



Entrepreneurship Approaches in Agricultural Cooperatives

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Economists look at the entrepreneurship from the prospective of profitability, investment, risk, and insight supporting the economical development but it seems that, in modern societies, entrepreneurship's function is beyond the economical bounds. According to the stage and importance of entrepreneurship which is known as the society's economic and culture evolution engine, it is necessary to develop an entrepreneurial culture and support the entrepreneurs in order to make employment and progress. Considering this matter in the agriculture sector which is known as the development pivot can be effective and useful. This study is aimed at evaluating the entrepreneurship strategies and methods in agriculture production cooperatives. Information is gained through library study, compilation, observation, and interview. Results show that social, economical, political, and legal factors and observance of the cooperative's principals result in agriculture production cooperative development and, finally, entrepreneurship in this organization.

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1. Introduction

Undoubtedly, nowadays' organizations are facing many changes and threats so that, in order to their continuity, finding a solution to encounter these problems is needed; this also depends on new methods and innovations. Functions responsible to environmental changing conditions, for achieving these goals, should be initiated by managers. According to this subject matter, economical planners have a variety of options. Privatization or minimizing the government's role is one of the internal entrepreneurship's logical solutions which the organizational activity improvement capability of this process is endorsed by a variety of countries' experiences (Zamani and Naseri, 2007). Importance of Entrepreneurship and job providing in economy is a subject which has been worth mentioning in the last few years. In general, economists have considered the Entrepreneurship through profit centered, investment, and economical support aspects (Henry et al., 2003). Based on research results of Entrepreneurship in South America, more than 70% of different prominent works are done through Entrepreneurship activities (Macke, 2002). In their research, Noorzade and Mehrabi Yegane (2006) have recognized the Entrepreneurship development in agriculture training centers as one of the most practical methods to increase the human resources'

efficiency in agriculture sector.

Furthermore, Saeedinia (2003) has documented the loss of management skills, legal and technical and financial knowledge nonexistence, personal capital lack, and loan problems as the principal entrepreneur's preventers. After the Islamic revolution victory in Iran, like other uprising countries, the government has interfered limitlessly in all economical activities and these activities became government- centered activities.

New challenges associated with emerging consumer demands, global standardization processes, market concentration, stricter market requirements and price instability require different roles and capacities from cooperatives operating in agri-food value chains worldwide. Their purpose – the empowerment of small producers – has not changed, but nowadays they need different means to achieve that goal. Instead of holding on to the defensive role they used to play in the past (such as trying to set more favourable prices for producers by reducing the market share of intermediaries, for instance), cooperatives are now challenged to take on a more pro-active role in marketing, updating their organizational structure and engaging in value chain integration. A successful transition to this new role requires the acquisition of particular managerial capacities, especially in the domain of

Abstract

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'collective entrepreneurship', as Michael Cook and Brad Plunkett have called it (Cook and Plunkett, 2006).

Apart from the more conventional features of entrepreneurs, such as being alert to new opportunities, capacity to change organizational structures, good judgment in uncertain conditions and risk-taking attitudes, in order to deal successfully with current challenges, cooperatives also require the capacity to build new partnerships and to make strategic use of networks and relations with other stakeholders. It is worth mentioning that such a transition towards a more entrepreneurial mindset is also conditioned by the socio-political context. For example, cooperatives that were created according to restrictive models, were under government control or operated in a protective environment may find a move towards more entrepreneurial performance much harder (Novkovic, 2008).

2. Entrepreneurship

An entrepreneur is one who has the ability to distinguish and value business opportunities and starts the activity by gathering the needed resources for obtaining the maximum profit (Henry et al., 2003). Cantilon realizes a entrepreneur as a self-employed person who has a high-quality economical prediction and risk tendency so that his profit or lose would be helpful to balance the market (Macke, 2002).

Kinds of Entrepreneurship

1- Independent entrepreneurship: it, by itself, generates the business and carries out the risks and innovation in its own economical institute.

2- Organizational entrepreneurship: supported by a pre-established corporation or organization, the entrepreneur discovers and exploits the new productions and technologies (Shirani, 1998).

Internal Entrepreneurship

It is the internal entrepreneurship manners and states including:

- 1- The groups motivation
- 2- Making an everlasting improvement model
- 3- Introducing practical methods
- 4- Introducing a plan
- 5- Making a system to follow the activities

Cooperative internal entrepreneurship can be called the cooperatives' reconstruction and organizational culture (Shirani, 1998).

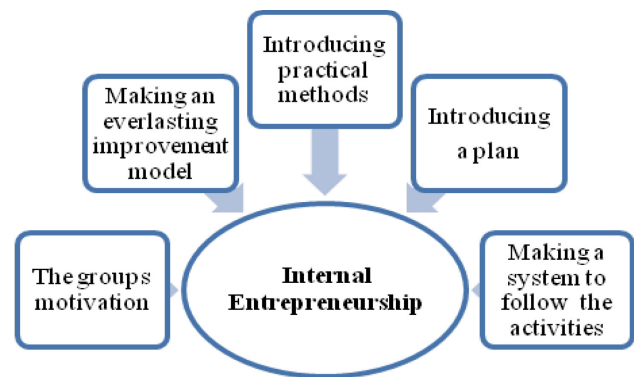


Figure 1: Internal entrepreneurship manners and states

3. Entrepreneurship in cooperatives

Agriculture Entrepreneurship circumstances are specifically refers to specific conditions, farm, and crop. The agriculture Entrepreneurship frail growth is because of the broad gap between rural and metropolitan regions of the developing countries, industry overcome on agriculture, policies and strategies tendency toward industry, and economical/social features of rural societies and farmers. Having no professional abilities and necessary support from the government and national/local organizations for being an entrepreneur, a farmer, in the developing countries, is the weakest production agent (Noorzadeh and Yeganeh, 2006).

Cooperatives

Controlled by their own members who do not work for personal profits, cooperatives' activities are voluntary. It means that cooperatives are formed in order to help the members in accordance to their main line of work. Cooperatives' members are allowed to work together and resolve one another's problems; these members can be farmers or consumers (Zamani and Naseri, 2007).

Agriculture cooperatives

This cooperative is one of the important portions of the rural and agricultural societies which act in servicing, crediting, providing farm and home for farmers, and marketing the agriculture crop. Having economical/social objectives, agriculture cooperatives are a group of particular people with limited supplies and equipments; they are gathered unpaid and work based on the cooperative regulations by means of effective working, providing the needed capital, and risk taking (Noorzadeh and Yeganeh, 2006).

Cooperatives basics

Cooperative basics are illustrated in the Figure 2.

Cooperatives` strong point in Iran

- Objectives are economical and social
- Having the potentiality to catch the attention and collect public`s small capitals and lead them to Entrepreneurship and production
- Being able to organize the farmers and whoever involved with the agriculture sector in all courses and regions for integrating the activities and improving the rivalry (Henry et al., 2003).

Cooperatives weaknesses in Iran

- Society`s cooperation culture non-development
- Capital shortage and loan payment delay
- Being weak in the managers and employees training (Zamani and Naseri., 2007).

Opportunities

- Positive approach and the Iran supreme leader`s determination
- Government movement for assigning the mission to the non-governmental sector
- Article 44 of the constitution (Zamani and Naseri, 2007).

Threats

- Not supporting and not regulating the cooperative sector
- Improving the cooperative`s earlier weaknesses by the authorities

- Not forecasting the Long-term quantitative and qualitative objectives in the government budget recipe in cooperative sector
- Cooperative`s low share in the agriculture sector (Saeidnia, 2003).

Private sector entrepreneurship

For private firms, the main benefit of working with cooperatives rather than with multiple individual small producers is lower transaction costs, which include the costs of coordination, establishing and monitoring contracts, quality control of products and collection, sorting and grading practices, etc. Hence, due to these lower costs and economies of scale, cooperatives can have considerable competitive advantages, particularly in sectors that are dominated by small producers (Valentinov, 2007).

Compared with the development sector, the private sector holds a rather different vision of the entrepreneurship of cooperatives. Private firms want to source products that meet their demands and standards. They look for reliable business partners who can deliver products in specific volumes, at a good price, on schedule, and that meet quality and other specific requirements. Compared with the `project mindset` of development practitioners, the private sector has a more instrumental view of entrepreneurship (based upon business performance). Firms will clearly define their expectations and the performance indicators before they start any collaboration (which is not always the case with NGOs). And although firms are often prepared to offer support to the development of producers` organizations (suppliers)– for instance, through training, provision of computers, pre-financing, etc. – they only work with cooperatives that already have a certain level of `doing good business` (Bijman and Van Dijk, 2009).



Figure 2: Cooperative Basics (Noorzadeh and Yeganeh, 2006)

Agriculture cooperatives and challenge ahead

For agricultural cooperatives in developing countries, one of the main issues is how to deal with the inevitable tension between engaging in new entrepreneurial relations while also remaining an organization that is truly controlled by, and works for the benefit of, its members. The experience of cooperatives in the Netherlands suggests that when managers become more autonomous they gain some entrepreneurial freedom (essential to adapt to new market situations), but at the expense of loss of direct influence of the members on the business. Professionalization and internationalization of cooperatives may result, unintentionally, in the exclusion of their more vulnerable (and less competitive) members. The risk that cooperatives undertaking governance changes towards more entrepreneurial settings drift away from the interests of their members is also present in developing countries. On the other hand, is a board of directors that consists of small farmers (normally with limited education and access to information) capable to deal with the rising challenges of dynamic agri-business? The ability to solve this apparent contradiction between efficiency and equity, and to find the right trade-off between a business orientation and the promise of social inclusion, are among the key features that make the cooperative's entrepreneur unique (Muradian and Magnus, 2009).

One of the key challenges for the development sector is how to adopt also a more business-oriented vision without becoming part of the mainstream business (keeping its identity). For instance, what difference does it make when a development agency becomes an investor? Is it only that it is more willing to bear higher risks if the business is expected to be more inclusive?

For the private sector, probably the main question at stake is to convince managers that social concerns are not just a matter of building a good corporate image, but of adopting an ethical approach towards society. The private sector has to become aware that it has the power to change the living conditions of millions, and has a very important role to play in ameliorating global inequalities. The current crisis should encourage the emergence of new business models, able to deal with social and environmental concerns (Bernard and Spielman, 2009).

Cooperatives issues and problems

Studies on cooperatives suggest that this system is facing numerous problems. researchers believe that paying no attention to the cooperation system in the country's economy is the most

important damage that may eventually fail the system (Ale boyeh, et al., 2006). Cooperatives, through economical and political point of views, consider justice and freedom, respectively (Zamani and Nariman Panah, 2004).

All Statistics and indications show that the development models used in the past century, in spite of the economical and technological achievements in the next years, will not be accountable and developing models based on popular participation and democracy must be necessarily and practically intentioned to share the development achievements with people, who are the development's both cause and objective (Mohajerani and Asgari, 2005).

Agricultural cooperatives special role in improving the patterns related to agricultural operation systems should not be denied (Pezeshki rad and Kyanmehr, 2001).

Many cooperatives in developing countries are not featured as a real cooperative. Many cooperatives have established by the government and, in fact, this kind of cooperative should be called unrealistic or quasi-cooperatives because they do not have a real cooperative characteristics. In addition, members' unfamiliarity of cooperatives causes that we cannot expect the success of cooperative activities. In some cases it has observed that due to illiteracy and members' unfamiliarity, cooperative leaders, government agents, and the local politicians have exploited the cooperatives for their own benefit (Fugelstorm, 1996).

Mashima (2005) showed the cooperatives' problems in Asia as:

1. Foundation of the country's economical and social poverty
2. Shortage of funds in deposit and limited business
3. Shortages or lack of professional training opportunities and facilities necessary for cooperatives operation
4. Lack of committed leadership and expert employee
5. Lack of appropriate training for supporting the consumers, welfare services, and members' partnership
6. Cooperatives' Lack of activity at the national level
7. Lack of specified policies and guidelines in the public and cooperative sectors for the cooperatives development
8. Private sector's Intense competition
9. Lack of advisory services in cooperatives' affairs to promote and develop the cooperative at the national level
10. Unlimited dependence on government support

Cooperatives in developing countries have failed to achieve the effective and sustainable performance in order to their objectives. Most of

agriculture cooperatives because of the gradual destruction of their members' main role in improving the management performance in accordance with the dynamic economical changes were unable to function effectively and were unsustainable, too (Jalali naein, 1996).

Management skills help the scarce resources rational combination to produce competitive goods and services needed to help open markets. In developing countries and countries in transition, cooperatives are under the supervision of government or nongovernmental organizations that the government determined to resign this area in recent years; consequently, the survival of cooperatives is challenged more than before because without the necessary training to provide an excellent and entrepreneurial management, cooperatives would not be successful.

Sharma (2004) believes that there are threats for cooperatives, most notably include:

1. Profitability and commercialization more better-qualified than cooperative ideology
2. Some unions and cooperatives tendency to follow the organizational structure, business practices, and management practices like the private sector
3. Lack of support and members partnership in cooperatives' business
4. Some cooperatives structure situation among the public
5. Nonexistence of a uniform activity in the organizational structure of cooperatives Social Affairs Department of Agriculture (1997), in an article entitled a glimpse on Cooperatives, divided the

Problems of cooperatives into two major groups.

Group I: issues and problems that are generated from general conditions and general properties of the Community and also affect the cooperative.

Group II: barriers and problems that are specifically belong to cooperatives and affect the cooperative (Ministry of Cooperation, 2007).

Cooperatives in today's society are facing three major Preventing factors

1. Limited capital and financial supports in contrast to capital plenty and concentrated liquidity in private sector
2. Careful observance of all principles and rules of legal, financial, tax and Islamic ethical in trading quite unequal to the private sector

3. Lack of precise organization to deal with strong and regular private sectors' organizations and avoiding non-legitimate ways and non-legal easy which are usually appealed by the private institutions (Salim, 1992).

Entrepreneurship and cooperative

So, these two concepts integration, in contrast to many critics' claims, is possible and Entrepreneurship can be processed in the cooperative system. For making changes in the cooperatives and moving toward job hunting, having a precise assumption on these two concepts and not quickening for applying Entrepreneurship in cooperative organizations are needed. It can be said that cooperatives and particularly agriculture production cooperatives should perform the followings to move on the way to Entrepreneurship and job providing:

- Invention and creativity
- Discovering the market opportunities and customers' priority
- Considering the commercial rules and regulations in their decision making
- Profiting in agriculture crop production
- Considering the cooperative members' interests and increasing the cooperatives' profit.

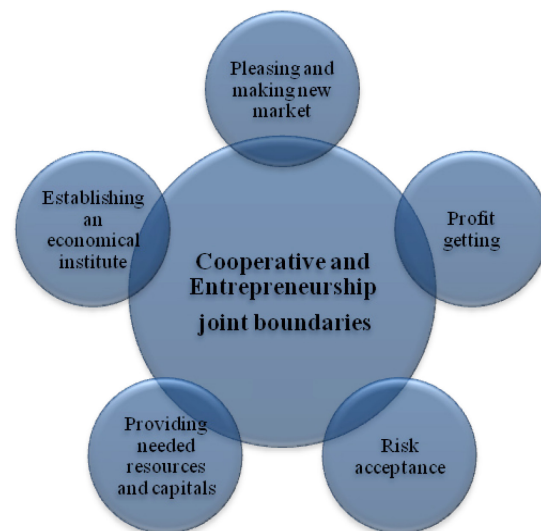


Figure 3: Cooperative and Entrepreneurship joint boundaries (Shirani, 1998)

Main factors of agriculture cooperatives entrepreneurship activities

- 1- Social and humanity
- 2- Economical and financial
- 3- Applying cooperative regulations

4- Low, policies, and environment (Noorzadeh and Yeganeh, 2006).

4. Conclusion and Recommendation

Evaluation and current statistics show that more than half of the world's population live in rural areas of the developing countries that, according to poverty, malnutrition, literacy, and environmental and nature damages, is the worst population section of the world. In order to solve the population problems which would have national and global consequence, thoughtful and precise planning must be accomplished for rural areas to, in addition to increasing production, be resulted in the rural masses participation and valuable natural resources protection. Results show that the existence of responsible leaders who encourage and lead the members and all villagers and farmers in the direction of cooperation is necessary. These leaders, essentially, should not be highly educated. Also, agriculture cooperatives' managers and workers training should be the cooperatives priority; each group, according to its activity type, should be trained and qualified experts employment is necessary. Making a positive insight over cooperatives in the rural societies and farmers is the greatest advantage for developing agriculture cooperative so that this advantage can be developed through training and notifying. Rural perception of agriculture cooperatives' activities and achievements in the economical and social fields can improve the public insight toward the agriculture cooperative (Mcke, 2002). Based on the results the recommendations are:

- 1- More job training courses for the managers and the workers of agriculture cooperatives
- 2- Using the experiences of Entrepreneurship specialists
- 3- Establishing a Entrepreneurship cooperative in the agriculture sector
- 4- Making an encouraging environment of invention and creativity for adolescents.
- 5- Acquaintance of agriculture entrepreneurs with the agriculture cooperatives' features
- 6- Using the experiences of successful countries in cooperatives administration and invite their directors to our country.

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