



Wine cooperatives as a form of social entrepreneurship: Empirical evidence about their impact on society



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ABSTRACT

Cooperatives are considered potential organizational vehicles for society's development due to their multiple objectives and diverse roles. Therefore, this study aims to understand which factors associated with agricultural cooperatives can impact on society. The research adopted a quantitative methodology with the data-collecting instrument being a questionnaire applied to 194 cooperators belonging to wine cooperatives in the Dão region of Portugal. The results indicate that agricultural cooperatives have multiple impacts on their members and are considered an organizational format able to promote society's development. The empirical study also reveals two factors/dimensions that confirm the social importance of wine cooperatives in society: (1) reaction and (2) cooperation. Despite the difficulties in improving their competitiveness, cooperatives are seen as important vehicles for mobilization of local resources into a critical mass and their cooperators can achieve significant economic and social benefits from participation. In this sense, social entrepreneurship plays a vital role in the process of society/community development as well as making a significant contribution to cooperators. Implications for theory and practice are also suggested.

1. Introduction

The cooperative phenomenon has been studied by various authors in various countries (e.g., Chaddad, 2012; Bijman and Hendrikse, 2003; Bijman and Iliopoulos, 2014; Burke and Piekielek, 2011; Couderc and Marchini, 2011; Couvaneiro, 2004; Namorado, 2007, 2009, 2013; Lopes, 2010; Meira and Ramos, 2014), where increasing importance has been given to understanding why, despite all the possible ways of entering the market currently (Hernández-Espallardo et al., 2009), there are farmers and small and medium-sized enterprises (SME) that continue to choose cooperatives as a form of alliance to sell their products.

Opting for the cooperative model may be explained, for example, in studies made in various regions of the world (Majee and Hoyt, 2011), such as the United States of America (Liebrand and Ling, 2014), Spain (Hernández-Espallardo et al., 2009), Australia and France (Mazzarol et al., 2013), Italy and France (Couderc and Marchini, 2011), which point to factors that increase satisfaction and the intention to remain in cooperatives, going beyond merely economic and monetary aspects. A report asked for by the US Department of Agriculture concluded that a cooperative only reaches success if it provides the necessary and desired services for its members to feel satisfied (Liebrand and Ling, 2014).

Given the wide variety of cooperatives, it is not surprising that several definitions of a cooperative have been advanced in the literature. However, according to the International Cooperative Alliance (ICA), a conventional cooperative is an 'autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise' (ICA, 2014).

Then again, in a global market with constantly evolving technology, only cooperatives with the capacity to exploit new opportunities, allied with correct management of their current resources, can reduce uncertainty and manage change in a balanced and sustainable way. Cooperatives, like firms operating in the market [despite originating in a sector with some particularities, such as social economy] need to become more competitive (Ireland and Webb, 2007, 2009; Luke et al., 2011) and create wealth (Ireland and Duane, 2001; Hitt et al., 2001; Webb et al., 2010), not with a view to their shareholders and capital, but to create a surplus to satisfy the needs of their co-operators and the societies/communities they are part of, i.e., to become economically, socially and environmentally sustainable (Mills and Davies, 2013).

The national and international wine market faces major challenges, either due to political and economic instability, or the great competition and decreasing world consumption of this type of drink (Couderc

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and Marchini, 2011). Therefore, cooperatives have been seen as representing sustainability in this sector in particular and present a certain impact on the society they are part of. Cooperatives seek to provide necessary services to their members and communities, so that they can become more self-sufficient and prepared for times of economic crisis (Steinerowski, 2012).

Cooperatives can be seen as solutions for local development, instruments for cooperation between citizens, organisations and local, regional, national and European representatives, through business organisations and practices (Matei and Matei, 2012; Steinerowski, 2012). As noted by Czternasty (2014) and Lan et al. (2014), cooperatives are seen as a particular form of social economy and entrepreneurship, respectively. Even if the concept still vague and it needs boundaries to define its function, social entrepreneurship can be understood as a way entrepreneurs adjust their businesses to create social value. This means that the “social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviors to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable.” (Abu-Saifan, 2012).

However, few studies have been made specifically about how cooperatives are formed, how they survive, how they cooperate and if they are regarded as a form of social entrepreneurship (Gall and Schroder, 2006; Lan et al., 2014) in the Portuguese context. As stated by Meira and Ramos (2014:10), “the cooperative sector is little studied in Portugal from the doctrinal point of view, despite having a long tradition in Portugal”. Although many studies highlight the cooperative phenomenon, few have examined empirically the determinant factors of wine cooperatives that impact on society. In addition, a study carried out by ViniPortugal (undated), the Interprofessional Association of the Wine Sector, indicates the importance of the wine sector in the Portuguese economy. On the other hand, our study was conducted in a region of central Portugal (Region of Dão) which is a geographical area known for its Wine Sector.

In this context, the main aim of this study is to identify the determining factors of wine cooperatives that impact on society. Therefore, the main research objectives are the following:

- 1 To show how wine cooperatives can be seen as a form of social entrepreneurship;
- 2 To measure the degree of importance of the factors considered by cooperators to influence society;
- 3 To identify and categorize new dimensions/factors which rural cooperators can adopt to assess wine cooperatives in local communities.

There has been limited comprehensive research on agricultural/rural social entrepreneurship in Portugal, more specifically, in wine cooperatives. So this study aims to explore these relevant issues and contribute to this literature. This study is of fundamental importance in contributing to advancing knowledge about agricultural cooperatives, as well as understanding what cooperators think about the cooperatives they belong to, in order to define strategies to develop the sector and the sustainability of these organisational forms. Finally, it identifies the factors linked to agricultural cooperatives with the greatest impact on the development of the society/community they are part of.

The remainder of the paper is structured as follows: Section 2 explores the theoretical framework of factors to examine strategic alliance success. Section 3 presents the methodological aspects used in this study. Section 4 describes the main results and discusses strategic alliance success in Portuguese firms. Finally, Section 4 highlights some conclusions and discusses some implications of this paper.

2. Literature review

2.1. Cooperatives as a form of social economy and entrepreneurship

The cooperatives are economically oriented to be included in the non-profit sector and too socially oriented to be considered as an economic for-profit organization. These “enfants terribles” of economics (Levi and Davis, 2008) are wholly depersonalized. Being based on the socio-economic duality, cooperatives are seen as “hybrid” organizations that, by combining voluntary and commercial elements, are ultimately neither (Mooney et al., 1996). Therefore, a question of a significant interest in social economy in modern, well-developed economies occurs. Thus, for Czternasty (2014), the cooperatives are seen as the entities of social economy.

Social economy is based on values of solidarity, participation, autonomous management (self-governance) and it plays a very important role in social development at different levels of management, especially at the local level (Czternasty, 2014). Ferreira (2012) concludes that for a successful local development policy, centred on social economy, any strategy must on one hand include benefiting from the opportunities offered by the social economy sector, by promoting the creation of business micro-initiatives, and on the other, involve young people in the search for and creation of new work opportunities that can contribute to solving the specific problems of the local people and communities.

Namorado (2009) also argues that local development processes need a humanitarian economy, as only in this way do they acquire consistency and humanity, transforming that development in a starting point that is «consistent with true social renovation» and not merely re-development of depressed regions.

The social economy sector, by its endogenous character and being rooted in people, incorporates the potential for forms of locally based social innovation, through the search for and exploitation of entrepreneurial opportunities that are sustainable for communities, where cooperation forms the necessary link and the central figure uniting all the actors involved. As mentioned by Delbono and Reggiani (2013), cooperatives are more resistant to crises, mainly as regards job protection, as they tend to protect their employees and co-operators, preferring to reduce prices/salaries paid than to dismiss. Moreover, as the policy of distributing surplus is much more rational, cooperatives tend to stand up better to the impacts and lack of liquidity at times of crisis, compared to firms that focus on maximizing profits.

Cooperativism is based on human values, as a humanitarian movement with humankind as its origin and purpose (Couvaneiro, 2004). Since its origins the cooperative movement and cooperative creation are strengthened at times of crisis, as a way to combat the exclusion and poverty of disadvantaged groups, such as labourers (Couvaneiro, 2004; Namorado, 2007). In today’s present crisis, as in the past, cooperativism and cooperatives have a new impetus and represent a viable alternative to the traditional capitalist business model, as important drivers of innovation and social and local development.

The concept of entrepreneurship has a long history focusing on the creation of value through innovation (Drucker, 1985). In recent years, the research focus has shifted from pure entrepreneurship towards social entrepreneurship with an emphasis on innovative and exceptional leadership in social enterprises, where the focus drive is to create social value, rather than personal and shareholder wealth (Dees, 1998; Prabhu, 1999; Austin et al., 2006).

The European Commission (2013) states that, through social innovation, joint paths can find solutions to solve economic and social problems, and this should serve as a guide for public administration in implementing actions through collaborative work, experimenting and prototypes, including the local population in that process. In addition, one of the advantages is the potential to respond to complex social problems and challenges through mobilizing local actors, for co-production and co-creation of solutions in which users are directly

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