# 1 Literature review

The cooperative form of business was formed initially in New York. The cooperative dairy associa- tion began in the mid-1800s in order to combat the monopsony power of privately held milk-processing plants (Erdman & Larsen, [1965](#_bookmark3); Porter & Scully, [1987](#_bookmark10)). However, while cooperatives depend on organi- zational growth, member heterogeneity may cause a decline in market position if agricultural cooper- atives do not adapt quickly and successfully (Cook & Burress, [2009](#_bookmark0)). In other words, if the preferences of the cooperative’s members are too heterogeneous, this increases the probability of organizational degeneration (Chaddad & Cook, [2004](#_bookmark1); Hansmann, [2000](#_bookmark4); Iliopoulos & Hendrikse, [2009](#_bookmark7)).

Ho¨ hler and Ku¨ hl ([2018](#_bookmark6)) breaks down member heterogeneity into three categories:

1. Farm-level heterogeneity
   * Size-related: differences in farm size
   * Spatial: different geographical locations of cooperative’s members. This may include differ- ent production conditions as well as different cultures
2. Member-level heterogeneity
   * Personal: age, experience, education, income, decision-making behavior
   * Temporal: variance in the planned and duration of memberships
   * Risk references: differences in investment constraints
   * Contractual: differences in relationships between members and cooperatives
   * Participatory: differences in members’ commitment to participate in a cooperative’s gover- nance
   * Motivational: differences in members’ valuation of the benefits of membership
3. Product-related heterogeneity: differences in the kind, quality, or amount of products delivered to the cooperative

For the purposes of our investigation into PCCA, we are primarily concerned with member-level heterogeneity, particularly related to personal, participatory, and motivational heterogeneity. We aim to find the causes for the differences in preferences, customer satisfaction, and cooperative valuation between members. This is to develop a strategic plan in order to foster continued PCCA growth. As Nilsson et al. ([2012](#_bookmark8)) notes, there is a ”multiplicator effect” – the sense that members are able to provide the cooperative with financial support that, in turn, builds social capital, and this builds further human capital (build-up of mutual trust with increased interactions and communication).

One possible mechanism to foster human capital is social media. Culnan et al. ([2010](#_bookmark2)) examines how large U.S. companies can use Twitter and other social media to communicate with their customers. They found that simply creating an online presence is insufficient to gain business value from social media.

Instead, successful implementation requires three elements: mindful adoption, community building, and absorptive capacity. Indeed, cooperatives can adopt the same guidelines in order to gain simi- lar business value from social media. One of the reasons for using social media is to retain existing members and to attract new ones.

Member responses from the questionnaire would also help us evaluate their preferences and de- sires regarding PCCA. As Pinsonneault and Kraemer ([1993](#_bookmark9)) defined a survey as a ”means for gathering information about the characteristics, actions, or opinions of a large group of people” (p. 77). Addition- ally, as Groves ([2009](#_bookmark5)) notes, ”surveys are ubiquitous tools of management to improve the performance of their organizations” (p. 5).

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