New Generation Cooperatives as a Response to the Economic Crisis in Greece

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ABSTRACT

The severe Greek economic crisis has created several financial and social challenges. The rise in unemployment had a consequence that a significant percentage of city-dwellers had to leave their homes mostly in Athens and continue their life in rural areas of Greece. Small agricultural holdings that were inherited and never utilized in the years of economic prosperity are now utilized. New business structures have emerged to tackle unemployment and the loss of income. As a result, the first new generation cooperative (NGC) named Efkarpon was established in Karditsa, Greece, in 2012. It is a vertically integrated cooperative, which uses innovation in production and processing of superfood fruits. Factor analysis and SWOT analysis are used to specify the cooperative potentials and manage members’ expectations. The results reveal that the members joined in the Efkarpon mostly because they liked the innovative attributes of the effort and recognized entrepreneurial opportunities in superfoods. The credibility of the pioneers of this innovative venture seem to have played the key role.

KEYWORDS

Factor Analysis, NGC, Superfoods, SWOT Analysis

INTRODUCTION

The global economic crisis has caused tremendous changes in the food industry, challenging businesses to adapt to the new market conditions. Enterprises have become more competitive, due to the reduced market protection as well as more diversified, due to the stringent consumer demand for variety, convenience and innovations which

DOI: 10.4018/IJCFA.2018010103

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are not reported in financial reports although it would be valuable information for the investors. (Kalantonis and Zopounidis 2009) As a response to these modifications, producers adopt more market-oriented strategies for their products. This trend enforced Traditional Cooperatives (TC) to expand into more value-added activities aiming at the creation of superior customer value (Benos et al., 2015). Consequently, new value-added processing cooperative models emerged worldwide. These re-engineered market-oriented cooperatives include several organizational (e.g. ownership, governance) as well as strategic characteristics (e.g. market orientation, brand orientation). Some of these changes refer to the individualized equity, the non-member funding, the proportional decision control and the allocation of benefits through price differentiation and personal shares (Chaddad and Cook, 2004:).

NGC is a typical example of a new organizational form (re-engineered cooperative) (Fulton and Gibbings, 2000 and Bijman and van Dijk, 2009). They consist of producers of a specific product, who come together and agree to accept clearly defined commitments, in order to increase their benefits (Downing et al., 2005; Iliopoulos, 2005; Schank and Fulton, 2005).

In Greece, although there are TCs with re-engineered characteristics, there is only one NGC, named Efkarpon, located in Central Greece. Efkarpon birth coincides with the severe economic crisis. Five years ago, the lack of economic development mechanisms and the increase of unemployment, motivated a significant number of city-dwellers, working mainly in the service sector, to turn at the primary sector (Tsiforos and Stavropoulou (2012)) cultivating not only traditional crops but also non-traditional ones through new schemes of cooperation.

An empirical survey conducted in 2008-2010, by Carini and Carpita (2013), has confirmed that cooperatives behave better in times of crisis compared to similar conventional enterprises as indicated by economic and employment indicators. For the same period in Italy, Carini and Costa (2013) recorded good prospects for social cooperatives and their employees, despite the economic crisis. According to Wollny and Zeller (2007) they prefer to join a cooperative in times of crisis, mainly for “security reasons”, but also to maximize their profit and participate at knowledge exchange. Furthermore, other factors that motivate producers to register in a cooperative during a crisis period are the age, the level of education and the size of the holding. Even consumer support agricultural cooperative products during the current economic crisis according to Koutsou et al (2015).

The paper is divided into five sections. The introductory part is followed by the theoretical framework. Then, the research methodology is presented, followed by the analysis and the presentation of the results. The final section concludes with the overall evaluation of this first attempt to introduce NGC in Greece under condition of economic crises. For the first time, in Greece, after a period of setbacks for the majority of agricultural cooperatives, this article monitors a new cooperative type (NGC) and its ability to amplify the effects of the severe financial crisis.
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