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COOPERATIVE CASE STUDIES FROM THREE COUNTRIES: IS MEMBERSHIP A PROBLEM OR A SOLUTION IN THE 21^{ST} CENTURY?

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The operations of the cooperative organization are an actively debated issue. The efficiency and viability of this organizational form still pose many unanswered questions. The literature is not unequivocal in evaluating the merits and drawbacks of this organization. This article provides empirical evidence from research about cooperatives covering three countries (Canada, France and Hungary) and tests theoretical hypotheses in the framework of organizational economics and co-operative theory. The findings point towards the positive influence of the social environment and cooperative values on organizational choice. The results prove the continued relevance of this type of organization in the 21^{st} century in agriculture in all three researched countries.

JEL-codes: Q13, L0

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1. INTRODUCTION

When the founders of an organization decide about ownership and organization structure, they make decisions about efficiency as well. Although humans are only boundedly rational (Simon 1982), they consciously look for those solutions in organizations that seem optimal to them and will be most suitable for their aims. There is a wide variety of forms that work well enough to sustain operations at least for some time. Several theories of organizations claim that the chosen ownership and operational structure will influence efficiency, such as contingency theory (Kieser 1995) transaction cost economics (Williamson 1993), or property rights theory (Kim – Mahoney 2005). Ménard (2013; 2017) investigated why different forms of organization and governance persist over time in agriculture, but the question is still open: is there an optimal organizational form and ownership structure in agriculture? Can we say that there are "outdated" or "inefficient" structures that had their uses and are no longer suitable to satisfy the needs of owners and stakeholders? What is the most critical governing idea in choosing an organizational structure?

In this article, we present three case studies from three countries (Canada, France and Hungary), where we investigated one organizational choice: the cooperative. The reason for choosing this ownership form is the controversy surrounding it. On the one hand, according to the International Co-operative Alliance's webpage, there are 3 million cooperatives in the world, and one in every six people on the planet is a cooperative member (International Co-operative Alliance 2018b). Co-operatives are most active in insurance, agriculture, wholesale and retail trade, as well as banking, and are present both in developing and developed countries according to the World Cooperative Monitor (ICA – EURICSE 2017). On the other hand, there are a number of accounts in the literature about the inefficiencies of cooperatives and their failures, or negative comparisons to investor-owned firms (Brousseau – Glachant 2008; Nilsson 2001; Monteiro – Straume 2018). There are detailed accounts of how previously successful cooperatives had to change their ownership structure to investor-owned firms or had to go out of business (Fulton – Hueth 2009). This apparent contradiction is intriguing to investigate.

In this article, we show some results of empirical research done in three countries investigating the cooperative organizational form. We examined whether cooperatives are still suitable for self-help in the 21st century in agriculture and whether this structure is a transitional one on the way towards creating investor-owned organizations. The methodology employed focused on qualitative, in-depth interviews with leading cooperative officials, CEOs and managers. The economic situation of the three case study countries is very dissimilar; their co-operative history and development are also very different. The reason for choosing these countries lies in their development path. France is a founding member of the European Union (EU), Hungary joined in 2004, so is a relatively new member; and Canada is on another continent. Dissimilarity can provide relevant information about possible cooperative development directions. We aimed to see whether there is path-dependence in cooperative development, or are there any significant differences between countries with very different economic and social backgrounds.

Our results show important common features in the economic reasons of cooperative creation, the traditional motivations operated in all countries; this way the cooperative organizational structure shows a specific creation rationale. Legislation played a decisive role in supporting these types of producer-owned organizations; the way it did this, however, was different in the three countries. The inefficiencies of this structure showed a more controversial picture because the cooperative problems mentioned in the literature were modified by very important social institutions, including culture and values. This result is an important one and confirms that the methodology of organizational economics is a considerable aid in explaining economic phenomena that are not explicable with the methodology of neoclassical economics.

The structure of the article is as follows: in the second section, we provide a theoretical background about this organizational form, including the characteristics, and advantages of cooperatives. In the third section, we present the conceptual background and the research methodology, and in the fourth part the research results. In the fifth section, we discuss our findings, and in the sixth we draw conclusions.

2. WHY A COOPERATIVE?

The cooperative is an organization that is created historically for the benefit of the small and weak economic actors (Zeuli – Cropp 2010), with property rights and control structure that is different from the investor-owned firm. There are several theories about the reasons of their characteristics, for example, economic stress and change being the triggers of their creation (Fairbairn 2004). Or, according to Cook (1995) there are two economic justifications for their foundation: one is price control, and the other is the fact that producers need defensive mechanisms against the opportunistic behavior and holdup situations originating from market failures.

The economic actors who found cooperatives are active persons eager to improve their situation via self-help; this fact explains their approach to organizing. The cooperative is a user-owned business, that is controlled by those who use it and provides benefits to their users (Dunn 1986). Those who create it do it voluntarily for the reason of meeting their needs and realizing their aspirations (International Co-operative Alliance 2018a). A significant concept of the cooperative is that it is an organization that works for profit, but uses it differently than the investor-owned firm. The main difference between the cooperative and the investor-owned organization is the reason for their existence. The investor-owned firm has to maximize shareholder value and generate wealth for the owners, while the cooperative' s single legitimate reason for being is to maximize the well-being of its members (Zeuli – Cropp 2010; Münkner 1992).

The industrialization and consolidation in agriculture created new challenges for producers, the presence of firms of a considerable size presented difficulties for the smaller producer, and the significance of small firms in the market could not be compared to that of the big companies. The founders, in order to stay in business, had to find solutions to acquire funding, to be able to obtain the necessary factors of production at a price that they could pay, and sell their produce in markets that are ready to accept their goods. A cooperative can be a viable solution to all these needs, because it can provide the producers with several advantages, both on the market and inside the organization. It is worth-while to investigate how this process happens in the 21st century. Are the factors that move producers to form cooperatives the same as they historically were, or does the cooperative represent transitional ownership and organizational form in today's agriculture, where after becoming successful it has to be changed into a firm with a different ownership form? This question formed the basis of our research in three countries.

2.1. Market effects of cooperatives

Small agricultural producers can meet market failures that can effectively thwart their market activities. Some examples are listed here. In an *oligopsony,* a small number of buyers face lots of producers, so the market power of buyers is significantly higher than the power of the producers. In situations with *asymmetric information,* the influential, sizable producers have access to more and better information than the small ones. When products are perishable, producers have to sell them in a definite time-frame (such as dairy products), so they have *limited access to markets* – they can only use those that are near enough, and this way they are in a *less favorable bargaining position* than those producers whose products are amenable to storage (Nourse 1922, cited in Ling 2009; Centner 2001). The cooperative can provide *missing goods and services on the market* because of the joint action of the members. The New Generation Cooperatives are modern examples of this function. Producers formed cooperatives to find a value-added outlet for their generic produce and create higher value-added products, such as pasta from durum wheat, or their participants are active in building up an organic food system (Fulton – Hueth 2009; Lancaster Farm Fresh Co-op. 2018).

Cooperatives can aid producers in several ways, two of which are specific to their market activities: countervailing power and competitive yardstick. If cooperatives are active on the market, then the joint action of producers can enable them to face the potential of more prominent market actors. The cooperative can also act as a competitive yardstick, as a market regulator in prices, as it operates on a "business at cost" basis, and so offers more favorable pricing to the members. The presence of producer owned and managed organizations can push prices down on the market not just for the cooperative members but all actors (Torgerson et al. 1998; Hoffman – Royer 1997).

2.2. Inside the organization: cooperative values and principles

Cooperatives have historically operated by particular principles that are defining the cooperative identity:

> Co-operatives are based on the values of *self-help, self-responsibility, democracy, equality, equity, and solidarity.* In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. (International Co-operative Alliance 2018a)

In the age where sustainable agriculture is a growing requirement, it is a valid question: is it still suitable for small producers to form cooperatives or a different ownership form and operational regime is more suitable? In our research the first hypothesis was:

H1. Cooperatives are not suitable for self-help in the 21st century in agriculture because producers' needs are different.

When producers (or other small economic actors) choose the cooperative ownership form, they do it because according to their opinion it is the best way of self-help. When the organization is successful, grows and becomes a significant market player, then a second decision seems inevitable, should the owner/members keep this type of structure, or should they change it to another legal and operational form? In the literature the failures and inefficiencies of cooperatives are well-documented (for example Cook 1995; Nilsson 2001; Fulton – Hueth 2009). Especially, the conversion to an investor-owned firm is an occurrence that deserves attention, after the successful wealth generation many cooperatives were converted into investor-owned firms (Fulton – Hueth 2009). The question of whether cooperatives have to change to a different ownership structure is significant for theory and has considerable managerial relevance. It is worth-while to examine more closely whether it is inevitable to change the structure or this conversion is not necessary to ensure efficient operations. Our next hypothesis addresses this problem:

H2. Cooperatives have to change their ownership structure and operations after attaining a certain size because of the inherent inefficiencies in ownership structure and operational methods.

3. CONCEPTUAL BACKGROUND AND RESEARCH METHODOLOGY

Organizational economics (Williamson 1993) and the cooperative theory was our research context. The location of the research was Canada, France, and Hungary. The economic situation of these countries is very dissimilar; their cooperative history and development are also very different. The reason for choosing these countries is this dissimilarity. France is a founding EU member, Hungary entered in 2004, so is a relatively new member, and Canada is on another continent. The information about the cooperatives that are active in these countries can highlight similarities and differences and can show if there is any path-dependence in the cooperative life-cycle. The data was analyzed in a comparitive perspective. Doing comparative research enables researchers to compare and contrast data, find

Table 1. Respondent profiles

Country	Canada	France	Hungary
Number of managers interviews	5	5	5
Positions of managers	president in all five cases	regional director, financial director, administrative director, human resources director, director of agricultural operations	president in four cases, chief accountant in one case
Sales turnover	>=35 million Euro	>= 2.2 billion Euro	>=17 million Euro
Types of cooperatives	three second tier, two first tier, marketing and processing activities	second tier cooperatives with multiple producer, processing and marketing activities	four marketing, one mixed, producing and marketing
Region	Quebec	Brittany	South-Transdanubia

Source: authors

essential similarities and differences and test theory more thoroughly. Empirical proof is more trustworthy if it is found in more than one situation (Azarian 2011). Semi-structured interviews were carried out with cooperative managers; the respondent profiles are shown in *Table 1.* Although the size of the included organizations is very different in terms of turnover, the common core characteristic was the organizational form and the underlying cooperative principles and practices.

The interviews were subjected to qualitative analysis, as the number of respondents does not enable quantitative investigation. In the following section, we present the results of our study.

4. RESULTS

4.1. The institutional context – comparing the legal environment and government support

Although the backgrounds are different, governments support producer organizations but in a different way. What strikes one as outstanding is the recent legal development. In France the law that governs the social and solidarity economy was not yet in effect at the time we started the research, it came into force in 2014, and the date of the previous legislation is 1947 (Hiez 2015). In Hungary, cooperative legislation started in the 19th century. The law in effect was created in 2006, but a particular governmental regulation was established earlier in 2003. This directive aimed at encouraging the creation of produce value chains called "produce disposal (marketing) cooperative." Current legislation (Act X of 2006 on Cooperatives) provides a possibility of creating diverse kinds of cooperatives which point towards the support of the social economy. In Canada, the general law came in effect in 1998. A cooperative has to observe a particular cooperative Act at the provincial, territorial, or federal level. The government recognizes the vital role cooperatives play in the life of the country (Industry Canada 2015). These data point towards a general recognition and support for cooperative organizations, the way of the provision is different, but the intention is the same.

4.2. Creation rationales

In all countries, managers listed numerous reasons for creating this type of organization. Here we mention just a few examples without being exhaustive.

In France, the legal regulations of agriculture and environmental protection require high-level knowledge and up-to-date experience, making joint action and joint operations in a complex market environment increasingly necessary. Financing investments that cannot be attempted by a single producer alone for improving production capacity, ensuring income and development potential are made possible by a cooperative. Cooperatives provide needed services for members that they could not finance alone. A further reason was a strategic one: a defensive move for producer survival after the 2008 crisis, which made clear for these businesses that they have to cooperate at a higher, strategic level.

In Canada farmers had to ensure that they have a processing facility where they can take their produce/product; this was one of the ways to pursue financial stability. Farmers needed a guarantee to have market competitiveness in the provision of feedstuffs, fuel and fertilizers.

In Hungary**,** cooperatives had a special advantage compared with other agribusinesses as in 2003 the government started a project which aimed at encouraging the creation of a produce value chain called "produce disposal (marketing) cooperative." These organizations are eligible to receive 3% of their annual turnover as subsidies, so several cooperatives utilized this opportunity. As there were few buyers on the market in marketing and sales, to ensure secure sales of produce and a stable price range of raw material, joint action was valuable. In the research sample, there was one non-market cooperative, and as it was an important job provider in the village, management wanted to ensure that those persons who were members and employees of the previous cooperative could retain their jobs. That was the reason why they changed the organizational structure and mode of operations. The commitment of management towards the cooperative form ensured the survival of this organization.

Cook's (1995) price control and defense against market failures reasons appear everywhere. Also, the reasons mentioned in Zeuli and Cropp (2004), i.e. the provision of goods and services, and capturing technological development are also present. These are the same reasons cooperatives were historically created for.

4.3. Inefficiencies and operational inadequacies

The ownership structure of the cooperative, where the property rights are only vaguely specified and assets are jointly owned by the cooperative organization, have the potential of causing efficiency problems. Operational characteristics, such as the "one member one vote" decision structure, and the distribution of retained earnings in proportion to patronage may also create inefficiencies. These are described in detail for example in Cook (1995), Nilsson (2001) or a useful grouping of these problems is provided by van Bekkum (2001), who characterized them as belonging either to investment and financial problems, or difficulties due to the decision-making mechanism.

The issues that can be the causes of financial controversies are unallocated, jointly owned equity, and consequently the free-rider, the portfolio and the horizon problems. Issues making decision-making challenging are the control and influence cost problems. In the research, we explicitly asked respondents about these matters, and how it impacted their daily work.

4.3.1. The significance of problems due to investment and financing the organization

Businesses need investments to grow and develop; they need to have access to capital and need to be able to use it freely. In a classic cooperative, members pay only a limited entrance fee, and they immediately have access to all the benefits the cooperative can provide, even to accrued investment or processors. This way “new” members can free-ride on the cumulated wealth of others who have worked for it for a longer time. Market participants can also free-ride on the activities of the cooperative; this is called the “external free-rider problem.” This is linked to the market regulation effect of the cooperative, market participants other than cooperative members can enjoy the favorable prices because of the cooperative’s existence. Cooperatives’ shares may be tradeable, but usually they are not, this way market information has to be obtained by other means than stock-exchange signals. Members can leave freely, but they have to refrain from taking the accumulated wealth. They cannot realize any gains in value, as assets are jointly owned. If a member invests, they have to take into consideration that the result of the investment may be realized only in the future and they may not be able to enjoy the benefits because of leaving (Cook 1995; Nilsson 2001; van Bekkum 2001).

In Canada, the survey did not reveal specific data regarding free riding issues. Increasing sales and growing membership suggest that members realize the importance of maintaining close links with the cooperative, especially as these were significant business players in the community. In France, the free rider issue was dependent on the size of the cooperative and the nature of members. In one cooperative in the sample, members realized that joint investment and collective action was more advantageous for them. In others, members accepted the diversity of business results and regarded this as a characteristic of cooperative operations. In Hungarian small cooperatives that were created purely because of taking advantage of financial returns, the CEOs convinced members that the returns guaranteed by law are better invested in infrastructure, so they invested 100% of the profits. In one larger Hungarian cooperative in the survey, the free rider problem arose partly because of the size of the members, and their market power. The CEO managed it, but he admitted that the question of conversion arose because of this issue.

A cooperative can be owned by a very diverse group of members, and their ideas about the business may vary. Theory expresses that their investment portfolios can be inefficient because of the heterogeneity. Investor-owned companies may also be characterized by a diversity in ownership, but their assets are tradeable so they can sell them and realize their market value if they are not satisfied with the company's performance. In a cooperative, if the member leaves, the asset's market value stays in the organization.

In France, respondents either insisted on the differentiation of services, price offers and investments according to member needs, or argued that due to the equality principle of the cooperative, offers for everybody should be the same. In Hungary, this issue was irrelevant. Either the cooperative was too small, or the CEO was considered as having the best information available regarding the optimal portfolio. In Canada, respondents indicated that regarding the main business lines (feedstuffs, fuel, fertilizers, and hardware) goods and services offered have to be aligned with the members' needs. All respondents emphasized the importance of in-depth information about the activities of management.

4.3.2. Importance of issues relating to decision-making

The cooperative is an organization that operates on the "one member one vote" basis. This way, in a small organization, every member can influence all critical issues facing the cooperative. Success destroys efficiency here if time is a resource. In a cooperative where the size is significant, decision-making can become very slow and costly if every single member has to be convinced about every decision managers have to make (Cook 1995).

In all three countries, decisions were made slowly in the cooperative. The responding practicing managers were well aware of the difficulties of convincing a large and diverse ownership, especially when all owners have one vote. However, they did not consider the specific decision-making methods of cooperatives as a source of any market or efficiency losses. All used the one member one vote structure. In Hungary trust in the CEO was a primary decisive factor. If members trusted the CEO, then they trusted the efficiency of decision-making. In Canada, the respondents stressed that all the critical issues had to be discussed by the board and by the members. To ensure a regular flow of information, four out of five cooperatives surveyed in Canada hold regular informal meetings with members of the board. In France, the openness of information and members' active participation in the life of the cooperative were the main factors in safeguarding efficient decision-making.

4.3.3. Agency problems and the role of managers

Agency theory describes a fundamental relationship between two persons, where one person – the principal – delegates tasks to another – the agent to complete on their behalf. In business organizations, managers are agents to the owners of these organizations and their job is to govern them in the interest of the owners.

This relationship is burdened with difficulties among them; it is crucial that the agent acts in the best interests of the principal. The agent gets the job because they have more and better quality information than the principal and because they can do the job. Both parties need the other, the principal needs the agent, because of the inability or unwillingness to do the specific task, and the agent needs the principal because they needs the returns from the job. Problems arise between the two parties when they find they have conflicting interests and information asymmetry favors the agent (Miller 2005; Linder – Foss 2013).

In the survey in the three countries, the cooperatives were sizeable professional businesses. The managers they employed (the agents) worked for the many members/owners. In this particular aspect, this is the same situation as in an investor-owned firm, where managers may work for numerous shareholders. The difference between the cooperative and the investor-owned firm is that cooperatives are usually local (not always, there are multinational cooperatives for example FrieslandCampina or Mondragon). Being a local organization with close ties to the community means better information about the activities of the organization and first-hand contact with the managers. If a cooperative is not local but multinational, the safeguards that can be influential guides in managing operations are the value system and the principles of the cooperative.

In France and Canada, agency problems are moderated by social relationships. People know each other in their community and have a keen interest in the efficient operations of the organization, so the information asymmetry is lower. In Canadian cooperatives, most of the members are second and third-generation family members. These cooperatives are local organizations both owned and managed by people with close ties to their communities. These close connections lead to the existence of many forms of formal and informal control. Members have a keen interest in the operations of their cooperatives. In Hungary, the questions relating to direct agency problems were almost irrelevant. In three of the organizations surveyed, there were no employees; all business activities were outsourced, coordinated by the CEO. In one cooperative the employees were also members, and the CEO was the glue that held the organization together. In the biggest Hungarian cooperative, the commitment of the CEO towards cooperation and his 24/7 presence solved practically all challenging issues.

Working in agriculture is not just a job; it is a lifestyle; as expressed by the respondents of the survey several times in all countries. Managers who work there have the same types of tasks a manager would have in any other business. The differentiating characteristic of a cooperative manager is the knowledge about cooperative principles and values, and their application in everyday management.

5. DISCUSSION

The "cooperative controversy" is a rich research topic even after years of debates. The unique ownership structure, the influential guiding principles, and values convince economic actors about this organizational form. Cooperatives are formed in the 21st century not just in agriculture but also in other business fields, such as worker cooperatives in the United States (Anzilotti 2017) or France (Fakhfakh et al. 2011). There is research in France that proves that worker cooperatives have the same level of productivity as investor-owned or "conventional" firms (Fakhfakh et al. 2011). They found that conventional firms would produce more if they used the cooperatives' technologies. This research was done in large datasets, covering in the first round seven industries, in the second round four manufacturing industries. The samples were representative. They attributed the success of cooperatives to several factors, such as employee participation which reduces agency and information costs. As employees can participate in governance, they have a sense of ownership and feel that they have a voice in their affairs, which also increases dignity. This process is a strong motivator of higher performance (Ellingsen – Johanneson 2007).

At the same time, there is abundant research proving that cooperatives are going out of business or converting to investor-owned firms (Fulton – Hueth 2009). This fact is an apparent contradiction which needs clarification. Our first hypothesis, that cooperatives are not suitable for self-help in the 21st century in agriculture because producers' needs are different, was rejected in this research. The facts in three countries prove that agricultural producers form cooperatives for the same reasons they have done in the past because the needs of the small producers are the same; only the context is different. Consumer demands, the industrialization of agriculture, and shrinking natural resources create a production environment that is even more difficult to cope with than the one in the 20th century. Factors of production are even more challenging to obtain as small producers face sizeable firms that have substantially more information, market power and can choose business partners at will. Cooperative theory claims that cooperatives would be created in crisis environments, and the early 21st century had abundant crises to cope with.

Examining the second hypothesis about changing the ownership structure and operations of the cooperative because this structure is inherently inefficient and unsuitable for a large organization did not yield unequivocal results. Our survey shows the same colorful picture as the one we see in the literature. The transition country Hungary shows a distinctive image. Because of the historical development of cooperatives and because of the years of Communist central planning, there is an extreme bias against this organizational arrangement. A "cooperative" is still a word that means oppression, aggression and forced joint work, where people are exploited and do not get the rewards that they deserve. Those who worked in cooperatives and who still work in them know the difference between the previous ones and those that were created after 1992, the first introduction of new cooperative legislation. Legislation favored the creation of cooperatives in 2003, and those organizations that were created fulfill the aims of a "classic" cooperative, although the most influential factor in their creation was the financial support from the government. Conversion to an investor-owned firm is an issue; members will keep the cooperative only as long as it serves them financially. Values, a way of life and the community play less role than financial well-being.

The facts found in France show that although conversion looks a tempting route, it is not necessarily the best one. The interviewed businesses in France are prosperous. They maintain high levels of turnover while operating in the interest of their members. There was no intention about converting to investor-owned firms. The will to remain within the cooperative form was strong.

On the Canadian side, the deeply rooted tradition of cooperation among farmers seems to be the cause of their unwillingness to convert into investor-owned firms. The youngest of the five cooperatives interviewed was founded in 1991. The other four cooperatives had been in existence for more than 60 years. Nobody even considers the conversion option. Instead, respondents declare that mergers with other local cooperatives are discussed as more credible strategies to improve the overall efficiency of the cooperation. The primary goal of the alliances is to offer members a broader range of services, in a cooperative manner. The second hypothesis based on the results of the interviews could *neither be accepted or rejected.*

The "cooperative advantage" can take many forms, for example: better access to capital, increased market power, improved access to higher level knowledge. Besides economic advantages, the social role is distinctive. The agricultural cooperative is usually a local organization. The owners and employees are in close contact with each other and have a direct stake in the efficient operations of the organization. The organizational structure gives members incentives to stay informed and to take part in the central decisions. The cooperative identity is a substantial cultural value that is significant for the members and guides their decisions. This result is one of the most important in this research: in deciding for a structure of an organization, cultural values in the institutional environment play a significant role, and these values can contribute to sustaining the cooperative structure despite operational difficulties. The influential cooperatives with a considerable turnover in France and Canada did not consider conversion; managers were well aware of the possibility, but instead, membership increased *because* they stayed a cooperative. Cooperative values are passed on to new members; while acceptance is slow, managers claim that the values survive.

6. CONCLUSIONS

In this article, we presented selected results of interviews which had been carried out in three countries with agricultural cooperatives. According to Ménard (2018), there are minimum four reasons the diversity of organizational forms are essential, among them the necessity of measuring the performance of the agribusiness sector, and the sociopolitical dimension, which also influences policy decision-makers. Cooperatives operate on principles and practices that are very different from standard economic theory (Ménard 2018), and they can still be efficient, stable and prosperous. We searched for reasons why producers choose this particular ownership structure and if they have to change it at some point in their development. Among the findings, the social dimension and what Ménard (2018) calls “noncontractibilities” point towards their importance. Social ties, informal control arrangements, tradition – where it is positive and convincing – influence economic decisions. The cooperative has to operate efficiently in terms of reducing costs and making profits, but it is expected by the members to operate by the principles and values of this unique type of organization. Ménard’s classification of cooperatives by transaction cost theory and relational contracts does answer some of the questions about cooperative diversity, but he also states that some issues remain to be resolved. Our research provided empirical evidence about cooperative theory and its economic foundations, and tried to dispel the doubts of inefficiency, outdatedness, and obsoletion of this ownership form.

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APPENDIX 1. QUESTIONNAIRE

Name of the organization

I. What is the nature of cooperatives in the 21st century?	
	1. Questions about the organizational form
	a. Number of employees (White collar / Blue collar)
	b. Year of foundation of the organization
	c. What were the initial reasons of the foundation?
	d. Organizational chart i. Choice of organizational form – reasons ii. If changed why? iii. If not why? iv. Number of independent subparts v. Nature of associate membership (under influence/free choice)
	e. If non-cooperative organization but transformed from the cooperative form then, how and what happened to the cooperative?
	f. What about incentives to maintain the cooperative form?
	2. Questions about the activities
	a. Field(s) of operations (animal husbandry, crop production, mixed, any other – what is the significance of non-agricultural activities?)
	b. Land ownership i. Land rent ii. Economies of scale – how is this problem present in your organization? If not why not? iii. Land market – is it possible to acquire/sell land? What are the prices and any other conditions? c. Status of infrastructure i. Age of machines ii. Possibility of acquiring new machines or needed machines to production iii. Amount of money spent in the percentage of profits for renewing infra-structure
	3. Questions about management
	a. Relationship of the organization to employees and owners i. Relationship to owners 1. Ownership structure 2. Any changes in the past 2, 5, 10 years 3. Relationship quality between owners and management (good/bad, convergence/divergence of point of views) ii. Relationship to employees HRM issues (CSR!) 1. Recruitment 2. Selection 3. Remuneration 4. Training 5. Separation 6. Security and health 7. Employee relations iii. Relationship between employees and owners 1. Nature of relationship (existing/non existing) 2. Relationship quality

	4. Questions about economic functions
	a. Agency theory and property rights theory related questions i. Ownership structure ii. Amount of pay to the managers iii. Amount of non-pecuniary rewards to managers iv. Information system to provide information about the firm to the owners v. Number of changes at managerial level in the past vi. Number of investments made by the suggestion of the owners and by the suggestion of the managers
	b. Transaction cost theory related questions i. Cost of the price level definition (price policy, brand name building,…) ii. Cost of the contract negotiation (dependency level, market position) iii. Switching cost (for members) iv. Risks reduction (social, financial, functional,…)
	c. Efficiency issues i. Free-rider problem 1. Did common ownership preclude investments? 2. Did common ownership cause any managerial problem? ii. Horizon problem 1. How long do members stay in the cooperative? 2. Why ancient members stay in membership? 3. Why new members enter on the cooperative? 4. Are they willing to invest in long term projects? 5. General horizon preferences (Short term, i.e. have good prices right now; Medium term, i.e investment return at the end of the year; Long term – future survival/development of the cooperative) iii. Portfolio problem 1. Are members satisfied with the activity/investment portfolio? 2. Can the organization change direction of operations/investments easily, or not? iv. Follow-up, or control problem 1. How often is the organization's performance evaluated? 2. What is the consequence of these? 3. How does the organization evaluate its managers? 4. Will market signals have an effect on managerial evaluation? Influence cost problem 5. Decision making structure (one member one vote or what?) 6. Balance of forces between individual and collective interest 7. Costs of the operations of these structure 8. How are decisions actually made in the organization, mechanisms? 9. What is the members' participation in the decision making? (real participation or not, democracy…)

II. Is cooperative conversion a necessity arising from the fact that this form of business is the choice of the small and insignificant market player?	
	1. Size of the organization
	2. Changes occurring in recent years a. In size b. In the scale of operations c. In the organizational form d. In the values of the organization (social values of cooperative) e. The reason according to i. managers ii. owners
	3. The role of the institutional environment in operations a. Relationship of the organization to: i. Banks ii. Supervising organizations iii. Other producers/organizations working on the same field iv. The amount of bureaucracy in day-to-day management v. Did entering the EU change anything in your way of operations? b. Cost of information i. Where do the managers/owners get the information from? ii. How much time is spent on organizing issues? c. How is the organization viewed by the local environment? i. The nature of support they get from: employees, local businesses, supervisory organizations, the law, the media d. Is the family of the owner/s participating in the business? i. If yes, how? ii. If no, why not? e. Are there any other job possibilities in the village/town/region where the organization exists? i. Would the manager/owner choose another job if s/he could? f. Are there any other possibilities on the market that could be meeting a need? g. Why the cooperative membership is advantageous for members (distinction of global offer/special offer)? h. The role of informal relationships in daily life i. How does the organization choose business partners? *a.* Those whom you know *b.* Those who look profitable *c.* Random ii. How does the organization choose employees? *a.* Those whom you know *b.* Those who look profitable *c.* Random