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**FACTORS INFLUENCING AGRICULTURAL COOPERATIVES:  
The case of a wine cooperative in Greece**

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Paper presented in ICA CCR European Research  
Conference 13-15 July 2022, Athens Greece “Rethinking  
Co-operatives: From local to global and from the past  
to the future”





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## **Highlights**

1. Participation of members, is imperative for sustainable Cooperative Identity
2. Information sharing between members and leadership, is a decisive factor for members' democracy
3. Independence of cooperative organisations facilitates members' trust and their commitment to their cooperative



## **Abstract**

This research explores factors influencing the identity of agricultural cooperatives. Qualitative single case-study research is applied. Ten interviews were conducted along with direct observation and use of documents. Four of the interviewees represent the cooperative's leadership and six of them are farmers-members of the cooperative. For the analysis of the data, thematic analysis was applied. The study shows that factors as the cooperative's independence, trust, commitment, participation of the members and information sharing influence the agricultural cooperative enterprise's identity and development. The study provides theoretical insights on the factors influencing the development of agricultural cooperatives and suggests that they are essential elements of a cooperative's identity. The results of this study can be used as a ground for further research on this subject. Cooperatives' leadership and membership can use the results as they contribute to knowledge on how cooperatives can sustain by making appropriate changes in their operations. For further research multiple case studies are suggested applying mixed method strategy for deeper understanding and comparison of this study's results.

**Key words:** Agricultural cooperatives, independence, opportunism, trust, participation, information sharing, cooperative identity.

# 1. Introduction

Cooperatives are important organizations creating value for their members and the society (Chaves Avila and Monzón Campos, 2007). They are part of Social Economy (SE) which is the third economic sector between public and private ones. There are four subcategories of organizations belonging to social economy: cooperatives, mutual societies, associations and foundations. What differentiates them from capitalistic companies is that their purpose is not profit maximization for the individual capital but rather to meet the needs of their members and society in general. In social economy organizations, all operations are conducted democratically, and the members participate in the decision making applying the democratic principle of *one person- one vote*, where each vote is of equal weight. The development of cooperatives leads to a fair distribution of wealth among people and contributes to the economic growth of the local community. (Andor *et al.*, 2013).

In cooperative enterprises (CE), each member has the right to vote, has access to information concerning the company and participates in decision making. For cooperatives, humanism is the core of their tradition, they promote democracy and solidarity (Chaves Avila and Monzón Campos, 2007). The International Cooperative Alliance (ICA) defines a cooperative as:

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, 2021).

Svärdström (1975) means a cooperative organisation runs an economic activity by applying the principle of one member one vote. The members of a cooperative are important as they finance, manage and control the organisation. He argues, a precondition for cooperation is the same goals and desires of the members. He claims, the working form for this is democracy and co-operation and democracy are inseparably linked.

## ***Importance of cooperatives***

The global market environment makes it difficult for small companies to survive. In this context, it is necessary to consider alternative forms of organizations to empower small companies and make them competitive. One such form of organizations is cooperatives that stimulate sustainable growth in the context of globalization (Bretos & Marcuello, 2017). This

view is supported by data from ICA which states that there are three million cooperatives worldwide and more than 12% of the humanity is part of them. Data prove that cooperatives contribute to the decrease of unemployment as 280 million people are employed in cooperatives, which is equivalent to 10% of the world's employed population (ICA, 2021). Furthermore, cooperatives benefit the communities where they are established, as the business profits are reinvested in the company or distributed to members. Nasioulas (2015) means an important fact is the contribution of cooperatives to social cohesion, considered as competitive advantage. According to Normark (1996) comparison between cooperatives and investor-owned companies does not indicate empirical evidence that cooperatives are weaker in participating in competitive markets.

There exist about 180 000 cooperatives in Europe with more than 140 million members. They employ about 4.5 million people and have an annual turnover of approximately 1000 billion Euro. Cooperatives are important for the European Economy as they create a diverse economy, contribute to business start-ups and growth, and generate jobs and wealth. (Quintana Cocolina, 2016).

In the agricultural sector, cooperatives have historically been the main form of organization used by farmers, to gain market power. Tortia *et al.* (2013) state cooperatives help to the reduction of transaction costs by shortening the supply chain.

### ***Agricultural Cooperatives in Greece***

Although there are studies indicating that cooperatives have the potential to be healthy and competitive firms in the worldwide market, they often lack a strategic approach to follow market changes which makes them less viable (Benos *et al.*, 2016). According to United States Department of Agriculture, a cooperative can succeed if it contributes with services that satisfy the members (Figueiredo & Franco, 2018). Since the core of cooperatives is to provide benefits to their members and the community they belong to, their success factors should be factors beyond financial aspects and cooperatives must be efficient in both financial and organisational terms (Fregidou-Malama, 2000).

Agricultural cooperatives have been an important form of organizations contributing to the total economy of Greece. The driving factor for Greek producers to form cooperatives is their small and fragmented farms which contributes to lack of economic power due to small individual production. Sergaki (2006) argues, even if Greece during 2000 has improved

factories of agricultural products as wine factories, the world economic crisis revealed essential problems in their organizational structure and strategies. According to European Commission Greek agricultural cooperatives are struggling, with few exceptions such as the Santo Wine Cooperative in Santorini (Bijman *et al.*, 2012). Deficiencies in the performance of agricultural cooperatives in 2000s were covered by state support and financing and the relationship of cooperatives with the state was linked to political interventions that did not contribute to resolve problems.

Agricultural cooperatives in Greece are too many proportionally to the population of the country. There exist about 3 583 cooperatives with more than 782 000 members (Grigoriou *et al.*, 2019; Sergaki, 2010). Almost all farmers are members of an agricultural cooperative (Kontogeorgos, Chatzitheodoridis & Loizou, 2016) even if they do not operate optimally or add value for the members (Sergaki, 2010).

### ***C.A.I.R. and Wine Industry in Greece***

The wine industry in Greece is one of the most profitable among the drink industries. Greece has 130 000 hectares of vines and produces around 4 000 thousand hectoliters (**hls**) which represent 2.5% of the European production. This puts Greece in 14th place in the world, 5th in Europe for vineyard area, and 6th for wine production (Konstantinidis *et al.*, 2008). Greek wine companies are struggling to maintain their position in the global market. There is an improvement in their management as from family oriented became professional (Karelakis *et al.*, 2008).

Compagnia Agricola Industriale di Rodi (C.A.I.R.), a wine cooperative enterprise situated in Rhodes Island in Greece, was established in 1928. It is a subsidiary company of a first-tier cooperative and the only winery in Greece that produces champagne under the traditional French technique. However, its performance has declined in the last decades (Paisiadis, 2014). C.A.I.R is selected as the case company for this study because of its importance for regional development and because wine industry is a traditional economic sector of Greece. In this chapter we explore factors that impact the development of wine agricultural cooperatives in Greece to understand how they affect the sustainability of cooperatives; we address two research questions: 1) Which factors influence the success of agricultural cooperatives? 2) How are these factors interrelated?

## 2. Theoretical background

### *Definition of cooperatives*

There are two approaches among researchers about Third Sector Economy. The first is the *non-profit sector* approach and the second is the French *social economy (SE)*. Defourny & Develtere (2009) mean there are basic common principles that govern the social economy entities and argue cooperatives were formed to fill the gap of other sectors in meeting peoples' essential needs. The recognition of SE becomes obvious as several countries, among them Greece, have conducted laws about it (Monzón & Chaves, 2017).

Cooperatives are recognized as a distinct economic sector, as despite mission, structural, cultural, or geographical differences, they have common characteristics that differentiate them from conventional firms (Palmieri, 2017).

A broadly accepted definition of a cooperative is a:

User - owned and controlled business from which benefits are derived and distributed on basis of use (Dunn, 1988, p. 85).

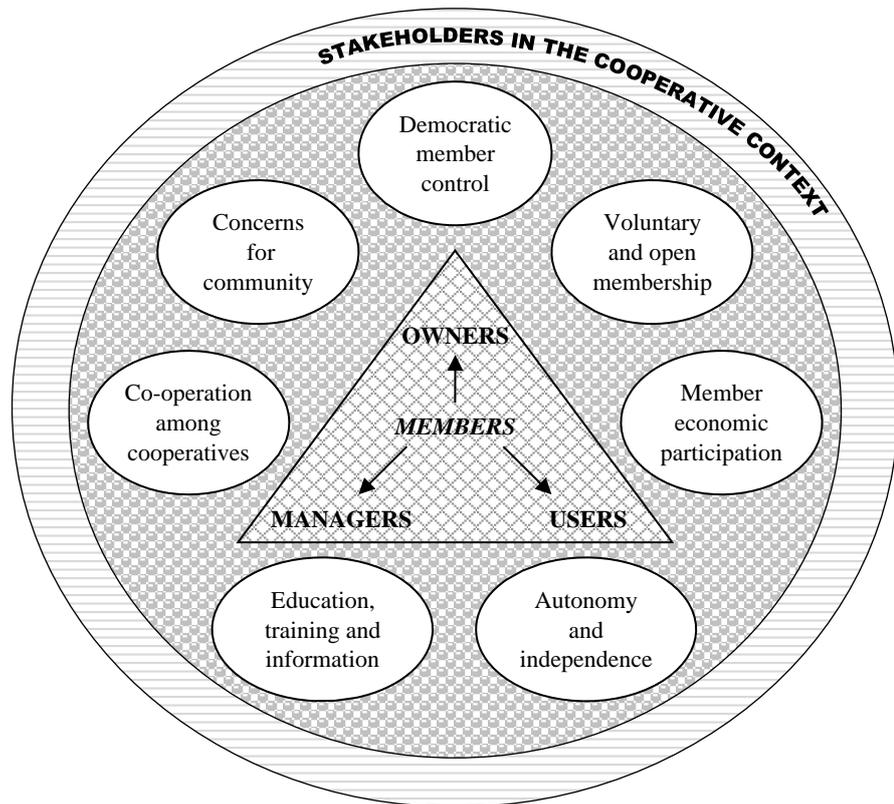
Cooperatives have unique characteristics and objectives. They are human-centered, and their goal is to enhance the well-being and income of their members rather than to maximize profits, and their ideology is based on a fair distribution of wealth in the society.

An important characteristic of cooperatives is their autonomy/independence. In some countries, the dissemination of cooperatives has been accompanied of exploitation by politicians and political parties. Kontogeorgos & Sergaki (2015) mean, a cooperative looses its meaning if it does not act independently according to its members' needs through autonomous decision making.

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. They apply the ethical values of honesty, openness, social responsibility and caring for others (ICA, 2021). Cooperatives are grounded on seven principles that constitute a guide to ensure compliance with the values into everyday operations. The seven principles, adopted by ICA in 1995, are often stated in cooperative laws and are the following: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education-Training and

Information, Cooperation among Cooperatives and Concern for Community (ICA, 2021) and are shown in Figure 1.

Figure 1. Cooperative Identity and Context Stakeholders



Explanation:

-  Member roles
-  Cooperative business responsibilities and activities
-  Cooperative principles
-  Context stakeholders

Source: Adopted from Fregidou-Malama, 1994, p. 55, Fregidou-Malama and Sundström, 2009, p. 6 and own construction.

Based on what is discussed, we assume that cooperative values and principles are part of cooperative organisation culture and constitute *the cooperative identity (CI)* which values members' contribution to the establishing and managing of the organisations.

## ***Cooperative Identity***

Cooperatives are organizations with dual aim, they compete in the market and operate to serve their members. Cooperatives are user-owned and user-controlled firms with the aim to meeting members' needs and interests, increase their income, decrease production costs and improve the information flow for marketing of products (Kontogeorgos & Sergaki, 2015). The surplus income of a cooperative is distributed to its members according to their use of the firm rather than equity property (Ortmann & King, 2007). They are not charities or non-profit organizations dependent on state's subsidies. The business transactions of cooperatives are the vehicle used to meet their social and membership objective (Benos *et al.*, 2018; Cornforth, 2004).

To be effective a cooperative must balance between the social and economic dimensions and avoid emphasizing only one aspect because then the original character of the cooperative will be affected and its autonomy and sustainability (Fregidou-Malama, 2000; Valentinov, 2004). This means that a cooperative should be effective both on business practices and on serving and communicating with its members and the community (Gibbons & Hazy, 2017).

The dual nature of cooperative enterprises makes them complex organizations (Benos *et al.*, 2018). The authors state, cooperatives encounter challenges in their leadership and decision making as in measuring their performance. The main difficulty cooperatives face in their leadership is the relationship between management, members and the board because they consist of a great number of shareholders with heterogeneity among them (Austin *et al.*, 2012). Furthermore, the authors argue, the measurement of cooperative performance cannot be based only on tangible and quantifiable measures such as financial indicators, market share, customer satisfaction, and quality but also on intangible measures as effectiveness on creating social value for members' which is difficult to quantify.

## ***Cooperatives' contribution to development***

In the European Union, there are 250 000 cooperatives with 163 million members, equivalent to one third of EUs population, and they have 5.4 million employees (European Commission, 2021). Table 1 shows that the market share cooperatives hold in several industries can be high.

*Table 1: Market share of cooperatives*

<b>Industry sector</b>	<b>Country</b>	<b>Market share</b>
Agriculture	Netherlands	83 %
	Finland	79 %
	Italy	55 %
	France	50 %
Forestry	Sweden	60 %
	Finland	31 %
Banking	France	50 %
	Cyprus	37 %
	Finland	35 %
	Austria	31 %
	Germany	21 %
Retail	Finland	36 %
	Sweden	20 %
Pharmaceutical and Health Care	Spain	21 %
	Belgium	18 %

*Source: Adapted from European Commission (2021).*

Cooperatives can be a decisive factor of the local communities' development. Through business units and practices, they can contribute to the cooperation between citizens and organizations as with local, regional, national and European representatives (Figueiredo & Franco, 2018). It has been shown that cooperatives can empower their members both economically and socially as they are more resilient than the traditional forms of organizations and they are the main contributors of employment and income to the poorest population of the world living in rural regions (International Fund for Agricultural Development (IFAD), 2011).

Cooperative enterprises are the means through which small farmers can survive in conditions of increased competition while maintaining their independence as they can increase productivity and quality and attain economies of scale (Kontogeorgos & Sergaki, 2015). Authors' mean it is the farmers' need for survival that leads them to unite and form cooperatives, as they can gain bargaining power and become competitive. Agricultural cooperatives give to smallholder and powerless farmers the possibility to be engaged in the market and compete effectively with large for-profit companies. The smallholder farmers, through cooperatives, can get access to resources such as information and knowledge, seeds and tools, natural resources, and decision making (Graziano da Silva *et al.*, 2012).

### ***Political intervention, opportunism and the cooperative law***

One of the cooperative principles is *Autonomy and Independence*. The independence of agricultural cooperatives is an important factor for their success and sustainability. A cooperative must secure its independence and be controlled by its members in a democratic way. Cooperatives' effectiveness is directly connected to independence from government (Benson *et al.*, 2019; Fregidou-Malama, 2000).

In Greece, the situation has been deviated from this requirement. Governmental intervention, through the board members and modifications of the cooperative law, is one of the main factors that cause inefficiency. The first cooperative law of 1915 has been modified, until 1970, 946 times, which is equivalent to about two modifications per month (Iliopoulos & Valentinov, 2012). The authors' state that the political intervention was most intense during 1936-1940 and 1967-1974, where Greece was under dictatorship. This phenomenon continued during the decades of 1980s and 1990s, when the legal framework was modified many times and the board members represented or were supported by political parties. They tried to manipulate the farmers-members, as farmers represented over 20 percent of the voting power in national elections and nearly all farmers were members of at least one cooperative. As a result, cooperatives developed to election bodies for political parties rather than adding value to their members.

Apart from the transformation of cooperatives to political arenas, cooperatives' leadership behaved opportunistic which means they took advantage of cooperatives' development to acquire personal benefits even at the expense of cooperatives' performance and members' engagement (Iliopoulos & Valentinov, 2012). According, at the same time, farmers were expressing opportunistic behavior by becoming members of a cooperative for the possibility of acquiring individual benefits by getting access to powerful political parties of that period which affected the increase of membership in the decade of 1980s and affected the performance of cooperatives negatively. As Papageorgiou (2010) points out, one of the major damages of agricultural cooperatives is the negative perception that Greek citizens have about them. He means that for the citizens cooperatives are synonym to entrepreneurial failure and dependent on the government and the state's subsidies for their survival.

The legislative framework for SE introduced in Greece late compared to other European countries (Nasioulas, 2012). In Italy for example they instituted a related law already in 1991. The first law, Law 4019, conducted in 2011 and according to it, SE are: all economic business,

productive and social activities undertaken by legal persons or associations of persons whose purpose is to implement collective benefit and to serve general social interests. The definition of cooperatives in this law gives them characteristics as autonomy, solidarity, collectivity, social development, democratic leadership and integration in the process of social inclusion of people that belong to vulnerable groups of the population. The cooperative law from 2016 abolished the second-tier cooperatives i.e., associations of cooperatives which resulted in reduction of the total number of cooperatives.

### ***Knowledge sharing and members' participation***

For an organization to apply information and knowledge sharing, efficient communication is required. Borgen (2001) states, when efficient communication is practiced the participation and involvement of the members increases. Thus, a competent leadership should increase efficient communication to intensify members' participation, confidence and identification with the cooperative so they can express their views and involvement in the decision making. Efficient information and knowledge sharing positively affect the reliability of the leadership, which is a prerequisite for building of independent cooperatives (Poulton *et al.*, 2006).

Cornforth and Thomas (1990) mean leadership should ensure the training and education of the cooperative's members to promote efficient democratic decision making. They suggest it is important for a cooperative to consider information and knowledge sharing through efficient communication which is positively affected by a trusting environment. They argue, information and knowledge sharing enhance trust as it develops transparency and democratic decision making and increases social cohesion. Cechin *et al.* (2013), state if members understand this characteristic of cooperatives, their commitment increases and they are willing to sacrifice short-term benefits, as selling their production to other actors for higher prices and become involved and engaged in cooperatives' operations.

### ***Members' trust and participation***

Rousseau *et al.*, (1998) define trust as peoples' intention to accept vulnerability if they expect positive behavior of others that they will not exploit their weaknesses. Atkinson and Butcher (2003) state trust means to accept personal risk based on expectations that others' will not harm them. Fregidou-Malama and Hyder (2021) define trust as multilevel and argue for a context-based trust on individual, organisation and national level.

Valentinov and Curtiss (2005) suggest that trust is a critical factor for the creation and functioning of cooperatives and differentiates cooperatives from investor-owned firms. They indicate a link between leadership behavior and trust. According to Barraud-Didier *et al.* (2012) members' satisfaction and behavior towards their cooperative affects trust among them and depends on the leadership's business decisions while maintain cooperative's social character. That means, leadership must create a reliable and efficient organization which at the same time listens to members' demands and concerns for their interests.

Hansen *et al.* (2002) found that members' trust reduces transaction costs. They maintain that trust between members and members and management depends on the complexity of the service a farmer cooperative offers and affects farmers' decision to be members. Members' positive expectations of economic benefits of the membership enhances trust to the management and the organisation and willingness to participate in the cooperative's decision making. Member participation can affect relationships between the members and positively moves members' commitment to the organization and social cohesion (Barraud-Didier *et al.*, 2012; Österberg and Nilsson, 2009, Morgan and Hunt, 1994).

### ***Members' commitment and participation***

A vital issue for the sustainability of agricultural cooperatives is members' commitment which differentiates a cooperative from a traditional private capitalist firm. Commitment binds an individual to a target, social or non-social, and to an action of relevance to that target (Meyer *et al.*, 2006). According to Fulton (1999) members' commitment indicates the willingness of the members to support a cooperative even when the cooperative's price or service is not so good, and it positively affects members' maintenance of their membership. Members' participation and involvement in the cooperative's operations and decision making, can sustain their commitment even when hierarchical control over member transactions is exercised (Cechin *et al.*, 2013). Participation in decision making increases members' perception of ownership, which results to the enhancement of their commitment and benefits the organisations and the society (Harrison and Freeman, 2004). Österberg and Nilsson (2009) observe that members consider democratic control to be crucial and argue that this indicates members perceive the cooperative as a social institution, as much as an economic one and designates the importance of a well-functioning democracy within cooperative governance.

Fulton (1999) states that the traditional basis of member commitment – what might be the cooperative ideology – appears to be breaking down. Member commitment is affected by the cooperative's reputation, and it is important they perceive the quality of the cooperative addresses their needs. Thus, cooperative's leadership should be interested in taking feedback of the members' perception about the cooperative to be able to manage these issues (Fulton and Giannakas, 2001). They found that members' commitment to cooperatives is influenced positively of a transparent governance structure and affects the reputation of a cooperative which in turn influences the commitment of the members to the cooperative.

Bijman (2016) argues if a cooperative faces liquidity shortage and cannot meet its financial obligations members' commitment is affected negatively. Farmers can face difficulties to cover their production costs and begin to side-sell their products to other traders to survive economically. As Benson *et al.* (2019) state, if trust has been lost, there is only one possible way for leadership to restore it by meeting members' interests and needs by ensuring their participation in decision making. They argue that members' participation can be enhanced when cooperatives become members of a cooperative network both at the local and national level and between different sectors such as agriculture and tourism. Members' participation is accomplished when members' exercise three roles, the governor, the investor, and the owner role (Österberg and Nilsson, 2009).

### ***Theoretical framework***

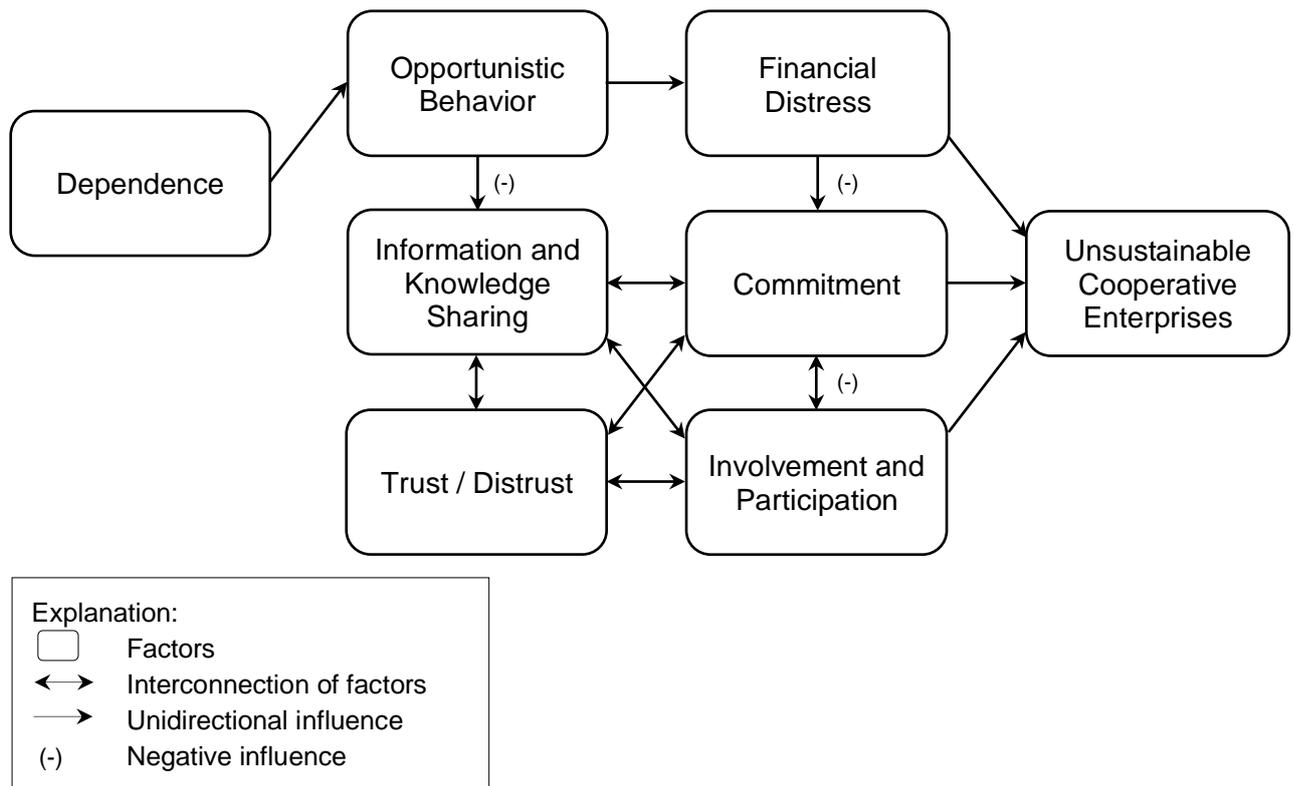
According to reviewed literature, factors such as independence/autonomy/dependence (Benson *et al.*, 2019), information and knowledge sharing (Mazzarol *et al.*, 2013; Conforth & Thomas, 1990; Cechin *et al.*, 2013), trust (Valentinov & Curtiss, 2005; Fregidou-Malama and Hyder, 2021), opportunism (Iliopoulos and Valentinov, 2012), and participation and commitment (Cechin *et al.*, 2013; Fulton, 1999) of the members are interrelated (Table 2) and impact the effectiveness of a cooperative enterprise positively or negatively. These factors are considered as *soft* factors and relate to human behavior. Researchers maintain difficulty in recording and measuring such factors. Table 1 presents the interrelation between the discussed factors and relates them to conferred theories.

Table 2. Interrelation of factors influencing the identity of a CE and theoretical links

<b>Factors' Interrelation</b>	<b>Theoretical links</b>
Dependence → Opportunistic Behaviour	Iliopoulos & Valentinov (2012), Benson <i>et al.</i> (2019)
Participation → Commitment	Harrison & Freeman (2004), Österberg & Nilsson (2009), Fulton and Giannakas (2001)
Commitment → Participation	Cechin <i>et al.</i> , (2013), Österberg and Nilsson, (2009)
Financial Situation → Commitment	Bijman (2016), Fulton and Giannakas, (2001)
Participation → Trust	Benson <i>et al.</i> (2019), Fregidou-Malama and Hyder, (2021)
Trust → Participation	Barraud-Didier <i>et al.</i> (2012), Österberg & Nilsson (2009)
Trust → Commitment	Morgan & Hunt (1994), Hansen <i>et al.</i> (2002)
Information & Knowledge Sharing → Participation and Commitment	Mazzarol <i>et al.</i> (2013); Conforth & Thomas (1990); Cechin <i>et al.</i> (2013); Borgen (2001)
Trust → Information & Knowledge Sharing	Conforth & Thomas (1990), Fregidou-Malama and Hyder (2021)

We assume context factors as independence/dependence from stakeholders affect the performance of the CE and the members' trust to the CE. Trust affects members' participation and commitment to their cooperative and stimulates information and knowledge sharing. We suggest a theoretical framework based on those constructs. Figure 2 illustrates the interrelationship between the constructs and their influence in developing a strategy to satisfy the needs of the members and sustain the CE.

Figure 2. Factors influencing CE



### 3. The case study and empirical results

We apply a case study (Yin, 2014) based on C.A.I.R. a wine producing CE and inductive approach (Corbin and Strauss, 1990). Interviews were conducted with four leaders and six members of the cooperative enterprise during 2019-2020. The interviews were lasting 45-85 minutes. The collected data were divided into sections based on common characteristics to develop themes (Braun & Clarke 2006). The identified themes are 1) C.A.I.R. in a historical perspective 2) Governmental intervention, dependence and opportunism 3) Financial conditions and the market 4) Information and knowledge sharing, 5) Members' involvement, participation and trust. We analyzed the findings in two main themes 1) Independence/dependence, financial consequences, opportunism and participation 2) Information and knowledge sharing, trust and participation and linked them to earlier theories.

#### *C.A.I.R. in a Historical perspective*

Respondents told that C.A.I.R. is a wine producing cooperative company established in 1928 on the island of Rhodes. Rhodes' island was from ancient times one of the most important areas of wine production in Greece. C.A.I.R. was established from six Italian entrepreneurs in the

time of Italian occupation of Dodecanese islands with the name *Compagnia Agricola Industriale di Rodi (C.A.I.R.)* which means Agricultural and Industrial Company of Rhodes. After 1947 a Greek entrepreneur bought the company and in 1954, the majority of the company's shares, equivalent to 97% of the capital, were sold to the Union of Agricultural Cooperatives of Dodecanese. The other 3% of the shares belong to the state.

Having this long history and high expertise, C.A.I.R. is one of the greater wine-producing companies in Greece. It has a wide range of wine brands including local white and red varieties. C.A.I.R. has been an innovative company and it was/is the first wine company of Greece producing champagne by the traditional French method. The champagne is its most famous product in Greece but also in other countries as C.A.I.R. exports its products all over the world, mostly in north European countries such as Germany. In those times it was an advanced company in innovation and industrial growth, compared with other units of the country. It had invested in advanced technology and in the occupation of areas of land to cultivate grapes to satisfy the need for the basic raw material for own production.

C.A.I.R. had two self-owned territories of grapes, in Fanes village where the old factories were, and a great real estate in different parts of Rhodes island. Before 1954, it produced wine from its own grapes, but it was also buying the necessary quantity of grapes to satisfy the needs of its production from the farmers. For the quantity of grapes produced by the farmers, C.A.I.R. was undertaking the production and the selling of the wine by getting a payment to cover the production expenses. After 1954, when C.A.I.R. became part of the former Union of Dodecanese Agricultural Cooperatives, it began to absorb the whole grape production of the island independently of the needed quantity. This policy caused liquidity problems and forced the company to borrowing money from the Agricultural Cooperative Bank of Greece, creating an unsustainable debt. The financial pressure increased when the Agricultural Cooperative Bank went bankrupt during the economic crisis and bought by a privately owned bank, The Piraeus Bank in 2012. This contributed to a negative situation as C.A.I.R. lost a large part of its property which is now owned by the bank.

From 1954, C.A.I.R. belongs to the Union of Agricultural Cooperatives of Dodecanese. The union had as members 64 cooperatives, but after the enactment of the law 4430/2016, the union became a first-tier cooperative labelled *Oil and Wine cooperative of Dodecanese*. Only three of the 64 cooperatives merged to become one first-tier cooperative. One respondent confirmed:

The cooperative served more than 10.000 farmers and C.A.I.R. absorbed 90% percent of the total grape production of the island.

### ***Governmental intervention, dependence and opportunism***

Interviewed farmers mentioned political intervention. They stated:

What changed after the beginning of 1980s was the strong influence of the respective governments of the country on the election of the members of the board of directors on political party grounds rather than merit.

Since then, the company has begun to decline economically and started to borrow money from the Agricultural Bank of Greece to ensure its survival. This resulting in its gradual over-indebtedness and inability to repay its debt to the bank. This caused C.A.I.R. loss of property which included both territories and buildings such as its historic factory. The farmers explained that there was a tight legal framework in the past years that led many cooperative companies to close. One farmer emphasized:

There was no space for variations in how each cooperative company was operating depending on their dynamics and size. Now under the new legal framework cooperative companies have more flexibility to differentiate their policies and strategies in accordance with their own needs and overall socioeconomic situation.

According to the new law, the leadership of cooperatives must be consisted only of farmers-members, and this created dissatisfaction and problems. A leader of the union expressed that he completely disagrees with this fact, as he believes that the farmers are unable to lead the organization because they lack the prerequisite knowledge. Another participant stated the farmers' ignorance may allow others to exploit them.

On the question about their view on the reasons of the company's negative situation, the members respondents have the perception that the governing persons of the cooperative operated for their own benefit without considering the consequences. They explained that for years there were persons in the leadership who were dishonored. Farmers connected the opportunistic behavior of the cooperative's leadership with lack of trust to members' and consequently members' distancing from the cooperative.

The leadership had the same perception about the members. One of the managers stated that farmers do not care about the sustainability of the cooperative and they aim to personal

immediate benefits. For example, there were cases of adulteration of grapes to increase their weight and thus gain more money.

### ***Financial condition and the market***

The respondents maintained that in C.A.I.R. grape producers are paid for the grapes they sell to the company at a fixed and high price compared to other cooperatives. This is because C.A.I.R. does not provide the farmers with cheap agricultural supplies and includes in the price this cost of the producer. They also meant, the high price that C.A.I.R. provides to members, increases the production cost of the company and makes it less competitive in the market.

Asked about the exports of C.A.I.R. nowadays, they stated that the leadership makes efforts to increase them by participating in exhibitions and wine competitions. The company has some exports, like in Germany, Switzerland and Belgium. The answer of a farmer was that the exports have been eliminated compared to the past when 30% of total production was exportable. Today the market has been limited to the Dodecanese and the grape production has been reduced. They were producing 18000 tons in the good times, while today the production is around 2000 tons of grapes.

The strong penetration of increased competition in the local market tended to be attractive to competitors due to tourism and created problems for C.A.I.R. which had been losing purchasing capacity and was not able to carry out the social work required by a cooperative unit. The decision-makers at C.A.I.R. at that period, did not diagnose in time the risk of losing market shares and did not act to prevent it. The high production costs and the problems of selling products resulting in a downward trend of the company. The decrease in sales led to over-storage of products, thus increasing storage costs. This created problems for the viability of the company due to growth of working capital needs and difficulty of access to lending due to its existing bad financial situation and the general unfavorable financial situation of the country.

According to farmers, C.A.I.R. can no longer meet its financial needs. They explain:

There is a long delay in payments from C.A.I.R., more than a year. This is a prohibitive period for farmers as they lack the necessary funds to cover the expenses for the cultivation of the next period.

In addition, a manager believed that they make great efforts to organize and manage better the company's operations to increase the sales and consequently the profits, so that

farmers can benefit from higher dividends. According to respondents, with the consolidation strategy that has been followed since 2015, C.A.I.R. has improved in financial terms. Managers mentioned that the financial obligations that C.A.I.R. has to the tax office and bank have been settled and regulated. They believe that soon they will have the ability to buy new equipment that the company is deprived of. They consider that in two years the cooperative will have managed to cover its loan to the bank and become more economically stable with greater flexibility in its actions and strategies of development.

### ***Information and knowledge sharing***

The respondents' mean there is limited information and knowledge sharing among the members and the leadership. According to leadership, information flow is exercised only through emails, if the members have, newspapers and the General Assembly. One leader said that whenever they organized a seminar for the members, there was very little participation.

One respondent leader explained:

Wine is a special product because of the many different varieties and microclimate conditions. It is difficult to have a unique orientation in the cultivation methods and techniques, but the cooperative tries to provide the farmers with a common production process to increase their effectiveness.

According to farmers-members, even in times of important decisions such as when the law changed, it was not communication with the leadership to decide collectively. This ended up in a frustrating situation, where the farmers of the most relevant grape cultivation villages, remained outside the cooperative when it was restructured. A farmer, of the village with the highest production of wine grapes, said about the communication; there were times that not only they did not discuss with us, but we were even unaware of the problem or its existence. Another farmer stated:

There is no information sharing. They were always acting without counting us, as they only cared about how they would benefit themselves.

All farmers mentioned the lack of interest of the cooperative in terms of efficient cultivation of the grapes and one asked for the cooperative to employ agronomists who should visit the fields to advise farmers. The interviews revealed that there is no trust among the members and the leadership. Most of the farmers mentioned lack of trust to cooperative's leadership and its practices. Due to bad financial situation, C.A.I.R. owes money to the farmers

from previous years. Interviewees mentioned that farmers gave up the amount of money that C.A.I.R. owed to them for the year 2012 in order to help the cooperative to overcome its financial problems. The farmers explained without that money there is a lack of working capital for the cultivation of the next period's crop.

### ***Members' involvement, participation and trust***

According to what participants said there is lack of members' commitment to the cooperative. Farmers said the members have been disappointed and there is no longer trust in the leadership. Thus, after the merger took place, many members chose not to continue as members of the new first tier cooperative. The first reason according to farmers-members is that they lost their trust and the second reason according to the leadership is the insecurity because of the cooperative's high debts. Of those who remained active there are many who sell their production to other wine-producing businesses of the island to get faster payment.

According to the interviewees the farmers-members participate in decision making through their elected representatives, and personally only once a year in the General Assembly. Young farmers started looking for other professional occupations after they saw that the cultivation of the vineyards could not give them security in terms of meeting their financial needs. As one respondent said:

Many farmers, especially after the increasing of the tourism in Rhodes, decided to leave their work on the fields and start a new career as hotel employees.

Leader participants mentioned that all grape producing villages or associations are united on the basis of common authority, the cooperative, that represents them, so that they can organize better the cultivation process and through the delivery and the sale of grapes, they can earn their income. They pointed out that the competitive advantage of a cooperative is that the power is maximized by the union of the members, there is a collective organization and action. They explained that there must be a better balance between the protection of the members' rights and needs and the needs of the company. It was said that priorities should be given to the operations of the company and C.A.I.R. has achieved this without betraying the principles of the cooperative ideology and the members, as it is for the members the company exists. In Table 2 we presents the summary of the empirical findings. It shows the constructing themes and coding evidence of every theme.

Table 3. Empirical findings

<b>Initial themes</b>	<b>Evidence</b>
<i>C.A.I.R. in a historical perspective</i>	<ul style="list-style-type: none"> <li>• Innovative company</li> <li>• International exports</li> <li>• Responsibility to producing farmers</li> <li>• Financial pressure and liquidity problems</li> </ul>
<i>Governmental intervention, dependence and opportunism</i>	<ul style="list-style-type: none"> <li>• Lost autonomy</li> <li>• Financial dependence on agricultural bank</li> <li>• New legal framework 2016</li> <li>• Merger of three cooperatives out of 64</li> <li>• Individual benefits</li> </ul>
<i>Financial conditions and the market</i>	<ul style="list-style-type: none"> <li>• Loss of capital</li> <li>• Focus on short-term financial gains</li> <li>• Problems with exports</li> <li>• Problems to pay farmers in the new market context</li> <li>• Losing market share</li> <li>• Loss of engagement</li> </ul>
<i>Information and knowledge Sharing</i>	<ul style="list-style-type: none"> <li>• Limited exchange of knowledge</li> <li>• Few seminars organized</li> <li>• Absence of communication when significant events were taking place</li> <li>• Distrust developed between members and leadership</li> </ul>
<i>Members´ involvement, participation and trust</i>	<ul style="list-style-type: none"> <li>• Trust has been lost from loss of communication</li> <li>• Lack of commitment to the leadership</li> <li>• Limited participation in the cooperative</li> <li>• Free riders phenomenon</li> <li>• Problems with members´ involvement and engagement</li> <li>• Young farmers leave agriculture</li> </ul>

## 4. Discussion

### ***Independence/autonomy, dependence, financial consequences and members' participation***

Iliopoulos and Valentinov (2012) state that a major problem in agricultural cooperatives in Greece is that they are not autonomous organizations. According to both literature and participants, cooperatives' dependency increased at the decade of 1980ies due to policies and practices of the government. After 1981 the government emphasized the cooperative economy. The cooperative policy they applied included access to credit for cooperatives from the agricultural bank of Greece. Our study shows that this happened without democratic control mechanisms from the members for what purposes the loan money should be used which affected the finances of the cooperative negatively.

The research indicates that strategies were developed to serve political interests rather than to meet the interests and needs of the members with negative consequences. Elected people in the boards of directors have been elected not based on professional knowledge but because of political identity. This resulted in negative effect on knowledge sharing, in opportunism, poor progress of the cooperative and frustration of members involved in that far from democratic processes. As Benson *et al.* (2019) state a cooperative's effectiveness is directly connected to its independency from government. Empirical data revealed that when a cooperative is dependent on government then banks can let people with opportunistic behavior exploit the cooperative to their advantage, as they do not take responsibility to control the obligations of the firm to the members and the society. The benefits people acquired could be either financial or power positions.

While members should act together for the good of all of them, they took care for personal benefit. Svärðström (1975) states the importance of the same want between members. In this case the members deviate from the cooperative idea and acted without collegiality and cooperative awareness. At the case of C.A.I.R. members blame leadership for opportunism and vice versa. The data indicate that both sides have expressed opportunistic behavior. As far as the leadership is concerned, it seems that opportunism was predictable. Political interventions and easy access to funding was consolidated and thus persons interested in an administrative position in the cooperative did not have cooperative purposes and intentions. This can be linked to Iliopoulos and Valentinov, (2012) who state that in Greece cooperatives' leadership took advantage of their development to acquire personal benefits at the expense of cooperatives'

performance. On the other hand, opportunistic behavior has also been designated on part of the members selling their harvest to competitors.

Opportunism can be considered as opposed to cohesion and trust and consequently to commitment (Svårdström, 1975). A consequence of opportunism was the blocking of information flow. As the company's financial situation continued to deteriorate and in combination with the opportunism of the leadership, the managers and the board preferred to ask for more funds from the agricultural bank as for the easy access to credit. The results show managers did not discuss the problem with the members and the farmers were unaware of the real situation and realized late that the business had almost reached bankruptcy. Therefore, an information gap was created between leadership and the members. Also, as it was a flow of funds from the agricultural bank, there was the ability to pay the farmers for the harvested grapes. This procedure continued as the farmers were satisfied by securing their income and this practice did not allow them to understand and think about the reality. We argue that the identified opportunism had negative impact on the cooperative's financial situation, on information and knowledge sharing and on the trust of the members to their cooperative. Being in this financial situation, without creditworthiness and inability of sufficient financing, C.A.I.R. faced the world and Greek financial crisis in the period 2008-2018.

C.A.I.R. was in difficult financial position as there were no investments in modern production which could lead to reduction in production costs or to quality improvement of the product and in competitiveness. To this fact also contributed the absence of the Agricultural Bank supervision over the investments of cooperatives (Nasioulas, 2012). The lack of strategical decisions, necessary control and planning of the situation by the leadership to overcome the existing negative situation, worsen the situation. The results indicate that the financial situation of C.A.I.R. negatively affected the participation and trust of the members in the leadership and their trustworthiness to the cooperative business.

### ***Information and knowledge sharing, trust and members' participation***

The research indicates there has been insufficient information and knowledge sharing from the leadership to the members', but we mean this situation can continue if the members do not claim a different treatment. It is difficult for members' to realize that it is their indisputable right to have the required information and to control the administrators' practices. We argue that efficient communication skills must be developed to strengthen information and knowledge sharing and ensure transparency (Mazzarol *et al.*, 2013; Conforth and Thomas,

1990; Cechin *et al.*, 2013). Furthermore, when a cooperative enhances communication and information sharing, it helps members to address their needs and members' commitment to the cooperative increases (Stoel & Sternquist, 2004).

The members in our case believed that information was intentionally not shared by the leadership, and this creates distrust. They do not trust the leadership and they do not consider the way the cooperative operates and exercises decision making as democratic and transparent. Therefore, they lost their commitment and stopped participating in decision making and they lost to control the economic situation of the company and lost their confidence in the management of their cooperative (Borgen, 2001).

The research demonstrates that as trust has been lost, members' commitment and participation have been eliminated. The bad performance of the cooperative enterprise, the dependence on stakeholders and loss of its reputation caused the indifference of members as they had already lost their trust. This is in line with the theory that trust is related to commitment and participation (Hansen *et al.*, 2002; Borgen, 2001, Fulton and Giannakas; Barraud-Didier *et al.*, 2012; Morgan and Hunt, 1994). Lack of trust ended up to a situation where the members had only commercial relationship with the cooperative as suppliers of the wine grapes. They acted and behaved as independent partners of the organization rather than as members with the write and obligation to use and control the cooperative.

In addition, C.A.I.R. faced the *free-rider* problem. In the past the good course of the company had positive effects on winegrowers whose quantities of produced grapes were absorbed by the cooperative at predetermined prices, and they were paid in time. Consequently, the majority of the island's grape producers were members of the cooperative selling 100% of their production to it, as they were satisfied with the economic benefits they were gaining. Another consequence has been that some members left agriculture and others' started selling their production to competing private companies as the long repayment period is prohibitive for the survival of farmers-members. This phenomenon can be linked to Bijman (2016) who states that even fully committed members can begin to side-sell their products to other traders to survive economically which this research also shows. Most members stated that there is no effort by the leadership to motivate their involvement and participation. Participation means more time engaging with the company and with each other which leads to trust building. The enhancement of members' participation increases control of leadership and its practices and eliminates opportunism. What can be highlighting is that the effect of members' participation

leads to elimination of opportunistic behavior, as teamwork is cultivated, and a joint effort leads to prosperity of the cooperative and the satisfaction of the members.

Our study reveals a dependence of C.A.I.R. on government and credit from the agricultural cooperative bank. Both members and leadership have expressed opportunistic behaviors because of financial stress. This resulted in lack of members' trust to leadership and to lost capability of the cooperative organization to serve members' needs. What worsened the situation was scarce information and knowledge sharing among leadership and members. Therefore, the control that members should exercise have been lost which intensifies the unfavorable situation. A vicious circle is created, as all factors are correlated and aggravate each other, leading to the worsening of the situation.

This study proposes that management functions should be implemented by the cooperative's leadership. It suggests that the leadership must develop a strategic sustainability plan to determine the need of the cooperative for investment and working capital. This can help the leadership to decisions making to regain the credibility of the company, the trust of the members towards it, their commitment and involvement and participation. The restoration of mutual trust (Fregidou-Malama and Hyder, 2021) among members, between members and the leadership and the cooperative, can create preconditions to regain lost market share and enhance the motivation of young farmers to join the cooperative, because they feel frustrated by the overall negative course of the successful historic cooperative unit.

This case indicates a need to support flourishing of dialogue and information flow between members and leadership. If this happens, it can enhance trust development, which is an important factor for the sustainability of a cooperative and its identity. As we understand it, achievement of effective communication, knowledge transmission and empowerment of members can positively affect their participation in decision making and they can feel confident to manage, use and control the cooperative, which is the target of members owners of a cooperative organisation.

Table 4 presents the results of the analysis on the main factors affecting the cooperative identity and their antecedents and consequences.

*Table 4 Interrelation of factors influencing the identity of Cooperative Organisations*

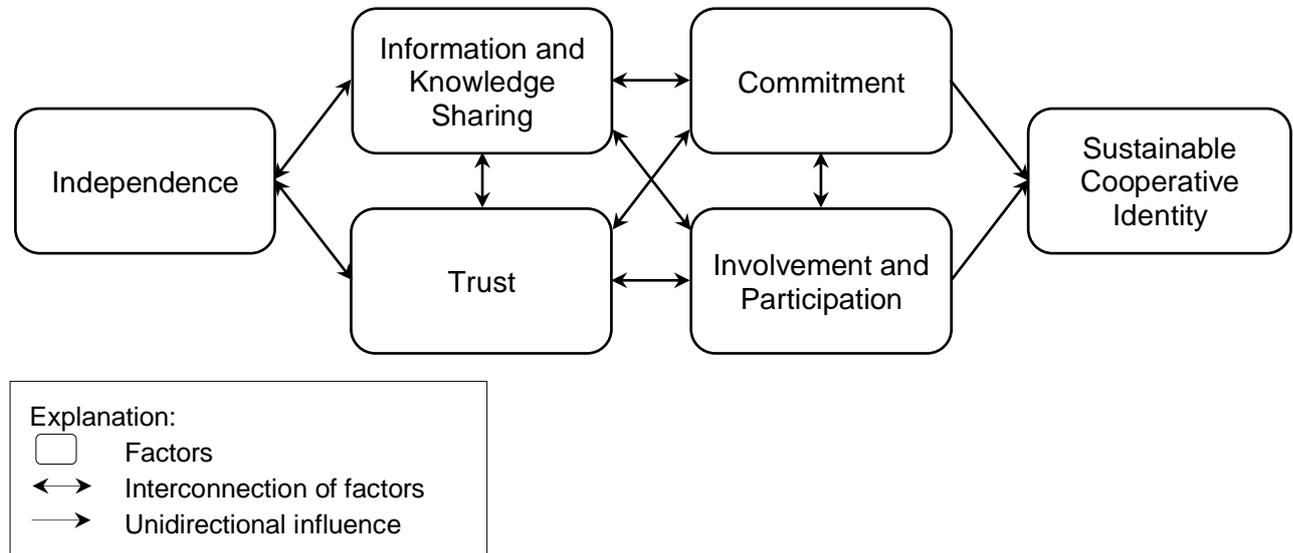
<b>Factor</b>	<b>Antecedent Factors</b>	<b>Consequences</b>
Dependence	<ul style="list-style-type: none"> <li>• Political Intervention</li> <li>• High Debt</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunism</li> </ul>
Opportunism	<ul style="list-style-type: none"> <li>• Dependence</li> </ul>	<ul style="list-style-type: none"> <li>• Bad Financial Situation</li> <li>• Lack of Information and Knowledge sharing</li> <li>• Corruption</li> </ul>
Bad Financial Situation	<ul style="list-style-type: none"> <li>• Opportunism</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Information and Knowledge sharing</li> <li>• Lack of Trust/Mistrust</li> <li>• Lack of participation</li> </ul>
Lack of Information and Knowledge sharing	<ul style="list-style-type: none"> <li>• Opportunism,</li> <li>• Bad Financial Situation</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Trust</li> <li>• Lack of Participation</li> <li>• Lack of commitment</li> </ul>
Lack of Trust/Distrust	<ul style="list-style-type: none"> <li>• Opportunism</li> <li>• Bad Financial Situation</li> <li>• Lack of Information and Knowledge sharing</li> <li>• Lack of Involvement and Participation</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Participation</li> <li>• Lack of commitment</li> <li>• Financial problems</li> </ul>
Lack of Participation	<ul style="list-style-type: none"> <li>• Lack of Information and Knowledge sharing</li> <li>• Lack of Trust</li> <li>• Lack of commitment</li> </ul>	<ul style="list-style-type: none"> <li>• Lost commitment</li> <li>• Ineffective and Unsustainable Cooperative</li> </ul>
Lost commitment	<ul style="list-style-type: none"> <li>• Lack of Information and Knowledge sharing</li> <li>• Distrust</li> <li>• Lack of Participation</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Participation in Decision making</li> <li>• Ineffective and Unsustainable Cooperative</li> <li>• Lost cooperative identity</li> </ul>

## **5. Conclusion**

The purpose of this research was to understand which factors impact the development of wine agricultural cooperatives in Greece by addressing two research questions. 1) Which factors influence the development of agricultural cooperatives? 2) How are these factors interrelated?

Our empirically developed model (Figure 2) on the cooperative identity is process oriented and based on five constructs that are interrelated and strengthen each other and together the sustainability of cooperatives and cooperative identity.

Figure 3. Cooperative Identity



With respect to the first research question the findings highlight the following factors as essential for a cooperative: Independence/autonomy, Information and knowledge sharing, Trust, Commitment, Involvement and participation of the members. Our research on characteristics making an agriculture cooperative a unique unit stresses: First, the nature of cooperatives as dual organisations, both social and economic. If a cooperative does not operate effectively as a social democratic organization it will fail as an economic business organization and vice versa. This research suggest that a cooperative’s leadership must balance the two dimensions characterizing a cooperative to sustain the organisations. Second, democratic planning and coordination are essential for the effective contribution of cooperative enterprises to their members’ and society’s needs and to encourage members’ participation and contribution and sustain their commitment. Third, the value creation for the members that cooperative enterprises should have as their central goal, must be translated economically and concern the transmission of knowledge and power to the members. Leadership should care about how a cooperative can be economically efficient but at the same time how it can add value to its members and increase its socioeconomic impact thus exercising what makes a cooperative unique (Mazzarol *et al.*, 2013).

In relation to both research questions, the study indicates there are critical interrelated factors which should be considered as integral parts of what is defined as a cooperative,

facilitate cooperative organisations sustenance and maintain their identity. One of these factors is the autonomy of cooperatives which means to be independent of external funding and subsidies from the state or banks and do not accept external influences or obligations on how they should operate. Other important factors are participation and commitment of the members as without them the cooperative loses its meaning and the purpose of its existence. Members should be simultaneously the owners, the controllers and the users of cooperatives. To be possible for members' to exercise their rights and obligations information and knowledge sharing must be emphasized, as it allows cooperatives to have the transparency needed and helps members to identify problems in the operations of cooperatives. The study emphasizes the construct of trust to be the factor that links all features and the members and is assumed an essential one.

To summarize, this case study reveals that when a cooperative is dependent, it becomes disposed to opportunistic behaviors and its leadership may act for personal goals. Reliance on bank capital and leadership opportunism will end up to financial distress of the cooperative. The combination of financial distress and opportunism blocks information and knowledge sharing and the development of trust which are of utmost importance for the democratic participation of the members and the effectiveness and sustainability of a cooperative. On their turn, information and knowledge sharing and trust affect members' commitment and democratic participation in the decisions of the cooperative. Without the participation and commitment of the members a cooperative loses its meaning, its identity, as it is for them it exists and cannot sustain and develop without them. Thus, autonomy of a cooperative and decentralization of decision making to the members constitute the essence of a cooperative business.

### ***Theoretical, managerial and societal implications***

Our study contributes to, First, literature on cooperative identity illustrating that the factors of independence, trust, information and knowledge sharing, member democratic participation and commitment are important elements of the cooperative identity. Thus, the information generated add to the knowledge on the specific features of agricultural cooperative enterprises, as well as on challenges faced by them. Second, it contributes to the literature on Greek wine cooperatives by developing an empirical model highlighting constructs of a cooperative's identity and their interrelation. We hope it can be useful for further research on the factors that influence the efficiency and sustainability of agricultural cooperatives.

The introduction of factors affecting the cooperative identity offers managers insights on how to improve cooperatives' operations and their survival, help the leadership to identify problems and suggest practices to serve cooperative members. From a policy perspective the findings provide insights to governmental authorities for policy reforms and their implications on the survival and practice of cooperatives.

Summing up, the revival of agricultural cooperatives in Greece is of great importance, especially after years of economic consolidation that affected most of the population. The effects of the economic crisis were/are greater in the poorest and most remote areas of the country, where they rely on the agricultural sector and cooperative enterprises. The identified factors are essential for such a development as they allow cooperatives to acquire the characteristics that give them their uniqueness as a business unit. Without these factors the cooperative construction loses its cohesion its cooperative identity and cannot survive.

This research is limited to one case, one type of cooperatives and one country. We suggest multiple case studies on different countries and types of cooperatives to compare and develop the results of the study. Another important research issue can be to investigate how networks of cooperatives can be developed and contribute to sustain the cooperative identity and the cooperative enterprise model.

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