

## AGRICOMPET BULLETIN ON RESEARCH PROGRESS (AB-RP)

### WP1 – ORGANIZATIONAL, GOVERNANCE, AND MANAGERIAL CHALLENGES FACING AGRICULTURAL COOPERATIVES AND CORRESPONDING SOLUTIONS

**Purpose/originality/value:** Review the extant literature on the organizational, governance, and managerial challenges facing agricultural cooperatives around the world, as well as solutions implemented to address these challenges.

**Design/methodology/approach:** An extensive literature search was organized in order to identify cases of agricultural cooperatives, which have successfully designed and adopted organizational, governance, and managerial solutions to address one or more pressing challenges facing them. The search focused on the 1990-2021 period and on agriculturally advanced countries (European Union, Americas, Oceania, Asia). The keywords used included combinations of the following:

1. Agricultural cooperative/co-operative/co-op/coop
2. Producer organiz(/s)ations
3. Organiz(/s)ation/Organiz(/s)ational & costs
4. Ownership
5. Governance
6. Managerial/management
7. Challenge/problem
8. Solution
9. Vaguely defined property rights/ill-defined property rights
10. Hybrid organizations/cooperatives/co-operatives/co-ops/coops
11. Case study
12. Empirical/regression/multivariate/statistics/structural equation modeling

Databases searched included: Google Scholar; Scopus; World Cat; Database of EU-funded research projects; and Depository of PhD/MS/MBA Theses and Dissertations.

#### Findings:

- Organizational costs incurred by any organization are those incurred in 1) forming the entity (formation organizational costs), and 2) maintaining it (maintenance organizational costs).
- Organizational costs are very important as they influence the sustainability of the organization as well as the incentives facing the founders and, subsequently, owners of the organization.
- Maintenance organizational costs in agricultural cooperatives are grouped into four subsets: (i) risk bearing-related costs, (ii) costs of controlling the managers; (iii) collective decision-making costs, and (iv) costs of securing strategic investments.
- Risk bearing costs are associated with attracting, rewarding, and redeeming equity capital.
- Collective decision-making costs arise due to heterogeneity in the preferences of patrons caused by either different ways in which patrons transact with the cooperative (e.g., distance of members' farms from the cooperative's processing plant), or in their personal circumstances (e.g., patrons closer to retirement and with no succession plans may oppose long-term investments).
- Solutions to organizational costs are grouped into tinkering, ambiguous, fundamental, and exit.
- Tinkering solutions include: user alignment, member retention, supply-demand balancing, and transparency policies.
- Reinvention of the cooperative is the basic fundamental solution to extreme maintenance organizational costs.

- Reinvention as a solution changes one or all of the following: residual income rights, residual control rights, dominant organizational culture.
- Reinvention means the cooperative enters a new life cycle.
- Many agricultural cooperatives around the world have managed to outlive their IOF (to be added- what it stands for) competitors by implementing innovative solutions to frictions arising from high member preference heterogeneity.

**Follow-up research:** The results of this literature review will inform the guidelines to be used in selecting agricultural coopepratives in France, Greece, Italy, Spain, and Turkey and invite them to participate in the National Solution Hubs, whose mission is to co-design solutions to challenges facing Mediterranean agricultural cooperatives today.

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