

# **Success of Co-operatives: A combination of firm and network level factors**

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## ***Introduction***

For more than hundred years, intensive cooperation is happening in the agri-food business. In the 19<sup>th</sup> century, most collaborative initiatives were aiming to create countervailing power of (small) farmers against the dominant buyers (processors) and sellers (wholesalers). Today both horizontal as well as vertical collaboration can be observed and can be regarded as a necessity to stay on the market. Even though in some sectors traditional co-ops have lost some of their earlier importance still today they are market dominant or at least very important players in many sectors of the agri-food business. Hence, one can say that cooperation is still of major importance in the agri-food business.

In general, cooperation can be characterized as the joint achievement of a common goal by at least two entities (e.g. firms). This view can be enhanced to a network perspective since this term covers all arrangements defining recurrent contractual ties among autonomous entities (Menard, 2002). Generally, networks can be defined as “specific properties of the transaction relationships, typified by relational relationships in which formal and informal sharing and trust building mechanisms are crucial” (Zylbersztajn and Farina, 2003). Hence, they address all questions on inter-organisational relationships of more than two firms (Lazzarini et al., 2001) insofar cooperatives can be viewed as a specific form of networks. One even could say that co-operatives are one of the oldest forms of networking.

In general, co-operatives can be described as rich in tradition and highly developed. The principles of cooperatives are the identity of users and owners, member orientation, the democratic principle of voting, and the lack of barriers to entry (Anschhoff and Henningsen, 1986; Laurinkari and Brazda, 1990). Cooperatives can be characterized as being Janus faced, i.e. they are member-owned firms as well as associations of individuals (individual firms) (Anschhoff and Henningsen, 1986). Thus, on the one hand a cooperative is an own institutions with its own goals. But on the other hand it is also a cooperation of a multitude of

firms (network) with a common goal such as correcting market failure (from the perspective of the members), guaranteeing markets (for the members), and enhancing margins of the members (van Dijk, 1997; Cook, 1997; Sykuta and Cook, 2001).

Research on the success of co-operatives has a long tradition. However, most works concentrate on success measurements that either try to estimate the success of the single members or the success of the co-op itself. These findings are similar to the ones we have found for success of networks. The vast majority of studies dealt with the success on firm level, i.e., how the single firms performed in a network, neglecting the fact that networks consist by definition of firm, dyadic and network levels. The studies that address success on network level do not consider the success of the single firms instead try to measure solely the success of the outcome of the joint efforts. To our understanding this means that success is only partially captured. In the case that success is solely recognized on firm level actors will not recognize the achievements that are provided on network level e.g. in the public sector: strengthened community capacity to solve public problems; regional economic development; responsiveness to natural or made-made disasters (Provan and Kenis, 2007). This is of importance since often such goals are of non-financial nature as the example shows. On the other hand, if the success of collaboration is only measured on network-level, the success of the single actors is not included - and since collaboration can only happen if single actors work together - the roots for cooperation are, thus, neglected. In the context of co-operatives, we recognize the problem that success of co-ops is often measured only partially as well. As a result, members do not fully understand the success of the co-op and hence underestimate its performance, e.g., results such as securing market access are not honored. On the other side, often managers of co-ops are focused on the financial performance of the co-op itself neglecting the member-orientation. Hence, the co-operative dissociates itself more and more from its roots and, therefore, from its members. In the end, members perceive the co-op as a “normal” investor-owned firm.

Out of this problem setting, we derive the aim of our paper which is twofold. First, we want to *transfer our model of network success on co-operatives*. Second, we want to elaborate managerial implications in general and by providing some examples of German wine co-operatives.

### **Network goals**

The predominant focus in much of the existing research has been on individual or dyadic relationships between organizations, such as those between a manufacturer and a retailer.

However, to fully understand interfirm relationships greater attention must be directed to the larger network. For example, the industrial networks perspective, as presented by the Industrial Marketing and Purchasing Group (e.g., Wilkinson, 1991; Hakanson and Snehota, 1995), posits that the implicit assumption of *ceteris paribus* which underlies much of the extant dyadic research, is an unrealistic one. In line with the extant network perspectives (e.g., Hakanson and Snehota, 1995), we posit that to meet network objectives depends on how connected relationships are organized. In general, networks embody collaboration of more than two firms (Omta et al., 2001); their members maintain highly intensive and recurrent interactions. More specifically, the managerial task in networks is to deal with problems of two domains – establishing good working relationships (cooperation) and establishing effective and efficient delivery processes (coordination) (Gulati et al., 2005). While problems of cooperation arise from conflicts of interests, problems of coordination originate from unawareness of existing interdependencies or lack of knowledge. However, both are intertwined (Ariño, 2003).

Whereas the establishment of clear goals is recognized as a prerequisite of an organization's strategic success (Simon, 1964; Porter, 1980), problems of both, cooperation and coordination, are considered as a consequence of distinctive goals that are established at the firm and network levels. This issue has been long recognized in the literature in cooperation theory. For example, Barnard (1938) who defines cooperation in terms of actions of two or more actors posits that cooperation includes individual motives and collective purposes, both of which are essential factors for the continuance of cooperation. Furthermore, Deutsch (1949) seeks to explain cooperative behavior and collective action through the lens of relationships that exist between the goals of social actors in any given social situation. In this vein, he differentiates social situations into cooperative and competitive ones, depending on how participants' goals are related to each other. A situation is cooperative if the goals of participants are positively related to each other but is competitive if the goals are negatively related to each other. Additionally, Mead (1976) emphasizes the actors' cooperative motives of working toward a common goal.

However, we contend that the importance of the latter is still undisclosed after having reviewed approximately 300 articles on network and interorganizational performance in international peer-reviewed management and agribusiness journals. Two of the major findings of that review were that a) in spite of declaring the analysis of network performance (e.g. the level of the achievement of network goals), almost all studies analyze how goals of single firms are achieved in the network, and b) although the scope is regarded as network goals,

they are analyzed in terms of the single firm participating in the network. As such, we conclude that network goals and network performance are still poorly conceptualized constructs. In addition, with respect to the numerous collaborative failures, the understanding of network goals is unlikely to be achieved in managerial practice either.

A major challenge for a network actor that wants to structure the exchange relationships (e.g., the co-operative / focal actor) is to act in the best interests of all the parties (Jap and Ganesan, 2000). Consequently, from this company's (focal company's) perspective, it is necessary to develop a strategic approach which accounts for objectives of all the actors and is agreed upon by them. In the interorganizational literature, such an approach is often defined as a collective strategy.

A number of studies (e.g., Astley and Fombrun, 1983; Bresser and Harl, 1986; Sjurts, 2000) have addressed collective strategies as the type of strategies that is implemented by collaborating organizations. Because collaboration *per se* means common work of numerous actors to achieve common goals (e.g., Chen et al., 2001) collective strategies can be subsumed as those aiming to create a framework of activities to achieve common goals. Consequently, by initiating adoption of the collective strategy, the focal actor goes beyond just addressing its own goals; it also proposes the ways to achieve network goals. In this context, several authors (Duysters et al., 2004; Contractor et al., 2006) argue that the network's management should specifically involve mechanisms to maintain exchange relationships and achieve goals set at least at two levels, i.e., the network and firm levels.

However, in our view, the goals at which collective strategies aim remain poorly conceptualized with respect to differentiation between network levels. In particular, researchers and practitioners fail to acknowledge that whole networks have their own objectives, although literature emphasizes co-existence of individual and common goals in an interorganizational relationship (e.g., Van de Ven, 1976; Wathne and Heide, 2004; Winkler, 2006). Instead the scientific and practical interests rest on the effects of networks on the achievement of goals by single firms embedded in networks. In their extensive review on "whole networks", Provan et al. (2007) have found only 26 studies (of approximately 50,000 in total) dealing with issues at the network level of analysis. They have concluded that,

Researchers often talk of a network of relationships, but it is not the network itself that is being studied, thus ignoring the basic network theoretical insight that actors and actor-to-actor relationships are likely to be influenced by the overall set of relationships (p. 483).

In our view, this statement does not require additional justification for business practitioners because having understood how the whole network performs, one will be able to explicate at least some patterns of the firm's performance (Baum et al., 2000; Dyer and Nobeoka, 2000; Ellram et al., 2002; Sanders, 2005). The network's goals, thus, include the network-level and firm-level goals. The focal actor, as a strategy-setting element, has to take particular interest in the achievement of both.

In this context, we understand the network-level goals as the predefined set of outcomes which can be achieved only if all the network actors work together to achieve them. Such goals can be regarded as common to or shared by all the network members, and their achievement is the essence of collaboration (Huxham and Vangen, 2005). Provan and Kenis (2007) provide examples of network-level goals in the public sector, e.g., strengthened community capacity to solve public problems; regional economic development; responsiveness to natural or made-made disasters, etc. Furthermore, unclear definition of or lack of agreement upon common goals is the main reason why 50 per cent of all interorganizational projects fail (Brinkhoff and Thonemann, 2007).

However, in contrast to participant-governed networks with all the actors knowledgeable about network-level goals (Provan and Kenis, 2007), networks with a central coordinator are in most cases deliberately engineered by this (focal) actor. This implies that the focal firm is responsible not only for implementation of collective strategies but also for setting network-level goals (Schermerhorn, 1975; Lorenzoni and Baden-Fuller, 1995). Therefore, the commonness of goals in a supply chain network largely depends on the efforts by the focal firm and, thus, the focal firm has to ensure that all the members pursue (and know to some extent) network-level goals (Kochan et al., 1976; Doz et al., 2000). Accordingly, the whole network's performance can be measured by the extent to which such goals are achieved. For example, performance of just-in-time (JIT) system introduced by a retailer can not be analyzed only by benefits to this retailer. Reduction of inventory in terms of JIT requires that a retailer's suppliers substantially improve their quality and that there is a low level of holdups at each upstream stage of a supply chain (Davy et al., 1992).

Despite the importance of network-level goals, the sole focus on such interorganizational objectives does not encompass the network's performance measures entirely. Research should also take account of firm-level goals because networks involve relationships among independent firms. Although effective functioning of the network requires goal consensus among the members (Doz et al., 2000; Provan and Kenis, 2007), each actor enters the network

with its own objectives. An endeavor to achieve them can influence the attainment of the whole network’s goals (Wathne and Heide, 2004; Winkler, 2006). In particular, firm-level goals might include access to resources or markets, increased sales, risk reduction, etc. Furthermore, non-achievement of goals of the particular members can lead to the network’s collapse if these members cannot be equally substituted (e.g., Park and Ungson, 1997; Park and Ungson, 2001). Therefore, analyses of whole networks have to consider not only network levels but also a firm level (Table 1).

**Table 1: Examples of goals set at the different levels of a supply chain network**

<b>Network goals</b>	
<i>Firm-level goals</i>	<i>Network-level goals</i>
Production volumes;	Collective innovation;
access to input and sales markets;	partner reliability;
reduction of environmental	chain transparency;
uncertainty;	chain quality;
access to knowledge, etc.	end consumer satisfaction, etc.

For a network to perform effectively, it is of particular importance that the goals set at the different levels are achieved to a satisfactory extent. Additionally, the network’s management, i.e., the focal company, has to take into account the specific interrelationships that can occur between goals of the different levels and can create conditions either favoring or constraining the achievement of the whole network’s goals.

***Implications for the managers and management of co-operatives***

As shown, co-operatives are one of the traditional forms of collaboration in the agri-food business. Du to the co-operative principals as well as the legal settings co-operatives consist of more than two parties – e.g. the new “European co-op” has to include at least five members. This shows that co-operatives can be understood as a particular kind of networks consisting of individual firms (members) forming a formal network institution (co-operative). This institution by itself is an own enterprise. Because the members have goals which they want to achieve by joining the network (co-op) and since the co-op as an enterprise has own goals the before discussed framework of firm goals, and network goals is of high importance for the management of co-operatives. In this context, we will use the co-op (enterprise) as the managerial unit of the network (focal company). Correspondingly, the management of the co-op (focal company) has to develop simultaneously the partnering and coordination strategies as components of the overall collective strategy derived from the whole network’s goals

(Hanf and Dautzenberg, 2006). By doing so, it will enable the alignment of interests and actions to fulfill three tasks resulting from the above discussion on goals. Particularly, the alignment of interests and actions is crucial to a) facilitate and maintain the goals' commonness, i.e., establish network-level goals and support their relevance, b) mediate interrelationships between goals of the network and firm levels, and c) ultimately achieve the goals. In other words, it is necessary to reach consensus on network-level goals via attaining goal compatibility between the network and firm levels, and thereby to arrange the network's harmonious work to achieve both, network-level and firm-level goals.

### ***3.1 Goal consensus***

As shown by Provan and Kenis (2007) in their study on goal-directed networks in the public sector, the extent of goal consensus among the actors can differ across the different types of networks. In this context, in networks possessing lead organizations, there will be a moderately low level of agreement on network-level goals. This statement can be regarded as partially true for co-ops. Obviously, each firm enters a co-op with its own reasons to cooperate. Nevertheless, single firms have to take into account that the co-operative has its own rules (including goals) which should be followed. Furthermore, since today most of the managerial decisions are being deliberately organized by the focal company (i.e., co-op) (Lorenzoni and Lipparini, 1999), it is especially in the interest and within the grasp of this actor (co-op as the focal company) that the other network actors agree upon the network-level goals - particularly because the members are not only suppliers / buyers of the co-op but also the owners of the co-op.

Although joint action does not automatically imply the need for common goals, cooperation with common goals creates long-term collaborative advantages and is even necessary (Pitsis et al., 2004). By reaching an agreement among the network members on such goals as total market access or total product quality the management of the co-op creates initial conditions for collaboration and stabilizes the network of relationships because goal commonness also serves as an integrating mechanism (Winkler, 2006). To the extent that the parties' goals become aligned *ex ante*, the likelihood of subsequent motivation-related problems is greatly reduced (Wathne and Heide, 2004: 75). Collaborative advantages are often future-oriented and more uncertain than individual goals; therefore, the network faces the risk of interfirm rivalry (Park and Ungson, 2001). In order to reduce it and facilitate the achievement of network's goals, the issue of goal commonness has to be explicitly addressed by the supply chain network's management.

While a number of authors suggest that goal consensus arises from domain similarity (e.g., van de Ven, 1976, Doz et al., 2000), partnering and co-ordination strategies play an important role in maintaining agreement on network-level goals. Especially, such informal mechanisms of cooperation and coordination as identification, embeddedness, shared experience, norms and values enable actors to agree on goals (Wathne and Heide, 2004; Gulati et al., 2005). Besides, the management of the co-op should pay attention to sharing appropriate information about network-level goals. Otherwise, for the other network actors, these goals will remain the firm-level goals of the focal company (Gagalyuk and Hanf, 2008). Additionally, communication is the way the other network actors participate in the decision making process (Mohr and Nevin, 1990). Appropriate communication, thus, creates preconditions for actors to consent on goals as it helps clarify the extent the network-level goals are compatible with the firm-level ones.

### ***3.2 Goal compatibility***

Consensus on network-level goals depends on firms' perceptions of compatibility with their own goals on an ongoing basis (Doz, 1996). Perception of goal incompatibility leads to conflict among network actors and makes them perform worse (Provan and Kenis, 2007). Therefore, the task of the management of the co-op is to maintain goal compatibility between the different levels – member goals, co-op firm level goals, as well as the joint cooperation goals.

The degree of goal compatibility is generally caused by how compatible social and organizational characteristics of the members are (Smith et al., 1995; Doz et al., 2000). The social context in which members operate is partly defined by the cultural and institutional background of the members. The similarity of cultural values may reduce misunderstanding between the partners while lack of fit with a partner's culture leads to poor communication and mutual distrust (Park and Ungson, 2001: 44). Not only the similarities in cultural values but also the perceived status and legitimacy of partners as well as perceptions of procedural justice influence goal compatibility among network actors (Doz et al., 2000). Whereas traditionally co-operatives were rather local than regional based, due to the numerous mergers, most co-ops are rather regional or supra-regional based today and, hence, the member heterogeneity is increasing. Thus, the task of the co-op management is to create common cultural and institutional background of its member e.g. by forming strategic member groups (Hanf and Schweickert, 2003).

Additionally, the extent the firm-level objectives match the network-level goals depends on organizational compatibility (White and Siu-Yun Lui, 2005). Dissimilarities in organizational structures and processes can create problems in coordination by causing disagreements over operating strategies, policies, and methods. Organizational dissimilarities are typically manifested in differences of capabilities and strategies of firms. Therefore, opinion of the network actors about managerial routines, marketing policies, quality control, etc. may differ from that of the focal company (Park and Ungson, 2001: 45).

Thus, it is necessary to ensure a certain level of cultural, organizational and strategic fit of the network actors. In general, where goal compatibility is absent, there is a need for a power process (Kochan et al., 1976; Frazier, 1983). The notion of power typically arouses associations with explicit domination of one actor over the others. Indeed, the management of a co-op can employ hierarchical mechanisms (e.g., control, sanctions) to make the members comply with the network-level goals. However, not always acting in such a way will have positive effects on member compliance. The exercise of power based on coercive sources, e.g., financial penalties or withholding of important support (Goodman and Dion, 2001), can aggravate communication difficulties caused by cultural dissimilarities and elevate any underlying causes of conflict to a manifest state (Leonidou et al., 2008: 93). Thus, the use of authority can deepen incompatibility between the network-level and firm-level goals, especially in the case of great cultural and geographic distance (Leonidou, 2004). Once again, since the members are also the owners of the co-op, the level of exercised power is only limited.

On account of this, such strategies include also mechanisms which represent non-coercive bases of power. The use of such mechanisms as rewards, identification, and information exchange enhances the partners' willingness to exert effort for the network-level goals (Gulati et al., 2005; Leonidou et al., 2008). Furthermore, such mechanism as recommendations helps to achieve the desired perceptual change of objectives and subsequent performance of the intended behaviors (Frazier and Summers, 1984: 45).

Overall, in ensuring goal compatibility, an emphasis has to be primarily put on the development of partnering strategies, since their task is to align the interests of the network actors or, in other words, to motivate them to work together. As known, motives serve as the causes that lead individuals to select some goals rather than others (Simon, 1964). Therefore, interest alignment can be defined as the degree to which the members of the organization are motivated to behave in line with organizational goals (Gottschalg and Zollo, 2007). The

function of coordination strategies is to enable communication of goals among actors via organization of the programming and feedback processes. Altogether, appropriate implementation of the partnering and supply chain management strategies contributes to the achievement of the network-level and firm-level goals (Ireland et al., 2002).

### ***3.3 Goal achievement***

If both, the network-level and firm-level goals are achieved, a network can be regarded as effectively performing (Winkler, 2006). By ensuring goal commonness and goal compatibility, the partnering and coordination strategies pave the way for attaining of beneficial outcomes at both levels. However, not only the fit of culture, resources and strategies of the single firms should be attained. The effective use of the cooperation and coordination mechanisms requires (and enables) deployment of network-specific structural factors which can be also referred to as collaborative capabilities (Kale and Singh, 1999; Kale et al., 2002) or network-level competencies (Provan and Kenis, 2007). In this context, a dedicated alliance function (Ireland et al., 2002) allows developing of network management routines needed to maintain cooperation and information exchange among actors (Dyer et al., 2001). In a cooperative, it is especially important that the co-op itself (enterprise) performs such a function and has corresponding competencies matching the needs of the whole network (Provan and Kenis, 2007). Possession of network-level competencies enhances communication and knowledge transfer within the network and thereby provides an understanding of partners' goals, interests and expectations (Ireland et al., 2002). Only real understanding of these aspects can help organize the harmonious work of the network actors to achieve both, network-level and firm-level goals. In today's environment where retailers dominate the marketing channels this is a very challenging task for the management of the co-op. On one hand, the retailers demand a total customer orientation and branding competences in order to stay in the procurement systems (as suppliers) and on the other hand the co-op principals demand a member orientation and a clear focus to nurture the demands / desires of the member firms. Hence, the main challenge for management is to unite these often divergent goals.

### ***Example: Wine co-ops in Germany***

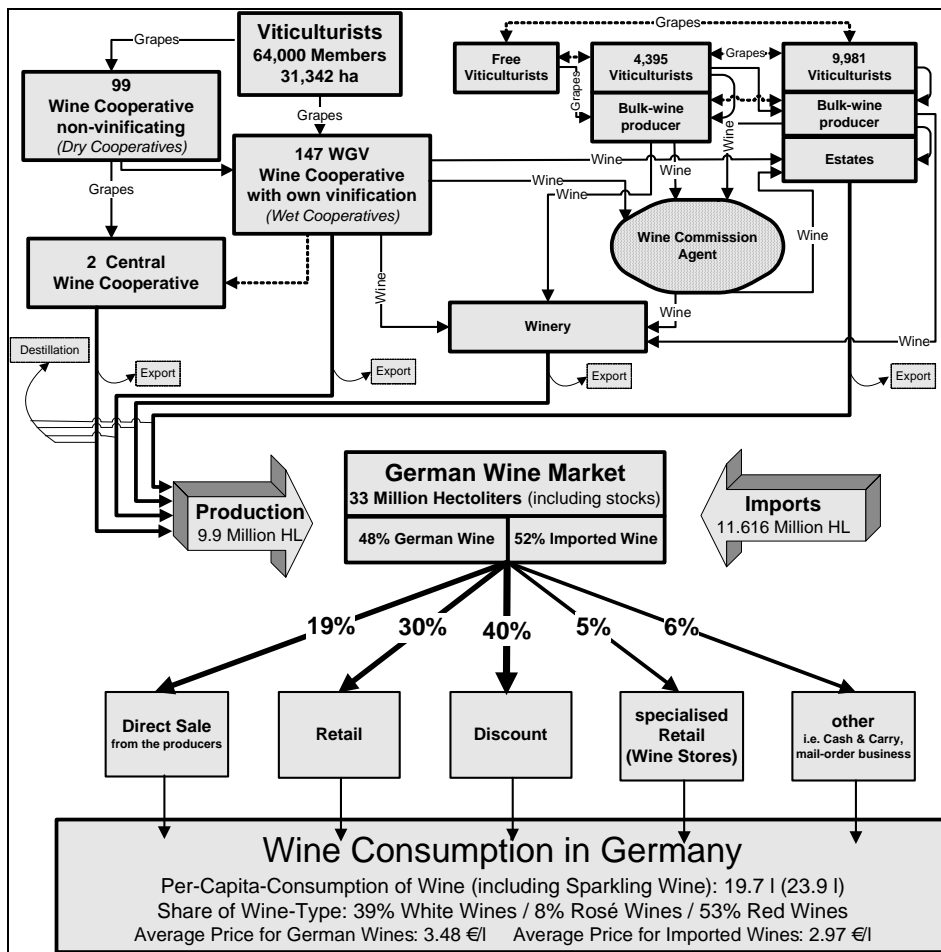
The above discussed theoretical ideas will be applied to the wine sector in Germany in this chapter. First, we will present some general data about the wine sector and afterwards we will present the first results of several informal interviews that were conducted with managers of

wine co-ops. Furthermore, these preliminary results are also based on consultancy work that was carried out by one of the authors.

Wine production in Germany has a tradition of more than 200 years in each of the 13 German quality wine-growing regions along the rivers Rhine, Neckar, Main, Mosel, Saar, Ruwer, Ahr, Saale, and Unstrut. Traditionally, viticulture in Germany was one of several different plantations on most farms, and the farms as well as the vineyards were very small. As a result of the structural change in the agricultural sector, the farms increased their acreage and production as they specialized. The necessity for high intensity of labor hours on one hand and the simple equipment for small growers on the other hand have made viticulture economically attractive for full-time as well as part-time farmers.

Today the grape industry is still dominated by small wine growers so that there are more than 34,375 wine-businesses. Nearly half of them cultivate less than 1 ha vineyard while only about 2,000 wine growers own more than 10 ha. The majority (more than 58,000) of wine growers are members of cooperatives. In 2005, the German cooperative sector involved 223 primary co-ops and two secondary co-ops. However, only 135 of the primary co-ops possessed their own vinification facilities. The acreage planted with vines by all members increased up to 31,342 ha, so that more than 31% of all German area was under cultivation. In the financial year 2004/2005, wine co-ops produced 3.3 million hectoliters wine, accounting for nearly 35 % of the total wine-production in Germany. In particular, in the regions of Baden, Württemberg, and Franken, where grape production is dominated by part-time viticulturists, membership in cooperatives is widespread. In those regions, co-ops hold a market share of nearly 75%. Interestingly, especially in regions where cooperatives have been traditional underrepresented (Rheinhessen, Pfalz, and Mosel) the wine growers recently turned toward the wine co-operatives, indicating that vine cooperatives are a successful alternative to the bulk-wine market.

Fig. 1: The German Wine Market and the Role of the Cooperatives (Hanf and Schweickert, 2003)



The total wine market has a volume of roughly 22 Mio hectoliters, whereas German wine production accounts for roughly 10 million hectoliters of wine and 12 million hectoliters are imported. The three main distribution channels are discount retail chains (40% market share), retailers (30% market share), and direct sales of the producers (19% market share). An increase in the sales of discounters and retailers has been observed for many years. Consequently, prices have been decreasing so that today the average price for German wine is 3.48 Euro, whereas the average price for imported wine is 2.97 Euro. The continuing increase of sales volume in these distribution channels also leads to a shift in the power in the wine chain. Competing fiercely with foreign competitors – in particular wines from the “new world” – German wine producers must aggressively meet the demands of their customers, both consumers as well as retail customers. Therefore, even cheap wine has to be of acceptable quality. Comparing the average prices, it is evident that the quality requirements on German wine are more demanding than ever. Retail customers are particularly interested in professional supply chain management, in terms of time delivery as well as minimum

quantities. Therefore, only a few (very) large private wineries and some central wine cooperatives are able to supply the large retailers on a national basis.

In Germany, not only are wine production and distribution multifaceted, but the traditional wine-label terminology is very complex, as well. Therefore, consumers are often baffled by the jargon on wine labels (Johnson, 1995), which leads to two different consequences. Whereas some customers perceive the costs of information as positive, the majority of German wine consumers do not favor this complexity. The first group of customers drives to the winery and perceives the buying as an event. These customers account for roughly 24% of the market share (19% direct sales and 5% specialized wine stores). However, no bilateral contact exists because there is usually a significant distance between the wine production location and the location of consumption for the majority of transactions. In this case the wines are bought off the shelves of retailers. Because most of these consumers are occasional wine drinkers, they are looking for uncomplicated signals, such as reputation or brands, to signal quality. Examples such as the wine brands “Balaton” or “Blanchet” indicate the enormous potential of branding, i.e. the majority of consumers choose imported wines with an easily understandable and asymmetric information-reducing label (Schweickert, 2001).

On one hand, induced by the retailers’ need to differentiate and to sharpen their image the wine and on the other hand by the increase of high quality wines, in Germany the wine market is changing rapidly in the last years. Hence, the management of the co-ops is faced with external pressure to raise the level of the quality. Since wine quality is produced in the wine cellar as well as in the vineyards this pressure means that the management of the co-op has to induce means to increase the total wine quality in order to stay in the market and to achieve its internal revenue goals. However, raising the quality in the vineyard is equal to lower the total harvested grapes. This stands in contrast to the traditional production strategy of many wine growers. Thus, the goal of the network (common goal) to stay on the market or to provide market access is complementary to the co-ops own goal. However, it is conflicting to the members’ goal to produce as much grapes as possible. In order to solve this problem, the co-ops applied different means. One group tried to solve this problem by applying harsh sanctions (e.g. throwing away grapes or using negative price schemes). The problem was that the members did not adjust their goals; instead they either quit the co-op or intervened in the general assembly so that the co-op had to withdraw these means. Today, many of these co-ops face hard times in the market. A different strategy of the management of some co-ops was to work on the alignment of the goals. They used the fact that retailers are being perceived as the “bad guys” inducing the quality change and threatening to lose market access. They actively

worked on the understanding of their members to see the need to upgrade the quality. These co-ops invited their members to join tours through the wine cellar to recognize the quality improvements of the co-op. At the same time the oenologists demonstrated that wine quality starts in the vineyard and elaborated on treatments how to enhance the grape quality. Additionally visits of the oenologists to the wine growers and their vineyards were offered and later carried out. These efforts resulted in a change of production goals of the members. They recognized and accepted that the traditional production system that was aiming to harvest the maximum yield had to be changed to one that addressed quality enhancements. Thus, the goals were of all levels and participants were aligned in the end.

## **Conclusions**

Co-operatives are still of high importance in the agri-food business. Hence, it is not surprising that many authors have already worked on the topic of success and goal achievement of co-operatives. However, in analogy to other literature on cooperation / networks, most often goals are either discussed from the perspectives of the involved firms or from the perspective of the joint cooperation. However, cooperation comprises both the achievements of the joint goals as well as the individual goals of the participating firms. In today's competitive environment naturally all involved parties are concerned about their individual survival, so that the joint goals are getting weaker conceptualized. Many marketing co-ops are rather interested in how to survive and in how to find a successful strategy to deal with the retailers than to address the goal to nurture the businesses of their members. However, particularly in times when there was a commodity 'bull market' many members were more interested to sell their produce directly to other buyers than the co-operatives. For example, 2007 the milk prices were high in Germany and especially in Bavaria because a lot of milk was sold to Italy. This opportunity was taken by many milk farmers bypassing their dairy co-op. As a result some co-ops first threatened and then threw members that did not stop out of the co-op. In the first moment, this was no problem for these farmers, however, one year later due to an increase in the quotas, the Italian but also the German milk market was 'collapsing'. In this moment the farmers recognized the traditional benefits of co-operatives – providing market access. This example explains the need for the management of co-operatives to consider the different goals within a co-operative. We provided a framework of network goals and showed the main managerial challenges related to it. Discussing this issue in the context of wine co-operatives we showed some first ideas how to use this knowledge in co-op management.

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