

Multi-layer entrepreneurial marketing institutions: the case of Dutch cooperative firms

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Abstract

The study of agribusinesses entrepreneurship has received an increasing interest from economists and is now part of their research agenda. Agricultural economists support the idea that research on agribusinesses' sector ability to move away from a traditional, commodity-oriented, to an innovative, consumer-oriented one requires the study of entrepreneurial behavior of the involved marketing institutions as actors in agricultural marketing channels. In this paper we view the structure of agricultural marketing institutions (i.e., cooperative firms) from a purely entrepreneurial perspective. The participating producers (i.e., cooperative members) in these marketing institutions, apart from their own primary farm-level entrepreneurial lead, also develop a second oriented market-oriented entrepreneurial layer (i.e., cooperative firm). This second layer helps them to bear risks and create superior value for buyers and, hence, superior profit for the business. Agricultural marketing institutions are expected to respond appropriately to their member-entrepreneurial needs for coordinated marketing activity in the channel which allows them to invest further down to the supply chain. This requires an understanding of marketing institution members' behavior. We propose a behavioural approach to study the entrepreneurial activity of participating members in agricultural marketing institutions. In particular, we argue that the subjective utility that member entrepreneurs assign to the organizational and strategic dimensions of the structure of a marketing cooperative institution is the locus of cooperative entrepreneurship. Based on this notion we explain how cooperative members develop multi-layer business structures which allow them to market their products. We illustrate and discuss the results of the case studies (Dutch horticultural and dairy cooperatives that market their products internationally) where the members' entrepreneurial behavior (i.e., preferences) was measured and analyzed. The paper concludes with a discussion on the ability of the proposed behavioural framework to integrate the theory of cooperatives, entrepreneurship, and marketing with subjective evaluations in formal decision-making analysis, and thereby to provide new theoretical and empirical insights in cooperative research. Furthermore our framework allows a better understanding of the role of agricultural cooperative institutions as efficient entrepreneurial actors in agricultural marketing channels.

Keywords: marketing institutions, cooperative members, multi-layer entrepreneurship, subjective utility.