



The co-operative governance structures influence on the members adaptability

A study of the farmer members perceived adaptability, trust and influence regarding changes inflicted by the different co-operative governance structures and sizes

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Abstract

The development of the agricultural context has gone from a stable environment in which farmers can focus on optimising their productions to an ever-changing environment. Farmers now must focus on adaptability and resilience instead of optimisation. Agricultural co-operatives are important to farmers and for their revenue. With mergers and acquisitions the co-operatives get more legs to stand on, and thus become more diversified in their operations. There are several advantages and disadvantages for organisations to diversify their operations, such as spreading the risks across different businesses and thus becoming more resilient in the face of change and challenges, but it can also be risky with higher costs for the development of new products or markets. There are a few differences between large and small co-operatives, one being the difference in governance structure, with smaller co-operatives usually being governed by direct democracy and large co-operatives through representative democracy. However, this begs the question of what differences and challenges there are related to the governance structures and the co-operatives size. The aim of the study is to analyse how trust, adaptability and the influence of the members change in relation to the co-operative's democratic governance structure and size.

To answer the research questions a multiple case study of Arla Foods, Lantmännen, Norrmejerier and Varaslättns Lagerhus's farmers was conducted. The co-operatives are of different sizes but comparative market environments, with Arla and Norrmejerier both being dairy companies, while Lantmännen and Varaslättns Lagerhus both being grain traders. Furthermore, the study uses a qualitative approach. Ten interviews were conducted with the four different agricultural co-operatives to gain an understanding on the farmers opinions, feelings, and ideas of improvements regarding their co-operatives model, governance structure and in general. The interviews data and findings were in turn analysed through the conceptual framework. The conceptual framework consists of Co-operative governance, Agency theory and social capital. The results then show that there indeed are differences in social capital between the co-operative sizes and governance structures. In addition, the results show that there are significant differences in perceived influence and smaller differences in perceived trust between the co-operative sizes and governance structures. Another interesting finding is the lack of commitment within both the large and small co-operatives.

The conclusions drawn from the study are that adaptability is not seen as a particularly big challenge of either larger or smaller co-operatives but that trust, influence, member connections, member relations and commitment were. There are particularly large challenges for larger co-operatives regarding influence, member connections and member relationships. Commitment on the other hand was found to be an issue in both co-operative sizes. To mitigate these challenges large co-operatives, need to redesign their governance structures to become more member central and to make sure that members can become more active through participation in the co-operative.

Keywords: Agricultural co-operatives, co-operatives, Co-operative governance, Agency relationship, Social capital, Adaptability, Trust, Influence

Sammanfattning

Utvecklingen av jordbrukskontexten har gått från en stabil miljö där bönder kan fokusera på att optimera sina produktioner till en ständigt föränderlig miljö. Lantbrukarna måste nu fokusera på anpassningsförmåga och motståndskraft istället för optimering. Jordbrukskooperativ är viktiga för jordbrukare och för deras inkomster. Genom sammanslagningar och förvärv får kooperativen fler ben att stå på och blir därmed mer diversifierade i sin verksamhet. Det finns flera fördelar och nackdelar för organisationer att diversifiera sin verksamhet, som att sprida riskerna mellan olika verksamheter och därmed bli mer motståndskraftiga inför förändringar och utmaningar, men det kan också vara riskabelt med högre kostnader för utveckling av nya produkter eller marknader. Det finns några skillnader mellan stora och små kooperativ, en är skillnaden i förvaltningsstruktur, där mindre kooperativ vanligtvis styrs av direkt demokrati och stora kooperativ genom representativ demokrati. Detta väcker dock frågan om vilka skillnader och utmaningar det finns med ledningsstrukturerna och kooperativens storlek. Syftet med studien är att analysera hur förtroende, anpassningsförmåga och medlemmarnas inflytande förändras i förhållande till kooperativets demokratiska styrningsstruktur och storlek.

För att besvara forskningsfrågorna genomfördes en multipel fallstudie av Arla Foods, Lantmännen, Norrmejerier och Varaslättns Lagerhusets bönder. Kooperativen är av olika storlek men med jämförande marknadsmiljöer, där Arla och Norrmejerier båda är mejeriföretag, medan Lantmännen och Varaslättns Lagerhus båda är spannmålshandlare. Vidare använder studien en kvalitativ ansats. Tio intervjuer genomfördes med de fyra olika jordbrukskooperativen för att få en förståelse för böndernas åsikter, känslor och idéer om förbättringar angående deras kooperativmodell, styrningsstruktur och i allmänhet. Intervjudata och resultat analyserades i sin tur genom det konceptuella ramverket. Det konceptuella ramverket består av Kooperativ styrning, Agentrelation och Socialt kapital. Resultaten visar sedan att det finns skillnader i socialt kapital mellan kooperativa storlekar och förvaltningsstrukturer. Dessutom visar resultaten att det finns signifikanta skillnader i upplevt inflytande och mindre skillnader i upplevt förtroende mellan de kooperativa storlekarna och styrningsstrukturerna. Ett annat intressant fynd är bristen på engagemang inom både de stora och små kooperativen.

Slutsatserna från studien är att anpassningsförmåga inte ses som en särskilt stor utmaning för varken större eller mindre kooperativ utan att tillit, inflytande, medlemskopplingar, medlemsrelationer och engagemang var det. Det finns särskilt stora utmaningar för större kooperativ vad gäller inflytande, medlemsanknytning och medlemsrelationer. Engagemang å andra sidan visade sig vara ett problem i båda kooperativa storlekar. För att mildra dessa utmaningar måste stora kooperativ göra om sina styrningsstrukturer för att bli mer centrala för medlemmarna och för att se till att medlemmarna kan bli mer aktiva genom att delta i kooperativet.

Nyckelord: Jordbrukskooperativ, Kooperativ, Kooperativ styrning, Agentrelation, Socialt kapital, Anpassningsförmåga, Förtroende, Inflytande

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Abbreviations

BoD	Board of Directors
CAP	Common Agricultural Policy
SLR	Svenska Lantmännens Riksförbund [The Swedish Lantmännens' national federation]
Arla	Arla Foods

1. Introduction

The first chapter introduces the background to the study, to present the reader with the insights necessary to understand the co-operative model. Furthermore, the problem formulation will be presented along with the theoretical and empirical problems, aim, research questions, delimitation and finally the outline of the thesis.

1.1 Background

The development of the agricultural context has gone from a stable environment in which farmers can focus on optimising their productions to an ever-changing environment. Where there are continuous regulatory changes from several different directions and where farmers now have to focus on adaptability and resilience. Such changes are more extreme weather, changes to the Agricultural Common Policy (CAP) and environmental regulations (Milestad et al. 2012).

An important element in the farmers life is the co-operative (Bijman & Hanisch n.d.), these co-operatives can also increase farm productivity and thus increases revenue (Ahmed & Mesfin 2017). However, the larger co-operatives grow larger and larger still, for example Arla Foods (Arla) bought shares in England for biological milk in 2018 (Land Lantbruk 2018), and merged with EGM Walhorn in 2014 to get access to the Belgian and Dutch markets (Arla n.d.a). Lantmännen, on the other hand, bought Sweden's biggest slaughterhouse (HK Scan) to break into that market as well (Jordbruksaktuellt 2023).

With these mergers and acquisitions the co-operatives get more legs to stand on, and therefore become more diversified in their operations. There are several advantages for organisations to diversify their operations, such as spreading the risks across different businesses and therefore becoming more resilient in the face of change and challenges, increased overall return. Organisations that invest in a variety of different industries or markets are more likely to increase their return (Rahman 2022). However, there are also disadvantages to diversification, such as increased risk and higher costs and communication. According to Ansoff (1988) diversification can be seen as risky as you either need to develop a new market, a new product or both, the higher risk can be related to the higher costs as the

development of new products or markets, in addition to the purchase of another firm or a merger with another firm, can become quite costly (Rahman 2022). Furthermore, communication is also something that becomes a challenge when diversifying and growing the organisation, as according to Jones & Hill (1988) communication is something that can be difficult, especially with a lot of actors involved, the difficulty comes from the unevenly distributed information between the different actors.

According to Vaidya (2012), trust and sharing of information between actors are key in reducing transaction costs, according to de Camargo Fiorini et al. (2018) transaction costs can be defined as costs that are beyond the costs of the product itself. Thus, transaction costs can for example be the time it takes to make the purchase. Furthermore, Nilsson et al (2012) discuss the role of trust in social capital, as an indicator whether social capital exists at all within the organisation. According to the authors, social capital can be seen as the norms of reciprocity among actors and the level of trust that comes from it. They also discuss how the social capital gets space to grow and develop in smaller co-operatives, while it in larger co-operatives is at risk of decreasing due to lower levels of trust between actors. This problem leads to an opportunistic behaviour from the actors called free-riding; free-riding is when actors within the co-operative reap individual advantages on the other actors expenses (Jones & Hill 1988). It can be for example when an actor sells its grain to another firm instead of the co-operative but still reaps the co-operatives benefits. Furthermore, free-riding can also be a response to a lack of perceived influence by the farmers (Birchall 2017). Free-riding even further reduces the social capital (Mathew & Micheal 2023). One outcome of low social capital may be that actors that are dissatisfied beehive. Beehiving is when members of a co-operative leave the large and old co-operative to establish a smaller co-operative (Hakelius et al. 2013).

Adaptability can according to Richter & Hanf (2021) be defined as “*reaction towards changes that occur*” and will in this case study be used in regard to the co-operative size. Thus, the definition of adaptability in this case study will be, reaction towards changes that occur due to the size of the co-operative.

1.1.1 The Co-operative Business Model

The co-operative business model dates back to the early 19th century in Germany with the goal of creating more bargaining power to increase their profits (Cultural Survivor 2010). These co-operatives were quite small and therefore governed through direct democracy. Direct democracy within co-operatives can also be defined as participatory democracy as it is a model wherein the members have a direct governance control through participatory actions (Sgarro 2023). In addition,

this model of governance highlights the importance that each member has a vote and that they can directly influence the co-operative governance (see Figure 1). However, as the co-operatives grew larger they adopted a new method of governance, representative democracy (Novković et al. 2023). To create a fair representation system, co-operatives often have some sort of council or district, for example Arla and Lantmännen have different districts in which the members vote on who should be on the Board of Directors (BoD) as well as who should be the district representatives (Arla n.d.c; Lantmännen n.d.a). The elected representatives for each district, in turn, represent the members at the co-operatives general meeting (see Figure 1) (Svensk Kooperation n.d.).

One of the core objectives within the co-operative is to create bargaining power to the smaller farmer members, so that they do not have to sell their goods on their own, but instead the co-operative sells the members' goods for them to create a better price. Another core objective is to give farmers a voice, as a large co-operative reaches further than a small farmer (Marsh 2023).

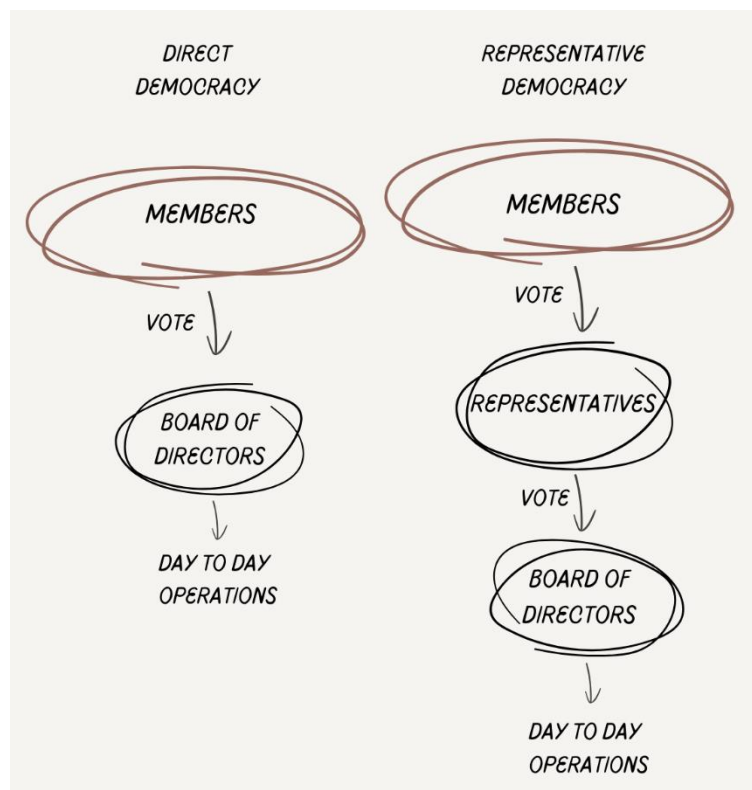


Figure 1. Democratic governance structures, Own Illustration

1.1.2 Agricultural Co-operatives in Sweden

Agricultural cooperatives in Sweden also become more common around the late 19th century. However, in the mid-20th century a lot of these co-operatives merged into nation and/or region wide co-operatives (Arla n.d.f).

One of the biggest agricultural co-operatives in Sweden is Arla. Arla merged with several smaller co-operatives in the mid-20th century. After this merger, Arla adopted representative governance with 39 districts (Wikipedia 2023). At the start of the 21st century Sweden's biggest dairy co-operative Arla merged with the biggest Danish dairy cooperative MD Foods and thus became international and now called Arla Foods (Arla n.d.f). Arla Foods now had a total of 8,400 Swedish members and 9,500 Danish members at the same time (Arla n.d.g). To create a fair governance style with one member one vote, Arla Foods dissolved MD Foods and Arla economic association, so that their members now were members of Arla Foods and on equal terms (Arla n.d.e). As Arla grew and further purchased and merged with other dairy co-operatives, they developed national district councils in all countries they had members in. In addition, they also created a board of representatives in which 187 actors are part of whereof 175 are farmer members and 12 are employees, these in turn select the Board of Directors (Arla n.d.c). Arla has since 2003 had a quality program called Arlagården, which focuses on the highest quality in animal welfare, sustainability, hygiene and safety (Arla n.d.b). In addition, Arla has made a website and an app to make it easier for their members to get information specifically for them (Arla n.d.d).

Another large Swedish agricultural co-operative is Lantmännen. Svenska Lantmännens Riksförbund [The Swedish Lantmännens national federation] (SLR) was founded at the start of the 20th century, however it was not yet one big co-operative as it still stuck to its many smaller regional associations. Lantmännen as we know it today, was founded at the start of the 21st century, when nine out of eleven of the smaller associations merged together into one big co-operative (Lantmännen n.d.c). It is today governed through representative democracy, and has 20 districts and 18,000 farmer members throughout Sweden (Lantmännen n.d.a). The districts of Lantmännen elect a group board, of which at least 7 and at most 13 are farmer members and 3 are from the employees. The co-operative also has a group management, which consists of managers and directors that are overseeing the co-operative (Lantmännen n.d.b).

A smaller Swedish agricultural co-operative is Norrmejerier. Norrmejerier was founded in 1971 by Västerbottens Södra mejeriförening, Skellefteortens mejriförening and Lappmarkens mejeriförening (Norrmejerier n.d.b) The co-operative grew larger and in 1981 merged together with Norrbottens Läns

Producentförening, after which the co-operative continued to grow with more members in Västernorrlands and Jämtlands regions. The co-operative has 10 districts and has 365 members and owners (Norrmejerier 2023, n.d.a) .The BoD consists of 8 members and 5 employees (Norrmejerier 2023).

Another smaller agricultural co-operative is Varaslättens Lagerhus. Varaslättens Lagerhus was founded in 1930, and has today approximately 1 950 owners and members (Varaslättens Lagerhus n.d.). The co-operative has an administrative council consisting of 15 members and 2 administrative board deputies (Varaslättens Lagerhus n.d.). Varaslättens Lagerhus has a BoD that consists of 6 members (Varaslättens Lagerhus n.d.).

1.2 Previous Studies

Although there has been a lack of studies on the farmer members adaptability regarding the size of the cooperative, there have been studies on the trust and social capital between farmer members and the size of the cooperative.

Österberg & Nilsson (2009) discuss the implications of a large co-operative as being too complex for the members to understand in the sense that it is hard for the members to follow up and get an overview of what is happening within the co-operative, thus making it hard for them to be able to understand the co-operative as a whole. But also, that the number of members within the co-operative create the feeling that the members' voice is drowned in the other multiple voices of other members. Furthermore, the authors also discuss the importance of democratic control, as "*members attach strong importance to their participation in the democratic governance system*" (Österberg & Nilsson 2009:194).

Although Richter & Hanf (2021) do not study member adaptability in relation to the size of the co-operative, in the sense of how able the member is to adapt to new changes in regulation or policy from the co-operative, they do discuss the importance of adaptability of members. According to Richter & Hanf (2021:12) adaptability is defined as "*reaction towards changes that occur*" and is principal for organisations and companies to both remain competitive. Furthermore, (Ceptureanu et al. 2018) study builds on the importance of adaptability within networks and co-operation between organisations and companies.

1.3 Problem

Here, the theoretical and empirical problems are presented, these problems lay the ground for the formation of the study and its questions. The problems are presented as to guide the reader in understanding what this study will contribute to.

1.3.1 Theoretical Problem

A clear theoretical problem is the lack of theory and lack of studies regarding member farmers adaptability, trust, and influence combined in relation to the co-operative size. Although there have been a few studies regarding the implications that large co-operatives have on member farmers there are few comparing the satisfaction of farmer members regarding that both smaller and larger co-operative governance structures. This study aims to fill these knowledge gaps.

1.3.2 Empirical Problem

Farmers feel like they have lost control of big co-operatives as they do not have a direct control of the BoD (Bijman & Hanisch n.d.), and that the issues discussed in the districts cannot be brought up by to the BoD by the members of the district. This leads to the withering of social capital from within the co-operatives (Nilsson et al. 2012), thus small co-operatives do not face the same challenges when it comes to social capital and the feeling of control.

The objective of the co-operative is to give the many small farmers greater bargaining power and as well as to promote equality and to give farmers a voice (Marsh 2023). However, more and more farmers in big co-operatives feel as if they are not listened to (Mehmeti et al. n.d.). In some cases the majority of the farmers said that they if they could would leave the larger co-operatives for smaller ones or even start their own company instead (Mehmeti et al. n.d.).

Another problem related to lack of trust and the feeling of not being heard is the impact larger co-operatives have on the farmers adaptability to changes. This problem is inspired by members in a larger co-operative, as they feel like the feeling of not being heard and long communication chains makes it hard for potential changes in policy to be implemented before they need to be (Jensen-Auermann et al. 2018). The authors also discuss that a lack of trust can lead to free-riding behaviour within the co-operative, which in turn lowers the trust even more.

(Hirschman 1972:37) discusses the voice as an alternative to exit. The author states that *“If customers are sufficiently convinced that voice will be effective, then they may well postpone exit”*. Although Hirschman talks about consumer customers’ response to a decline in quality it can also be applied to farmer members, and their

reaction to a decline in policy quality, pay or even notice in changes coming. Furthermore, Hirschman also brings up that if the customers often try and use their voice first, and view exit as their last resort. The same could go for the co-operative member, as farmer members first want to try and use their voice, and if that does not work and they are still dissatisfied they either exit the co-operative as a last resort option or stay inactive and uncommitted members.

Previous studies state that large co-operatives impact the members trust and feeling of control or that they do not feel heard by the co-operatives and that the actions a member can take if they do not feel heard or have a lack of trust is to either become a passive member or to leave the co-operative. In addition, adaptability or the lack thereof is a problem inspired by members of larger co-operatives. However, there have been little studies on the perceived adaptability of farmers regarding changes by the co-operative. In addition, there have been few studies regarding the differences between large and small co-operative members and their trust, influence, and impact. These are less explored areas that motivates the study of how influence, adaptability and trust change and differentiate between co-operative sizes and governance structures.

1.4 Aim & Research Questions

The aim of the study is to analyse how trust, adaptability and the influence of the members change in relation to the co-operative's democratic governance structure and size.

1. Does the size of the agricultural co-operative and the democratic governance structure create challenges regarding the level of perceived adaptability and trust for the farmer members?
2. What challenges are there, and how can the potential challenges of co-operative size and democratic governance structures be mitigated?

1.5 Delimitations

To facilitate clarity in this study, some delimitations have been made. The study will only look at the Swedish farmer members of two big and two small co-operatives. These co-operatives being Varaslättens Lagerhus, Norrmejerier, Arla and Lantmännen, to be able to compare larger and smaller co-operatives similar to each other and with similar contexts. Varaslättens Lagerhus which is a small co-operative and Lantmännen which is a large co-operative have similar business contexts in facilitating grain trading while Arla which is a large co-operative and

Norrmejerier which is a small co-operative also have similar business context in facilitating dairy trading. Furthermore, this study has chosen for two or three interviews per co-operative. The delimitations mentioned have been done to limit the range and scope of this study so that it is manageable both for the reader and researcher.

1.6 Thesis Outline

The study will be divided into six chapters. The first chapter being the introduction, presents and introduces the problem formulation and background information. The second chapter presents the theories which in turn form the basis for this study. The third chapter presents the methodology, in this chapter the methods for writing the thesis will be presented as well as argued for as for why they fit this study. The fourth chapter presents the empirical data and is where the farmers from the different co-operative's interviews will be presented and summarised. The fifth chapter presents the analysis and is where the theoretical framework is used to analyse the empirical data leading to the findings of the study. In the sixth and final chapter the conclusion and previous findings will be presented. In this chapter the researcher will summarise the findings and present what new knowledge is generated.

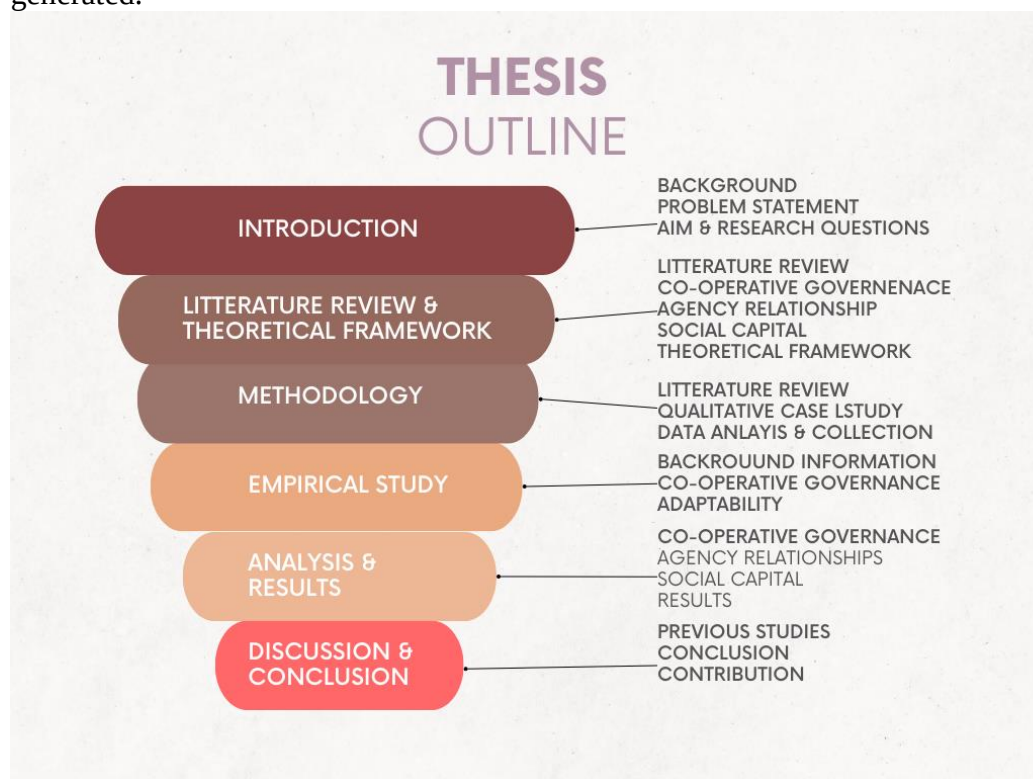


Figure 2 Thesis Outline, Own Illustration

2. Literature review & Theoretical Framework

In the following chapter the selected theory is presented and introduced to gain an increased knowledge of co-operative governance, the relations between members and organisational managers as well as how the social capital works within and around the co-operative. To round off the chapter the conceptual framework is introduced.

2.1 Literature Review

In order to gain a take advantage of available knowledge on the study's particular research field and in order to increase the study's trustworthiness of the study a narrative literature review has been done. The narrative literature review is chosen because it gives a broader description of the study's particular research field compared to a systematic literature review (Bryman & Bell 2017). The collected literature for this study comes from books, articles, news articles and other internet-based references. The search engines used in this study are Epsilon, Google Scholar, Google and Primo. The keywords used were: *Co-operative*, *Co-operative Governance*, *Social Capital*, *Adaptability*, *Democratic governance*, *Trust*, *Co-operative Owners* and *Co-operative Members* in order to filter out relevant and irrelevant information and literature. The chosen literature went through a selection to make sure that the literature indeed was useful in relation to the aim of the study.

2.2 Co-operative Governance

Governance can be defined as "*the processes, structures, and mechanisms that influence the control and direction of corporations*" (Shailer 2018:1). According to Enriques & Volpin (2007) governance and ownership are linked with each other. In the case of co-operatives, the owners and users of the organisation are the same; the members (Arcas-Lario et al. 2014). The members of a co-operative have one vote each, regardless of size or the amount of trade with the co-operative (Barton 2000). More often than not depending on governance style and size of the co-

operative members then either vote on who should sit at the BoD and govern the co-operative or govern the co-operative directly themselves (Novković et al. 2023; Sgarro 2023). These different styles of co-operative governance are called representative democracy and direct democracy (Novković et al. 2023; Sgarro 2023). The differences in governance between representative democracy and participatory democracy in a co-operative can be seen in Figure 1 in chapter 1.

According to Birchall (2017), there are six problems with co-operative governance of large co-operatives or co-operatives that have representative democracy is that the members have limited owner rights. The first problem is about the sheer amount of members which only own one vote, the ability to affect becomes diluted. The second problem is that the original co-operative governance style is designed for smaller, community-based businesses. Thus, when these styles of governance are applied to large international co-operatives there is often a problem of complexity and scale. The complexity comes from subsidiaries and joint ventures which only can be governed indirectly through the members. Then scale is applied with internationality of the co-operative which in turn creates even harder conditions for the members to oversee the whole business. The third problem is the collective action problem, which is when the contribution of each member has minimal effect. This, in turn, leads to the free-riding problem by simply letting other members do the work. The fourth problem is the lack of information, Birchall (2017) states that there in conventional businesses the share prices tell the shareholders how the business is doing compared to competitors. However, in co-operatives there are no similar signals, furthermore “*in a co-operative the managers can often get away with disclosing less information*”(Birchall 2017:28). The fifth problem is the “*managerial capture*”(Birchall 2017), meaning that the BoD can be seen as principals from the principal-agent theory (which is further explained in the coming section) with co-operatives managers as their agents. This means that managers will advance their own goals and interests if they are not stopped. The best way to avoid this is to use members as managers as their interests more often than not are aligned with the other members’ interests. The final problem, according to Birchall, is the lack of focus, compared to the investor-owned businesses which only have one comprehensive goal, to maximize profits and the businesses value on the market. The co-operative has the Tripple bottom line approach where its focus lies on not only economic but also social and environmental factors. This lack of focus can become a real disadvantage compared to investor-owned competitors as they usually are more efficient.

To solve these problems, Birchall (2017) has developed the member governance approach, which starts from the assumptions that the members indeed are the owners in every sense of the word. Meaning that they are not simply the residual

claimants in the case of an eventual bankruptcy. Rather the co-operative cannot merge or be sold without the approval of the members. Birchall (2017) defines the members as the ones with an actual vote, not the previous members or the future members but the current members. The author further states that the more the members are treated as owners by the co-operative the simpler will the governance tasks become. The member governance approach uses the advantages of co-operative governance to its fullest, the advantages being: 1. Relationships of high levels of trust with long term focus on the member's needs. 2. The members and the managers alignments of interests. 3. The members ability to monitor the co-operative performance in relation to clear objectives. In Table 1 by Birchall (2017), the solutions to the co-operative governance problems based on the member governance approach are presented. Where the solution to problem one is to create a more member focused strategy where the importance lies in the members ownership. Solution to problem two is to redesign the governance systems to be able to give members more opportunities to actively participate in the co-operative. Solution to problem three is related to the solution of problem two but here the co-operative should also provide the members with specialised staff to foster members voices. The solution to problem four is to make boards present the members with more information about performances, patronage refunds and explanations of bad performances. The solution to problem five is to create a representative's board which has a strong mandate from members to align the managers and members interests. Finally, the solution to problem six is to create a focus board in order to increase efficiency within the co-operatives.

Table 1 Problems with co-operative governance and member-centred solutions (Birchall 2017:32)

Problems with co-operative governance	Solutions based on member centrality
1. Members have <i>limited ownership rights</i> . The less they feel they own the co-operative, the less likely they are to support it and to take part in governance.	A member-central business strategy emphasises the importance of ownership, and member loyalty is visibly rewarded.
2. Co-ops have become <i>too large and complex</i> . Governance systems designed for small, community-based businesses are now being applied to very large international conglomerates.	Governance systems are redesigned to provide opportunities for participation via member councils, advisory groups and social media platforms
3. There is a <i>collective action problem</i> . When there are many members, and the contribution of each member is likely to have a minimal effect, the rational response is to free ride	Specialised member relations staff foster 'member voice', identify potential activists, and provide opportunities for member participation.
4. There is a comparative <i>lack of information</i> . Share prices that indicate performance, and rules of disclosure that make share price more accurate, do not apply.	Boards have a duty to inform members about performance. Members expect a patronage refund or other benefits, and require explanations for poor performance
5. There is a strong likelihood of <i>managerial capture</i> . Boards with a weak mandate will not stop managers furthering their own interests	A representative board with a strong mandate from members will align the interests of managers with those of the members
6. Co-ops suffer from a <i>lack of focus</i> . Investor-owned companies have one overriding goal – to maximise value for shareholders. The social goals of co-ops make governance costly.	Member centrality provides the focus boards need to govern effectively. The business strategy does not divide social from economic goals but focuses on meeting member needs

As previously stated, this theory focuses on the co-operative governance, its problems, and the suggested solutions with the member at the centre. The result is easier co-operative governance with higher levels of trust between the members and managers within the co-operative (Birchall 2017).

2.3 Agency Theory

Agency theory is about the universal agency relationship that exists in all organisations in some way. In this relationship there is one party which is called the principal, and the other party called the agent, the principal is the actor that delegates all the work to the so-called agent. The agent then needs to perform the delegated work on the behalf of the principal. To make this relationship more understandable the theory uses a contract as metaphor for the relationship (Eisenhardt 1989). The agency problem which “occurs when cooperating parties have different goals and diversion of labour” (Eisenhardt 1989:58).

There are two problems according to the theory, the first being asymmetric information between the principal and the agent. The second being self-interest, where the relationship between the agent and the principal is influenced and affected by both actors own self-interests (Eisenhardt 1989). The problem of self-interest comes when the principal and agent have different goals and interests. The problem of information asymmetric comes when the principal is unaware of the agents actions, and when it cannot be determined if the agent has acted in accordance to the task appointed by the principal (Eisenhardt 1989). These problems within the overall problem of self-interest are called Moral hazard and Adverse selection. Moral hazard is when the agent in question has not fulfilled his/her duties in accordance with the appointed task. Adverse selection is when the principal cannot verify if the agent has the skillset he/she said they had (Eisenhardt 1989). According to Eisenhardt there are two options to solve these problems, the first solution is to invest in reporting procedures for the agent, the second solution is to create a contract in which the agent would be able to be held accountable for his/her actions.

According to Panda & Leepsa (2017) the principal agency problem between owners and managers in an organisation is because of the ownership not being part of the control of the organisation. In addition, when the owners of the organisation assign tasks to the managers to manage the organisation, they do so with the hope that the agents work on the tasks for the benefit of the owners. However, the agents or managers are in fact more interested in their own maximisation of compensation, which is also called self-satisfying behaviour. The cause of this problems is the same as above, however, to create further understanding on how it can be viewed within organisational ownership and management it is explained once more in Figure 3 inspired by (Panda & Leepsa 2017)

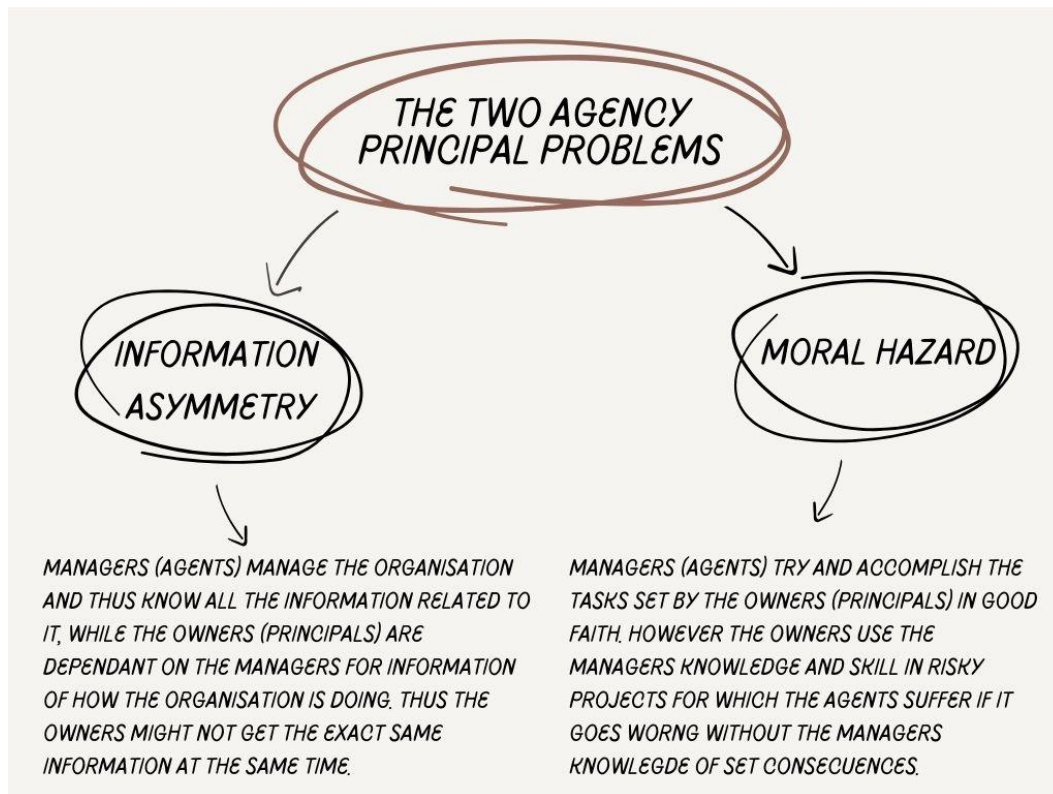


Figure 3 Causes of Agency Problem, Own Illustration

2.4 Social Capital

Putnam (1993) defines social capital as “those features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions”. While Ling & Dale (2014) state that “Consensus is growing that social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures”. Social Capital can therefore be seen as a combination of factors which lead to higher efficiency as well as improving the actor’s ability to secure benefits from within the organisation.

According to Apparao et al. (2019) co-operatives are built upon social capital, furthermore social capital is the centre in understanding development of co-operatives. However, the expansion of a co-operative can have a negative impact on the co-operatives social capital (Nilsson et al. 2012). In addition, Nilsson et al. (2012) also found that large co-operatives are losing their social capital over time. The reason that the larger co-operatives are losing their social capital is because of

the co-operatives high heterogeneity (Valentinov 2006). (Nilsson et al. 2012) discusses how co-operatives that strive towards expansion tend to build a member base with high heterogeneity due to its large size and would eventually lead to a loss in social capital. The higher heterogeneity in larger co-operatives can according to (Österberg & Nilsson 2009) lead to members slowly distancing themselves away from the co-operative. However, (Feng et al. 2016) found that social capital is higher the smaller the size of the co-operative and thus the more social capital that is present between the owners/members of the co-operative. Furthermore, the direct democratic governance style also increases social capital as the members now have direct participation rights in the governance of the co-operative (Frey 2003).

2.5 Theoretical Framework

The conceptual framework presents the relations between the above presented theories and concepts. The relationship between co-operative governance, agency theory and social capital can be seen in Figure 3. The Figure shows how Social capital exists in between everything; in between the theories as well as in between the interactions of the owners and managers of the co-operative. Consequently, the social capital influences and is influenced by all the decision and actions of the owners (principals) and the managers (agents).

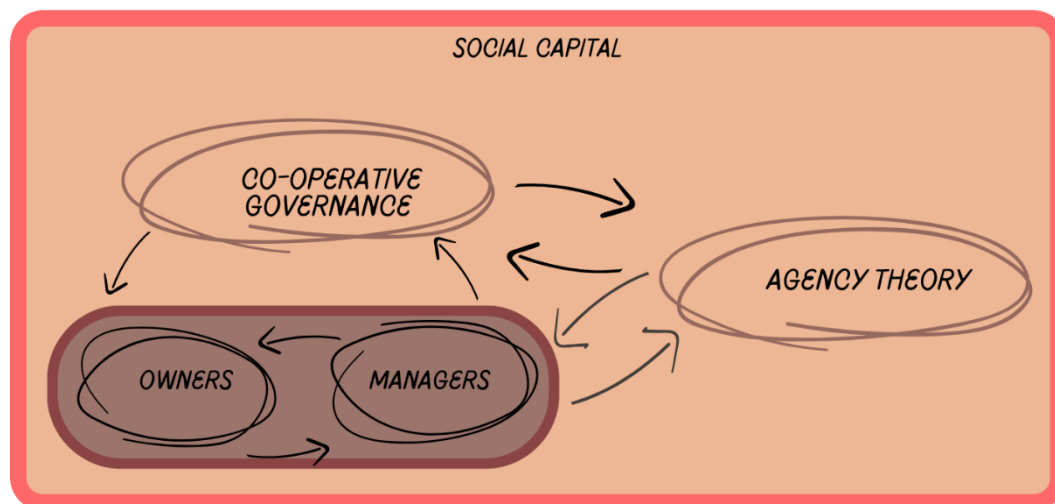


Figure 4 Conceptual Framework, Own Illustration

Here the owners become the principals to the managers who become agents, which means that the owners do not have the full information on what the agent is actually doing and what happens with the co-operatives business. Consequently information asymmetric as well as self-interest problems are created (Eisenhardt 1989). Figure 3 also shows how the agents or managers affect the co-operative governance as it usually is their task to control the co-operative and to make sure that everything

runs smoothly. Managers in a co-operative tend to look after their own self-interests and try to maximize their own profits rather than looking after the owners' interests. Figure 3 further shows that although the owners do not always directly control the co-operative with the help of managers, they do indeed own the co-operative and are the ones expecting patronage refunds or explanations on poor performances. There must therefore be a balance between the owners and the managers where they both have the same interests at heart and share information to minimize information asymmetric (Birchall 2017).

3. Methodology

In the following chapter the selected methodology is introduced, the methodology addresses how the method is implemented and what approach that is used during the study. Beyond the methodology, which includes research design, paradigm, ontology, epistemology, unit of observation and analysis, the data collection, data analysis and critical reflection will also be presented.

3.1 Research Design

According to Bryman & Bell (2017), there are two main approaches to scientific research of business research, the quantitative and qualitative methodologies. Quantitative research focuses on hard data such as statistics, of which the results often are generalisable on a broader group. Qualitative research, on the other hand, focuses on the social reality and interpretations of it. Although both research designs can be used to collect and analyse data, the method chosen for this study is qualitative. The qualitative methodology is chosen because of its focus on the social reality and interpretations of it, which suits this study quite well, as the study is about the social reality of the farmer members.

Furthermore, the case study design is used in combination with an inductive approach. The case study design can be used to study and analyse one or more cases and can be used in both qualitative and quantitative research methods to best answer the research questions. This design fits the study well, as it aids the author in collecting data about and studying the phenomena, which in this case is to analyse how trust and the adaptability of the members change in relation to the co-operative's democratic governance structure and size. In addition the replication logic of the case study design is used to analyse and collect data, as this approach is about using the same methods and approaches throughout the study in order to make it as trustworthy and objective as possible (Creswell & Poth 2017).

The inductive approach is chosen in order to generate theory through the data collection process, as the approach according to Bryman & Bell (2017) does not test the theory against the data but rather generates theory through the data. It is therefore of uttermost importance for the researcher to understand and see the

patterns in the data to generate both theory and generalisations of said theory. Put into the context of this study, the collected data can be seen as coming from the farmer members of the co-operatives, this data will then be the building block for new theories or to complement existing theories so that the researcher can answer the research questions (Bryman & Bell 2017).

Finally, a comparative analysis is used in order to fine and define similarities in the data between the different cases in this study, in this approach the cases will be put against each other and thus compared with each other (Bryman & Bell 2017).

3.2 Paradigm

In order to determine what type of ontology and epistemology that is used in this study, the paradigm must be established first. The paradigm of choice in this study is the constructivist paradigm. According to Tierney et al (2023) constructivism is a paradigm that focuses on how individuals construct their own reality, which then results in several different realities. Furthermore, this paradigm emphasizes the cases' or participants' own individual values, contexts, and experiences (Tierney et al. 2023). This notion of constructivism emphasizing the participants own reality and experiences is further supported by Harrison et al (2017:10) "*Whereby the researcher assumes that reality is constructed intersubjectively through meanings and understandings developed socially and experimentally*". These authors support the choice of paradigm, as the focus of this study is to research the participants realities and experiences, therefore constructivism fits this study well.

3.3 Ontology

According to Moon & Blackman (2014), three different ontological approaches exist. The first ontological approach states that there is only one true reality which is dependent on the observation of the researcher (Moon & Blackman 2014), for example this ontological approach can be seen as a dog having a tail, according to this reality it is impossible to know if the dog has a tail if the dog and its tail is not observed. The following ontological approach states that there is only one true reality which is dependent on the observation of the researcher (Moon & Blackman 2014), if the same example is applied in this reality the fact that a dog has a tail will be known even if the dog and its tail are not observed. The final ontological approach states that there are several realities that are different to each other, these realities are created or generated through interactions between actors (Moon & Blackman 2014). An example of this can be a case study of two cases, the interview of the first case generates one reality between the first case and the researcher, while

the second interview with the second case generates a totally different, but equally true, reality between the second case and the researcher. For this study the multiple realities approach fits best, as the data and knowledge of this study will be based on the cases own experiences and contexts. This approach can also be viewed as the constructivist approach and thus also fits with the chosen paradigm.

3.4 Epistemology

According to Dieronitou (2014) epistemology is about the basis of knowledge itself. In addition, the author states that there are two approaches to epistemology, the first one which states that knowledge is real, concrete, and transmittable, while the second approach states that knowledge is subjective, softer and focuses on individual experiences. The first approach can be seen as positivist, while the second approach can be seen as constructivist (Dieronitou 2014). Therefore, the second approach fits the study best not only because it can be seen as constructivist and thus aligns with the rest of the methodology, but also because the focus of the second approach is on creating knowledge through interpretations and is built on the individuals experiences.

3.5 Unit of Analysis

The unit of analysis is important to define as it describes what or who the study will analyse, it is also important to define the unit of analysis to avoid any logical fallacies, as these fallacies could become present in the later stages of the study (Farquhar 2012). To be able to determine the unit of analysis the research questions will need to be looked at. As the aim and the main research question is about what the farmer members perceive, the unit of analysis will then also be the farmer members. This raises the question if the unit of analysis will be the farmer members seen as a collective or as individual farmers. In this study, the unit of analysis will be the farmer members as individuals, as the study will investigate the farmer members' own individual values and experiences.

3.6 Unit of Observation

The unit of observation describes who or what the study needs to observe in order to collect data and generate knowledge about the unit of analysis (Farquhar 2012). In this study the unit of observation will be the same as the unit of analysis, due to the unit of analysis being the farmer members as individuals and consequently the unit of observation needs to be the individual farmer members.

3.7 Data Collection

This study will use semi-structured interviews, in which the data will be collected from the several selected cases. These cases, in turn, are aligned with the limitations of the study as well as the aim of the study. In the semi-structured interviews, the researcher will use an interview guide (Appendix 1) to help steer the direction of the interview, so that the interview stays in line with both the aim and research questions (Bryman & Bell 2017). This approach to the interviews leaves the respondent freedom to answer as they like as the questions are openly formulated to let the interviewee have the initiative of the interview, as in this way the interviewee might give insights that are important for the study (Bryman & Bell 2017). Although the same interview guide is used for all the interviews, the researcher still has some space for follow-up questions or other relevant questions regarding relevant information in relation to the research questions. There is a weakness with the semi structured interviews, which is that not all the farmers got the same follow up questions, however, this could also be viewed as a strength, as more relevant information might be shared this way. All respondents that participate in this study have beforehand been asked for their consent to participate. Furthermore, the respondents have through email been able to take part of the interview questions, to make sure that they feel comfortable to answer them, as well as to give them the opportunity to prepare their answers to the questions.

3.7.1 Data Analysis

For this study, the constant comparative analysis is used in analysing the collected data, this approach is based on constantly comparing interviews, statements and themes with each other from the other interviews (Thorne 2000). According to Boeije (2002), though the constant comparison of data, the researcher is able to develop coding and categorising. The data analysis in constant comparative analysis starts with open coding, in which the interview is studied closely to label each passage with the right code. After the initial coding the comparison is within the interview itself to examine its consistency. The next step is to compare the interviews with each other in order to further conceptualise the subject, to reach this goal axial coding is used wherein connections between codes are acknowledged (Thorne 2000). Lastly selective coding is used to create clusters or categories in which all the data is connected. The last step in the coding is done to either create new theory or to modify existing theory in this study (Kolb 2012).

3.7.2 Sampling Methods and Criterias

The sampling method chosen for this study is the purposive sampling method, purposive sampling is, according to Campbell et al (2020), a good choice for qualitative studies with limited resources, as the researcher can work with a

relatively small and purposeful sample with selected respondents that can give the best information in order to increase the depth of understanding regarding their research. Thus, for this study the cases have been strategically picked to yield the most relevant data to aid the researcher in answering the research questions.

The following criteria are used to select the specific cases:

- At least two farms per co-operative
- Different geographical locations
- Different farm sizes
- Different main productions

In Table 2 the summary of conducted interviews is presented. Most of the interviews were conducted by telephone due to the farmers geographical locations stretching from the far north of Sweden to the south of Sweden.

Table 2 Summary of respondents

Respondent (Number of respondents)	Date	Duration	Format
Farmer 1 (2)	29-03-2024	50 minutes	In person interview
Farmer 2 (1)	12-04-2024	25 Minutes	Telephone Interview
Farmer 3 (1)	12-04-2024	20 Minutes	Telephone Interview
Farmer 4 (1)	14-04-2024	35 Minutes	Telephone Interview
Farmer 5 (1)	15-04-2024	20 Minutes	Telephone Interview
Farmer 6 (1)	17-04-2024	25 Minutes	Telephone Interview
Farmer 7 (1)	16-04-2024	30 Minutes	Telephone Interview
Farmer 8 (1)	17-04-2024	40 Minutes	Telephone Interview
Farmer 9 (1)	18-04-2024	35 Minutes	Telephone Interview
Farmer 10 (1)	25-04-2024	45 Minutes	Telephone Interview

3.8 Quality Assurance

According to Bryman & Bell (2017) the criteria usually used in the quality evaluation are validity and reliability. However, the authors also state that there is another set of criteria available for researchers, Trustworthiness and Authenticity. These criteria are preferred to validity and reliability because they can be used in settings where there is more than one true reality (Bryman & Bell 2017). Therefore, this study will use the quality evaluation criteria of **Trustworthiness** and **Authenticity**.

The first criteria is **Trustworthiness** which according to Bryman & Bell (2017) consists of four semi-criteria's, Credibility, Transferability, Dependability and Confirmability. To create **Credibility** in the research, the researcher needs to ensure that the research being conducted is in line with the current regulations. Furthermore, the researcher needs to make sure that the respondents get a chance to review the results of the study to make sure that the researcher has transcribed and understood the respondents realities correctly (Bryman & Bell 2017). The researcher has made sure that the respondents have had a chance to review the results of the transcribed data so to make sure that the respondents' realities are understood correctly.

Transferability is difficult to create within qualitative research as the research is conducted on a smaller group of individuals that have some specific qualities (Bryman & Bell 2017). To solve this problem and create a somewhat transferable result or study, the researcher needs to generate a lot of details regarding for example the culture of the group or setting. This is done in order to create a substantial database of which the transferability of the study onto another setting might be judged (Bryman & Bell 2017). Thus, the detailed descriptions of the context make it possible for a somewhat transferable study. In this study the use of an immersed background description which explains the respondents, their setting, and cultures.

Dependability in research is generated through auditing, meaning that every step of the research process needs to be documented; the formulation of research questions, data collection, interview guide, data analysis, the transcription of interviews, everything that the researcher chooses needs to be accounted for in the study (Bryman & Bell 2017). These measures in combination with the constant peer review of this study, will create a good basis for dependability of the study. These measures have been carefully followed in combination with continuous peer reviews to make sure that the study has the highest dependability possible.

Confirmability is important according to Bryman & Bell (2017) as both acknowledges the difficulties of objectivity in qualitative research but also states the importance of the researcher and that he/she acts in good faith. Meaning that they should be evident that the researcher has not let his or her personal opinions affect the research (Bryman & Bell 2017). Thus, through the constant peer review of peers and supervisors the confirmability is confirmed, and the biases are mitigated.

The second criteria is the **Authenticity** evaluation criteria, this criteria begs the question if the researcher has prescribed a fair enough understanding of the different opinions and perceptions of all the respondents (Bryman & Bell 2017). To create a fair representation of the context of the respondents and to stick in line with the aim and delimitations of the research, this study will not be able to interview all the surrounding actors such as employees of the co-operatives or employees of the farms. However, to achieve a fair representation, farms of different sizes and with different productions will be interviewed to give a as broad as possible representation of the context. Furthermore, the authenticity criteria consist of four semi-criteria, Ontological authenticity, Pedagogical authenticity, Catalytic authenticity, and Tactical authenticity (Bryman & Bell 2017). **Ontological authenticity** begs the question if the research aids the respondents in understanding their own social reality and social context. **Pedagogical authenticity** raises the question if the research has aided the respondents in understanding how other individuals perceive the social context. **Catalytic authenticity** brings into question if the research has aided the respondents in bringing about change in their own social reality and context. **Tactical authenticity** calls into question if the research has created a better environment wherein the respondents have gotten a better possibility in undertaking the necessary measures to change. To ensure these sub criteria the researcher has not aided the respondents before or during the interviews about anything else but the subject of the thesis. When it comes to the catalytic and tactical authenticity, the researcher has been able to raise the question in the respondents about their commitment and to make them think about what they needed from the co-operative to either feel more comfortable as members or to have more influence over it.

3.9 Ethical Concerns

According to Bryman & Bell (2017), it is important for the researchers to adhere to the current ethical aspects of qualitative research. With this said, the ethical aspects are considered throughout the study by the researcher. The respondents participating in this study, were in advance of the interview given time to read through the intended interview questions as well as give feedback and or exclude

questions they did not want to be part of the interview. Furthermore, a participation consent form was sent out in advance for the respondent to sign. In the consent document, the way the researcher and SLU is treating the personal data of the respondents is clearly stated, in addition the respondents would be anonymous in the study (Bryman & Bell 2017). In addition, the respondents will then be given an anonymity code, to be referred to ranging from 1 till 10.

3.10 Reflexivity

Reflexivity is about awareness and insight of the role the researcher has for the creation and generation of knowledge and information (Bryman & Bell 2017). According to the authors, the researcher acknowledges how sensitivity of how others interpret the social reality and critical reflection regarding the collected and analysed data affect the study. These acknowledgements are important to make to avoid potential biases to affect the study during different stages (Bryman & Bell 2017).

To maintain reflexivity in this study the researcher has taken the acknowledgement into account. Furthermore, the researcher has upheld a close connection to several other researchers, which has made it possible to maintain continuous peer review of the study. These methods taken by the researcher ensures that the highest possible reflexivity has been upheld throughout the study. Furthermore, as the researcher did the interview in Swedish, the researcher acknowledges that any interpretation errors from the interviews are on the research as the researcher translated the interviews to English.

4. Empirical Study

In this chapter the empirical data gathered from the interviews will be presented. The chapter presents the farmers by using the following categories: Background, Co-operative Governance and Adaptability.

4.1 Background

In Table 3, the background of the ten respondents is briefly presented, including their primary production, the size of the farm, the co-operatives that they are a part of as well as their role in the co-operatives. Four of the respondents are members of Arla, all ten respondents are members of Lantmännen, six of the respondents are members of Växa, two are members of Varaslättnens Lagerhus and two are members of Norrmejerier. Henceforth the respondents will be called 1 till 10 to keep their anonymity as seen in Table 3.

Table 3 Background of the Respondents

Participants (Number of respondents)	Primary Production	Size of Farm	Co-operative members	Role in the co- operative
Farmer 1 (2)	Biological Milk	200 ha in use 125 Cows	Arla, Lantmännen, Växa,	Active member on meetings
Farmer 2 (1)	Meat & Potatoes	125 ha in use 200 Cows	Lantmännen, Sjuhärad - Kött	District election committee in Lantmännen & Board member in Sjuhärad Kött
Farmer 3 (1)	Milk	800 ha in use 400 Cows	Arla, Lantmännen	Non active role, just delivering milk
Farmer 4 (1)	Milk	115 ha in use 40 Cows	Lantmännen, Växa	Non active role, Buyer of products from Lantmännen and Växa
Farmer 5 (1)	Milk	150 ha in use 200 cows	Arla, Lantmännen, Växa,	Chairman in one of Lantmännens districts
Farmer 6 (1)	Milk	285 ha in use 220 Cows	Lantmännen, Norrmejerier, Växa	Active member in their co-operatives
Farmer 7 (1)	Pigs and feed	550 ha in use 18 000 Yearling pigs	Lantmännen, Varaslättens - Lagerhus	Member of Administrative council and of election committee in Varaslättens Lagerhus and
Farmer 8 (1)	Milk	200 ha in use 170 Cows	Arla, Lantmännen, Växa	Is an active member on meetings
Farmer 9 (1)	Milk	170 ha in use 92 Cows	Lantmännen, Norrmejerier, Växa,	Representative in Norrmejerier
Farmer 10 (1)	Pigs	190 ha in use 130-140 Sows 3500 Yearling pigs	Lantmännen, Varaslättens- Lagerhus	Administrativ councilmember in Varaslättens Lagerhus

4.2 Co-operative Governance

The majority of the farmers have a positive opinion of co-operatives and the co-operative model. Nine farmers were of positive opinion of the co-operatives and co-operative model in general, due to the co-operatives being good for the deposition of goods, the feeling of being stronger together and the feeling that everyone has the same value. However, **Farmer 10** stated that *“The basic idea is good but there are some difficulties with co-operatives as well, especially when they grow, it turns out to be not as easy to be a large co-operative as a small co-operative might be”*. **Farmer 4** was of a negative opinion due to the sizes of the co-operatives, as he stated, *“As it looks today and the last 15 years, I would say that it could have been an joint-stock company with shares instead”*.

Although the majority of farmers have a positive opinion of co-operatives and the co-operative model most of them have a somewhat positive opinion of their own co-operatives. One farmer was undecided due to the size of the co-operatives, with their results being the farmer’s decisive factor. Eight farmers were positive due to the co-operatives good results and it meeting their expectations. **Farmer 10** stated that *“I am a satisfied member of Lantmännen as well, but I do not have the same expectations on them in terms of influence and ownership. I feel more like an owner of Varaslättnens Lagerhus than Lantmännen”*. Finally **Farmer 1** was negative due to no feeling of influence and that it almost feels like being a shareholder in a joint stock company. They stated, *“The co-operatives that we are part of have become too large, we as members do not feel like we have any influence over the co-operative, and thus it feels very similar to being a shareholder in a joint stock company, as you don’t have any influence there either”*.

The majority of farmers have good insight in how their co-operatives governance is both set up and run. Although two farmers stated that they do not know how the governance structures are set up and how the co-operatives are run because they are not familiar with it. Eight farmers stated that they had some insight and familiarity with the governance structures, however some of them did not know exactly how it was built up.

Regarding the co-operatives impacts of the farms five farmers feel as if the co-operative had big impacts due to it deciding how the production should look, how the settlement pricing looks with the help of quality and sustainability systems and its importance regarding inputs. Five farmers feel as if the co-operative had small impacts due to only influencing pricing and not daily operations, that it impacts are the same as other firms or that the farmers only bough its services. However, eight farmers feel that they are directly influenced economically wise through trading or through rules regarding settlement pricing. With **Farmer 9** stating *“I sometimes*

feel like we put down a lot of time on administration and to fill out different stuff and that that might be more important than managing the operation”, regarding the co-operatives impact.

When asked how easy it is for the farmers to adapt to policies and policy change by the co-operative five farmers found it easy to adapt to policies/policy changes implemented by the co-operative due to the co-operatives transparency. They also found it easy as long as the policies did not extend beyond the law, and they acknowledged that although some things take time, they are still easy to adapt to. However, five farmers found it hard to adapt due to a lack of communication regarding how the co-operative thinks about its policies and due to too many rules which keep adding up. In addition, they stated that they are burdened by too many regulations from different bodies. **Farmer 7** stated *“Both yes and no, there are so many different environmental stuff going around at the moment which is something that the industry needs to decide on, regarding what it is going to be and what we are going to do”*.

All ten farmers have a great amount of trust towards the co-operative due to the co-operative business being run in a good way, the way the co-operative clearly works for the benefit of its members. Some farmers stated that the high trust is highly related to the settlement pricing. However, one farmer stated that he finds it hard to control the things the co-operative is saying. **Farmer 8** stated that although he has a lot of trust towards his co-operatives, he had more trust as a member of Gefleortens Mejeri due to that dairy company being closer to the market and having a greater transparency. *“The smaller the co-operative the more trust one has”*.

When asked how the level of trust can be increased the farmers had different ideas. Seven farmers stated that their trust towards the co-operatives could be increased by increased transparency on the co-operative processes, by increasing the results while keeping the same percentual dividends, through more personal contact and by being listened to by the co-operative. **Farmer 1** stated *“When they do come with information it is often the managers that have carried out the programs which we need to fill out. Is it the managers with the board of directors only agreeing while they haven’t been permitted to do anything or has the board of directors participated in the decision, we have no idea at all”*. While three farmers stated that they do not think that the co-operatives can do anything to further increase their trust

All ten farmers stated that they felt comfortable at the annual meetings, due to the possibilities to ask questions to elected representatives and gain insight in the co-

operative. In addition, they also stated that it is a good place to meet colleagues and friends and that there usually is a good mood at the meetings.

When asked if they felt comfortable as members of their co-operatives, nine of the farmers stated that they felt comfortable as members of the co-operative due to the pride they felt towards it and that it is up to the members to make something of it through increased commitment. **Farmer 6** stated *“Yes I do, I feel a great pride for my co-operative”*. However, **Farmer 1** stated *“We do not have another choice, there is no one else to buy the milk, we don’t know if we are comfortable if we do not have another choice”*. In addition, they stated that their satisfaction with the co-operative is based on the settlement pricing.

Regarding what the farmers would need to feel even more comfortable as members in their co-operatives, six farmers did not know of anything that would increase their satisfaction with the co-operative or make them feel more comfortable as its members. However, four farmers stated that they had improvements in mind such as, an increase in transparency of how decisions are made, a better settlement price, an introduction of a dividends system such as Lantmännens into his co-operative. In addition, one farmer would like the management to be more responsive and perceptive to questions and that they would answer them as honestly as they could. **Farmer 2** stated *“That the board is responsive to questions that arise and that they answer them as honestly as they can and that they have an ear to the ground and listen to what the owners want. The members might not always be right but that one at least still feel that one can get a hearing somewhere, that makes it comfortable”*.

Regarding if the farmers feel like the managers have the same interests as them concerning the co-operatives direction, 1 farmer stated that it depends on the CEO and if they know that they are running a co-operative or not. Seven farmers stated that they have the same interests as the co-operatives are at the front edge of the market, because the managers need to make their ends meet as well and thus need to work for the benefit of the members. However, one of these farmers also stated that it is harder to judge Lantmännen as he does not have the same overview as on Varaslättens Lagerhus. Two stated that they do not have the same interests due to the owners taking the hit for bad results and not the managers running it.

When presented the question if the cooperation between themselves and the co-operatives functions well, eight farmers feel that they have good cooperation between themselves and between the co-operative. However, two stated that they either found it hard to cooperate or simply did not want to cooperate with other members or the co-operative due to the farmers needing to put their farm first and

a lack of commitment which according to one of the farmers is something he thinks most co-operatives struggle with.

4.3 Adaptability

The majority of farmers feel that they have little influence on the co-operative six farmers stated that they have little influence on the co-operative due to them only having one vote in co-operatives with a lot of other members and due to a lack of commitment. However, three farmers stated that they do have influence on the co-operative due to some of them holding higher positions within the co-operative and the feeling that their voices reach their destinations. **Farmer 5** stated that he feels that he has little influence on Lantmännen and quoted: *"If I am satisfied with our trade then I am a satisfied customer and if not then I switch to another firm, this would probably only be noticed as me not being a customer anymore"*. While he stated that he does feel like he has influence over Varaslättnens Lagerhus. The same feeling on Lantmännen was shared by **Farmer 10** as he quoted *"If I am satisfied with our trade then I am a satisfied customer and if not then I switch to another firm, this would probably only be noticed as me not being a customer anymore"*. He feels that there are too many members for him to become an active and committed member *"as you share you input with so many others. I think that it is easier in Varaslättnens Lagerhus to influence and bring forth your views on the organisation, in addition you get a response on it as well"*.

When asked the question whether or not the farmers can influence the direction of the co-operatives policies, six farmers stated that they have little to no influence on the direction of the co-operatives policies due to the co-operatives being too big to be able to influence policies and policy making or that it is the market that decides how the policies will be shaped. **Farmer 6** stated *"As an individual member, perhaps not directly, but it also depends on if it is a larger or smaller co-operative. One can have more influence on my dairy co-operative than on Lantmännen or Växa"*. Two farmers stated that they either through their positions in their co-operatives could influence the direction of the policies or through the co-operative and the farmers being driven by the same will. One stated that he was not interested in influencing the direction of policies. One farmer stated that it is hard to influence policies as it often is the law that dictates them.

Regarding the farmers' influence on the co-operatives, the farmers had different ideas on what they personally needed to be able to have their desirable influence on the co-operatives policies. Two farmers stated that they do not need more to have their desired influence. One farmer needed increased transparency in where his

voice goes, another farmer stated that he wanted more flexibility on the managers closest to the members. One farmer stated that they wanted more personal connections with managers higher up in the hierarchy. One farmer stated that he wanted more respect from the elected representatives on meetings. **Farmer 5** stated, *"you have to trust that they have a grip on the situation, unfortunately"*. One farmer stated that it is hard to know if it even is possible to on such large co-operatives. Lastly one farmer stated that commitment is a problem that needs fixing.

In addition to what the farmers needed to gain their desirable influence the farmers were also asked the question on what they needed to easier adapt to changes. Three farmers stated that they wanted more foresight on changes. Two stated that they do not need anything. Two farmers stated that they wanted information to be easier to take in or information flows on for example sustainability programs. One farmer stated that they wanted more transparency, another farmer stated that they wanted more counselling and guidance on how to deal with Arlagården. Finally one farmer stated that they wanted more knowledge and that to adapt easier it needed to have a bearing on the economy of the farm as well.

Almost all of the farmers felt that they got information from the co-operatives in such a good time that they could anticipate changes in policies and quality systems. Six farmers stated that they probably get the information in good enough time. Two farmers stated that it depends on the members commitment, with **Farmer 2** stating *"Yes you get that, but it depends on how committed the members are, I feel that I get that, but I can imagine that there are a lot who do not get it as they are not committed"*. One stated that it depends on the subject and which country within the co-operative has the strictest laws. Finally one farmer stated that there usually is enough foresight but that the settlement price lacks such foresight.

The farmers where then asked what the co-operative could do to make it easier to adapt to changes in policies and quality systems, where many of the farmers gave a similar answer. Five farmers stated that did not need anything, with **Farmer 3** stating *"We have the information if we look it up but if you are not committed it will become a surprise"*. Three farmers stated that they needed a better profitability through for example incentives. One farmer stated that they wanted better transparency and long-term planning, another farmer stated that an inclusion into the discussion on future policies and quality systems would make it easier.

Almost all farmers stated that their the co-operatives live up to their expectations. Nine farmers stated that the co-operatives live up to their expectations. However, many of these farmers stated that things such as rules and the financial side of the co-operative could be eased and improved. In addition, some farmers stated that

their satisfaction is directly related to the settlement price. **Farmer 1** stated that they were not satisfied as they are not seen as the number one priority and that *"They need to prioritize us and our professional pride"*. They further stated that they feel as if they are viewed as simple farmers even though most farmers today have excellent educations.

The farmers that were members of both a larger and smaller co-operative were asked the question of how it is to be a member of a smaller co-operative compared to a larger co-operative. One farmer stated that the benefit of a smaller co-operative is the increased closeness to it where he can contact both CEO and BoD whenever. Another farmer stated that the only difference is a smaller number of members. One farmer stated that a big difference lies in decision-making where decisions in the smaller co-operative are taken in consensus while the larger co-operative is more of a democratic process where majority voting is the deciding factor, and that it is more personal in the smaller one. One farmer stated that it feels more at home in the smaller co-operative. Another farmer stated that he has a more direct influence on the smaller one and that it is easier to arouse commitment in a smaller co-operative. Finally one farmer stated that when he was a member of Gefleortens Mejeri he felt that he had a large influence than as a member of Arla.

Commitment came up during the interviews again and again, with several farmers seeing it as an issue in today's co-operatives. One farmer stated that there is a lack of commitment during meetings due to a lack of time or influence. Another farmer stated that commitment is the main problem for co-operatives as it is hard to get young talented farmers with families to become committed, as they do not want to be away from their families and that members do not come to meetings if they are further than 20-30 kilometres away. One farmer stated that the lack of commitment makes it hard to cooperate with other members and that the more farmers quit the greater the distances to meetings due to mergers. One farmer stated that you can demand some sort of commitment from other members but that there are a lot of passive members that just deliver goods and are not committed enough to know when the deliveries are closed. **Farmer 8** stated that commitment is needed to be able to have influence on the co-operative and that the annual meetings of his Arla district were not well visited before the farmers from Gefleortens mejeri joined the co-operative. He stated a possible reason as *"It is still there from before that you feel that you have a great influence although it is different now"*. Finally one farmer stated that the co-operative needs to arouse commitment in more people for them to feel comfortable in the co-operative.

In Appendix 2 Table 5 the empirical data is simplified and summarized for the reader so that it is easy for them to see which farmers thought what. In addition, the

more in-depth empirical data for those more interested in it can be seen in Appendix 3 at the end of the study. The more in-depth information consists of every farmers' thoughts regarding each question and subject.

5. Analysis & Results

In the following chapter the empirical data will be analysed based on the conceptual framework developed in the second chapter. The analysis will follow the same structure as the conceptual framework where Co-operative governance comes first, Agency relationships second and Social capital third. Finally the results of the study are presented last.

5.1 Co-operative Governance

All farmers but one that were part of both large and small co-operations agreed that smaller co-operatives were of preference. The most common factors they addressed for this were, more influence, feels more at home and that they got to be part of more or less consensus decision making. Furthermore, there were a couple of farmers that had a negative opinion of their co-operatives, due to their size and the farmers perceived influence. This is described by Birchall (2017) as the first problem of governance in large co-operatives, that the members influence becomes diluted. He further states that it can impact the commitment of the farmers towards the co-operative and its governance, which the empirical evidence also suggests as those farmers that did not know how their co-operatives were run except stated that they did not have the commitment to familiarize themselves with the co-operative governance structures. Those two farmers were members of larger co-operatives which aligns with Birchall's (2017) first flaw of diluted memberships in larger co-operatives. Birchall (2017) further argued that co-operations have become too large and complex, with governance systems designed for small businesses which now are applied at large often international co-operatives. The empirical evidence suggests to agree with Birchall's statement, as the smaller co-operatives seem to favour the governance systems better, with members having more influence and feeling both closer to the management and more at home in the co-operative. Birchall (2017) suggests that a solution for larger co-operatives to overcome this problem is to redesign the governance systems to provide more opportunities for member to participate in the governance. The empirical evidence could argue that the solution is a good one, as the members can through more participation feel closer, more connected to and feel like they have more influence over the co-operatives.

Half of the farmers were of the opinion that the co-operative had a big impact on their farm. The impacts appeared to be that the co-operative decides how the production should look and that the co-operative impacts the settlement pricing with quality and sustainability systems. Out of these farmers four were members of larger co-operative and only one of a smaller and more importantly all four farmers are members of dairy companies. In addition, during the interviews it emerged that there was no competition for the dairy companies, unlike Lantmännen where if the members were not content, they could simply switch to another trade partner. It could Therefore be argued that co-operatives without competition from other firms or co-operatives can have a larger impact on their members farms. Furthermore, this factor should be included in existing literature, as empirical evidence shows that large co-operatives without competition tend to have a larger impact on the farms than co-operatives with competition.

Although the farmers neither disagree or agree that it is easy to adapt to policies and policy changes implemented by the co-operative, most of them agree that it sometimes is easier and sometimes harder independent of co-operative sizes. This empirical result partly contradicts Birchall (2017) notion that larger co-operatives are worse in information sharing and that their managers are more self-centred, at least when it comes to policies.

Although the farmers did agree to some extent that they did not need anything from the co-operative to easier adapt to its policies and policy changes. Most of them agreed that there were more general things that would make it easier to adapt to changes. While the main factor of the farmers that did not agree that they needed anything from the co-operative appeared to be better profitability. However, Birchall (2017) does not mention or argue that profitability in policy making is a problem nor that better profitability is a solution for it. The empirical evidence suggests that it indeed is a problem for farmers, although not just farmers in large co-operatives but farmers in all co-operatives. It appeared that farmers wanted incentives to implement policies on their farms, which in turn also appeared to be able to increase their trust towards the co-operative. It could Therefore be argued that it is an important addition to Birchall's (2017) theory on co-operative governance, as policies are important tools in governance in general. In addition, it can help co-operatives both increase member satisfaction but also willingness to adapt to policies. The most common factors stated by half of the farmers that they needed in general to adapt easier to changes were connected to increased foresight, information sharing, and that the important information was easier to distinguish from the less important information. However, the majority of farmers agreed that they get information in good enough time to anticipate changes on their own farm.

Birchall (2017) argues that managers in large co-operatives might withhold information from the members and that they often can get away with that. The empirical evidence suggests that there in fact might be a problem with information sharing and foresight on changes from the co-operatives side. However, contrary to Birchall (2017) argument that it mainly is a problem in larger co-operatives, the case study suggests that it is a problem that exists in all co-operatives, small or large. It appears that the problem might be due to the sheer amount of information given to the farmers through different media outlets. Information that they are expected to sift out from the other less important information. However, the empirical evidence also argues against Birchall (2017) suggestion that larger co-operative have a lack of information. The problem with the farmers that did not agree on the subject appeared to be with their commitment, according to two of the farmers which both are members of larger co-operatives. Birchall (2017) argues that due to the amount of members in the larger co-operatives the members tend to free-ride as their own contribution is minimal, which impacts their commitment. It can Therefore be argued that farmers that do not feel that they get the information with good enough time to anticipate changes, do not have the necessary commitment to do so as a result from their minimal contribution and influence on the co-operatives.

There was one factor that the farmers mentioned time and time again, commitment. Several farmers agreed that commitment was a problem in today's co-operatives. Birchall (2017) argues that commitment or rather the lack of member contribution is something which large co-operatives suffer from due to the contribution's minimal effects on the co-operative. However, contrary to what Birchall suggests this seems to be a problem almost regardless of co-operative size, as even the smaller co-operative according to one farmer has difficulties in filling its positions within the co-operative. **Farmer 5** even suggested that it might be a problem with today's society, that less people are committed, in addition he stated that farmers mostly do not want to travel further than 30 kilometres for meetings. While **Farmer 1** stated that the lack of commitment might be due to lack of time or lack of influence, which supports Birchall's (2017) notion that at least in larger co-operatives the lack of commitment could be due to lack of influence. The question then becomes why there is a lack of commitment in the co-operatives? The empirical evidence could argue that it is due to the society we have today or that it is due to a lack of time or priority. That the farmers simply do not have the time or do not want to take the time to travel far for a meeting.

5.2 Agency Relationships

The majority of farmers agreed that they have little to no influence on the co-operatives, these farmers were all members of larger co-operatives. According to Birchall (2017) this depends on the sheer amount of members and that their votes become diluted. The empirical evidence of this is further supported by **Farmer 10** who is a member of a smaller co-operative but stated that his influence on Lantmännen is minimal and that he feels more like a customer than member. It could Therefore be argued that the farmers influence on larger co-operatives are minimal and that their voices and votes have become diluted to the point that the farmers no longer feel that they have influence. A solution to this problem would be to make a more member central business strategy that emphasises the importance of the members ownership of it, and where member loyalty is rewarded (Birchall 2017). However, most of the farmers agree that they have almost no influence on the co-operatives policy making and the direction of tis policies. The most common factors for this feeling were the size of the co-operative, that it is too big to influence and that it is the market that influences the policies. Here the answer is unrelated to the size of the co-operatives. Most farmers on the other hand seem to agree that the direction of policies is out of their hands. The empirical evidence suggests that it does not matter if the co-operatives are small or large but that it is down to factors outside of farmers control, that dictate the direction of its policies.

The majority of farmers agree that the co-operatives managers have the same interests as the members, with only three farmers stating otherwise. Eisenhardt (1989) states that the agency problem occurs when the cooperating parties have different goals in mind and different diversions of labour. The empirical evidence suggests that there are no large agency relationship problems in the co-operatives, as the farmers did not feel that there were different goals in mind or different diversions of labour. The result was more or less the same when asked how to cooperation between the members themselves and between the members and managers functioned. Eight farmers agreed that they indeed had a good cooperation between all parties. Consequently, the empirical evidence suggests that there indeed are no larger agency relationship problems in any of the co-operatives. However, there were two members that found it hard to co-operate with other parties as they either needed to put themselves first or that there was a lack of commitment of other members. The empirical evidence could argue that there instead is a growing loss of social capital, which Nilsson et al. (2012) mentioned could happen when co-operatives grow larger. In addition, farmers agree that they have a great amount of trust towards the co-operative, the BoD and its managers. **Farmer 7** highlighted that it was clear that the co-operative worked for the benefit of its members. The empirical evidence thus proves that farmers no matter the size of the co-operatives have high levels of trust, which contradicts Nilsson et al. (2012) statement that large

co-operatives lose their social capital over time. However, **Farmer 8** stated that he had more trust when he was a member of a smaller co-operative, in addition also **Farmer 10** stated that he had an increased level of trust towards the smaller co-operative. This empirical evidence therefore somewhat contradicts the overall evidence, it could therefore be argued that although members of both small and large co-operatives have large amounts of trust, there tends to be more trust towards the smaller co-operative. This is further supported by Feng et al. (2016) as they stated that smaller co-operatives hold higher levels of social capital. In addition **Farmer 1** who is a member of a larger co-operative found it hard to control what the co-operative is saying and how much the BoD has to say against the managers, which according to Birchall (2017) depends on the size of the co-operative and that it becomes too complex to get a good overview of the co-operative. It could also be argued that there is asymmetric information between the farmer (agent) and the managers (principals), which comes from the lack of knowledge by the agent regarding the principals actions (Eisenhardt 1989). According to the farmers the level of trust could be increased by better results, more personal contact, and increased transparency. One solution to increase the level of trust is for the co-operative to invest in reporting solutions for the agent (Eisenhardt 1989), in which there could be more personal contact and better transparency between the co-operative, managers and members. Birchall (2017) argues that a solution to increase information sharing within the co-operative is to make sure that the boards have a duty to inform member of performance and to make sure that the members get their patronage refund and other benefits. This could be argued is something that also would increase the level of trust from the members as it touches on all things the farmers needed to increase their trust.

5.3 Social Capital

The empirical data shows that the farmers needed more transparency, more personal connections to the managers higher up in the hierarchy, more respect from elected representatives on meetings, more flexibility on managers closest to the members and more commitment within the co-operative to have more influence on the co-operative. Furthermore out of the six farmers that gave these suggestions only one was a member of a smaller co-operative. Nilsson et al. (2012) suggests that larger co-operatives have a heterogeneous member base, which results in a loss of social capital. It could therefore be argued that the different factors which the farmers needed to have their desired influence shows how heterogeneous the member base really is. In addition, the answers given by the members also suggest that there is a loss in social capital when it comes to the farmers influence on the co-operative.

The empirical evidence has shown that the farmers are of positive opinion regarding the co-operatives in general due to the feeling that they are stronger together. However, there are fewer farmers that are not of a positive opinion regarding their own co-operatives even though most farmers still are of positive opinion. In addition, nine out of ten farmers agree that their co-operatives live up to their expectations of them. The empirical evidence suggests that the co-operatives therefore hold quite high levels of social capital. However, Nilsson et al. (2012) argues that large co-operatives lose their social capital over time. Although one farmer from a larger co-operative stated that their co-operatives did not live up to expectations. The empirical evidence thus might suggest the same, that larger co-operatives lose their social capital over time and therefore do not have the same social capital as smaller co-operatives. In addition, some farmers stated that their satisfaction with their co-operative was closely linked with the co-operative's settlement price. This might suggest that the level of social capital in some farmers is closely linked with the results of their co-operative and their farms.

The farmers agree that they feel comfortable at the annual meetings and as members of the co-operatives, regardless of the co-operatives size. However, the data also shows that the farmers of Norrmejerier stated that they felt great pride to be members of their co-operative, something not explicitly stated by other members, with only one member stating that they felt some pride to be part of Lantmännen and one farmer stating that they have no other choice than to be members of Arla. Feng et al. (2016) states that the smaller the co-operative the higher the social capital is. It could thus be argued that the same is true in this case, with half of the members from smaller co-operatives feeling a great pride to be members of their co-operative compared to one out of six from the larger co-operatives. There were three main factors that the farmers mentioned would make them feel more comfortable in their co-operatives, increased transparency, better settlement prices and being listened too and heard by the management of the co-operatives. Out of these three farmers two were part of a larger co-operative while only one was part of a smaller co-operative. Nilsson et al. (2012) mentioned that co-operative expansion leads to a membership with high heterogeneity and a loss of social capital. It could therefore be argued that the different factors mentioned by the farmers is a proof of the heterogeneity of the co-operative's member base and its impact on social capital. However, as there are six farmers that did not know of anything that would further increase their satisfaction, the opposite could also be argued. That there is no larger heterogeneity between members and that there is a large amount of social capital towards the co-operative, but the fact that there are some farmers that wanted changes in the co-operative to make them feel more comfortable in it can be seen as a loss of social capital over time (Nilsson et al. 2012).

5.4 Results

The analysis gives an indication that the farmers are of positive opinion towards the co-operative model and towards their co-operatives, but that there was a minor discontent towards the larger co-operatives. Given that those farmers feel like the co-operatives are too large or that the co-operatives might as well have been joint stock companies. In turn leads to diluted influence for its members, it has the potential to spread the negative opinion of larger co-operatives. However, it also demonstrates that it is not the co-operative model that is the issue, to the contrary, the analysis highlights the positivity towards the co-operative idea. Furthermore, the analysis also demonstrates that co-operatives without competition tend to have a greater impact on the individual farms than co-operatives with competition, as farmers tend to switch to another business if the co-operatives have too great of an impact on their farm.

As previously stated, the analysis further highlights that farmers regardless of co-operative size have a good amount of trust towards the co-operative. However, some farmers felt that they had an even greater amount of trust towards the smaller co-operatives. The analysis also demonstrated that to further increase the farmers trust, the co-operative needed to increase transparency and personal contacts. This indicates that there is a problem of information asymmetry and shows that larger co-operatives have problems in keeping good personal relationships with its members. The analysis further highlights that all the farmers feel comfortable at the annual meetings and that the farmers felt comfortable as members in their co-operatives. However, the farmers from Norrmejerier indicated that they felt pride to be members of the co-operative. Which showcases members of smaller co-operatives tend to feel more comfortable than the members of large co-operatives. Furthermore, the farmers indicated that transparency, being heard and settlement prices would even further increase their comfortability as members of their co-operatives. The analysis further shows that the majority of farmers find that the co-operatives live up to their expectations of them. These findings indicate that although there seems to be a high level of social capital in all co-operatives, the larger co-operatives tend to lack in transparency and personal connections compared to the smaller co-operatives. The smaller co-operatives on the other hand tended to have even higher levels of social capital and although the farmers indicated that they also had their flaws, tended to have fewer than the large co-operatives.

The analysis gives indication that the farmers and managers share the same interests concerning the direction of the co-operative. In addition, most farmers indicated that the cooperation between themselves and the co-operative functioned well. This shows that the co-operatives have good agency relationships with their members

and indicates that there are no large amounts of mistrust from the members towards the co-operatives.

As previously stated, the analysis highlights the low level of perceived influence felt by the farmers. It indicates that the farmers have little to no influence on larger co-operatives in general but also how most farmers have little to no influence regarding the policymaking of the co-operative. However, the level of perceived influence seemed to be higher in smaller co-operatives, this shows how smaller co-operatives give the farmers a greater sense of influence. The analysis also demonstrates what the farmers needed to have their desired influence, which indicates that farmers need more transparency, more personal connections to key managers and more commitment from fellow farmers. The analysis further shows that for the farmers to adapt to changes more easily they needed better profitability in the form of incentives from the co-operative. These findings show how important information sharing and personal connections is to the co-operative, and even more so large co-operatives, but also how important it is that changes also bring economic incentives. In addition, the farmers indicated that they needed more foresight and information sharing to be able to adapt easier to changes. Furthermore, the analysis showed that although the farmers got the information in time to anticipate changes, it was hard for them to distinguish the important information from the less important. These findings further point out the importance of information sharing and long-term planning, with information sharing being something that the analysis indicates co-operatives lack proficiency in. At least when it comes to the right information.

The analysis further show that smaller co-operatives were preferred to those who were members of both large and small co-operatives. The main factors being more influence and more closeness to the co-operative. This showcases how smaller co-operatives tend to become more personal to their members and tend to engage its members more easily than larger co-operatives.

The analysis further highlights commitment as being an issue in both large and small co-operatives. The analysis shows how several farmers see this as being the main problem in today's co-operatives. It indicates that the lack of commitment is a universal problem and that the farmers themselves did not have a clear understanding as of why.

The findings of the study give an indication that there are quite large differences between large and small co-operatives regarding social capital and influence. However, it also shows that these differences might not be the largest problems within the co-operatives, as commitment was implied as the biggest problem.

However, the findings also imply that some of the differences in influence and social capital might boil down to the larger lack of commitment in larger co-operatives than smaller. In addition, the findings indicate that larger co-operatives might have a harder time arousing commitment in its members than smaller co-operatives. The findings also show that some farmers feel as if their co-operatives might as well have been joint stock companies. Furthermore, they show the importance of dealing with co-operative governance in large co-operatives to avoid losses in social capital and the loss of commitment within the co-operative.

These findings are important contributions towards co-operative governance literature, as they emphasise the importance of the differences between large and small co-operatives regarding influence on its governance and the opinion of its governance. Furthermore, it emphasizes the importance of redesigning the governance structures in large co-operative to make sure that the farmers feel as if they have influence and so that the co-operatives can arouse commitment. It also implies the problems with commitment in both small and large co-operatives and how it affects the co-operative governance. However, as there did not seem to be a one answer to the problems of lack of commitment, these findings need more research to fully understand where the lack of commitment stems from and how that problem can be mitigated or how co-operatives can arouse more commitment from its members.

6. Discussion & Conclusion

In the following chapter the results of this study will be compared to the findings of the previous studies mentioned in the first chapter. After the comparison of results the conclusions of the study will be presented, followed by the contribution of this study.

6.1 Previous Studies

Previous studies that review the co-operative governance have mainly focused on social capital. Despite that several similarities could be observed. One study found that the co-operatives had become too complex for its members to get a good overview of it (Österberg & Nilsson 2009). Similar results were observed in this case study, where there in larger co-operatives was a feeling that they were too large and complex to be able for the farmers to have a good overview of it. Another finding by Österberg & Nilsson (2009) was that the number of members within the larger co-operatives created a feeling that the members own voices were drowned in the other voices. There are similar findings in this case study, where farmers feel like their own influence in larger co-operatives is little to none.

Another study by Richter & Hanf (2021) found that it is important for firms and organisations to be adaptable to changes, and that it is principal for organisations to remain competitive. While Ceptureanu et al. (2018) found that it is important for the cooperation between organisations and companies to be adaptable to changes. However, the same results could not be found in this case study, instead the farmers indicated the importance of profitability and foresight for their farms adaptability to changes.

To summarize the study, the conclusions are presented below. The conclusions are presented in such a way as to answer the research questions and adhere to the aim of the study. After the conclusions the contributions of the study are presented.

6.2 Does the size of the agricultural co-operative and the democratic governance structure create challenges regarding the level of perceived adaptability and trust for the farmer members?

The size of the agricultural co-operative and its democratic governance structures did not create challenges regarding the level of perceived adaptability for the farmers. The reasoning being that the farmers generally did not find it hard to adapt to changes on their farms. They were more focused on the information sharing and long-term planning of such changes. However, there is a difference in perceived level of trust for the farmers. Thus, the co-operative size and its democratic governance structure did create a challenge or rather difference between large and small co-operatives. The reasoning for the difference were mostly related to the farmers perceived influence over the co-operative which was higher in the smaller co-operatives than the larger co-operatives in addition, the farmers felt more closeness and more at home in the smaller co-operatives. These reasonings indicate that there is more social capital within the smaller co-operative than the larger co-operative. The lower levels of social capital in the larger co-operatives make themselves known through lower levels of perceived influence or rather little to no perceived influence. Thus, the size of the agricultural co-operatives and the democratic governance structures create challenges regarding level of perceived trust for the farmers.

6.3 What challenges are there, and how can the potential challenges of co-operative size and democratic governance structures be mitigated?

It is evident that the co-operatives and especially the larger one's struggle with challenges regarding member influence, personal connections and relations and commitment. The farmers perception regarding their influence was that they had little to none on the larger co-operatives while the farmers which were members of smaller co-operatives were more positive regarding their influence. The lack of influence did not seem to come from just one problem, rather the respondents had several different ideas on how to improve their influence in their co-operatives. The reason the level of perceived influence is higher in the smaller co-operative is due to a more direct influence, where farmers thoughts and voices can have a direct impact. In addition, the farmers perception of personal relations and connections also appears to be a challenge that larger co-operatives face as some of their farmers feel like they are not being heard, respected or that they feel like they are too far away from managers higher up in the hierarchy. It appears that these challenges

were not at all as present in the smaller co-operatives, with farmers stating that closeness and influence were some of the strengths in smaller co-operatives. Another key difference between the larger and smaller co-operatives that some of the farmers liked was the direct democratic governance structure as the decisions made almost always were in consensus where almost everyone agrees which makes it more personal.

It is also evident that commitment is a larger challenge and although it appeared to be more present in larger co-operatives it also seemed to be a greater challenge in smaller co-operatives. The farmer's perception was that it is easier for smaller co-operatives to arouse commitment than for larger co-operatives. Furthermore, that the challenges could depend on a lack of time, lack of influence or that it was a problem with today's society. The challenges with commitment also show that there should be a loss in social capital, something that the farmers stated not necessarily was an issue, although there seemed to exist a loss of social capital in larger co-operatives.

These challenges boil down to a dysfunctional co-operative governance style, which is designed for smaller co-operatives. Meaning that the co-operatives have grown too large and complex for their members to feel like they have an influence or good personal connections. Furthermore, the lack of influence also seemed to be related to the lack of commitment, as farmers who do not feel like they can influence the co-operative or do not find it necessary were less likely to be committed than farmers that felt like they could influence it. A solution to mitigate these challenges would be to redesign the governance of the co-operative and create a more member central business strategy, which emphasizes the importance of member ownership. In addition, the co-operative should provide more opportunities for members to actively participate in the co-operative to create a larger sense of influence between the members. This also has the opportunity to create more personal connections and relations between the co-operative and its members as more of its members can become involved and committed in the co-operative.

6.4 Contribution of the study

The study's findings indicate that the larger co-operatives have greater challenges than smaller co-operatives regarding influence and member connections and relations. However, the data also indicates that commitment is the larger challenge and is a challenge that both small and larger co-operatives are struggling with. Finally the findings of the study emphasize the need for the co-operative governance structures in larger co-operatives to be redesigned and thus emphasize the importance of owner membership. Furthermore, the redesign should also include

more opportunities for members to participate in the governance, to ensure that they feel like they have more influence and are willing to become more committed.

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Popular science summary

The co-operative governance structures influence on the members adaptability: A study of the farmer members perceived adaptability, trust and influence regarding changes inflicted by the different co-operative governance structures and sizes.

The development of the agricultural context has gone from a stable environment in which farmers can focus on optimising their productions to an ever-changing environment. Farmers now must focus on adaptability and resilience instead of optimisation. An important element in the farmers life is the co-operative, these co-operatives. With mergers and acquisitions the co-operatives get more legs to stand on, and thus become more diversified in their operations. There are several advantages and disadvantages for organisations to diversify their operations, such as spreading the risks across different businesses and thus becoming more resilient in the face of change and challenges, but it can also be risky with higher costs for the development of new products or markets, in addition to the purchase of another firm or a merger with another firm, can become quite costly.

There are two main democratic governance structures, representative and direct. This begs the questions of what challenges there are related to the size and governance structure of the co-operatives and if the size and governance structures create challenges for farmers adaptability and trust. Therefore, the aim of the study has been to analyse how trust, adaptability and the influence of the members change in relation to the co-operative's democratic governance structure and size. How members are impacted by the co-operatives is important to understand, as it can show what challenges the members perceive in their co-operatives.

Through conducting interviews with members of two large and two small co-operatives the conclusion could be drawn that although adaptability did not seem to be a challenge, trust, influence, social capital, and commitment were. The study's contribution is to highlight the challenges larger co-operatives face as well as show how these challenges can be mitigated through a redesign of the governance structure to be more member central.

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Appendices

Appendix 1: Interview guide

Thank you for your time in partaking in this study. This study aims to develop a deeper understanding of the impact co-operative governance structures has on farmers trust and adaptability. The interview will take about 30-40 minutes and will consist of open-ended questions to give you room to share your experiences and opinions of the potential impacts of co-operative governance structures.

Background

1. What is your primary production?
2. Tell me about your farm, how many animals? how much hectares do you operate on?
3. Which co-operatives are you part of?
4. What is your roll in that co-operative and why?

Co-operative governance

5. What is your opinion on co-operatives in general? Why?
6. What is your opinion on your co-operatives? Why?
7. Can you tell me how your co-operative is run?
8. What potential impacts does the co-operative bring to your organisation?
9. Do you feel like your organisation has it easy to adapt to policy / policy change by the co-operative and why is that? How much trust do you have towards the co-operative, its board of directors and managers and why is that?
10. How can your trust towards the co-operative, the board of directors and managers be increased?
11. Do you feel like the managers of the co-operative have the same interests regarding the direction of the co-operative?
12. How does the cooperation function between you and the other members as well as between you and the co-operative?
13. Do you feel comfortable at the annual meetings? Why/why not?
14. Do you feel comfortable as a member of the co-operative? Why/why not?
16. What do you need to feel comfortable?

Adaptability

17. What is your impact on your co-operative and why?
18. Do you feel you can influence the direction of the co-operatives policy.
Why/why not?
19. What do you need to have your desired impact on your co-operative?
20. What do you need to adapt to changes easily?
21. Do you get information of the co-operative of which direction their policy and quality systems are going in time so that you can anticipate and adapt?
22. What do you need from the co-operative in order to easier adapt to changes in policy and quality systems?
23. Does the co-operative live up to your expectations in that regard?
Why/why not?

Appendix 2: Simplified Empirical Data

Table 4 Simplified Empirical Data

Farmers	Farmer 1	Farmer 2	Farmer 3	Farmer 4	Farmer 5	Farmer 6	Farmer 7	Farmer 8	Farmer 9	Farmer 10
Opinion of co-operatives in general	Positive	Positive	Positive	Negative	Positive	Positive	Positive	Positive	Positive	Positive
Opinion of their own co-operatives	Negative	Positive	Positive	Positive	Positive	Positive	Positive	Undecided	Positive	Positive
Do they know how co-operatives are run?	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Potential impacts on the farm by the co-operative	Big	Small	Big	Big	Small	Small	Small	Big	Big	Small
Is it easy to adapt to policies/policy changes implemented by the co-operative?	Hard	Easy	Hard	Easy	Easy	Easy	Hard	Easy	Hard	Hard
Trust towards co-operative, BOD & managers	Mixed	High	Hugh	High	Mixed	High	High	High	High	High
How can trust be increased?	Transparency	Nothing	Contact	Respect	Relations	Results	Nothing	Motions	Nothing	Transparency

Level of comfort at annual meetings	High	High	High	High	High	High	High	High	High	High
Level of comfort as member of their co-operatives	Low	High	High	High	High	High	High	High	High	High
How can they feel more comfortable?	Transparency	Responsive	Nothing	Nothing	Nothing	Pricing	Dividends	Nothing	Nothing	Nothing
Do managers have the same interests as the members?	-	Same	-	Same	Same	Not same	Same	Same	Mixed	Same
Cooperation between the members themselves and the managers	Not well	Well	Well	Well	Well	Not well	Well	Well	Well	Well
Farmers impact on the co-operative	Low	Low	Low	Low	Low	High	High	Low	High	Mixed
Can the farmers influence the direction of the co-operatives policies?	No	No	No	No	Yes	No	No	No	No	Yes
What do the farmers need to have their desired impact on their co-operatives?	Transparency	Flexibility	Connections	Respect	Nothing	Commitment	Commitment	Mixed	Nothing	Nothing
What do the farmers need to adapt easier to changes?	Transparency	Foresight	Counselling	Foresight	Information	Information	Nothing	Nothing	Knowledge	Foresight

Do the farmers get information of the direction the co-operatives policies and quality systems take in time to anticipate?	Depends on Subject	Depends on Commitment	Depends on Commitment	Yes	Yes	Yes	Yes	Yes	Usually	Yes
What do farmers need from the co-operative to easier adapt to changes in policies and quality systems?	Transparency	Profitability	Nothing	Inclusion	Nothing	Profitability	Nothing	Nothing	Nothing	Profitability
Do the co-operatives live up to the farmers expectations?	No	Yes	Mixed	Yes	Yes	Mixed	Yes	Yes	Mixed	Yes

Appendix 3: In depth empirical data

Co-operative Governance

The majority of the farmers have a positive opinion of co-operatives and the co-operative model. **Farmer 6** and **1** finds that co-operatives are good in the sense that farmers always are stronger together, whereas **Farmers 7, 2 & 5** state that the co-operatives are good for the deposition of goods and especially when those goods go further down the processing chain. **Farmer 10** is of the opinion that the fundamental idea of the co-operative is positive and that it strengthens the farmers. **Farmer 9** is positive to the co-operative model and stated that it is especially good that all the members have the same values. However, **Farmers 1 & 4** state that due to the size of the larger co-operatives it feels like they might as well be run as joint-stock companies. **Farmer 8** although positive to the co-operative model feels that the members of co-operatives that grow too large lose their influence on the co-operative. **Farmer 3** who even though has a positive opinion of Arla feels like some of the large co-operatives have somewhat lost the fundamental idea, meaning that farmers nowadays no longer have the same rules, that it instead is about negotiations between the individual farmers and the co-operatives.

Although the majority of farmers have a positive opinion of co-operatives and the co-operative model most of them have a somewhat positive opinion of their own co-operatives. **Farmers 2 & 4** state that they have a positive opinion of their co-operatives as they deliver good results. **Farmer 5** stated that there are no large issues with his co-operatives, and that the issues that do come up often are solved by the co-operative. **Farmer 6** has a positive opinion of Lantmännen and is satisfied with his dairy co-operative, the farmer stated that the dairy co-operative due to its size has trouble competing with other dairy companies, but he has no choice to whom to deliver and thus need to make the best of it. **Farmer 7** stated that his co-operatives are very well functioning, but that its harder to judge Lantmännen due to its size which makes it harder to judge if the dividends are good enough. Furthermore, he stated that it is harder to get a good overview of the large co-operation, due to the co-operatives large and diverse industries. Moreover, he thinks that the co-operatives are quite incredible and that they have delivered good profits and helping them secure their industry. **Farmer 8** finds it hard to provide a united answer because of the co-operatives' sizes, but he stated that as long as they provide a good result, they are doing well. However, there is no difference between Lantmännen and for example Gullviks to him, something supported by **Farmer 3**. **Farmer 8** stated that the price from Lantmännen is higher but comes with the promise of dividends. However, the dividends are not enough to justify the higher

prices and he feels tricked as the final sum is higher than the costs of buying from another company. **Farmer 9** is of a positive opinion of his co-operatives but finds them very complex and that to understand how they are put together is not that easy, rather it requires a lot of knowledge. **Farmer 10** is satisfied with his co-operatives, although more so with Varaslättnens Lagerhus where he has a closer connection with how the business is run, he can also influence the co-operative through meeting both the CEO and the board chair whenever. The farmer is also satisfied with Lantmännen although he does not have the same expectations of influence and ownership, he stated that he feels more like an owner of Varaslättnens Lagerhus than Lantmännen. However, **Farmer 1** does not have a positive opinion of his co-operatives, he stated that the co-operatives that they are members of have become too big and that they have no feeling of being able to influence the co-operative and that it thus almost feels like being a shareholder in a joint stock company as you do not have any influence there either.

The majority of farmers have good insight in how their co-operatives governance is both set up and run. Although some farmers stated that they do not know how the governance structures are set up and how the co-operatives are run because they are not familiar with it. Other farmers had some insight and familiarity with the governance structures but did not know exactly how it was built up.

Regarding the co-operatives impacts of the farms the majority of the farmers say that they directly influence the profitability of the farm. **Farmer 1** stated that the co-operative has a big impact, it decides how he should produce. Furthermore, if they do not meet the co-operatives' requirements, they cannot deliver milk and although they themselves voted this through it still affects around 80% of their yearly earnings. **Farmer 2, 4, 7 & 10** stated that the impact on his farm also is connected to profitability and pricing. **Farmer 2** gets dividends by trading with Lantmännen while **Farmer 4** stated that when he was a member of Arla the impacts were much larger as he then had the Arlagården, whose policies and rules extend further than the Swedish laws. Furthermore, he as a member had nothing to say on the matter and that if he was still a member of Arla the impact would be a lot more administration. **Farmer 7** stated that the co-operatives do not have an impact on his daily operation, but they do absolutely have an impact on the pricing of his inputs. **Farmer 10** stated that the impacts are mostly related to inputs which makes the co-operatives important trade partners. Furthermore, according to him, one of the most important traits of a trade partner is trust capital and he generally feels more trust towards Varaslättnens Lagerhus than Lantmännen as he simply does not have the same trust built up there, which he states can be related to the size of the co-operatives. **Farmer 3** stated that the impacts on his farm are more connected to the rules and that he feels like they could use some help on how to deal with things as everyone

interprets the rules differently. **Farmer 5** stated that he feels like the co-operative functions like any other firm towards his farm, he thus does not feel any difference impact wise. **Farmer 6** stated that there are not that many impacts on his farm, the impacts that do exist are not too odd. Furthermore, the dairy co-operative does not have a sustainability program such as Arla, which is okay. **Farmer 8** stated that the impact he experiences is related to the quality program and that he needs to follow it in order to get the maximum settlement price. Furthermore, there are a lot of small details here and there that if not necessary he would not have done. **Farmer 9** stated the biggest impact on its farm is from Norrmejerier and that the farmer needs to do as they wish to be able to deliver milk to them. Lantmännen, on the other hand, has competition which he can switch to if he feels that the impact of Lantmännen is too big. *“I sometimes feel like we put down a lot of time on administration and to fill out different stuff and that that might be more important than managing the operation”*.

When asked how easy it is for the farmers to adapt to policies and policy change by the co-operative, half of the farmers stated that it is easy, while the other half found it harder. **Farmers 2, 4, 5, 6 & 8** found it relatively easy to adapt, **Farmer 2** stated that it is okay to adapt if the policies do not extend further than the laws and certificates do. **Farmer 4** stated that it in some ways is easy although it takes time, he knows that it takes some administration to follow rules and certificates from his own experience. However, he did not find it easy to adapt to Arlagården when he was a member of Arla and that it is easier to adapt in a smaller co-operative than a large co-operative. **Farmer 5** hopes that the co-operatives are transparent enough so that one feels comfortable with the policies, he feels that the co-operatives are transparent enough and only do what the market requires of them. **Farmer 6** finds it easy to adapt. **Farmer 8** stated that it has been easy to adapt so far and that he does not feel like he needs to change too much. However, **Farmers 1, 3, 7, 9 & 10** do not find it as easy to adapt, **Farmer 1** state that it is not easy to adapt to Arla's policies due to a lack of communication on how Arla thinks of it. **Farmer 1** states that about 75% of the policies are predictable if you follow the discussion in the European Union the other 25% are not predictable at all, those 25% of policies can be changes last minute by Arla, which makes it hard to adapt. Furthermore, the communication is not the best and that it is not the big changes that come with little notice but rather administration. **Farmer 3** finds it hard with too many rules and that there are coming more and more rules all the time, he sometimes feels like nobody is right about these things but that the co-operative has a need to make it seem good. **Farmer 7** stated that he finds it both easy and hard to adapt at times, easy in Varaslättnens Lagerhus where they have created a sustainability platform which makes it easier to read up on what it means and what the compensations are. **Farmer 9** stated that it is not exactly easy to adapt, and that the farmer used to

deliver organic milk but that when the co-operative no longer wanted it, the only option was to quit. In addition, they have so many regulations from different directions to follow, the farmer is in one of the most regulated operations. **Farmer 10** stated that it depends if it is hard or easy, both co-operatives have insight on how its policies affect its members, which means that they do not implement them for fun but there needs to be a good reason for it. He can imagine that for example more milk-oriented businesses have had higher costs to adapt to policies, because their dairy companies have been more driving in their sustainability program, its payments and to cultivate that development. According to him *“quite large changes were needed on the farm as I have understood it without being a dairy farmer myself”*.

All farmers said that they have quite a large amount of trust towards the co-operative, its BoD and managers. **Farmer 1** stated that he has a great amount of trust towards his colleagues but that there is a large amount of political influence within the co-operative which lowers his trust. He also finds it hard to control the things they say, if the things they do really are needed and that the co-operative lacks transparency which makes it hard for them to know how much the BoD have a say in things compared to the managers. **Farmers 2, 3, 4, 7, 8, 9 & 10** all state that they have a high level of trust, **Farmers 2 & 4** state that the co-operatives run their businesses in a good way which for them generates trust. **Farmer 3** trusts that he has chosen the right people to represent them. **Farmer 5** states that the more he gets to know the people the higher the trust gets. **Farmer 6** states that he has high trust towards his dairy co-operative. However, he has a higher trust in Lantmännen as they have good results. **Farmer 7** stated that he has a high level of trust as he feels that the co-operatives clearly work for the benefit of the members. **Farmer 8** stated that his level of trust is highly related to the settlement pricing. However, he also stated that he had more trust as a member of Gefleortens Mejeri due to that dairy company being closer to the market and having a greater transparency. *“The smaller the co-operative the more trust one has”*. **Farmer 9** stated that he has a high level of trust and that although he has trust it can still be hard for a BoD to have enough knowledge regarding the different areas of the co-operative. **Farmer 10** stated that he has a high level of trust for Varaslättens Lagerhus, but that he is biased as he helped choose several of the members in the BoD. As for Lantmännen he has a normal level of trust as they work as good as they can for the members even though it is harder in a large co-operative.

When asked how the level of trust can be increased the farmers had different ideas, **Farmer 1** stated that he would like an increase in transparency and explain how the processes go as they never know what lies behind the processes. **Farmers 2, 7 & 9** state that they do not think that the co-operatives can do anything to further increase

their trust. Although **Farmer 7** stated that it is important to increase the results and to keep the same percentual dividends to the farmers. **Farmer 3** stated that he would like a more personal contact, he does not want to call 5 different people to get an answer. **Farmer 4** stated that he would like to be listened to in a different way, he feels that when he was a member of Arla that the elected representatives put themselves next to the managers instead of the members. **Farmer 5** stated that his trust could increase by meeting the managers, board members and CEO to get to know their values. **Farmer 6** stated that his trust would increase if the co-operatives showed its results with even more in depth and if they can reach the goals put up by its members. **Farmer 8** stated that his trust would increase if the co-operatives listened to the members and took care of motions. **Farmer 10** stated that his trust would increase with even more transparency.

All of the farmers said that they felt comfortable at the annual meetings and said that it is nice to see colleagues and friends. In addition, some said that it also was a good time to ask questions to elected representatives and that it is a good place to gain insight into the co-operative and its operations. Furthermore, there is usually a good mood at the meetings as well.

When asked if they felt comfortable as members of their co-operatives, almost all the farmers said that they indeed felt comfortable. **Farmer 6** stated that he is proud of his smaller co-operative. **Farmer 9** stated that he feels comfortable with his co-operatives but that it is up to the farmer to make something of it as well, through how involved and committed he chooses to be. However, **Farmer 1** said that they are members due to them having no other choice, as there is no other dairy company to collect their milk and that their satisfaction with the co-operative comes from the settlement pricing.

Regarding what the farmers would need to feel even more comfortable as members in their co-operatives, many farmers did not really know what they would need to feel more comfortable. However, **Farmers 1, 2, 6 & 7** stated that they had improvements in mind that would make them more comfortable within the co-operative. **Farmer 1** stated that an increase in transparency regarding what is happening in the co-operative and who is deciding what. Furthermore, a pat on the back to show that what we as farmers are doing is appreciated, there is too much negative talk around animal production, it would have been nice if they appreciated our efforts more. **Farmer 2** stated that he would like the management to be more responsive and preceptive to questions that come up and that they answer them as honestly as they can. Furthermore, that the management has an ear to the ground and listens to the owners and what they want. **Farmer 6** stated that a good settlement price would make them more comfortable. **Farmer 7** stated that he

wanted some sort of dividends system such as Lantmännen has in Varaslättnens Lagerhus to make it more appealing to animal producers as well.

Regarding if the farmers feel like the managers have the same interests as them concerning the co-operatives direction the majority of farmers are of the opinion that the managers do have the same interests as themselves concerning the direction of the co-operative. **Farmers 2 & 8** state that although they do not know the managers higher up in the co-operative hierarchy, they feel like the managers they have contact with have the same interests. **Farmer 4** stated that he thinks the managers have the same interests as his co-operatives are on the front edge of the market with their products. **Farmer 5** stated that he and the managers overall have the same interests and that there to his experience are not any hidden things. **Farmer 6** does not think that he and the managers have the same interests as if the co-operative has a bad result, the settlement price is the first thing to take a hit and then the owners and members get to take the hit, instead of it being a cooperation between owners and managers. **Farmer 7** stated that he feels that the managers have the same interests as himself, because the managers need to make their own budget meet, thus, they need to do the best possible job which in turn is correlated with the benefit of the members. **Farmer 9** stated that it depends from CEO to CEO if they really know that they are running a co-operative or not as it is not a joint stock company. **Farmer 10** stated that he is certain that everybody is pulling in the same direction within Varaslättnens Lagerhus but that it is harder to judge Lantmännen because he lacks the same overview of the co-operative.

Most of the farmers feel as if the cooperation between themselves and the co-operative functions well. **Farmers 2, 3, 4, 5, 7, 8, 9 & 10** all stated that they feel like they have a good cooperation between themselves as colleagues and the co-operatives. However, **Farmers 1 & 6** stated they either found it hard to cooperate with others at the moment or did simply not cooperate with anyone. **Farmer 1** stated that he did not cooperate with anyone as he needed to put his farm first, but that hopefully the members of his co-operative all worked together for a better settlement price. **Farmer 6**, on the other hand, stated that there is a lack of commitment or involvement, and that it is a problem he thinks most co-operatives struggle with.

Adaptability

The majority of farmers feel that they have little influence on the co-operative, **Farmers 2, 4 & 5** stated that as members they have one vote, but that the co-operatives have a lot of other members and that their vote alone is not enough to influence the co-operative. *“It is not enough that I have one vote because that is not 156%, you have to have respect for that”* (**Farmer 5**). **Farmer 1** stated that

they have no other influence than sharing their feelings and thoughts by going to the meetings and by calling members of the district committee. **Farmer 3** stated that they do not have that much influence, that he has written motions before and gotten answers on them which means that he has some influence. But he feels that because he is not that committed, he cannot say that he has no influence either. **Farmer 6** stated that he has direct influence, and he feels that if he would go to district meetings in his other co-operatives that he would be able to have a partial influence. **Farmer 7** stated that because of his position within Varaslättnens Lagerhus he has direct influence, but that within Lantmännen he does have the same influence, but if he was more committed within Lantmännen he would be able to influence there as well. **Farmer 8** stated that he has little influence due to them not being active within the co-operative. In addition, he feels that what you say at the meetings never will be taken up by the BoD at Arla, if you want to reach them you need to create motions and then you have very little influence. **Farmer 9** stated that it feels like the farmer have influence, the farmer feels that its voicings reach its destination. In addition, some elected representatives can call them about different topics. **Farmer 10** stated that their influence on Lantmännen as a member is minimal, he feels as he influences the co-operative more as a customer than member. *“If I am satisfied with our trade then I am a satisfied customer and if not then I switch to another firm, this would probably only be noticed as me not being a customer anymore”*. He feels that there are too many members for him to become an active and committed member *“as you share you input with so many others. I think that it is easier in Varaslättnens Lagerhus to influence and bring forth your views on the organisation, in addition you get a response on it as well”*.

When asked the question whether or not the farmers can influence the direction of the co-operatives policies, most of the farmers answered that they could not. **Farmers 1, 6 & 8** stated that they had no or very little influence over the direction of the policies due to the size of the co-operative. They found the co-operatives too big to be able to influence polices and policy making. **Farmers 2, 3, 7** stated that they had little to no influence over the direction of the policies, as it is the market and its needs that decide how the policies will be shaped. While **Farmer 5** feels that because of his position within the co-operative, he can influence the direction of its policies. **Farmer 4** stated that he is not interested in influencing his co-operatives, but that he absolutely could not influence the policies as an Arla member. **Farmer 9** stated that it is hard to influence the policies as it more often than not is the law that direct the policies. However, **Farmer 10** feels that he can influence the direction of the policies, as the co-operative is driven by the same will as his own firm. If the co-operative notices a way to increase the worth of the grain they will make sure that it is grounded to the members as well.

Regarding the farmers' influence on the co-operatives, the farmers had different ideas on what they personally needed to be able to have their desirable influence on the co-operatives policies. **Farmer 1** stated that he needed increased transparency, as Arla is a huge co-operative with too many layers to go through, with only a few board positions in the BoD which makes him doubt if his voice is heard. However, if they become more transparent so that he knows where his voice lands and how they make decisions then his influence might be higher than he thinks. **Farmer 2** wishes for the managers sitting more locally to be less top managed and wants more flexibility with the managers closest to the members. **Farmer 3** stated that he would want personal connections with people higher up within the co-operative and that of course not everybody can call to the BoD. But that to him the co-operative is too big as he compares it to running his own firm. **Farmer 4** needs more respect from the elected representatives and wants them and managers to come back later on questions that they in the moment do not have answers to instead of dismissing them. **Farmer 5** stated that he simply has to trust the elected representatives and that they are sound. *"You have to trust that they have a grip on the situation, unfortunately"*. **Farmer 6** stated that commitment within the co-operative is a problem and that if members come to the annual meetings, they get instantly chosen for a position within the co-operative. When asked if commitment is the biggest issue right now, he answers yes. **Farmer 7** stated that although he does not know how much influence a single member should have, he could influence Lantmännen if he wanted to by commit himself more and being open to elected representatives' positions. He further stated that he does not believe that Lantmännen has the same level of commitment as Varaslättns Lagerhus and that it might depend on the co-operatives' sizes. **Farmer 8** stated that it is hard to know if it is even possible on such a large co-operative, to have more influence. While **Farmer 9** feels that the farmer already has what it needs to have their desired influence on co-operative. In addition, the farmer stated that the reason not everyone feels heard might be because of how they behave, you need to be calm and sensible. **Farmer 10** does not think that he needs more influence on the co-operative due to them having the same interests at heart and that Varaslättns Lagerhus does not act out of self-interest but rather for the benefits of its members. However, he further stated that he does not believe that Lantmännen acts out of self-interest either but that it is so much more than just the agricultural side of Lantmännen that generated value for them. This makes Lantmännen much more complex than Varaslättns Lagerhus, which also lays ground for the discussion of conflict of interests in Lantmännen. The discussion is about transfer pricing within the co-operative to benefit the co-operatives other industries, something also brought up by **Farmer 7**.

In addition to what the farmers needed to gain their desirable influence the farmers were also asked the question on what they needed to easier adapt to changes.

Farmers 2, 4 & 10 stated that they wanted more foresight, with **Farmer 10** stating that the more foresight he has on an upcoming change the easier it becomes to adapt to it. **Farmers 7 & 8** stated that they do not need anything more to easier adapt to changes, while **Farmer 1** stated that he wanted more transparency, that if he knows what they are thinking and what is going to happen it will be easier. **Farmer 3** wanted more counselling and guidance to help him with Arlagården so that things are done right, he feels that it should be natural and not burdensome which it is when there are things that you do not quite grasp. **Farmer 5** wanted the information to be easier to take in, that there is so much information coming out right now and that it is difficult to take it in, something that **Farmer 1** also stated. **Farmer 6** wanted information flows on for example sustainability programs, so that he knows what the co-operative is up to, which is something that he feels his co-operative has succeeded in. He further stated that being able to discuss those things on meetings might be a strength of a smaller co-operative something that **Farmer 4** also brought up. **Farmer 9** wanted more knowledge and that it should have a bearing on the economy as well. The farmer further stated that it can be easy to think of new stuff but that it takes time and money too and that the money unfortunately not always follows.

The farmers where then asked what the co-operative could do to make it easier to adapt to changes in policies and quality systems, where many of the farmers gave a similar answer. **Farmers 2, 6 & 10** stated that a better profitability, either through incentives or other financial means would make it easier for them to adapt. However, **Farmers 3, 5, 7, 8 & 9** stated that they do not need anything more from the co-operative to adapt easier. While **Farmer 1** stated that better transparency and long-term planning would make it easier, they stated that Arla needed to shift its focus from itself to the members to make sure that they can follow in their tempo. **Farmer 4** stated that an inclusion in the discussions on future polices and quality systems would make it easier.

Almost all of the farmers felt that they got information from the co-operatives in such a good time that they could anticipate changes in policies and quality systems. Although **Farmers 2 & 3** stated that it depends on how committed the members are, **Farmer 2** stated that the co-operative is nothing more than what you make of it, and that commitment is essential to take in information and having a point of view. **Farmer 1** stated that it depends on the subject and which country that has the strictest laws. They further state that they get the co-operative annual report but that the essential information is in between all other information which makes it easy to miss essential news. In addition, they feel as if Arla's world is turning faster than the world of its members and that it makes long term planning almost impossible. **Farmer 4** cannot recall the last time a change happened that influenced his farm.

Farmer 5 stated that he probably gets such information with enough time to anticipate but that the farmers not always are listening to what is going to happen and that it probably is there the problem lies. **Farmer 6** stated that if he needed any information from Lantmännen, he could find it on their webpage. **Farmer 7** states that he gets enough information on the meetings that he attends. **Farmer 8** stated that the co-operatives are good with information and that he through the Arla Farmers app can access news from managers and how the market is doing. While **Farmer 9** stated that there usually is enough foresight, the foresight in the settlement price can just be a couple days in advance. Specifically last year, the dairy company lowered its settlement price with 0,5-0,6 SEK which many of her colleagues had a hard time handling, as it was right before summer, the time of year with the worst liquidity. He further stated that it is quite a large adaptation to decide how many extra workers you hire for the summer and then to be able to pay the bills. The farmer feels that those things could have come with a little longer foresight. **Farmer 10** agrees with that some things move quickly but that he is sympathetic to the co-operative as it not always is up to them but rather up to the customers what happens. However, he stated that overall, he gets the information with enough foresight.

Almost all farmers stated that they the co-operatives live up to their expectations. However, **Farmer 1** stated that it did not as they are not seen as the number one priority, rather Arla's sustainability program has the number one priority. He further stated that as long as Arla has a good result on their sustainability program then everything is fine. In addition, he feels like Arla is not proud of its members, *"They need to prioritise us and our professional pride"* something he does not feel that they do today. He feels that they are viewed as simple farmers even though most farmers today have an excellent education. **Farmer 2 & 4** stated that the co-operative is doing as good as it can and live up to their expectations. **Farmer 3** stated that if you look at the basic idea of a co-operative that everyone can deliver with the same terms, then it lives up to his expectations. However, he stated that the quality rules as for example Arlagården is another thing, as there are new rules added all the time which was not the basic idea of a co-operative. **Farmer 5** stated that the co-operatives live up to his expectations and that if they did not, he would simply move to another firm, which he stated is easier with Lantmännen and harder with Arla as there is no substitute. **Farmers 6 & 9** stated that although they live up to their expectations on the organisational and informational side they do not on the financial side. **Farmer 7** stated that they live up to his expectations and that he is happy with the services and results. **Farmer 8** stated that the co-operatives live up to his expectations as long as they have a good settlement price something that **Farmer 9** also stated. **Farmer 10** stated that both the co-operatives that he is part

of lives up to the expectations that he has for them, and that he has other expectations of Lantmännen than Varaslättnens Lagerhus.

The farmers that were members of both a larger and smaller co-operative were asked the question of how it is to be a member of a smaller co-operative compared to a larger co-operative. **Farmer 7** stated that the benefit of a smaller co-operative is that he has more closeness to the co-operative, he can call both the CEO or the members of the BoD whenever and ask them a question or request information. He further stated that a smaller co-operative could solve the commitment, transparency, and communication problems, however there must be some sort of efficiency. For example, Lantmännen which has an extensive processing would become less effective if there were 10 smaller bakeries, but the competition is important, there need to be competitors to the big co-operatives. **Farmer 4** stated that he did not see any larger differences more than there being fewer members. **Farmer 2** stated that the economic muscles although present are not large enough so that you cannot do everything you wish in a smaller co-operative. Another key difference according to him is in the decision making, as the decisions in the smaller co-operative are more or less taken in consensus where everyone agrees, while he stated that the larger co-operative is more of a democratic process where majority voting is the deciding factor. It is more personal in the smaller one. **Farmer 9** stated that the farmer feels more at home in Norrmejerier than Lantmännen due to Lantmännen being so big and so far, away. **Farmer 10** stated that he has a more direct influence on the smaller co-operative, what you think and say is something that can have a direct impact, which is something you notice in a smaller co-operative. He further stated that although commitment is not an issue in his co-operative, it is easier for smaller co-operatives to arouse commitment than larger ones. **Farmer 8** which previously was a member of Gefleortens Mejeri stated that he felt that he had a larger influence there than now with Arla.

Commitment is something that came up again and again in the interviews, with several farmers seeing it as an issue in today's co-operatives. **Farmer 1** stated that there usually is not a large commitment in meetings, due to a lack of time or influence. **Farmer 4** stated that he feels that the co-operatives function well and that because of that, he is not committed. **Farmer 5** believes that the problems with today's co-operative lies with the lack of commitment and that it is hard to get the talented young farmers with kids and families to become more committed as they do not want to be away from their families. He stated that they noticed that the members did not want to drive more than 20-30 kilometres to a meeting and if the meetings were further away, they did not attend. **Farmer 6** stated that it is hard to cooperate with other members and the co-operative due to a lack of commitment, which is something he believes most co-operatives experience. He further stated

that there are more and more farmers quitting, which results in mergers and then longer distances to travel for the members. Their co-operative is trying to prevent this by arranging more online meetings and to prepare movies so that all members no matter their district get the same information. **Farmer 7** feels that you can demand some sort of commitment from the members, but that there are a lot of members that just deliver grain. For example, Varaslättens Lagerhus had a change of data systems a while ago which meant that they were closed to deliveries which also was communicated in all channels with good foresight. However, at the first day of the co-operative being closed there was a farmer at the doors waiting to deliver grain, which is something that reflects a picture of quite a few members. **Farmer 8** stated that to have influence on the co-operative you need to have commitment, such as taking on positions within the co-operative. He further stated that when he was a member of Gefleortens Mejeri, the annual meetings were very well visited as everyone wanted to meet the BoD and the CEO. Now that they are members of Arla that commitment has continued, as he understood it were Arla's meetings not well visited but that when they joined everyone started coming to the meetings, and there are still a lot of previous Gefleortens Mejeri farmers still visiting the annual meetings of Arla. Thus, he stated *"it's still there from before that you feel that you have a great influence although it is different now"*. **Farmer 9** feels that for the farmer to feel comfortable within the co-operative they want the co-operative to commit more people and that the co-operatives focus should be with those that have the least commitment.

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