



# Cooperation in tradition or tradition in cooperation? Networks of agricultural entrepreneurs

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## ABSTRACT

This study aims to understand the different types of inter-organisational cooperation relationships among agricultural entrepreneurs, adopting a qualitative approach and the case study method. It analyses a case study of agricultural entrepreneurs located in an inland area of central Portugal, which is traditionally a producer of black-eyed beans and which holds a small tourist event annually to promote that product. Data were collected through interviews held with several agricultural entrepreneurs. After carrying out content analysis of the interviews, we conclude that inter-organisational networks of agricultural entrepreneurs have played a fundamental role in developing that activity, through horizontal and vertical networks and collaboration with third parties. Horizontal networks and collaboration with third parties are present in all cooperation relationships, except for relationships referring to new products, where vertical networks with clients stand out. The networks of agricultural entrepreneurs have contributed to the sustainable development of the region studied, since besides economic benefits, they have contributed to conserving the landscape, job creation and preserving traditions.

## 1. Introduction

Consumers' growing interest in what is traditional has created a demand for agricultural products and foodstuffs with identifiable, specific characteristics, particularly those connected to their geographical origin and production method (Hajdukiewicz, 2014). Consumers tend to associate higher food quality with traditional products due to a kind of "nostalgia", which provides growth opportunities for firms that adopt appropriate strategies and for small firms operating in a niche market (Gellynck et al., 2012). In addition, traditional agricultural production can contribute to the sustainable development of rural areas, since besides economic aspects it also considers social, cultural and environmental aspects of production. As well as productive activity, traditional agricultural units contribute to countryside conservation, preventing the risk of fire, continuing employment and preserving traditions in rural areas (Colombo and Perujo-Villanueva, 2017).

Considering that a crucial element in the entrepreneurial process is belonging to an appropriate network (Hassink et al., 2016), cooperation networks of agricultural entrepreneurs can play a fundamental role in improving the economic, social and environmental performance of agricultural units (Vitry et al., 2015) and in increasing the value of

traditional products. Indeed, networks allow a firm to compensate for a lack of size and resources through the connection to resources available in the network, also originating faster growth without the major investment that would be necessary if not operating in a network (Wright and Dana, 2003). Nevertheless, many barriers and limitations can hinder network creation and operationalization (Hall, 2003), especially in rural areas that are economically and socially disadvantaged, with a small population, lack of infrastructure and limited access to resources, all of which are obstacles to entrepreneurship (Meccheri and Pelloni, 2006).

Despite the earlier conclusion that farmers have a lower level of social capital than other sectors, more in-depth studies are necessary about the resources and capacities of agricultural entrepreneurs (Pindado and Sánchez, 2017), particularly qualitative studies on the connections agricultural producers establish with different actors (Aguilar-Gallegos et al., 2015). Given the shortage of studies focusing on the substance and content of different types of inter-organisational cooperation relationships among farmers, we intend to fill that gap through specific analysis of networks that cover traditional agricultural products. This study aims, therefore, to understand the inter-organisational networks of agricultural entrepreneurs. These are defined as individuals who own and manage an agricultural business (Pindado and

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Sánchez, 2017), an inter-organisational network being formed by a group of organisations that engage in exchanging and sharing different resources and capacities in order to achieve a common strategic purpose (Franco et al., 2011).

Our study is structured in various sections. After the literature review, a case study of agricultural entrepreneurs located in inland Central Portugal will be analysed, traditionally producers of black-eyed beans who hold a small annual event for tourists to promote that product, in order to understand the inter-organisational cooperation relationships. The study will also indicate conclusions, limitations and future lines of research.

## 2. Literature review

### 2.1. Networks and agricultural entrepreneurship

As organisations operate in a relational context, their survival and performance depend on critical links and relations with other organisations (Holmlund and Kock, 1998). Networks are formed by a group of organisations/firms that are linked through some type of sustainable interaction with a certain degree of convergence (Franco and Belo, 2013), and can be formal or informal depending on the rigour and official nature of the agreements and contracts established between partners (Ibarra, 1992). Networks assume the formation of contacts and relations between organisations, and firms that create and maintain relationships are the ones that achieve success (Rutten and Boekema, 2007).

Interactions in the business and firm domain can be studied through network theory (Ford and Hakansson, 2005). In these networks, each actor is heterogeneous in relation to their own resources, needs and objectives, and the flow of those resources is not linear or controlled by only one of the intervening parties (Akaka, 2007). Therefore, co-operation between firms allows them, in various areas, to strengthen or complement limited resources, without risking their individuality (Franco et al., 2011).

Considering the type of partner involved, networks can be divided in three categories: horizontal, vertical and with third parties (Lambrecht et al., 2015). Horizontal networks are formed by firms belonging to the same sector, which may be competitors or complementary, whereas vertical networks are formed by different partners of the chain involved in all upward and downward flows of products, services, finance and information (Lambrecht et al., 2015). The vertical network includes all organisations from the direct chain (supplier, producer, customer) to the extended chain (suppliers of suppliers and customers of customers) (Mentzer et al., 2001). Collaboration with third parties refers to people or entities, besides members of the chain or firms belonging to the same sector, such as consultants, research institutes and financing bodies (Lambrecht et al., 2015).

In most countries belonging to the European Union, including Portugal, small agricultural units predominate, being generally defined as small concerns with an area less than 5 ha (European Commission, 2013b). These units play a role that extends beyond agricultural production and includes a number of cultural functions linked to the preservation of traditions and customs (Colombo and Perujo-Villanueva, 2017), although the continuity of many of these units is only possible due to the work of unpaid family members (Mylonas, 2015). Therefore, the European agricultural sector is characterised by small family firms, where management and control are not separated (Pindado and Sánchez, 2017), with family relations being fundamental for the creation of new business (Aldrich and Cliff, 2003). The need for independence and succession leads to economic objectives that are part of the powerful ideology of tradition, which can determine their entrepreneurial behaviour (Alsos et al., 2014). In this context, agricultural entrepreneurs seem to have fewer capacities to create networks than other sectors (Pindado and Sánchez, 2017).

Despite direct succession being the main mechanism through which

new entrepreneurs enter the agricultural sector, there is a growing number of new entrepreneurs who bring with them a number of resources gained outside agriculture, including networks, skills and financial capital (EIP-AGRI, 2016). According to this study, new agricultural entrepreneurs seem to have a greater tendency to become involved in alternative activities with added value, particularly in local schemes of certification and alternative food-producing networks.

Considering the great heterogeneity of agricultural units national and regionally, due to the differences in natural factors and infrastructure as well as different management models (Britz et al., 2012), it becomes necessary to understand better how and why inter-organisational cooperation relations among farmers are developed, in the particular case of traditional agricultural products.

### 2.2. Types of inter-organisational cooperation relationships

As a firm's collaboration relationships are distinguished by the content or substance of the collaboration, a firm's network can be analysed through seven types of relationships: production, supplies, marketing, search for new markets for current products, creating new products for current market, developing a new product for new markets, and improving business effectiveness (Schott and Jensen, 2016). According to these authors, most firms have at least one of these types of relationship despite being considered generally weak.

#### 2.2.1. Production

Despite the earlier conclusion that there is no developed agriculture in a country where agricultural cooperatives do not play a crucial role in almost all aspects of food production and commerce (Bijman et al., 2012), the presence of agricultural cooperatives varies considerably according to country, region, food network and product (World Cooperative Monitor, 2015). So in small sectors such as that of traditional agricultural products, there may be no cooperatives or other associative structures, and if they exist, they may present operating deficiencies (Mylonas, 2015).

Work in a network promotes the development of entrepreneurs' joint production efficiency (Andersen and Bøllingtoft, 2011), and in the agricultural sector, the share of agricultural equipment and labour stands out. As the agricultural sector is formed above all by small family firms (Pindado and Sánchez, 2017), many of them do not take on workers and find it difficult to acquire a great diversity of agricultural equipment, and so they often resort to sharing those resources to be able to develop their activity.

In order to promote effective cooperation among producers, a spatial relationship between small agricultural units is necessary, i.e., the relationship between neighbouring farms. This relationship is the main factor acting as a catalyst or impediment to cooperation, encouraging or preventing interactions that create scale economies and lowering production costs (Colombo and Perujo-Villanueva, 2017). According to these authors, in neighbouring homogenous areas that are small in size and low in profits, fragmented areas can be improved through shared cultivation. In this system, a group of producers cooperate in managing their crops using their own joint resources, i.e., acquiring and sharing the production inputs and machinery necessary to manage their farms more efficiently. However, empirical studies are needed to assess producers' opinion about shared cultivation (Colombo and Perujo-Villanueva, 2017).

Besides the physical distance between small agricultural units, social networks are fundamental in making cooperation between these farms viable (Rodríguez-Entrena et al., 2014). Despite the lack of official data, many small producers no longer live in their places of origin and their land is managed by neighbouring producers or relations, this being an important form of cooperation.

#### 2.2.2. Supplies

Considering that the agricultural sector is capital-intensive, with

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