperative in their own way, without caring about what the members think. (2) The individual members cannot influence the business decisions since it is the CEO and the elected representatives who decide. (3) As an elected representative of a cooperative, you soon lose perspective on the real world and in the end you are only thinking about making the cooperative grow. (4) It has become more difficult to know whether the directors act in the interest of the members, compared to 1993/94. (5) It has become more difficult to follow-up what the directors do, compared to 1993/94. (6) The system with directors implies too many problems and should therefore be replaced by another way of governing the cooperatives. (7) It would be positive for the members if external directors were used to a greater extent than today. (8) The decisions made in today's cooperatives lie further from my wishes, compared to 1993/94. The Alpha reliability for "trust" is 0.80.

Members' commitment towards cooperatives: A six-digit Likert scale was used, equal to the one used for *Members' perception of their participation*. The respondents were asked to respond to one statement: If I commit myself to the cooperative's activities, all members' economic situation will improve in the long run.

3.4 Design

The initial analysis comprised a one-way ANOVA, testing for differences in the members' commitment to cooperatives, their trust towards directors and their perception of their participation in the governance, to be due to profitability of the farm operations, age, and experience from board work. Next, an analysis of covariance (ANCOVA) was conducted to control if differences that were detected using the ANOVA could be explained by the members' perception of their participation in the governance of the cooperatives.

4. Results

According to the preferred level of significance used in this study ($< .01$), there is no difference in *Members' commitment towards cooperatives* that could be explained by age ($F = 4.20$; $p < .04$). Older farmers, however, seem to trust their directors less than younger farmers ($F = 17.07$; $p < .001$) (see Table 1). The results also indicate that farmers older than 60 years of age assess the participation in the governance of the cooperatives higher than farmers younger than 60 ($F = 8.17$, $p < .01$) (see Table 2).

As to *Members' experience from board work*, time seems to play a role. Farmers with long experience of being a director assess the participation in the governance of the cooperative higher than farmers with less experience ($F = 15.22$, $p < .001$). The same holds true for *Members' commitment towards cooperatives* ($F = 13.85$; $p < .001$). For *Members' trust in the board of directors*, experience of being director does not matter ($F = 1.39$, $p = .25$). No difference in perception of participation could be identified between farmers due to satisfaction with the profitability of their farm operations ($F = 3.47$; $p < .03$). The same holds for trust ($F = 4.55$; $p = .01$). Thus, farmers who are reasonably satisfied with the profitability,

compared to those not satisfied and those fully satisfied rank higher in *Commitment towards cooperatives* ($F = 4.84$; $p < .01$) (see Tables 1 and 2).

Table 1. Differences in Commitment towards cooperatives and Trust in the board of directors due to Age (1<60, 2>60), Experience from board work (1=1-5 yrs.; 2=6-20 yrs.; 3=21+ yrs.), and Members' satisfaction with profitability in the farm operations (1=very satisfied/satisfied; 2=weakly satisfied/weakly dissatisfied; 3= dissatisfied/very satisfied).

		N	Z	Std.dev-	Std. error	F	Sign
AGE							
Commitment towards cooperatives	1	693	.04	1.02	.04	4.20	.04
	2	188	.13	.92	.07		
Trust in the board of directors	1	602	.08	1.00	.04	17.07	<.001
	2	165	.28	.97	.08		
EXPERIENCE FROM BOARD WORK							
Commitment towards cooperatives	1	82	.01	.96	.11	13.85	<.001
	2	194	.50	.91	.07		
	3	35	.92	.78	.13		
Trust in the board of directors	1	70	.18	.96	.11	1.39	2.51
	2	171	.17	.95	.07		
	3	31	.48	.94	.17		
MEMBER SATISFACTION WITH PROFITABILITY IN THE FARM OPERATIONS							
Commitment towards cooperatives	1	111	.15	1.10	.10	4.84	<.01
	2	287	.14	.96	.06		
	3	465	.06	1.00	.05		
Trust in the board of directors	1	95	.12	1.13	.12	4.55	.01
	2	246	.11	.95	.06		
	3	413	.10	.96	.05		

Table 2. Differences in Perception of participation in the governance of cooperatives, due to Age (1<60; 2>60), Experience from board work (1=1-5 yrs; 2=6-20 yrs; 3=21+ yrs), and Members' satisfaction with profitability in the farm operations (1= very satisfied/satisfied; 2=weakly satisfied/weakly dissatisfied; 3=dissatisfied/very dissatisfied).

		N	Z	Std.dev.	Std. error	F	Sign
AGE							
Absence of Perception of participation in governance	1	666	.05	.99	.04	8.17	<.01
	2	182	-.19	.98	.07		
EXPERIENCE FROM BOARD WORK							
Absence of Perception of participation in governance	1	82	.08	.90	.10	15.22	<.001
	2	192	.25	.95	.07		
	3	34	.95	.67	.11		
MEMBER SATISFACTION WITH PROFITABILITY IN THE FARM OPERATIONS							
Absence of Perception of participation in governance	1	107	.08	1.02	.10	3.47	.03
	2	281	.11	1.00	.06		
	3	447	.08	.98	.05		

The results from the ANOVA gave indications about differences in *Members' trust in the board of director* and *Commitment towards cooperatives* to be due to if and how long farmers had been directors, their age, and the degree to which they are satisfied with the profitability of their operations (see Table 1 and 2). After adding a covariate, most of the differences are explained by *Members' perception of their participation in the governance of cooperatives* (see Tables 3 and 4). Still, to some extent also age is associated with trust toward directors as farmers older than 60 years of age seem to trust directors less than farmers younger than 60.

Table 3. Effect of Perception of participation in the governance of cooperatives on Commitment compared to Age, Experience from board work, and Satisfaction with profitability.

	SS	Df	MS	F	Sign.
COMMITMENT TOWARDS COOPERATIVES					
Covariate					
Perception of participation in governance	89.10	1	89.10	142.86	<.000
Main effect	6.83	5	1,367	2,191	.055
Age	1.90	1	1.90	3.05	.08
Experience from board work	1.90	2	.95	1.53	.22
Satisfaction with profitability	2.84	2	1.42	2.28	.10
R ² =.35					

Table 4. Effect of Perception of participation in the governance of cooperatives on Trust in the board of directors compared to Age, Experience from board work, and Satisfaction with profitability.

	SS	Df	MS	F	Sign.
TRUST IN THE BOARD OF DIRECTORS					
Covariate					
Perception of participation in governance	58.88	1	58.88	89.59	<.001
Main effect	15.11	5	3.02	4.60	.001
Age	10.99	1	10.99	16.74	<.001
Experience from board work	1.75	2	.88	1.34	.26
Satisfaction with profitability	2.01	2	1.01	1.53	.22
R ² =.31					

5. Discussion and conclusions

The study tries to identify member attributes that may explain members' cooperative commitment and members' trust in the board of directors. The attributes that are investigated are (1) the members' satisfaction with the profitability of their farming operations, (2) the age of the members, (2) the members' experience from board work, and, as a covariate, (4) the members' perception of their participation in the governance of the cooperatives. Each of these constructs are here subject to interpretations.

Members' satisfaction with the profitability of their farm operations. Members with good profitability are low in terms of both trust in the boards and perception of participation in the governance. Also, only those with moderate profitability rank high on cooperative involvement. Hence, hypothesis 1 is rejected

A plausible explanation to this finding is that the cooperatives to a large extent have social aims, i.e., not only economic ones. Contributing to this observation is the principle of equal voting rights (one member, one vote), which implies that the boards will consist of many small farmers, and that the directors will consider the opinions of the small farmers as these

constitute the majority of their voters. Hence, services become more important than prices; cross-subsidization between member categories occurs; the number of elected representatives may be unduly large, etc.

Age of the members. The member's age does not explain any cooperative commitment. This conclusion is largely in accordance with what previous research has arrived at. Age is, however, negatively related to trust in the board, i.e., the ones above 60 years of age are more critical, and it is positively related to the members' perception of participation in the governance of the cooperatives. So, the second part of hypothesis 2 gets support while the first part is rejected.

The elder members' critical stance towards the boards may have several reasons. These farmers have witnessed how the cooperatives during several years have faced increasing economic difficulties, which the boards could be held responsible for. Another factor is that older members may have lower willingness to accept the new business practices, which the cooperatives are forced to apply by the increasing competition. Supportive to this interpretation is also the fact that the members evidently do not consider the cooperatives to be able to improve members' economic results. The younger farmers have less experience from the era when the cooperatives were good business thanks to a more generous agricultural policy.

Members above 60 years of age are more positive to the democratic control. This observation may be interpreted as support to the conclusions above. The older farmers may have a stronger ideological conviction, implying, i.a., that cooperatives should be under member control, and they may consider the cooperatives' poor performance during recent years as a consequence of poor member control and too much manager control.

Members' experience from board work. Members' with experience from board work have, interestingly, no more trust in the boards, nor have they less trust. The members with board experience have supposedly learnt that the boards' power is limited and not as glamorous as less experienced members may believe. The second part of hypothesis 3 is thus rejected.

The number of years as director is positively related to the members' cooperative commitment, contrary to what was expected in the first part of hypothesis 3. Even though the result on experience of board work did not reach the desired level of significance in the model – some significance was indicated (.02) – it is still worth noting. Board work experience is a variable with large potential explanatory power as it may indicate that members are more willing to commit themselves to the democratic control if the cooperatives' decisions are made by experienced and trustworthy fellow farmers. Even so, adding participation in democratic control into the model diminishes the effect of board work experience.

Members' perception of their participation in the governance of cooperatives. The members' perception of participating in the democratic control of cooperatives outweighs all other factors in explaining both the members' cooperative involvement and their confidence in the boards. Thus, hypothesis 4 gets strong support. This observation corroborates the conclusion above, i.e., that the cooperatives tend to be regarded as social institutions just as well as economic ones. The positive side is that the boards can count upon support from the members in their decisions, as long as the members feel that they have had a good chance to influence the decisions through their democratic control.

If members value their participation in the cooperative democratic control, age and experience from board work do not explain the cooperative commitment. Likewise, to the extent that members are involved in the democratic control, their experience from board work as well as their assessment of the farm operation profitability is of no importance to their trust in the board. Still, the difference in age matters, i.e., trust towards the board differs between those who are more than 60 years of age and less. Hence, trust may be explained by the members' age, combined with the participation in the democratic control.

6. Implications

The fact that the members attach strong importance to their participation in the democratic governance system has the practical implication that cooperatives should spend resources to create well-functioning member democracy. This does not necessarily imply that the cooperatives' decisions always should be in harmony with the members' opinions. On the contrary, the cooperatives should above all seek to establish procedures such that the rationales behind the board decisions can be convincingly explained to the members. If the members have had a chance to express their minds, they may support a decision that is at odds with their wishes, provided that they get good explanations.

This observation may call for a need of better training of the directors, not only in terms of managerial abilities but also social skills and pedagogies. If the gap between the cooperatives' action and the members' opinions are reduced the VDPR problems, notably the follow-up problem and the decision problem, are alleviated.

The members at large do not believe that the cooperatives contribute to the profitability in their farm operations. They consider the democratic control to be crucial. Those who are or have been elected representatives have no more trust in the boards, nor less. These observations indicate that the members regard the cooperatives as social institutions just as much as economic ones.

In the long run, however, cooperative firms can not pursue social aims when they are subject to competition. If cooperatives are not economically valuable for their members the members will suffer and especially the large members will leave the cooperative (Knutson, 1985; Royer, 1992).

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